

Energy Efficiency Commitment

Administration Procedures issue 2

December 2003

Summary

The Energy Efficiency Commitment programme (EEC) began on 1 April 2002. Following on from the Energy Efficiency Standards of Performance, the EEC programme requires suppliers to achieve improvements in domestic energy efficiency and as such forms part of the Government's Climate Change Programme. At least 50% of the energy savings must be targeted at domestic consumers receiving certain benefits or Tax Credits; hence the EEC also forms part of the Government's Fuel Poverty Strategy. The statutory basis of the EEC is the Electricity and Gas (Energy Efficiency Obligations) Order 2001 (the EEO Order). The EEC obligation period runs from 1 April 2002 until 31 March 2005.

The EEO Order imposes an obligation upon licensed gas and electricity suppliers, with at least 15,000 domestic consumers, to meet an energy efficiency target and sets the framework for how this obligation is to be achieved.

Ofgem is required to determine the energy efficiency targets for each gas or electricity supplier on whom obligations are imposed by the EEO Order. Ofgem will review, and where necessary adjust, each supplier's energy efficiency target each year of the EEC obligation period.

Ofgem is also required to determine whether any activity proposed by a supplier qualifies for the purpose of achieving whole or part of their energy efficiency target; and, if so, what improvement in energy efficiency is to be attributed to that activity. Suppliers are required to submit their scheme proposals to Ofgem for accreditation. Due to the specific provisions of the EEO Order, Ofgem can only determine whether activity is a qualifying action, and the overall energy savings attributable to it, at the end of the EEC obligation period.

Another important part of Ofgem's role is to oversee the trading of qualifying actions and energy efficiency targets between suppliers. The EEO Order requires suppliers to obtain the written agreement of Ofgem for such trades to be recognised for the purposes of the EEO Order.

Ofgem will also monitor each supplier's progress against their energy efficiency target through regular reporting requirements and, where necessary, enforce compliance with their obligation under the EEO Order.

The Energy Efficiency Commitment Administration Procedures were initially published in December 2001 to provide guidance to suppliers on how they can comply with their

obligations under the EEO Order. This second issue of the EEC Administration Procedures supersedes that publication. The main change is the clarification of how suppliers' schemes are treated. When a supplier submits its scheme proposals it will be told that, if their proposal conforms with the procedures outlined in this document, that their activity is capable of being qualifying action. When the scheme has been completed as outlined in the proposal the supplier will be told that the activity will be qualifying action provided at least 50% of its overall activity is met within the Priority group. Finally when all a supplier's completion reports have been received, Ofgem will be able to determine whether the supplier's activity is qualifying action.

In the Chapter on trading we have now clarified that Ofgem will only agree to trade when the scheme involved has been approved.

Finally to increase the consistency of the way suppliers distribute compact fluorescent lamps (CFLs), all CFLs that are distributed free of charge, even those with another measure, will now be limited to four. However, this will not affect the schemes that have already been accredited by Ofgem.

These Administration Procedures also now provide guidance on how suppliers can integrate their EEC schemes with other Government programmes. The relevant programmes are Warm Front, Welsh HEES, the Scottish Executive Central Heating Programme, Warm Deal, Community Energy and Clear Skies. Ofgem has liaised with the relevant Government departments to produce this guidance.

The Energy Efficiency Commitment Administration Procedures will continue to be a working document and shall be reviewed from time to time during the operation of the EEO Order.

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1. Introduction

- 1.1. The Electricity Act 1989 and the Gas Act 1986 enable the Secretary of State to make an order which imposes an energy efficiency obligation on electricity distributors and suppliers and gas transporters and suppliers. The Electricity and Gas (Energy Efficiency Obligations) Order 2001 (EEO Order), which came into force on 15 December 2001, sets an energy efficiency obligation for electricity and gas suppliers and sets the framework for how this obligation is to be achieved. The EEO Order provides the statutory basis of the Energy Efficiency Commitment programme (EEC).
- 1.2. The EEO Order was amended by the Electricity and Gas (Energy Efficiency Obligations) (Amendment) Order 2003 which came into force on 26 April 2003. The effect of the Amendment Order was to account for the changes made by Government to the Tax Credit system. Child Tax Credit and Working Tax Credit replaced Working Families Tax Credit on 6 April 2003 and Pension Credit was introduced on 6 October 2003.
- 1.3. The Energy Efficiency Commitment Administration Procedures were published in December 2001 to provide guidance to suppliers on how they can comply with their obligations under the EEO Order. The Administration Procedures are intended to be a working document. Ofgem shall continue to review the Administration Procedures from time to time throughout the operation of the EEO Order.

Background

- 1.4. The Energy Efficiency Standards of Performance (EESoP) were introduced in 1994 in England and Wales as part of the Public Electricity Suppliers' (PES) Supply Price Control, and a year later in Scotland. These Standards ran until March 1998, and gave obligations to each of the 14 PESs to achieve specified energy savings, and the ability to fund them through a special revenue allowance equivalent to £1 per franchise customer per year. The EESoP 1 scheme was extended for two years under EESoP 2 and ran between April 1998 and March 2000. In the EESoP 3 obligation the target was extended to

include second tier electricity suppliers and gas suppliers, and was based upon suppliers spending £1.20 per customer for each fuel per annum.

1.5. The National Audit Office carried out a detailed independent value for money examination for EESoP1¹ in 1998 and concluded that,

- it had a net present value saving of £250m;
- a further £80m worth of comfort improvement had been achieved, in terms of warmer homes, improved lighting etc;
- the average cost of saving a unit of electricity was 1.8 p/kWh, which compared very favourably with the then price of electricity (7.1 p/kWh on-peak; 2.7 p/kWh off-peak).

1.6. The EEC ties in with two wider Government initiatives. It is an integral part of the Climate Change Programme² and, in addition, the Fuel Poverty Strategy³ highlights that improvements in energy efficiency would help reduce fuel poverty. The Government's Energy White Paper⁴ also recognises the importance of energy efficiency in delivering its climate change targets and that the EEC in particular has a major role to play in curbing emissions from households.

1.7. Each supplier to which the EEO Order applies will be required to meet an energy efficiency target. The supplier will be required to meet this target by producing improvements in energy efficiency in homes across Great Britain.

Administration procedures revision

1.8. Section 2 of these Administration Procedures provides details on how the energy efficiency targets will be set and adjusted. Section 3 sets out the scheme accreditation process with Section 4 detailing monitoring and compliance requirements. Section 5 outlines how energy savings and targets can be traded between suppliers. Finally, Section 6 provides guidance to suppliers on

¹ Improving Energy Efficiency Financed by a Charge on Customers, July 1998, National Audit Office

² Climate Change the UK Programme, November 2000, DETR

³ The UK Fuel Poverty Strategy, November 2001, DEFRA and DTI

⁴ Our Energy Future – Creating a Low Carbon Economy, 2003, DTI
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integrating their schemes with other Government programmes, namely Warm Front, Welsh HEES, the Scottish Executive Central Heating Programme, Warm Deal, Community Energy and Clear Skies.

- 1.9. The original issue of the Energy Efficiency Commitment Administration Procedures, December 2001, contained a summary of responses and a list of respondees to the Administration Procedures Consultation of September 2001. This has been omitted from Issue 2 of the Energy Efficiency Commitment Administration Procedures; however, the responses can be viewed in full on Ofgem's website at www.ofgem.gov.uk. Issue 2 of the Energy Efficiency Commitment procedures has been discussed with the suppliers before publication.
- 1.10. Ofgem has also produced a Technical Guidance Manual to provide specific detail on the types of energy efficiency measures which suppliers are likely to employ. This Manual is a working document and the latest version can also be viewed on Ofgem's website at www.ofgem.gov.uk.

Ofgem's duties under the EEO Order

- 1.11. The key aspects of Ofgem's remit to administer the EEO Order include:
- determining the energy efficiency targets for each gas or electricity supplier on whom obligations are imposed;
 - reviewing suppliers' energy efficiency targets each year of the EEC obligation period;
 - determining whether an activity qualifies as achieving the whole or any part of a supplier's energy efficiency target (i.e. is a qualifying action);
 - determining any improvements in energy efficiency to be attributed to a qualifying action;
 - providing written agreement, where appropriate, to a supplier trading energy savings from a qualifying action to another supplier (trading energy savings);

- providing written agreement, where appropriate, to a supplier transferring the whole or any part of its energy efficiency target to another supplier (trading targets);
- reporting to the Secretary of State for Environment Food and Rural Affairs annually.

