

**Testing domestic consumer take-up of
energy services: trial suspension of 28 day
rule**

Decision document

March 2004

Summary

Energy efficiency has a vital role to play in reducing carbon emissions associated with energy supply to domestic premises, and it is also a crucial plank in the Government's policy to fight fuel poverty. Ofgem supports the promotion of domestic take-up of cost-effective energy efficiency measures. As part of this Ofgem has agreed to run a trial to see whether suspending licence rules that require domestic energy supply contracts to be terminable on 28 days' notice can boost domestic take up of energy services.

This document reviews the results of an initial consultation in January, and sets out Ofgem's decision. Ofgem confirms its intention to run a trial, with the objectives of seeing how suspending the 28 day rule boosts take up of energy services, and whether domestic customers can be adequately protected in the absence of a right to switch on 28 days' notice.

The document sets out for comment a draft direction, which will contain the detail of the trial parameters. These parameters have been simplified relative to the January consultation, with a view to maximising consumer choice and with a particular focus on giving consumers the information they need to make the right choice for their own circumstances.

The document also sets out a proposed supply licence modification to permit the trial, and to permit suppliers to prevent consumers switching away during the life of an energy service contract.

Table of contents

1. Introduction.....	1
2. Timetable and responses.....	3
3. Background – ESWG research	5
4. Responses to January consultation.....	1
5. Process for setting up the trial	16
Appendix 1 - Regulatory Impact Assessment.....	17
Appendix 2 – Copies of modification notices.....	26
Appendix 3 - Final draft direction	34

1. Introduction

1.1. In February 2003 the Government published its White Paper, “Our Energy Future – Creating a Low Carbon Economy.” The White Paper outlined the key role that energy efficiency has in the Government’s sustainable energy policy. It has a vital role to play in reducing carbon emissions associated with energy supply to domestic premises, and it is also a crucial plank in the Government’s policy to fight fuel poverty. Ofgem¹ is committed to supporting the promotion of domestic take-up of cost-effective energy efficiency measures.

1.2. The White Paper included the suggestion that:

“Energy suppliers have little incentive to offer energy service contracts² if customers can switch at short notice. We will therefore establish a working party with OFGEM, energy suppliers and others to explore how to create an effective market in energy services. This will address, among other issues, the barriers caused by the current 28-day notice period³ while maintaining adequate freedom of choice and consumer protection for customers.”

1.3. The Energy Services Working Group (ESWG) was jointly chaired by DTI, Defra and Ofgem, and comprised all energy suppliers currently covered by the EEC, Ofgem, energywatch, the energy efficiency industry and relevant Government bodies. All working papers and minutes have been published on the DTI website (see http://www.dti.gov.uk/energy/environment/energy_efficiency/eswg.shtml).

1.4. During the Working Group’s discussions, substantial disagreement arose as to whether consumers’ right to switch suppliers is, in fact, a real barrier to supplier marketing of energy service contracts. Ofgem therefore proposed a trial to test the proposition that removing the 28 day rule would significantly increase sales of such measures. The trial will also serve to test whether adequate consumer

¹ “Ofgem” and “the Gas and Electricity Markets Authority” are used interchangeably in this document.

² “Energy services” refers to the provision by energy companies of services that deliver to consumers the end-service they are seeking from the energy industry (e.g., warmth, comfort, light) rather than purely energy. Given the practicalities of providing such services to domestic customers, discussion on the Working Group tended to revolve around bundled contracts through which a licensed energy supplier provides energy efficiency measures as well as supplying energy.

³ Under standard licence condition (SLC) 46.1 and 46.2, all consumer contracts must contain a term

protection can be assured by use of licence conditions and regulatory intervention, even when consumers have (for the period of a fixed-term contract) lost the right to switch suppliers.

- 1.5. Following adoption of this proposal by the Working Group, Ofgem consulted in January 2004⁴ on practical arrangements for a trial. This document reviews responses to that consultation and sets out Ofgem's decisions.
- 1.6. This document also sets out at Appendix 1 a regulatory impact assessment for the proposed trial.
- 1.7. This document further includes copies of statutory notices (Appendix 2) proposing the licence modifications to enable Ofgem to launch the trial. These notices are being served on suppliers and are subject to consultation, with a deadline for responses of 4 May.
- 1.8. The proposed licence modifications will allow Ofgem to issue directions suspending the 28 day rule, in clearly defined circumstances. So as to inform respondents to the statutory consultation, this document also contains at Appendix 3 a draft of the direction Ofgem proposes to issue. Comments are invited on this draft.

allowing the customer to terminate the contract on 28 days' notice: often referred to as "the 28 day rule".

⁴ See "Testing domestic consumer take-up of energy services: trial suspension of 28 day rule", Ofgem, 12/04.

2. Timetable and responses

Timetable

2.1. The timetable for responses is as follows:

4 May	Deadline for objections and representations on statutory consultations
	Deadline for comments on draft direction
7 May	Ofgem makes modifications and makes directions (may be delayed if statutory objections are received, or if substantive comments on draft direction are received)

Views invited

2.2. Responses to the issues raised in this document, including objections and representations on the statutory consultations, should be sent to:

Iain Osborne
Director of Consumer Markets
Ofgem
9 Millbank
London
SW1P 3GE
Tel: 020 7901 7256
Fax: 020 7901 7099
Email: [iain.osborne@ ofgem.gov.uk](mailto:iain.osborne@ofgem.gov.uk)

The closing date for responses is 4 May 2004.

