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Also sent by email to: chris.chapman@ofgem.gov.uk

Dear Chris Chapman

Ofgem's Corporate Strategy 2004-2007

Please find enclosed the Energy Saving Trust's response to the above consultation.
Thank you for giving us the opportunity to respond.

If you require any further information or have any questions about our response please contact Sara Eppel, Head of Policy, on **020 7654 2443**, or e-mail: sarae@est.co.uk.

Yours sincerely

Philip Sellwood
Chief Executive

Ofgem Consultation: Ofgem's Corporate Strategy 2004-2007
Comments from the
ENERGY SAVING TRUST
February 2004

The Energy Saving Trust¹ welcomes this opportunity to comment on Ofgem's draft Corporate Strategy. This response should be taken as the Trust's views but not as the views of individual Trust Members.

Overall we believe the Strategy is more closely aligned to meeting Government's energy and environmental objectives, than has ever been the case in previous years, and we are pleased to note this change. However we still believe there is room for a closer reflection of the objectives set out in the Energy White Paper 2003. Environmental considerations, and especially the reduction of UK carbon dioxide emissions are now the major driver behind energy policy, and we believe this should be reflected more overtly in Ofgem's Strategy and operations.

In addition the Energy White Paper underlined the crucial role of energy efficiency in meeting those carbon emission reduction objectives. Indeed half of all reductions through to 2010 and again in the decade to 2020 will be met by energy efficiency in the industries that Ofgem regulates. But we do not believe Ofgem's Strategy and operations are fully reflecting the value of energy efficiency to the UK as a whole.

Our specific comments with respect to the draft Strategy are as follows:

Retail Markets

There is no reference at all of the value of energy efficiency to the consumer in this section, nor any mention of the Energy Efficiency Commitment. It is surprising that Ofgem, as the administrator of EEC, does not refer to the value of installing energy efficiency measures in homes. Through the cut-price EEC offers, consumers can reduce their fuel bills for the lifetime of the measures installed (up to 40 years for cavity wall insulation), at least up front cost to themselves. While supplier switching may provide an instant reduction in a household's fuel bills, energy efficiency will provide a sustained reduction. In addition such energy efficiency activity will reduce UK carbon emissions and contribute to the overall objective of a low-carbon economy. These latter two objectives are not met through consumers switching their energy supplier.

Responsiveness to Customers

Again we feel this section could be much more explicit about encouraging consumers to install energy efficiency in their homes and business premises. There is a reference to efficiency but it appears to refer only to efficiencies in the network provision, rather than to demand side reductions through energy efficiency. We believe this is an omission.

¹ EST was established as part of the Government's action plan in response to the 1992 Rio Earth Summit. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, small business and the road transport sector.

Security of Supply

There is no reference in this section to the important long-term contribution to maintaining security of supply that is achieved by reducing energy usage by consumers. By installing energy efficiency measures indigenous gas supplies will be conserved, thereby pushing back the day when the UK will depend on imported gas supplies.

Chapter 6

We are pleased with the overall tone and message of this chapter.

Environmental Action Plan

We very much look forward to seeing Ofgem's proposals for improving customer information on fuel bills. EST has considerable experience of working with consumers on energy efficiency issues, and we are happy to work with Ofgem to help inform the decisions about the nature of the information that should go on bills.

Information and advice are key elements of encouraging consumers to install energy efficiency measures and fuel bills can be a useful medium through which this information is transmitted. However all information has to be relevant and understandable to be effective.

Energy Prices (7.4)

Again there is no reference in this section to the value of energy efficiency, which is particularly surprising as measures are installed at no cost to priority group householders by energy suppliers, under the EEC. Even despite the level of comfort-taking by fuel poor households, energy efficiency measures will still lead to bill reductions over many years.