2. Target setting

The overall target

- 2.1. The overall target for the promotion of improvements in energy efficiency in Great Britain, to be met by 1 April 2005, is set in the EEO Order as 62 fuel standardised terawatt hours (TWh). The illustrative mix of measures used to derive this target is set out by Defra on its website, <http://www.Defra.gov.uk/environment/energy/eec/index.htm>. Ofgem is responsible for apportioning the overall target between those suppliers eligible for an energy efficiency target, in accordance with the criteria set out in the EEO Order.

Suppliers with an energy efficiency target

- 2.2. Each electricity supplier or gas supplier with 15,000 or more domestic consumers on 31 December 2001, 31 December 2002 or 31 December 2003 will have an energy efficiency target under the EEO Order.
- 2.3. A domestic consumer is a consumer to whom electricity or gas is supplied at domestic premises in any part of Great Britain or a person who requests electricity or gas to be supplied to him at such premises (a future consumer). Where electricity or gas is supplied to a consumer at both domestic and non-domestic premises, the consumer will be considered to be a domestic consumer for the purposes of the EEO Order at the domestic premises only, and not at both the domestic and non-domestic premises.
- 2.4. Domestic consumers that will be considered to be supplied by a supplier include those:
- (a) supplied by a holding company or a subsidiary of the supplier: or
 - (b) supplied by any subsidiary of such a holding company.
- 2.5. Where a supplier supplies both electricity and gas to domestic customers, it will be assessed separately in relation to its functions as an electricity supplier and as a gas supplier.

Setting energy efficiency targets

- 2.6. The EEO Order states that Ofgem must set each supplier's energy efficiency target by reference to the number of the supplier's domestic consumers on 31 December 2001 (or, as the case may be, 31 December 2002 or 31 December 2003) and the relevant adjustment factor set out in graph form in Schedule 1 of the EEO Order. The relevant adjustment factor is used to ensure that the overall target of 62 TWh is apportioned between suppliers in such a way that progressively tighter energy efficiency targets are imposed on companies of increasing size. The relevant adjustment factor formula is set out in figure 2.1 below.

Figure 2.1 The relevant adjustment factor

$$A = (N \times (8.94 + \ln (N / (1 + 0.00008 \times N))) / 18.1284) \times 1000$$

Where:

A is the adjusted number

N is the supplier's domestic consumer numbers / 1000

ln is the natural logarithm

- 2.7. Where a supplier had at least 15,000 domestic consumers on 31 December 2001, the relevant adjustment factor was applied to their domestic consumer numbers. The resulting figure is referred to as the supplier's EEC-adjusted domestic consumer number. Examples of EEC-adjusted domestic consumer numbers are provided in figure 2.2 below.

Figure 2.2 Conversion of domestic consumer numbers to EEC-adjusted domestic consumer numbers

Domestic consumer numbers	EEC-adjusted domestic consumer numbers
15,000	9,637
50,000	35,436
100,000	74,674
1,000,000	869,951
15,000,000	14,701,286

- 2.8. Once EEC-adjusted domestic consumer numbers had been determined for all such suppliers, the overall target of 62 TWh was apportioned between them in proportion to their EEC-adjusted domestic consumer numbers to determine their energy efficiency targets. These suppliers are required to achieve their energy efficiency targets between 1 April 2001 and 31 March 2005. See Example A in Figure 2.3.
- 2.9. Where a supplier did not have at least 15,000 domestic consumers on 31 December 2001, but did so on 31 December 2002, they were set an energy efficiency target in January 2003. This target was based on two-thirds of their domestic consumer numbers on 31 December 2002, to which the relevant adjustment factor was applied, and the overall target then apportioned. These suppliers are required to achieve their energy efficiency targets between 1 April 2003 and 31 March 2005. See Example B in Figure 2.3.
- 2.10. Where a supplier did not have at least 15,000 domestic consumers on 31 December 2001 or 31 December 2002, but does so on 31 December 2003, the supplier will be set an energy efficiency target in January 2004. This target will be based on one third of the number of its domestic consumers on 31 December 2003, to which the relevant adjustment factor will be applied, and the overall target then apportioned. These suppliers are required to achieve

their energy efficiency targets between 1 April 2004 and 31 March 2005. See Example C in Figure 2.3.

Figure 2.3 Target setting

Supplier	Date	Domestic consumer numbers	Domestic consumer numbers used to set target
Example A	31 Dec 2001	15,000	15,000
Example B	31 Dec 2001	5,000	0
	31 Dec 2002	15,000	$15,000 \times 2/3$
Example C	31 Dec 2001	5,000	0
	31 Dec 2002	10,000	0
	31 Dec 2003	15,000	$15,000 \times 1/3$

- 2.11. A supplier with less than 15,000 domestic consumers on 31 December 2001, 31 December 2002 and 31 December 2003 will not have an energy efficiency target under the EEO Order.

Adjusting energy efficiency targets

- 2.12. Where a supplier's number of domestic consumers on 31 December 2002 differed from the average of those on 31 December 2001 and 31 December 2002, Ofgem adjusted the supplier's energy efficiency target. The target was adjusted by determining the average of the supplier's domestic consumer numbers on 31 December 2001 and 31 December 2002. The relevant adjustment factor was then applied to this figure to determine the supplier's EEC-adjusted domestic consumer numbers. The overall target was then apportioned against the supplier's EEC –adjusted domestic consumer numbers to determine the supplier's energy efficiency target. See Example D in Figure 2.4.

2.13. Where a supplier's domestic consumer numbers on 31 December 2003 differs from the average of those on 31 December 2002 and 31 December 2003, Ofgem will adjust the supplier's energy efficiency target. The target will be adjusted by determining the average of the supplier's domestic consumer numbers on 31 December 2001, 31 December 2002 and 31 December 2003. The relevant adjustment factor will then be applied to this figure to determine the supplier's EEC-adjusted domestic consumer numbers. The overall target will then be apportioned against the supplier's EEC-adjusted domestic consumer numbers to determine the supplier's energy efficiency target. See Example E in Figure 2.4.

Figure 2.4 Target adjustment

Supplier	Date	Domestic consumer numbers	Domestic consumer numbers used to adjust target
Example D	31 Dec 2001	15,000	15,000
	31 Dec 2002	20,000	$(15,000 + 20,000) / 2$
Example E	31 Dec 2001	15,000	15,000
	31 Dec 2002	20,000	$(15,000 + 20,000) / 2$
	31 Dec 2003	25,000	$(15,000 + 20,000 + 25,000) / 3$

2.14. Where a supplier's domestic consumer numbers are less than 15,000 on 31 December 2001, 31 December 2002 or 31 December 2003, they will be classed as zero for the purpose of target setting and adjusting.

Timetable for setting and adjusting energy efficiency targets

2.15. All licensed suppliers must inform Ofgem of what their gas and electricity domestic consumer numbers are on 31 December 2001, 31 December 2002 and 31 December 2003. This information must be provided to Ofgem by 10

January of the following year. They must also provide details of their company group structure at this time.

- 2.16. Based upon the information provided, Ofgem set each supplier's energy efficiency targets by 31 January 2002, adjusted them where required by 31 January 2003 and will finalise them by 31 January 2004. Ofgem will also set energy efficiency targets for suppliers which did not supply at least 15,000 domestic consumers on 31 December 2001 or 31 December 2002 but do so on 31 December 2003 by 31 January 2004. Figure 2.5 sets out the timetable for setting and adjusting the energy efficiency targets.

Figure 2.5 Timetable for setting and adjusting energy efficiency targets

Date of domestic consumer numbers	Suppliers provide domestic consumer numbers to Ofgem	Ofgem sets targets	Target status
31 December 2001	By 10 January 2002	By 31 January 2002	Provisional target
31 December 2002	By 10 January 2003	By 31 January 2003	Adjusted target
31 December 2003	By 10 January 2004	By 31 January 2004	Final target

- 2.17. All licensed suppliers must inform Ofgem in writing if their domestic consumer numbers fall below, or rise above, the 15,000 threshold at any time during the EEC obligation period (1 April 2002 to 31 March 2005). Targets will be adjusted according to the timetable set out in figure 2.5 above.

3. Scheme accreditation

- 3.1. Suppliers can meet their energy efficiency target by setting up energy efficiency schemes. Under the EEO Order Ofgem is responsible for determining whether an activity qualifies as achieving the whole or part of a supplier's energy efficiency target (i.e. is a qualifying action) and the improvement in energy efficiency to be attributed to it.