Contact

2.3 If you wish to discuss this consultation paper or the modification notices, please contact Iain Osborne at the address above.

Confidentiality

- 2.4 All responses will normally be published on the Ofgem website and held electronically in the Ofgem Research and Information Centre unless they are marked confidential. Respondents should try to confine confidential information to the appendices of their responses. Ofgem would prefer to receive non-confidential responses and to receive responses in an electronic form.

3. Background – ESWG research

- 3.1. The ESWG commissioned research on consumer attitudes to energy services, with the objective of providing guidance on how the concept of Energy Services can be effectively communicated and promoted to householders, and identifying minimum standards of consumer protection. Ofgem has found the results of this research useful in finalising our approach to the trial, and the key findings of the research are set out here.
- 3.2. The research was carried out by Cragg Ross Dawson in collaboration with COI Communications and the Energy Saving Trust. It consisted of a number of group discussions, along with pairs of in-depth interviews with consumers (before and after an energy efficiency audit on the consumer's home). We understand that the sample for the research was chosen to represent in particular those consumers thought most likely to take advantage of energy services.
- 3.3. Many of the findings of the research will be of most value to suppliers in structuring their offerings, or to government in deciding what additional support or publicity to provide. However, a number of key lessons relate to the parameters and conduct of the trial. The most important appear to Ofgem to be:
 - 3.3.1. Many consumers have an idea of at least one way to make their home more energy efficient, although they are not aware of all the measures they could install, and many would not have significant difficulties affording improvements. The most important barrier to consumer take-up of energy efficiency measures appears to be apathy, which means it is particularly important that suppliers are active in promoting energy services;
 - 3.3.2. Overall interest in the concept was limited with the most interesting aspect being the energy efficiency audit;
 - 3.3.3. Different consumers will want different packages of energy efficiency measures – indeed, some will prefer to “cherry pick” for reasons of lifestyle, timing or aesthetics, and not buy a bundled package at all. It is therefore important to give suppliers flexibility in what they offer;
 - 3.3.4. Energy services will be a new concept to most consumers and some natural suspicion is to be expected. This can be allayed by clear and

effective regulation of this new market (although Ofgem does not intend to “approve” either offers or suppliers to offer energy services). To that extent, proportionate regulation should be seen as an essential enabler rather than a barrier to the success of this market. Ensuring clarity in the information given to consumers up-front - on why the offer is being made, and on what parties will benefit from it - appears particularly important;

3.3.5. Requiring the provision of credit and provision of a second opinion on the audit might not only be of little value to a large number of consumers, it may actively deter people;

3.3.6. Face-to-face audits are said to be considerably more attractive to consumers than telephone or postal audits, for instance because of the opportunity to ask the auditor questions and pick up hints and tips; and

3.3.7. Consumers will be considerably reassured by some type of guarantee of the unit price of their fuel over the life of the contract, and some people may be very unwilling to sign a contract without at least a minimum level of protection in this area.

4. Responses to January consultation

4.1. Ofgem received 21 written responses to our January consultation, as well as a number of oral comments. One response was confidential, but the others have been placed on Ofgem's website. This chapter reviews these responses and sets out Ofgem's view on each point.

Trial suspension of the 28 day rule, proposed objectives, approach

4.2. There was broad support for conducting the trial, although one supplier expressed itself unconvinced of the need for the trial. One response opposed the trial on the grounds that it may hinder new entry to the market and so in the long run damage the interests of consumers. Several suppliers and consumer representatives expressed concerns about the scope for abuse through the trial, and had some concern about the brisk timetable for setting up the trial. In particular, Ofgem was urged to wait to see the results of the ESWG consumer research before launching the trial (as noted above, this is now available). Several suppliers suggested that the trial parameters were over-complex and this would make it less likely to achieve its objectives.

4.3. On the trial objectives, several respondents suggested additional success criteria: environmental/carbon impact, impact on competition, success in promoting take-up of renewable generation. As regards evaluation criteria for the trial, one respondent suggested these need to be more clearly specified and that Ofgem should consult on this.

4.4. On the approach to setting up the trial, those respondents who commented supported the use of a flexible direction-making power, rather than direct regulation through the licence condition. One respondent supported automatic expiry of the trial, unless it is positively extended.

Ofgem's view

4.5. Ofgem recognises wide-spread support for a trial to assess whether or not the 28 day rule has the importance as a barrier to take-up of energy efficiency measures that some claim. Ofgem also recognises support in some quarters for a full and permanent deregulation of the 28 day rule with regard to energy services.

However, this is balanced by scepticism on the part of a number of actual and prospective suppliers, as well as consumer representatives.