Qualifying action

- 3.2. The EEO Order defines a qualifying action as an activity of any description that produces, or may reasonably be expected to produce, an improvement in energy efficiency.
- 3.3. It is implicit in this definition that the supplier is able to demonstrate that it is its activity which has resulted in the relevant improvement in energy efficiency (to be referred to as additionality). Ofgem will consider whether a proposed activity is a qualifying action on a case-by-case basis. However, in general we will take account of the following principles in determining whether the supplier's activities have resulted in an improvement in energy efficiency.
- (a) The supplier is able to demonstrate an improvement in energy efficiency additional to that required to be achieved by minimum legal requirements. For example, the Building Regulations 2000 contain requirements relating to the conservation of fuel and power in dwellings. As households are legally required to meet these requirements, only improvements in energy efficiency above what would be achieved by householders meeting these requirements will be considered as occurring as a result of a supplier's activities. Ofgem will have regard to the guidance issued by the Office of the Deputy Prime Minister in Approved Document L1 Conservation of Fuel and Power in Dwellings (2002 Edition) as to how householders may meet the requirements of the Building Regulations 2000 in determining whether the supplier's activities resulted in additional improvements in energy efficiency.
 - (b) The supplier is able to demonstrate more than a *de minimis* improvement in energy efficiency. An example of this is the improvement in energy

efficiency attributable to compact fluorescent lamps (CFLs). Domestic premises contain high-use, medium-use and low-use fittings. The use of CFLs in low-use fittings is considered to result in *de minimis* improvements in energy efficiency and is consequently not included in Defra's target-setting model. As such, a scheme which involves a supplier providing CFLs to domestic households where the CFLs will be, or are reasonably expected to be, installed in low-use fittings will generally not be considered to be a qualifying action. Where a scheme involves a supplier providing CFLs to households, Ofgem will have regard to the following principles in order to be satisfied that CFLs are being used by the householder in high and medium-use light fittings and therefore result in more than a *de minimis* improvement in energy efficiency.

- i. The number of CFLs provided to households free of charge should be limited to four. When providing CFLs to households free of charge suppliers often have no knowledge of the number of CFLs already installed in the premises, or whether the CFLs provided will actually be used by the householder. Limiting the number of CFLs provided to households free of charge will increase confidence that a sufficient number of CFLs will actually be installed in high and medium use fittings across the overall scheme such that the relevant improvement in energy efficiency will be achieved.
- ii. The number of CFLs provided with a cost contribution from the householder should be limited to six. On average there are four high-use and six medium-use fittings in domestic premises. Research⁵ shows that households that own CFLs are likely to own an average of three or four, and that these CFLs are likely to be used in high-use fittings. It is assumed that it is households that already own CFLs that are most likely to purchase more CFLs. As such, it is assumed that providing more than six CFLs to such households is likely to result in CFLs being used in low-use fittings and resulting in a *de-minimis* improvement in energy efficiency.

⁵ DELight, Domestic Efficient Lighting report, Environmental Change Unit, University of Oxford, May 1998.
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Office of Gas and Electricity Markets

- iii. Where CFLs are provided with a cost contribution from the householder, the cost contribution should reflect the number of CFLs provided. For example, if packs of two, four or six CFLs are provided the householder should contribute at least 50% of the cost of the two, four or six CFLs respectively. This will increase confidence that householders will only purchase the number of CFLs actually required, and therefore the relevant improvement in energy efficiency will be achieved.
- iv. Where CFLs are provided with a cost contribution from the householder suppliers should offer householders a choice in the number of bulbs (i.e. two, four or six) and a choice of different wattages. This will increase confidence that any CFLs provided will be installed and utilised by the householder, and therefore achieve the relevant improvement in energy efficiency.
- v. For schemes offering candle lamps (where more than one bulb may be required in a fitting) it may be appropriate to increase the number of lamps provided. Such schemes will be assessed on a case-by-case basis.
- vi. When offering CFLs with another energy efficiency measure, suppliers should have regard to the principles set out in paragraphs (i), (ii) and (iv) above. That is, those CFLs provided free of charge should be limited to four and those requiring a cost contribution from the household should be limited to six with a choice in number and wattage offered.
- vii. Where CFLs are provided with a cost contribution from households through retail schemes, there may be practical difficulties in limiting sales per consumer such that applying the principle set out in paragraph (ii) is not appropriate. Such schemes will be assessed on a case-by-case basis.
- viii. Suppliers should ensure that a particular household does not benefit from more than one scheme involving the provision of CFLs during the EEC obligation period. This will increase confidence that any assumptions made in relation to the use of the CFLs by the

householder are valid and the relevant improvement in energy efficiency will be achieved.

- (c) The supplier is able to demonstrate that the improvement in energy efficiency was not due to other external factors. This is often difficult to prove for retail schemes. As such, whilst each retail scheme will be considered on a case-by-case basis, Ofgem will generally require suppliers to demonstrate a 20% increase in sales in order to demonstrate an improvement in energy efficiency as a result of their activities. The increase in sales will be compared against sales data for the corresponding period in the previous year, or before the EEC obligation period began (i.e. 2001).
- (d) Where the supplier is undertaking activities with third parties, the supplier is able to demonstrate that its activities have resulted in improvements in energy savings additional to those achieved as result of the activities of its project partners. It is anticipated that this will be particularly relevant to suppliers undertaking activities in conjunction with social housing providers.
- (e) The supplier is able to demonstrate that a third party, such as a social housing provider, has not wholly funded the measures.
- (f) A-rated appliances, 'A' and 'B' rated boilers, heating controls, CFLs to the Priority group and draught proofing were identified in Defra's illustrative mix as having low levels of sales and market penetration prior to the EEO Order coming into force. Ofgem will therefore not require suppliers specifically to demonstrate additionality when delivering such measures.

3.4. There are practices which Ofgem would encourage suppliers to follow in carrying out their schemes. Suppliers are strongly encouraged to adhere to published best practice guidelines. Ofgem's EEC Technical Guidance Manual provides details on best practice guidelines and British Standards.

3.5. There are opportunities for suppliers to tie their EEC schemes in with other Government programmes providing that they can demonstrate that their activity leads to additional energy savings. Chapter 6 sets out how such links can be considered qualifying action.

Priority group

- 3.6. The EEO Order states that an activity will not be a qualifying action unless the supplier secures that at least 50% of the energy savings attributable to its total activity is achieved in the Priority group. Priority group domestic consumers are those in receipt of at least one of the benefits described in the EEO Order.
- 3.7. In order for Ofgem to make this assessment, suppliers are required to declare to Ofgem the percentage of recipients in each of its schemes that are in the Priority group. Suppliers are required to provide an estimate of this for scheme accreditation. Suppliers will then need to monitor a proportion of recipients of each scheme and notify Ofgem of the results when submitting a progress report or a completion report for a scheme. Whilst each scheme will be assessed on a case-by-case basis, suppliers will generally be expected to be able to provide Ofgem with the following evidence to support the declaration.
- (a) Where a scheme involves a home visit by the supplier, for example installing insulation, Ofgem expects the supplier to ascertain whether the recipient is in the Priority group at the time of the home visit. Ofgem would expect the supplier to request to be shown evidence of whether the recipient is in the Priority group, such as the recipient's benefit book and, for Child Tax Credit and Working Tax Credit, their latest Tax Credits Awards Notice to confirm their relevant income.
 - (b) Where a supplier carries out a scheme with a social housing provider, Ofgem will expect to be provided with a written declaration (an example of which is provided in Appendix 3) from the social housing provider stating the percentage of recipients that are in the Priority group. If the social housing provider is unaware of the relevant income of those households only receiving Child Tax Credit or Working Tax Credit, then Ofgem would expect the social housing provider to make all reasonable efforts to obtain this information (for example, if the scheme involves a home visit, by requesting to be shown the recipient's latest Tax Credits Awards Notice to confirm their relevant income) or, where it is not possible to do so, make an informed estimate. This declaration should be provided after the scheme has been completed.