- 4.6. The trial's impact on the proposed additional objectives for the trial (impact on the environment, competition, alternative generation) would appear to depend entirely on whether the trial leads to wider take-up of energy services. Given that take-up was already proposed as an objective, the value-added of including them is therefore unclear, while adding additional objectives would necessarily dilute the clarity of evaluation. Ofgem therefore intends to retain the focus of the trial on:
 - 4.6.1. testing the proposition that removing the 28 day rule would significantly increase sales of energy services packages by boosting their promotion by suppliers, and so save consumers money, and
 - 4.6.2. testing whether adequate consumer protection can be assured by use of licence conditions and regulatory intervention, even when consumers have (for the period of a fixed-term contract) lost the right to switch suppliers.
- 4.7. Ofgem intends to maintain its proposed approach to the mechanics of the trial, including automatic expiry unless the Authority extends the trial.

Relevance of this trial to community energy schemes, and pre-payment meter consumers

- 4.8. A number of respondents suggested that the trial should be focused on better-off consumers as the less well-off have access to subsidised or free energy efficiency measures. However, others pointed out that by no means all poorer consumers have such access, and so the trial should not exclude such consumers.
- 4.9. With regard to PPM consumers, a number of respondents urged that they should be included but, equally, many recognised a range of statutory and practical problems arising from their inclusion. In particular, while non-PPM consumers cannot be disconnected for failure to pay for energy efficiency measures, this is not the case for PPM consumers as if the consumer is unable to input sufficient credit to cover both liabilities, the result will be self-disconnection.
- 4.10. With regard to community energy, two sets of issues were raised. One set relates to the core problem that a different party is generally responsible for

purchase of energy efficiency measures to the party responsible for paying energy supply bills. This issue – which applies equally in the private rental sector – is a problem for energy services in general in this sector, and is not specific to the trial. Beyond that, a number of comments were made about practical arrangements that will need to be made for energy services to be viable in community heating: for example, apportionment of benefits between multiple properties (as is used under EEC), and involvement of the landlord in creating a scheme.

Ofgem's view

- 4.11. Energy service packages under the trial are less likely to be interesting to poor consumers, because many of these have access to free measures under Warm Front and its equivalents, or to subsidised measures as suppliers aim to meet their priority group obligations under EEC. However, since not all poor consumers have access to subsidised energy efficiency measures, the trial may also be of benefit to this group. Ofgem has included in the draft final direction a clear ban on selling to consumers measures that they would be entitled to access at a substantially subsidised price, or for free⁵.
- 4.12. As regards community heating, while Ofgem would like to see this group of consumers benefit from the trial, we are conscious of a number of practical difficulties. These are not specific to the trial, are not new, and are well understood. In addition, many such schemes are not covered by the 28 day rule at all, since this only applies to domestic contracts. The draft direction is therefore couched in terms that recognise that the relevant premises will normally be the home of the consumer signing the contract, but that allow the possibility that they will be other premises. The direction also allows Ofgem to issue guidance about where energy services packages would not be appropriate, should consumer problems arise in this area. Ofgem hopes that, should suppliers or their agents manage to circumvent the practical difficulties, at least the terms of the direction should not present an obstacle to energy services packages for community heating.

⁵ This list would currently include Warm Front, Welsh Home Energy Efficiency Scheme, Scottish Executive Central Heating Program, Warm Deal or Clear Skies, as well as those supplier initiatives that provide substantial financial support for energy efficiency investments to members of the priority group under EEC.
Trial suspension of 28 day rule – decision document
Office of Gas and Electricity Markets

4 per cent/50,000 customer limit, two-year trial.

- 4.13. The 4% limit was broadly supported. One supplier suggested this should be spread across affiliates within a corporate group so as to maximise flexibility; another suggested it should not lest all the group's effort in this area be focused onto a particular brand. It was suggested the limit might be reviewed if early take-up is high. One respondent suggested that the 4% limit will not be hit unless the EEC 1 up-lift for energy services is carried over into EEC 2. One supplier suggested a smaller but less regulated trial might be preferable compared to Ofgem's initial proposal.
- 4.14. The 2 year duration of the trial was regarded as sensible by most respondents, although one supplier regarded it as too short. One respondent stressed the need to make clear well before April 2006 what is to follow. Others, while supporting the two-year duration, pointed out that the change from EEC 1 to EEC 2 half-way through could cause difficulties. One respondent suggested that, if the change improves the ratings of particular measures these improvements should be carried into the trial, but that for any measures whose ratings are down-graded, the EEC 1 rating should be grandfathered.

Ofgem's view

- 4.15. Ofgem intends to run the trial from April 2004 to 1 April 2006. The desirability of clarifying the post-April 2006 regime well before that date is accepted and will be built into Ofgem's evaluation programme. Ofgem's current view is that any changes between EEC 1 and EEC 2 are as likely to enhance the diagnostic value of the trial as to detract from it, and so our current view is that the terms of the trial will not be amended as a result of the change in EEC. However, this will be subject to review once the details of EEC 2 are clear.

Definition of energy services

Respondents' views

15% threshold, cherry-picking

- 4.16. Two respondents supported the 15% threshold, but all others who commented on the point felt that this was set too high, with the result that many consumers would be unable to choose to participate in the trial. It was also argued that

15% would exclude micro-generation. Respondents commenting on this point were generally of the view that consumers should have the choice whether to buy large or small packages, and that provisions to prevent “cherry-picking” by suppliers would equally prevent consumers picking the cherries.