- (c) Where a scheme involves promoting measures through a retailer, Ofgem expects the supplier to survey recipients, for example by providing a questionnaire with the measure that includes a question about whether the recipient is in receipt of any of the benefits described in the EEO Order.
- (d) For schemes such as mail order schemes, where the supplier requires the recipient to fill in a response form, Ofgem expects the response form to include a question about whether the recipient is in receipt of any of the benefits described in the EEO Order.
- (e) Where a scheme is delivered in such a way that it is not possible to survey at least a proportion of recipients, or the supplier does not obtain a meaningful proportion of responses to any survey carried out, Ofgem expects the supplier to use all available information to make an informed estimate of the percentage of recipients that are in the Priority group. Such information could include the level of the subsidy, the geographical location of the scheme and the medium of marketing. Suppliers will be expected to be able to provide evidence to support any such informed estimate.

Energy services

- 3.8. The EEO Order contains an incentive for suppliers to undertake energy service actions. To qualify for this incentive, energy service actions must include at least two qualifying actions, one of which must be an improvement to the insulation of the loft or the walls, improving the efficiency of the principal heating system or the supply of electricity, heat, gas or a liquid from a combined heat and power station. Energy service actions must also involve the supplier undertaking an energy efficiency assessment of the premises, providing relevant energy efficiency advice and offering the consumer the option of deferring payments for the measures.
- 3.9. Where suppliers undertake energy service actions, the qualifying action will be accredited with an additional 50% of energy savings. The energy savings eligible for uplift cannot make up more than 10% of a supplier's overall target.
- 3.10. It is preferable for an energy efficiency assessment of the property to be carried out during a home visit, such as when the house is surveyed for measures.

However, a telephone interview or sending a form to a household for the domestic consumer to complete would also be acceptable. Do-It-Yourself Home Energy Checks (DIY HECs) or other similar telephone questionnaires would be considered suitable. On-site property assessments could include more comprehensive audits such as the Standard Assessment Procedure (SAP) or National Home Energy Rating (NHER) surveys.

- 3.11. The provision of advice should follow the assessment of the property. Suppliers should advise on any suitable measures to be funded through the energy service action. Further advice should then be offered relating to the measures provided as well as general energy efficiency advice. Advice offered to domestic consumers should conform to the minimum requirements of the Code of Practice on the Efficient Use of Gas and Electricity, Supply Licence Condition 25. Suppliers are also encouraged to meet the good practice principles as set out in Ofgem's document Good Practice in the Provision of Energy Efficiency Advice and sign up to the Energy Efficiency Partnership for Homes Code of Practice.
- 3.12. Ofgem issued a document in December 2002, Energy Services in the Domestic Sector, A Guidance Note on Regulatory Issues. This document provides revised guidance to suppliers and is available on Ofgem's website.

Energy savings attributable to qualifying action

- 3.13. To determine the improvement in energy efficiency attributable to a qualifying action, Ofgem will have reference to energy savings published in recognised sources. For example, the figures for insulation and condensing boilers have been obtained from the Building Research Establishment (BRE). As far as possible, energy savings from measures have been calculated in the same way as Defra's illustrative mix of measures.
- 3.14. Ofgem's EEC Scheme Spreadsheet sets out the standard energy efficiency measures and the energy saving attributed to them. These energy savings will not be altered over the course of the EEC obligation period. However, during the course of the EEC obligation period further testing or other empirical evidence may be produced which demonstrates that the energy savings for a measure are different to those set out in the EEC Scheme Spreadsheet. Ofgem

will consider this information and may give notice that from a specified date it will recognise an additional standard energy efficiency measure and the energy savings attributable to the new measure. Suppliers would then have the option to include this new measure within their future scheme submissions and resubmit existing schemes to incorporate the new measure.

- 3.15. In setting the overall energy efficiency target, Defra included an uplift factor of 1.6 for A rated appliances in their illustrative mix of measures. To ensure consistency, Ofgem will increase the energy savings attributable to A rated appliances (refrigerators, freezers, washing machines, dishwashers and electric tumble dryers) by a factor of 1.6.

New or innovative measures

- 3.16. Where a supplier wishes to employ a new or innovative measure, Ofgem will require that supplier to provide independent verification of the energy savings attributable to the measure from a body accepted by Ofgem as being qualified to assess the energy savings. Ofgem recommends that all innovative schemes should be submitted for accreditation before any work begins. Ofgem will only assess measures when submitted by a supplier for accreditation. A list of UKAS and Energy Saving Trust approved laboratories and test houses that are suitable for testing the energy savings from new measures can be found in Ofgem's Technical Guidance Manual.

Scheme accreditation

- 3.17. Ofgem is required to determine whether a proposed activity is a qualifying action for the purposes of the EEO Order and the improvement in energy efficiency that should be attributed to it. Activities can be accredited in whole or in part. In the latter situation, energy savings will only be attributed to the part of the activity which is considered qualifying action. For clarity, accreditation of a scheme does not negate a supplier's responsibilities under the Competition Act 1998.
- 3.18. The EEO Order provides that an activity is not to be regarded as a qualifying action unless the supplier ensures that at least 50 percent of the energy savings attributable to its total activity is achieved in the Priority group. As such,

Ofgem is unable to determine whether an activity is a qualifying action until the end of the EEC obligation period. Ofgem will therefore accredit activities as being capable of being a qualifying action prior to the commencement of the activity, with such accreditation subject to:

- (a) the supplier carrying out the activity in the manner specified in the accreditation; and
- (b) at least 50 percent of the energy savings attributable to the supplier's total activity being achieved in the Priority group.

3.19. Suppliers should submit an accreditation application (scheme submission) for a scheme before commencement of the activity or within one month of the activity commencing. Ofgem will accredit activity that commenced on the date up to one month prior to receipt of the scheme submission. Work carried out prior to this date will not be accredited. These arrangements will allow suppliers to begin work while Ofgem considers the scheme submission.

3.20. Suppliers who commence work on a scheme before Ofgem has accredited it do so entirely at their own risk. Ofgem will not be obliged to accredit a scheme where it considers that the proposed activity is not capable of being a qualifying action.

3.21. The schedule in Appendix 1 provides guidance on when scheme submissions should be submitted and an indicative timeframe in which Ofgem aims to assess scheme submissions. The submission for each scheme consists of two *pro forma*. The first *pro forma* is the EEC Scheme Spreadsheet, which is made available to suppliers. It details the energy savings of the main measure types with suppliers required to indicate which measures, and how many, they plan to deliver. Suppliers must fill in a separate worksheet for each fuel type covered by the scheme. The second *pro forma*, in Appendix 2, provides the format for a written description of the scheme methodology. Both *pro forma* documents must be sent to eec@ofgem.gov.uk.

3.22. In order for Ofgem to assess scheme submissions, the following information will be required, where applicable:

- (a) For retail schemes, Ofgem will require information about the level of sales of the relevant measure(s) before (i.e. for the corresponding period in the previous year, or before the EEC obligation period began, 2001) and those expected after the promotion intended to be carried out by the supplier.
- (b) The percentage cost contribution intended to be made to schemes by the supplier, consumer or any third party.
- (c) How a supplier intends to ensure that their financial contribution is necessary for the scheme to proceed when working with social housing providers. The supplier should ensure that
 - they provide the social housing provider with funding for the purpose of the project; and
 - the project could not proceed without the funding provided by the supplier; and
 - the funding is not available from the social housing provider itself or from any other third party.

To satisfy this requirement, suppliers could request that social housing providers sign a declaration, an example of which is provided in Appendix 3. The supplier can pass this declaration to Ofgem at scheme completion.

- (d) The expected Priority group percentage and how the supplier will monitor recipients.
 - (e) How the supplier intends to monitor the scheme for quality and consumer satisfaction and what proportion of recipients will be monitored.
- 3.23. Ofgem may request further information from a supplier where necessary in order to assess the scheme submission, for example, where a new measure or innovative delivery route is used.
- 3.24. Where the delivery of a scheme changes from that set out in the scheme submission, for example the methodology changes or the energy savings increase by more than 25% of those set out on the scheme submission, suppliers should inform Ofgem. This will ensure that Ofgem is kept informed

of each supplier's work. At this time Ofgem will then consider whether the scheme should be resubmitted for accreditation.