- 4.17. A number of detailed questions were asked about the approach to calculating savings, and a suggestion made that using the EEC methodology did not allow use of fuel switching as an energy efficiency measure. It was suggested the trial should also measure carbon reduction, and that the calculation of benefits should net off energy exported to the grid.

Contract length up to 5 years

- 4.18. Few respondents commented directly on the length of the contract, although one was concerned that if a contract was to run for only five years, consumers would expect the measures provided to pay-back over this period, which might not be realistic. Two respondents supported contracts running up to five years. One asked for clarification of the relationship between a two-year trial and five-year contracts.

Audit

- 4.19. In general respondents accepted the importance of a thorough audit as an integral part of an energy service offering, and consumer representatives in particular placed stress on this. One consumer representative argued that a home visit should be mandatory. However, some suppliers argued that audits need not be provided normally through a home visit, but that telephone/postal audits should be equally acceptable. In any case, if home visits are to be required other than in exceptional circumstances, clarity was requested as to what “exceptional” means here. Most respondents argued against mandating compliance with the Energy Efficiency Partnership for Homes Code of Practice for Energy Efficiency Providers, although this is widely accepted on a voluntary basis.

Requirement that customers should save money

- 4.20. Although one consumer representative welcomed this requirement, other respondents were universally opposed. It was argued that this was impossible to

assess reliably, as consumers' circumstances changed subsequent to the audit and installation. It was also stressed that it acted against consumer choice – for instance, consumers today installing photo-voltaics are unlikely to find them cost-effective, but are motivated by other valid reasons. It was also suggested that suppliers might build in non-price inducements that make the offer attractive to consumers, although not apparently cost-effective.

Compulsory provision of credit

- 4.21. Here again, one consumer representative supported Ofgem's proposal that provision of credit should be a compulsory element of energy service packages under the trial, but others did not. Other respondents stressed the importance of consumer choice: pointing out that many consumers are credit averse, that 80% of consumers under EEC pay up front, and that the limits as proposed mean the typical financing package will be small (perhaps £170 to £200), which means high transaction costs. It was also suggested that consumers will tend to believe that a package involving credit must involve large amounts of money, and this will deter consumers from signing up. This suggestion is broadly supported by the ESWG research into consumer attitudes.
- 4.22. Respondents suggested that if Ofgem is keen to maintain credit as a core element in energy service packages, this could be done better: for instance, by setting a minimum monthly payment. Alternatively, if provision of credit becomes optional Ofgem could ensure this is a real option for consumers by requiring that the interest rate is reasonable.
- 4.23. Several suppliers requested more clarity as to whether suppliers must provide the credit themselves, and as to the allowed role for third parties.

Overall

- 4.24. For clarity we have presented these points separately. However, many respondents (in particular a number of suppliers) addressed them as a package, along with a number of Ofgem's suggestions relating to consumer protection. Suppliers suggested that taken together the restrictions created a level of costs that would deter suppliers from launching new offerings, and would seriously reduce take-up.

Ofgem's views

- 4.25. As noted above, Ofgem's objective is to understand the impact of removing the 28 day rule. If the trial is regulated to the extent that suppliers do not participate, Ofgem's own objective would be frustrated.
- 4.26. Ofgem has therefore reviewed the extent of the restrictions proposed in January. As a result of this review, we have maintained or strengthened those parts of our proposals that aim to ensure consumers are well-informed in advance of signing an energy services contract, but simplified those parts that govern what should be within the contract. We hope the result will be a simpler regime for suppliers, with empowered consumers taking advantage of maximum choice.

15% threshold, cherry-picking

- 4.27. Ofgem accepts the arguments that a 15% threshold would practically exclude many consumers, in particular those whose homes already incorporate some energy efficiency measures or who do not have cavity walls. Ofgem is also keen not to exclude micro-generation. For this reason, the draft direction in Appendix 3 includes within the trial energy efficiency packages saving as little as 9 per cent. This is subject to a shorter maximum lock-in period: packages saving 9-12 per cent will permit a three-year lock-in, while 12-15 per cent will allow four years, and over 15 per cent will allow a five-year lock in.
- 4.28. It is apparent that any approach to calculating savings involves either some degree of approximation (which has disadvantages), or excessive complexity for suppliers. Ofgem remains of the view that the prevailing EEC methodology is robust, widely-understood, simple for suppliers to administer, and easy for Ofgem to monitor. This methodology allows for fuel switching, despite some respondents' concerns that this is not the case. Ofgem accepts the importance of ensuring carbon emission reductions as well as energy consumption reductions, but since the EEC methodology weights consumption reduction estimates according to carbon intensity, this objective is met. The final draft direction therefore incorporates the EEC methodology as the normal way to assess reductions, although allowing for other approaches in the case of alternative generation, and allowing for further Ofgem guidance should problems emerge.

Contract length up to 5 years

- 4.29. As noted above, Ofgem intends to maintain the five year maximum contract duration. It is not at all clear that consumers will perceive a link between the length of the contract and the pay-back period, particularly for more expensive measures, although it is accepted that suppliers might wish to market more expensive measures in a different way.
- 4.30. Ofgem sees no link between the contract duration and the life of the trial. If a consumer signs a five-year contract, then all parties should expect that contract to run for that period, barring contingencies. The fact that suppliers may later become barred from entering into such arrangements has no effect on that contract.

Audit

- 4.31. If Ofgem is to simplify the consumer protection aspects of the trial, it becomes all the more important that energy service offers are based on a trustworthy assessment of the potential for energy efficiency improvements. The importance to consumers of a reliable audit is stressed in the interim report from the ESWG consumer research. Ofgem therefore continues to expect that home visits will be the norm. We accept the importance of clarity about when exceptions can be made, and therefore in the draft direction at Appendix 3 we have provided that the audit should be done in the home unless the consumer requests otherwise. Ofgem accepts the arguments against mandating compliance with the Energy Efficiency Partnership for Homes Code of Practice for Energy Efficiency Providers, although we continue to urge suppliers to adopt this on a voluntary basis.

Requirement that customers should save money

- 4.32. Ofgem recognises the strength of the arguments against this provision. It will inevitably build in considerable complexity, although we do not agree that it would be impossible for suppliers to arrive at a reasonable assessment, all other things being assumed to be equal. So long as consumers have thorough and clear information in advance of signing up to the contract, it can be assumed that consumers will only buy non-cost-effective measures if this is deliberate. Ofgem has therefore not carried this proposal forward into the draft direction.

Compulsory provision of credit

- 4.33. It is arguable that the provision of credit is inherent to the concept of energy services, since this concept has generally been articulated as “the consumer continues to pay the same bill, and the energy efficiency measures are funded out of the savings.” However, the underlying purpose of the Government’s interest in energy services is as a vehicle for driving take-up of energy efficiency. Ofgem is persuaded by the argument that maintaining the purity of the energy services concept would significantly limit the range and number of consumers to whom these packages would appeal. Not only are many consumers credit-averse (often rationally), it is by no means clear that energy suppliers are a consumer’s best option as a credit provider, in particular for the relatively small amounts to be involved in many energy efficiency packages.
- 4.34. Ofgem’s conclusion is to give priority to consumer choice. The draft direction therefore requires that credit must be offered to the consumer at a reasonable rate, to ensure this is a real option for the consumer.
- 4.35. However, Ofgem continues to see credit as an important element in the energy service package, and considers it would be to the benefit of customers if suppliers made specific offers to customers who do not take up credit. These would involve provision of the energy efficiency measures, but unbundled from a non-terminable energy supply contract. By offering such unbundled contracts, suppliers would extend consumer choice and also enhance trial evaluation since it would be possible to identify what value customers and suppliers place on the lock-in.
- 4.36. As regards the role of third parties, it has never been Ofgem’s intention to require suppliers themselves to act as banks. The draft direction makes explicit that suppliers must “offer to provide, or arrange to provide, credit” (paragraph 2). It also makes clear that although the provision and installation of the measures must be undertaken by the supplier or its agents, the energy services contract may include the provision of other services (including credit) whether or not these are provided by the supplier or its agents (paragraph 8). However, in marketing terms Ofgem does expect credit terms to be presented to the consumer as part of an all-round package so as to ensure the consumer fully understand what is being offered. For this reason, the supplier is obliged to offer credit as part of the sales process, and to include the terms of any credit in the written quote.

Consumer protection

Price certainty

- 4.37. Most respondents accepted that where a consumer is locked into a contract, there should be some limit on how much prices can be increased. However, there was some concern about complexity, consumer confusion and costs for suppliers. In particular, indexation was thought likely to lead to very frequent changes of tariff, which in turn would create significant cost for suppliers in amending their billing systems. In addition, the inevitable time-lag before indexes can be produced creates a measure of risk for suppliers, the mitigation of which will also create cost. Two respondents suggested as an alternative approach a link to other prevailing prices, for example direct debit prices. One respondent suggested that suppliers should inform Ofgem in detail as to how prices are arrived at, and that Ofgem should consult on how prices might be presented so as to encourage take-up. (This respondent also felt sales materials should be pre-approved by Ofgem.)
- 4.38. Few respondents commented on arrangements for notifying consumers of price changes, and those who did supported continuing present arrangements.

Written quote and an independent second opinion.

- 4.39. There was broad support for provision of a written quote, although one supplier felt its contents should not be specifically regulated as part of the trial (but only through general consumer protection provisions), and another opposed the inclusion of carbon savings on the quote.
- 4.40. There were markedly diverse views on second opinions. One consumer representative saw this as essential. However, other respondents (including consumer representatives) were unanimous in seeing this as excessive regulation. Respondents argued that requiring that a second opinion be provided would undermine consumer confidence, that it was difficult to find a genuinely independent source for such an opinion, and that this provision would be costly and bureaucratic.

Cooling off periods

4.41. There was widespread support for Ofgem's proposal not to adopt the ESWG suggestion of a three-week cooling off period. (However, there appeared to be some misunderstanding that Ofgem had proposed a two-week cooling off period. Our January proposal was in fact to rely on existing cooling-off provisions, which are complex and vary as between energy supply and credit.)

Termination

4.42. Relatively few respondents commented on Ofgem's proposals for when a contract within the trial should be terminable. Those who did comment were broadly supportive. Several respondents noted that the Change of Tenancy flag will not be available in gas until July at the earliest, which creates some scope for confusion in the meanwhile. One respondent stressed that consumers must be fully aware of their termination rights, and several consumer representatives asked Ofgem to define further a "reasonable termination charge". One respondent did not agree with Ofgem that a consumer should be able to terminate the contract if the supplier breached relevant provisions of the supplier licence (i.e., breached the terms of the trial), on the grounds that consumers were not well informed enough to make such judgements.