Carry-over of EESoP 3 savings

- 3.25. With the written agreement of Ofgem, a supplier with an energy efficiency target may treat action taken by it before 1 April 2002 as qualifying action under the EEO Order. In this way, suppliers who have exceeded their EESoP 3 targets are able to carry-over these surplus energy savings towards their EEC target. Such action cannot count for more than 10% of the supplier's energy efficiency target.
- 3.26. Suppliers were required to complete their monitoring of all EESoP 3 schemes by 31 March 2003. This information will be used to determine the amount by which a supplier has exceeded its EESoP 3 target. This energy saving can then be equated to energy efficiency measures. As the accreditation of energy efficiency measures differs between EESoP3 and the EEO Order, surplus measures carried over will gain the relevant EEC savings calculated under the EEO Order.
- 3.27. Suppliers are required to submit an EEC scheme submission with respect to EESoP 3 carry over. This should include both pro forma and be submitted in accordance with the scheme submission schedule. If suppliers wish to be accredited with energy savings met within the Priority group, they must provide evidence to justify this. Ofgem will then record the identity of the supplier, the extent to which the activity is to be treated as a qualifying action and the resultant energy and carbon savings attributable to the qualifying action.

4. Monitoring and compliance

- 4.1. Ofgem is responsible for the overall enforcement of the supplier's obligation to achieve their energy efficiency targets. Ofgem is also required to monitor each supplier's performance and report annually to the Secretary of State on each supplier's progress towards meeting its energy efficiency target. All suppliers' energy efficiency targets must be met by 31 March 2005 with Ofgem's final report to the Secretary of State to be made in July 2005.
- 4.2. In order to fulfil its duties under the EEO Order, Ofgem has set up procedures for regular reporting as well as for monitoring each scheme. Ofgem shall compile information from all these reporting and monitoring requirements to submit to the Secretary of State.
- 4.3. Ofgem is not required to collect or publish information in relation to any costs incurred by suppliers in meeting their obligations under the EEO Order.

Quarterly progress reports

- 4.4. Suppliers are required to submit a report each quarter to enable Ofgem to monitor the supplier's progress towards meeting their energy efficiency target. Quarterly progress reports must be submitted using the pro forma provided to suppliers. Figure 4.1 below sets out the schedule for the submission of quarterly reports for the second and third years of the EEC obligation period.

Figure 4.1 Quarterly progress report submission schedule

Quarter	Ofgem provides the quarterly report pro forma to suppliers	Last day for supplier to submit the quarterly report to Ofgem
2003 Quarter 3	Monday 29 December 2003	Thursday 8 January 2004
2004 Quarter 4	Monday 29 March 2004	Wednesday 7 April 2004
2004 Quarter 1	Monday 28 June 2004	Wednesday 7 July 2004
2004 Quarter 2	Tuesday 28 September 2004	Thursday 7 October 2004
2004 Quarter 3	Wednesday 29 December 2004	Monday 10 January 2005
2005 Quarter 4	Tuesday 29 th March 2005	Friday 8 th April 2005

- 4.5. The quarterly report information will also be used to produce Ofgem's EEC Update which is available to interested parties. If you would like to be added to the mailing for this newsletter, please email your contact details to eec@ofgem.gov.uk.

Annual reporting

- 4.6. Each supplier is required to submit an annual report to Ofgem by 30 June in each of the years 2003, 2004 and 2005. The information provided in the annual reports will be used by Ofgem to compile its own annual report to the Secretary of State as required by the EEO Order.
- 4.7. Suppliers are not required to adhere to a prescribed format when submitting an annual report, however the report must include the following information relating to the relevant reporting period:
- the supplier's progress towards achieving their energy efficiency target,
 - the schemes completed by the supplier,
 - the supplier's proposed schemes of which notice has been given to Ofgem,
 - the steps which have been taken by the supplier to ensure that at least 50 percent of the energy savings attributable to the supplier's total activity will be achieved in the Priority group.
- 4.8. In order to ensure that all relevant information is provided, and to allow time for any errors or omissions to be corrected, suppliers are encouraged to submit a draft version of their annual report to Ofgem by 31 May of the relevant year.
- 4.9. Ofgem expects suppliers will make their annual reports publicly available. It is important that information on the EEC be made available to consumers, including details of how the supplier is meeting its target and how consumers can benefit.

Scheme reporting

Completion reports

- 4.10. Once a supplier has completed a scheme they are required to notify Ofgem by submitting a completion report. Suppliers must use the completion report *pro forma* in Appendix 4, which requires suppliers to provide information about delivery and monitoring of the scheme. The completion report must be accompanied by the EEC Scheme Spreadsheet to confirm the overall number and types of measures delivered.
- 4.11. Where a supplier has carried out a scheme with a social housing provider they must also provide evidence that the scheme would not have gone ahead without the supplier's financial contribution. This can be in the form of a declaration signed by the social housing provider, an example of which is provided in Appendix 3. This declaration should state that:
- the supplier has provided the social housing provider with funding for the purpose of the project; and
 - the project could not have proceeded without the funding provided by the supplier; and
 - the funding was not available from the social housing provider itself or from any other third party.
- 4.12. Ofgem will use this information to assess whether the delivery of the scheme complied with the terms of the accreditation. Where Ofgem is satisfied that these terms have been met, Ofgem will approve the scheme. Approval of a scheme certifies that the scheme will be a qualifying action where at least 50% of the energy savings attributable to the supplier's total activity (i.e. total approved schemes) has been achieved in the Priority group. Ofgem will make this assessment at the end of the EEC obligation period (see paragraphs 4.24 - 4.26 for further details).
- 4.13. Suppliers are encouraged to submit a completion report for a scheme as soon as possible after completing the scheme. Ofgem will require suppliers to

submit completion reports for all schemes which the supplier has undertaken by 30 April 2005.

Progress reports

- 4.14. Many suppliers have set up large, generic schemes which will operate until the end of the EEC obligation period. In order to ease the administrative burden upon suppliers, which may be caused by submitting a completion report for such large schemes, suppliers can periodically 'bank' the delivery of schemes.
- 4.15. Once a convenient point has been reached in the delivery of the scheme, suppliers can notify Ofgem by submitting a progress report. Suppliers must use the progress report *pro forma* in Appendix 4, accompanied by the EEC Scheme Spreadsheet. Where a supplier has carried out a scheme with a social housing provider they must also provide evidence that the scheme would not have gone ahead without the supplier's financial contribution, as detailed in paragraph 4.11. The supplier will then be required to provide progress reports on a cumulative basis until the scheme has been completed.
- 4.16. Ofgem will use the information provided in the progress report to assess whether the delivery of the part of the scheme specified in the progress report complied with the terms of the accreditation. Where Ofgem is satisfied that these terms have been met, Ofgem will approve the relevant part of the scheme. Approval of part of a scheme certifies that Ofgem is satisfied that that part of the scheme will be a qualifying action where at least 50% of the energy savings attributable to the supplier's total activity (i.e. total approved schemes) has been achieved in the Priority group. Ofgem will make this assessment at the end of the EEC obligation period (see paragraphs 4.24 - 4.26 for further details). Approval of a progress reports will be on a cumulative basis until the scheme has been completed.

England, Scotland and Wales

- 4.17. Defra's consultation proposals⁶ stated that they expect suppliers to seek to achieve energy savings in England, Scotland and Wales in proportion to their

⁶ Energy Efficiency Commitment 2002 – 2005 Consultation Proposals, Defra, August 2001
Energy Efficiency Commitment
Office of Gas and Electricity Markets

domestic consumer numbers in each country. Ofgem will monitor the energy savings achieved in each country. Suppliers should detail the percentage of energy savings achieved in each country through their progress reports and/or completion reports. Suppliers can also provide this information to the Energy Saving Trust's Homes Energy Efficiency Database (HEED).

Monitoring

Quality assessment monitoring

- 4.18. Ofgem's EEC Scheme Spreadsheet sets out the standard energy efficiency measures and the energy savings attributable to them. The energy savings were calculated on the basis that the measures would be installed in accordance with particular quality standards. These are set out in Ofgem's EEC Technical Guidance Manual. In order to ensure that the energy savings attributable to the standard energy efficiency measures are actually achieved, Ofgem needs to be satisfied that the measures conform to the specified quality standards. Ofgem therefore requires suppliers to monitor the quality of work carried out under a scheme and provide a summary of the quality assessment monitoring results with the progress or completion report for each scheme.
- 4.19. Suppliers are required to monitor and report upon the quality of work carried out in relation to a minimum of 5% of insulation or heating measures installed in a scheme. For DIY schemes, Ofgem would expect suppliers to survey a minimum of 5% of recipients, and at least 1% of the overall recipient should receive a home visit also, to ascertain whether the measures have been installed and conform to the relevant quality standards. Procedures for quality assessment monitoring of innovative schemes will be determined on a scheme-by-scheme basis at the accreditation stage.
- 4.20. Quality assessment monitoring is not required for Energy Efficiency Recommended A Rated Appliances or for CFLs specified on the Energy Saving Trust's Approved CFL List.
- 4.21. Suppliers should adopt appropriate quality standards with their managing agents, installers and other suppliers before commencing projects.