Product guarantees

4.43. Of those respondents who commented on this point, only one supported product guarantees being regulated under the trial. Several respondents commented that this is unnecessary, not only because consumers would be unlikely to buy measures without guarantees, but also because this aspect is covered through EEC.

Overall

4.44. As with the definition of energy services, these provisions should not only be viewed individually but also in terms of their cumulative effect on suppliers' ability and willingness to drive take-up of energy service packages. Suppliers argued strongly that some of these restrictions – in particular, the requirement to provide an independent second opinion – are unduly onerous.

Ofgem's view

4.45. Given the priority Ofgem gives to ensuring suppliers have sufficient head-room to launch offerings – as an essential pre-requisite to the trial being able to assess the role of the 28 day rule – we have given more priority to consumer information, and less to prescriptive consumer protection.

Price certainty

4.46. Ofgem recognises the draw-backs of indexation, and as suggested has included in the draft direction a further option for suppliers to give consumers some price certainty, which is the ability to link the unit price within the package to the prices paid by consumers in the wider market. This creates a need for a clearly defined reference tariff, and Ofgem has adopted the supplier's main direct debit price (within the relevant region, for electricity). We recognise that not all energy services consumers will necessarily pay by direct debit; the link to direct debit as a reference tariff is because these tariffs tend to be most exposed to competition.

4.47. Ofgem has not adopted the suggestion of some respondents, that the direction be drafted so as to indicate in broad terms that consumers on energy service packages should not pay more than the generality of other consumers. It seems of relatively little value to include provisions in the legal documentation that cannot be enforced, and it appears to Ofgem that very broad drafting of the kind proposed would not be enforceable.

4.48. Ofgem is also keen to structure the trial so as to minimise the need for on-going detailed regulatory micro-management. Such involvement would tie up resources that might otherwise be deployed on monitoring and enforcement, as well as being undesirable as a matter of regulatory philosophy. Ofgem has therefore not adopted proposals that Ofgem should be closely involved in preparation of sales materials.

4.49. Ofgem intends to continue present arrangements for notifying consumers of price changes.

Written quote and an independent second opinion.

4.50. Given broad support, and our stress on ensuring that consumers are fully informed, Ofgem has generally maintained its proposals for written quotes. We

have retained inclusion of expected carbon savings, as this appears likely to be a motivator for many consumers, who will value receiving equivalent information from different suppliers. "However, the draft direction makes clear that the estimate of expected carbon savings need not be based on detailed monitoring or measuring, but is to be notional (based on the EEC methodology as illustrated by the table annexed to the draft direction).

- 4.51. In the light of strong opposition, Ofgem has withdrawn the proposal that a second opinion should be provided. However, so as to reflect the ESWG's expressed view that second opinions have a role, we have maintained in the draft direction an obligation to inform consumers where a second opinion might be obtained. We have also clarified that the second opinion should relate specifically to whether the energy efficiency measures proposed are likely to achieve the estimated savings – the opinion is not expected to address whether the supplier is offering a good deal.

Cooling off periods

- 4.52. We have maintained our view that the trial should not create any new provisions with regard to cooling off, and so the draft direction is silent on this point.

Termination

- 4.53. Ofgem has maintained our proposals with regard to termination rights, in the light of broad support or neutrality. We recognise that some short-term difficulties may theoretically be caused to suppliers by the absence of the Change of Tenancy flag in gas until July (or shortly thereafter, should its introduction be delayed). However, it seems likely that between April and late summer the sales of energy services contracts will build slowly, and that of those sold few will be bought by consumers expecting to move house within a matter of months. We therefore hope that such difficulties will not in fact materialise.
- 4.54. We agree that consumers must be made fully aware of their termination rights, and so have included this in the list of information that must be included with the written quote.

- 4.55. Ofgem is asked to define further a “reasonable termination charge”. This is a complex matter, that Ofgem will discuss further with suppliers, energywatch and other interested parties over the coming months.
- 4.56. One respondent did not agree with Ofgem that a consumer should be able to terminate the contract if the supplier breached the terms of the trial, on the grounds that consumers were not well informed enough to make such judgements. Ofgem does not agree with this view of consumers, and believes it important to maintain a broad parity of arms between consumers and their suppliers. We have therefore maintained this provision.

Product guarantees

- 4.57. Ofgem agrees that regulating guarantees as part of the trial is unnecessary, not only because consumers would be unlikely to buy measures without guarantees, but also because this aspect is covered through EEC.

Enforcement and verification, and evaluation

- 4.58. Suppliers welcomed the stress on aligning reporting requirements under the trial with existing reporting (for example, under EEC, and under the existing monthly data return to Ofgem). A number of suppliers and other respondents found the proposed board-level statement of compliance disproportionate.
- 4.59. With regard to evaluation, consumer representatives and energy efficiency groups stressed the importance of thorough evaluation. Suppliers generally accepted this, although they were concerned about the costs of evaluation. One supplier did not view substantial evaluation as worthwhile, as the market would evolve substantially beyond the trial. Respondents commented that evaluation should not focus solely on the numbers of contracts sold but also on consumer experience; that evaluation should look at why consumers declined to take up contracts, as well as the experience of those that did, giving full weight to both positive and negative sides; and that the overall carbon impact should be published. Ofgem was asked to clarify what will be the criteria for evaluation.

Ofgem’s view

- 4.60. Since Ofgem has not yet finalised its approach to data-collection and on-going evaluation and compliance, the draft direction (paragraph 20) includes a general

obligation on suppliers to provide Ofgem with information. However, as described above, Ofgem is keen to avoid creating unnecessary costs for suppliers that might deter them from participation in the trial. Ofgem does not therefore intend to use the power in the direction to require the board-level statement of compliance.

- 4.61. As regards evaluation, Ofgem recognises the importance of clarifying further the criteria for evaluation, and this will be an early priority once the trial is launched. Ofgem regards thorough evaluation as of high importance in order to maximise learning from the trial, and will take on board the range of suggestions made.

Objections

- 4.62. There was a widespread view that creating a national list of sites where a non-terminable contract is in force, would not be practicable, although some respondents thought such a list would be desirable.

Ofgem's view

- 4.63. Ofgem has consulted with the ET Objections working group, which has confirmed that there are no technical amendments required to industry systems. An MRA change to permit energy services objections has been approved.
- 4.64. Ofgem will make consequential changes to the monthly pro forma through which suppliers report on their objection activity. This will enable Ofgem to monitor energy service objections for signs of abuse.

Expected costs

- 4.65. The costs of the trial are considered in the Regulatory Impact Assessment at Appendix 1.

5. Process for setting up the trial

- 5.1. This chapter outlines the process for making the proposed licence change and launching the trial.

Procedures for collective licence modification (CLM)

- 5.2. In Appendix 2 to this document are copies of statutory notices proposing the relevant modifications of the gas and electricity licence conditions. These are being served on suppliers and other statutory consultees for statutory consultation, with a deadline for responses of 4 May.
- 5.3. Following the deadline for responses Ofgem will assess whether we have received statutory objections from 20 per cent of licence holders (by number or by market share). If the proportion of objections falls between 15 per cent and 25 per cent, this calculation will be independently audited. So long as we have received fewer than 20 per cent objections, Ofgem will then publish and place on our Public Register modification notices, and also send the notices to supply licensees.
- 5.4. Once the modification notices have been published, Ofgem will be able to make the directions that initiate the trial.

Appendix 1 - Regulatory Impact Assessment

Introduction

This appendix is Ofgem's final regulatory impact assessment (RIA) of the proposed trial to assess consumer take-up of energy services in the light of suspending the 28-day rule. In January Ofgem published an initial RIA that reviewed the case for carrying out the trial at all. We therefore review the response to the initial RIA, and then focus the remainder of this final RIA on the decisions that have been set out in this document, i.e., on the detail of the trial parameters.

Objective

The objective of the trial is to assess the removal of the 28-day rule as an approach to boosting suppliers' efforts to promote uptake of energy efficiency measures by domestic consumers, and assess whether alternative consumer protection measures can be as effective.

Overview of key issues – initial RIA

In the initial RIA published in January, we set out Ofgem's rationale for proposing a trial:

- Encouraging take-up of domestic energy efficiency measures is a high priority for Ofgem and the Government. The initial RIA reviewed how take up of energy efficiency measures could be boosted;
- It recognised that there has been little sign of interest in this market by non-energy companies;
- It also recognised that many believe that energy services are an ideal vehicle for encouraging domestic take-up, since they can permit energy efficiency measures to be installed without any up-front cost to the consumer. The initial RIA reviewed two means by which such a "bundled" approach could be stimulated. First, through suppliers bundling energy efficiency measures with fixed-term contracts under which a termination fee is payable⁶. However, suppliers argue

⁶ This is allowed under current licence rules, so long as the fixed term period exceeds 12 months.

that this creates an imperfect mitigation of risk (since such fees have themselves to be collected), and that such contracts would not appeal to consumers;

- The initial RIA therefore concluded that suspending the requirement for consumer contracts to be terminable on 28 days' notice may be Ofgem's best way to stimulate the energy services market. The initial RIA noted that this proposition is not necessarily true, since other barriers such as consumer apathy might mean suppliers are unable cost-effectively to market such services, even in the absence of the 28 day rule. However, the question was seen as being of sufficient importance as to merit a trial so as to establish whether or not the 28 day rule is a material barrier; and
- The initial RIA identified potential advantages and disadvantages for consumers. The advantages in general accrue cumulatively as more energy service contracts are sold. The disadvantages may be mitigated through the inclusion in trial design of robust consumer protection measures. However, one of the objectives of the trial is to assess whether consumers who cannot switch energy supplier can nevertheless be adequately protected.

Respondents' views

Respondents were broadly positive about the trial's ability to deliver benefits to consumers participating in it. To some extent this mirrored optimism that removing the 28 day rule will indeed stimulate energy services marketing and take-up. However, this optimism was not universal, and a number of respondents argued for additional government support (through continuation of the up-lift for energy services into EEC 2, for example, or through government publicity campaigns).