Domestic consumer satisfaction monitoring

- 4.22. To inform any future revisions of the EEO Order in relation to the effectiveness of the EEC, suppliers are required to monitor consumer satisfaction of work carried out under their EEC schemes.
- 4.23. Procedures or minimum sample sizes for domestic consumer satisfaction monitoring are not prescribed, however suppliers are required to provide full details of their chosen methodology upon scheme submission. Suppliers must provide a summary of the domestic consumer satisfaction monitoring results with the progress or completion report for each scheme.
- 4.24. For the purposes of domestic consumer satisfaction monitoring, the domestic consumer is the person actually receiving the measures and not, for example, a social housing provider.

Determination of qualifying action

- 4.25. At the end of the EEC obligation period, Ofgem will consider each supplier's approved schemes. Ofgem will assess the energy savings attributable to the supplier's total approved activity and determine whether at least 50 per cent of the energy savings have been achieved in relation to domestic consumers within the Priority group. Where this requirement is satisfied, Ofgem will determine that each of the supplier's schemes is a qualifying action and the overall energy savings to be attributed to that qualifying action. See example A in figure 4.2 overleaf.
- 4.26. Where this requirement is not satisfied, Ofgem will disregard activities carried out by the supplier in relation to domestic consumers within the non-Priority group until the energy savings achieved in relation to domestic consumers within the Priority group equate to 50 percent of the supplier's total activity. Any remaining activities which were carried out by the supplier in relation to domestic consumers within the non-Priority group, and all activities carried out by the supplier in relation to domestic consumers within the Priority group, will then be determined to be a qualifying action. See example B in figure 4.2 overleaf.

Figure 4.2 Determination of qualifying action

<p><u>Example supplier A</u></p> <p>Total energy saving target = 1000GWh</p> <p>Total non-Priority energy savings approved = 500 GWh or 50%</p> <p>Total Priority energy savings approved = 500 GWh or 50%</p> <p>Qualifying action = 1000 GWh (50% non-Priority and 50% Priority)</p>
<p><u>Example supplier B</u></p> <p>Total energy saving target = 1000GWh</p> <p>Total non-Priority energy savings approved = 600 GWh or 60%</p> <p>Total Priority energy savings approved = 400 GWh or 40%</p> <p>Qualifying action = 800 GWh (50% non-Priority and 50% Priority)</p>

- 4.27. Due to the specific provisions of the EEO Order, Ofgem is unable to determine whether an activity is a qualifying action prior to the end of the EEC obligation period. Any accreditation or approval of a scheme by Ofgem prior to this time, however stated, can only certify that Ofgem is satisfied that the scheme is *capable* of being a qualifying action. Determination of an activity as a qualifying action is dependant upon the scheme being carried out in accordance with the terms of the accreditation (however stated), satisfactory quality assessment monitoring, satisfactory audit results and at least 50% of the energy savings attributable to the supplier's total activities being achieved in relation to domestic consumers in the Priority group.

Compliance

- 4.28. The requirement imposed on a supplier under the EEO Order to achieve its energy efficiency target is a relevant requirement of a supplier's electricity or gas licence. An actual or prospective breach of this obligation can therefore be enforced under the enforcement provisions of the Electricity Act 1989 or the

Gas Act 1986. The enforcement provisions allow the Authority to make such Orders as are necessary to ensure compliance with the obligation and/or to impose a financial penalty on the supplier.

Auditing

- 4.29. In order for Ofgem to approve a scheme as capable of being a qualifying action, Ofgem will need to be satisfied that the scheme has been delivered in accordance with the terms of the accreditation. Ofgem proposes to audit a selection of each supplier's schemes in order to be satisfied that a supplier is delivering its schemes in accordance with the terms of the accreditation.
- 4.30. Ofgem has appointed an independent auditor to carry out the audits. The first round of auditing has taken place and a second exercise will be carried out towards the end of the EEC obligation period to provide evidence that the information provided by the supplier to Ofgem through scheme submissions, progress and completion reports is correct. It will ascertain whether:
- the scheme is being delivered in accordance with the scheme submission,
 - there is evidence for the types and numbers of measures actually purchased or installed,
 - arrangements are in place with any project partners identified,
 - monitoring of any Priority group domestic consumers is carried out accurately,
 - the supplier's percentage cost contribution to a scheme is as stated in the scheme submission,
 - procedures are in place for quality and domestic consumer satisfaction monitoring.
- 4.31. Suppliers are encouraged to co-operate with any reasonable request for information made by an appointed auditor. Where Ofgem is not satisfied that a supplier has co-operated with the appointed auditor, Ofgem will request all relevant information with respect to each scheme carried out by the supplier under its statutory powers. Ofgem will then consider all relevant information in

detail in order to be satisfied that each of the supplier's schemes have been delivered in accordance with the terms of the accreditation.

5. Trading

- 5.1. Suppliers have the option of trading activity which they have undertaken or trading all or part of their energy saving target to another supplier. The written agreement of Ofgem is required in order for such a trade to be recognised for the purposes of the EEO Order.

Trading qualifying actions

- 5.2. A supplier ("the first supplier") is able to treat qualifying action undertaken by another supplier ("the second supplier") as achieving the whole or part of its energy efficiency target. Suppliers are therefore able to trade qualifying action.
- 5.3. The written agreement of Ofgem is required in order for such a trade to be recognised for the purposes of the EEO Order. Ofgem will only provide its written agreement to a trade in response to a written request by the first and second suppliers. The written request must be accompanied by information on the qualifying action (i.e. the scheme(s) from which the measures will be traded). The EEC Scheme Spreadsheet must also be submitted setting out the energy savings attributable to the qualifying action and the proportion of recipients of those measures within the Priority group.
- 5.4. As required by the EEO Order, Ofgem will then make a record of;
- the identity of the first and second supplier,
 - the nature of the qualifying action,
 - the energy savings and carbon savings attributable to the qualifying action,
 - the extent to which the target of the first supplier is treated as achieved by the qualifying action of the second supplier, and,
 - the extent to which (if any) the second supplier's target is achieved by the qualifying action.

- 5.5. Ofgem is unable to determine whether an activity is a qualifying action prior to the end of the EEC obligation period. Until the end of the EEC obligation period, Ofgem will recognise the trade of activities which Ofgem has approved as being a qualifying action where the supplier satisfies the requirement that at least 50% of the energy savings attributable to its total activities has been achieved in the Priority group (approved activities). Ofgem will only provide its written agreement to the trade of an approved activity.

Trading targets

- 5.6. A supplier ("the first supplier") may transfer either the whole or part of its energy efficiency target to another supplier with an energy efficiency target under the EEO Order ("the second supplier"). The second supplier will be required to meet the traded energy efficiency target and fulfil all other requirements for compliance in relation to the traded energy efficiency target.
- 5.7. The written agreement of Ofgem is required in order for such a trade to be recognised for the purposes of the EEO Order. Ofgem will only provide its written agreement to the transfer of a target in response to a written request by the first and second suppliers.
- 5.8. As required by the EEO Order, Ofgem will then make a record of:
- the identity of the first and second supplier, and,
 - the extent to which the first supplier's target is transferred to the second supplier.
- 5.9. Ofgem recognises that suppliers may wish to vary the terms of a trade agreement after obtaining Ofgem's written agreement to the original trade. In such cases, Ofgem will treat the variation as a new and separate trade requiring the written agreement of Ofgem in order for it to be recognised for the purposes of the EEO Order.

6. Interaction with other Government programmes

- 6.1. Ofgem has identified other Government programmes relevant to the EEC. These are Warm Front, Welsh HEES, the Scottish Executive Central Heating programme, Warm Deal, Community Energy and Clear Skies. Discussion has taken place with Defra regarding the possible links between the EEC and the UK Emissions Trading Scheme. Ofgem has liaised with each relevant body to determine rules for how the EEC interacts with other programmes to ensure that the reporting is transparent and that measures or energy savings are not double counted.
- 6.2. Suppliers wishing to integrate an EEC scheme with another Government programme should submit a scheme submission to Ofgem, following the procedures outlined in section 3 of these Administration Procedures.

The UK emissions trading scheme

- 6.3. Defra's Energy Efficiency Commitment 2002 – 2005 Consultation Proposals, August 2001, envisaged that the suppliers could sell surplus carbon savings from EEC schemes into the UK Emissions Trading Scheme (ETS). Defra has stated that suppliers will be required to meet their energy efficiency targets under the EEO Order before trading outside of the EEC. The way in which the two programmes may integrate remains subject to further work by Defra on the UK ETS.

Warm Front

- 6.4. Defra's programme, Warm Front, runs throughout England, offering a grant up to the value of £1,500 (or £2,500 for Warm Front Plus) to eligible households for a package of energy efficiency and heating measures.
- 6.5. Suppliers are able to link in with Warm Front by purchasing measures which have been installed under the Warm Front programme. In order to ensure that the supplier's activities (the purchase of Warm Front measures) results in

improvements in energy efficiency the Warm Front managing agents must use all the money from the sale of measures to either:

- (a) fund the installation of like measures in further homes (for example monies from the sale of insulation will be used to fund further insulation work) and inform Defra so that the measures no longer accrue to Warm Front; or
- (b) provide further like measures to a household over and above the level of the Warm Front grant.

- 6.6. In order to accredit a scheme involving Warm Front, Ofgem will require a statement from the managing agent confirming that any money that they receive from the sale of Warm Front measures to the supplier will be spent as set out in paragraph 6.5 above. This statement must also confirm that they will inform Defra of the measures sold so that they no longer accrue to the Warm Front programme. This will ensure that there is no double counting of measures between the two programmes. The price paid by suppliers for the measures must be no lower than the cost, including labour and materials, of installation.
- 6.7. The energy savings attributable to the activity of purchasing Warm Front measures will be those achieved by the measures themselves, as set out in the EEC Scheme Spreadsheet. Due to the specific provisions of the EEO Order Ofgem is unable to determine whether the activity will be a qualifying action until the end of the EEC obligation period.
- 6.8. Suppliers may also provide funding direct to the managing agent to enable them to exceed Warm Front specification for measures. For example, where the managing agent plans to install a conventional boiler the supplier can provide additional funding to enable a condensing boiler to be installed. In order to accredit such activity a declaration will be required from the managing agent to state that the measures would not have been installed without the supplier's funding.

Welsh HEES

- 6.9. Welsh HEES is administered by the National Assembly for Wales (NAW) and allows eligible households to claim a grant of up to £1,500, or £2,700 for HEES Plus (Wales), for a range of energy efficiency measures.
- 6.10. Suppliers are able to link in with Welsh HEES by purchasing measures which have been installed under the Welsh HEES programme. In order to ensure that the supplier's activities (the purchase of Welsh HEES measures) results in improvements in energy efficiency the Welsh HEES managing agents must use all the money from the sale of measures to either:
- (a) fund the installation of like measures in further homes (for example monies from the sale of insulation will be used to fund further insulation work) and inform the NAW so that the measures no longer accrue to Welsh HEES; or
 - (b) provide further like measures to a household over and above the level of the Welsh HEES grant.
- 6.11. In order to accredit a scheme involving Welsh HEES, Ofgem will require a statement from the managing agent confirming that any money that they receive from the sale of Welsh HEES measures to the supplier will be spent as set out in paragraph 6.10 above. This statement must also confirm that they will inform the NAW of the measures sold so that they no longer accrue to the Welsh HEES programme. This will ensure that there is no double counting of measures between the two programmes. The price paid by suppliers for the measures must be no lower than the cost, including labour and materials, of installation.
- 6.12. The energy savings attributable to the activity of purchasing Welsh HEES measures will be those achieved by the measures themselves, as set out in the EEC Scheme Spreadsheet. Due to the specific provisions of the EEO Order Ofgem is unable to determine whether the activity will be a qualifying action until the end of the EEC obligation period.
- 6.13. Suppliers may also provide funding direct to the managing agent to enable them to exceed Welsh HEES specification for measures. For example, where

the managing agent plans to install a conventional boiler the supplier can provide additional funding to enable a condensing boiler to be installed. In order to accredit such activity a declaration will be required from the managing agent to state that the measures would not have been installed without the supplier's funding.

Scottish Executive Central Heating programme

- 6.14. The Scottish Executive's main energy efficiency programme is their Central Heating programme. The initiative, launched in September 2001, provides a package of measures to eligible households including central heating systems, insulation, energy advice and benefits advice.
- 6.15. Suppliers may provide funding for the installation of insulation under the programme. The money provided by the supplier must be spent on measures that would not otherwise be funded by the Scottish Executive.
- 6.16. In order to accredit a scheme involving the Central Heating programme, Ofgem will require a statement from the managing agent confirming that the relevant measures have not been funded by the Scottish Executive through the Central Heating programme. This must also confirm that they will record and notify the Scottish Executive of which measures have been funded by the supplier. This will ensure there is no double counting of measures or energy savings to either programme. The supplier will be asked to detail their cost contribution to the measures.
- 6.17. Due to the specific provisions of the EEO Order Ofgem is unable to determine whether the activity will be a qualifying action until the end of the EEC obligation period.

Warm Deal

- 6.18. Another Scottish Executive programme, Warm Deal, provides a grant of up to £500 to eligible households for a range of measures such as cavity wall insulation, loft insulation and draught proofing.
- 6.19. Suppliers are able to link in with Warm Deal by purchasing measures which have been installed under the Warm Deal programme. In order to ensure that

the supplier's activities (the purchase of Warm Deal measures) results in improvements in energy efficiency the Warm Deal managing agent must use all the money from the sale of measures to either:

- (a) fund the installation of like measures in further homes (for example monies from the sale of insulation will be used to fund further insulation work) and inform the Scottish Executive so that the measures no longer accrue to Warm Deal; or
- (b) provide further like measures to a household over and above the level of the Warm Deal grant.

6.20. In order to accredit a scheme involving Warm Deal, Ofgem will require a statement from the managing agent confirming that any money that they receive from the sale of Warm Deal measures to the supplier will be spent as set out in paragraph 6.19 above. This statement must also confirm that they will inform the Scottish Executive of the measures sold so that they no longer accrue to the Warm Deal programme. This will ensure that there is no double counting of measures between the two programmes. The price paid by suppliers for the measures must be no lower than the cost, including labour and materials, of installation.

6.21. The energy savings attributable to the activity of purchasing Warm Deal measures will be those achieved by the measures themselves, as set out in the EEC Scheme Spreadsheet. Due to the specific provisions of the EEO Order Ofgem is unable to determine whether the activity will be a qualifying action until the end of the EEC obligation period.

Community Energy

6.22. The Community Energy programme is designed to support the refurbishment of existing, and the installation of new, community heating schemes. Defra has allocated £50 million to be spent on such projects. The Energy Saving Trust and the Carbon Trust manage the overall programme on behalf of Defra. Organisations can request funding for projects through regular bidding rounds, the timescale for which are detailed on www.est.org.uk/communityenergy. The Community Energy programme is designed to provide carbon savings; help to

alleviate fuel poverty among householders, and reduce fuel costs for hospitals, universities and other community buildings.

- 6.23. Suppliers may provide funding to community heating schemes as part of a Community Energy project. As energy efficiency targets under the EEO Order must be met in relation to domestic consumers, suppliers can only receive accreditation for energy savings achieved by community heating schemes in relation to domestic consumers.
- 6.24. Accreditation of a scheme under the EEO Order is subject to the supplier being able to demonstrate that the funding they provide to a community heating scheme is additional to that provided by Defra and that the community heating scheme could not proceed without the supplier's funding.
- 6.25. As part of the funding for the measures will come from Defra, suppliers will not be able to claim the full energy saving from the measures. Due to the different targets and indicators of each programme, energy savings will not be attributed to suppliers in proportion to their cost contribution to the entire scheme.
- 6.26. It is likely that suppliers will wish to provide funding to the CHP engine which produces the majority of the energy savings. Community Energy would then provide funding for the development of the network. In this situation the total energy savings resulting from the scheme will be attributed to the supplier's activity in proportion to their cost contribution toward the cost of the CHP engine. The energy savings accredited to the supplier's activity will be capped at 50%, even if the supplier contributes more than this to the cost of the CHP engine. The cost of the CHP engine includes the cost of the engine, heat recovery systems, plus associated design, installation and connection costs.
- 6.27. Where suppliers provide funding to the network rather than to the CHP engine, the total energy savings resulting from the scheme that will be attributed to the supplier's activity will be assessed on a case-by-case basis.
- 6.28. Suppliers can also fund the installation of insulation and heating controls within the households which are part of the community heating scheme. The energy savings attributable to the installation of insulation and heating measures will be determined using the EEC Scheme Spreadsheet. This work should ideally be carried out in parallel with the installation of the community

heating system, as they will impact on the overall heat demand of the dwellings.

Clear Skies

- 6.29. The DTI has set up a programme called Clear Skies to offer grants and advice to householders and communities for renewable technologies. Homeowners can obtain grants of £500 to £5,000 for a range of technologies. The programme runs until April 2005.
- 6.30. Suppliers can partly fund solar water heating installations and ground source heat pumps that are also being funded under the Clear Skies programme. Accreditation of a scheme under the EEO Order is subject to the supplier being able to demonstrate that their funding is additional to that provided under the Clear Skies programme and that the measure could not be installed without the supplier's additional funding.
- 6.31. As part of the funding for the measures will come from DTI, suppliers will not be able to claim the full energy saving from the measures. Ofgem will determine the energy saving to be attributed to the activity on a case-by-case basis.

Appendix 1 Scheme submission schedule

Month of schedule	Completed scheme submission received by Ofgem from the supplier	Scheme submissions assessed by Ofgem. Further information request may be sent to the supplier	Supplier to respond to any further information requests	Decision made by Ofgem and notified to the supplier
January 2004	Friday 2 nd	Thursday 15 th	Monday 26 th	Friday 30 th
February 2004	Monday 2 nd	Friday 13 th	Wednesday 25 th	Friday 27 th
March 2004	Monday 1 st	Friday 12 th	Wednesday 24 th	Wednesday 31 st
April 2004	Thursday 1 st	Wednesday 14 th	Monday 26 th	Friday 30 th
May 2004	Tuesday 4 th	Monday 17 th	Thursday 27 th	Friday 28 th
June 2004	Tuesday 1 st	Monday 14 th	Thursday 24 th	Wednesday 30 th
July 2004	Thursday 1 st	Wednesday 14 th	Monday 26 th	Friday 30 th
August 2004	Monday 2 nd	Friday 13 th	Wednesday 25 th	Tuesday 31 st

September 2004	Wednesday 1 st	Tuesday 14 th	Friday 24 th	Thursday 30 th
October 2004	Friday 1 st	Thursday 14 th	Tuesday 26 th	Friday 29 th
November 2004	Monday 1 st	Friday 12 th	Wednesday 24 th	Tuesday 30 th
December 2004	Wednesday 1 st	Tuesday 14 th	Friday 24 th	Friday 31 st
January 2005	Monday 3 rd	Friday 14 th	Wednesday 26 th	Monday 31 st
February 2004	Tuesday 1 st	Monday 14 th	Thursday 24 th	Monday 28 th

Appendix 2 Scheme submission pro forma

Date	Date of submission	
Scheme Code	<i>Format as set out in Technical Guidance</i>	
Project title	<i>Brief name of scheme</i>	
Company	<i>Company submitting the scheme</i>	
Project Manager/Contact	<i>Relevant contact at company</i>	
Energy Savings	<i>Estimated energy savings</i>	GWh
Timescale	<i>Expected start and end dates of project</i>	
Project description	<i>Brief project description (what is being offered, whom to, how and with whom?)</i>	
Types of measures	<i>List the measures being offered</i>	
Households benefiting	<i>By tenure (mainly for insulation measures)</i>	
Promotion and marketing	<i>How will the measures be offered and to whom?</i> <i>Clearly state each separate delivery method.</i>	

Location	<i>Where the project is expected to be marketed and carried out</i>	
Managing agent	<i>Who will be the managing agent and how they were selected</i>	
Project partners	<i>Details of any other project partners and how were they selected</i>	
Priority group		%
Justification	<i>Justification for percentage of recipients expected to be within the Priority group.</i>	
Retail Schemes only		<i>Level of sales in previous year, numbers of units</i>
Justification	<i>Source of evidence of the level of sales.</i>	
Energy Services only	<i>Detail how the ES package conforms to the legislation, who the package will be offered to, the terms for repayment and the mechanisms in place if a consumer switches.</i>	

Quality monitoring	<i>Procedures for quality monitoring</i>
Consumer satisfaction monitoring	<i>Procedures for consumer satisfaction monitoring</i>
Additional information	<i>Any other information relating to the scheme and how it conforms to the legislation.</i>
Authorised signatory	This scheme submission will be authorised after liaisons with Ofgem, when any further information has been provided.

Appendix 3 Social housing provider declaration

I declare that I am duly authorised to sign this declaration for and on behalf of the Social Housing Provider, and on behalf of the Social Housing Provider I confirm that:

Supplier:

Social Housing Provider:

Energy Saving Project:

Specified Percentage:

- 1 The Supplier has provided the Social Housing Provider with funding to be used for the purpose of the Energy Saving Project.
- 2 The Energy Saving Project could not proceed without the funding provided by the Supplier for the purpose of the Energy Saving Project, with such funding not being available from the Social Housing Provider itself or from any other third party.
- 3 To the best of the Social Housing Provider's knowledge, information and belief the Specified Percentage of recipients of measures carried out under the Energy Saving Project are in receipt of:
 - (a) at least one of the benefits described in paragraph 2 of Schedule 2 of the Electricity and Gas (Energy Efficiency Obligations) Order 2001; or
 - (b) at least one of the benefits described in paragraph 3 of Schedule 2 of the Electricity and Gas (Energy Efficiency Obligations) Order 2001 and their relevant income is less than £14,200.
- 4 The Social Housing Provider has seen appropriate evidence of the relevant income of recipients described in paragraph 3(b) above in []% of cases.
- 5 The Social Housing Provider will provide the Supplier with the information

necessary for the Supplier to complete the EEC Spreadsheet as soon as practicable after completion of the Energy Saving Project, and by no later than 31 March 2005.

Address, telephone number, fax number and email address of Social Housing Provider:

Name of authorised signatory:

Position in organisation:

Signed

Date.....

Print Name.....

Appendix 4 Scheme completion / progress report pro forma

Date	<i>Date report submitted</i>	
Scheme code	<i>Format as set out in Technical Guidance</i>	
Project title	<i>Brief name of scheme</i>	
Company	<i>Company submitting the scheme</i>	
Project Manager/contact	<i>Relevant contact at company</i>	
Energy savings	<i>Actual energy savings achieved (GWh)</i>	
Timescale	<i>Period of delivery</i>	
Submission	<i>Energy savings predicted</i>	<i>Timescale planned</i>
Status	<i>Bank report or final completion report</i>	

Project description	<i>Brief project description (what is being offered, whom to, how and with whom?) Explain any differences to the submission</i>	
Types of measures	<i>List the measures delivered</i>	

Promotion and marketing	<i>How were the measures be offered and to whom?</i> <i>Clearly state each separate delivery method.</i>	
Managing agent	<i>State any managing agents used</i>	
Project partners	<i>List each project partner worked with, inc social landlords</i>	
	Y / N	<i>Declaration attached from each social landlord</i>

Location	England		<i>Energy savings achieved as a % of total scheme</i>
	Scotland		<i>Energy savings achieved as a % of total scheme</i>
	Wales		<i>Energy savings achieved as a % of total scheme</i>

Priority group		%
Justification	<i>Justification for percentage of recipients claimed to be within the Priority group.</i>	

Retail schemes only		<i>Level of sales in previous year, no. of units</i>
		<i>Actual number of sales achieved</i>
Justification	<i>Source of evidence of the level of sales.</i>	

Energy services only	<i>Confirm how the ES package conformed to the legislation, who the package was offered to, the terms for repayment and the mechanisms in place if a consumer switched.</i>
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Quality monitoring		<i>% of properties / measures monitored</i>
		<i>Actual number of properties/measures monitored</i>
	<i>Procedures for quality monitoring.</i> <i>Detail any issues raised.</i>	

Customer satisfaction monitoring	<i>Detail the methodology for consumer satisfaction monitoring. Detail any issues raised and how they were dealt with.</i>	
		<i>% of recipients monitored</i>
		<i>Number of consumers sent questionnaires.</i>
		<i>Number of questionnaires returned</i>
	Y / N	<i>Summary of monitoring included</i>

Additional information	<i>Any other information relating to the scheme and how it conforms to the legislation.</i>
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Authorised signatory	<i>Once Ofgem has confirmed this scheme can be approved, the supplier must submit a signed authorisation letter to encompass all the information provided.</i>
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