Many respondents highlighted the importance of avoiding over-regulation of the trial. It was pointed out that although relaxation of some elements of regulation might marginally increase consumer down-side, if the trial was regulated to the extent that suppliers were unable cost-effectively to market energy service packages, consumers would in any case lose the benefits of the trial. In that scenario the industry would also not learn whether a less heavily regulated suspension of the 28 day rule might have had the stimulant effect predicted, which would make the trial a waste of time.

The importance of giving suppliers flexibility as to the structure of their offerings was also stressed. A “one size fits all” approach would reduce both consumer benefits and industry learning from the trial.

There were also a number of responses that, while recognising potential benefits, expressed concern about the impact on competition and scope for abuse of the objections rules.

Specifically on the RIA, respondents stressed that assessment of regulatory impact should take account of the costs of all mandatory elements in trial – including, for instance, costs of changes to billing systems necessitated by indexation of prices.

It was also suggested that the trial’s impact on carbon emissions should be taken account of in the RIA.

Ofgem’s view

Ofgem accepts the arguments that it would be self-defeating to regulate the trial to such an extent that suppliers were unable cost-effectively to participate. This would not be in consumers’ interests, and it would leave the industry no wiser on the central point of whether the 28 day rule is in fact a key barrier to suppliers’ marketing of energy services.

However, we believe that regulation has an important role to ensure the success of the trial. The research commissioned by the ESWG on consumer attitudes reveals a significant measure of consumer scepticism about suppliers’ motives, and that consumers’ natural suspicion can be allayed by clear and effective regulation of this new market.

It appears to be of particular importance that clear information is given to consumers up-front. Ensuring that information is clear, comprehensive, and sufficiently defined so that suppliers issue comparable quotations will not only give consumers confidence to engage with this new market. It will also help ensure that they make the right decision for their own circumstances which, in turn, means “word of mouth” comment or media reporting about energy services will retain a positive tone.

Ensuring that consumers are clear about what they are buying is important so as to underpin competition.

Options

Given the broadly positive response to the idea of running a trial, this consultation is focused on the parameters for the trial. Ofgem sees these as falling into two broad categories:

Definition of energy services. As the objectives of the trial revolve around creating an energy services market, it has been important to clarify for regulatory (and, potentially, for enforcement) purposes what can be counted as an energy services package. There are two key elements to the definition adopted:

- that a substantial energy efficiency gain is created. We have therefore proposed that the length of the lock-in be related to the energy efficiency gain: one year's lock-in per 3% gain. (Although, so as to minimise the impact on competition, we have not proposed including small offerings of <9% saving. Given the lower costs involved in these, suppliers may choose to market them without the backing of a non-terminable contract); and
- that the package must include an offer of credit, on reasonable terms.

Consumer clarity. To ensure consumers are empowered by being well-informed Ofgem proposes to require:

- an energy efficiency audit, normally carried out in the home;
- a written quote, that sets out the costs of credit and the pay-back period; and
- that bills must show energy costs and energy efficiency measure/credit costs separately.

Ofgem has decided to modify a number of proposals that were included in our January consultation:

- No requirement for a second opinion on the audit to be provided (although suppliers must tell consumers where one can be found);
- Packages being included from 9% energy efficiency saving, rather than 15%, increases suppliers' flexibility to structure packages to suit consumers' needs;
- No requirement that credit be provided (just offered);

- No requirement that consumers actually save money, as this can be hard to verify, and in particular since this would exclude most micro-generation from the trial;
- No regulation of product guarantees, or making compulsory the code of practice for home audits; and
- Reduced reporting requirements (in particular, removing the demand for a regular board-level statement of compliance).

Risks and unintended consequences

The key risks Ofgem identifies in suspension of the 28 day rule are:

- individual consumers may be ill-informed about this new market, and may make decisions that they later come to regret. For instance, they may sign onto a tariff that later proves unattractive; or they may experience poor consumer service and be unable to respond to it by switching away;
- increased prevalence of non-terminable contracts may frustrate efforts by other suppliers, including new entrants, to sign up consumers. The most worrying scenario might be if a company with a share of around 60% of consumers in a particular region were to approach a large proportion of those consumers and seek to switch them over to a lock-in contract. This might be in exchange for minimal compensation, since it seems quite possible that consumers would perceive such a change as a trivial administrative matter. A continuing threat of new entry creates a healthy competitive constraint on the behaviour of existing market players. To the extent that increasing entry barriers reduced the prospect of such entry, this would act against the long term interests of consumers.

However, the negative impact of both of these risks on consumers is substantially mitigated by the limited scale of the trial. Suppliers will only be able to sign 4% of their consumers onto non-terminable contracts (or 50,000, if this is larger).

With regard to the first of these risks, the ESWG research provides encouraging evidence of healthy caution in consumers. It also suggests consumers are better informed about the scope for improving the energy efficiency of their homes than might be imagined.

Competition

With regard to competition concerns, these are also proportionate to the prevalence of non-terminable contracts. These concerns would therefore be more acute if consumers signing up to non-terminable contracts were concentrated in particular regions. Ofgem has made clear to suppliers that we would regard it as potentially anti-competitive for a former Public Electricity Supplier to focus its energy services marketing disproportionately on regions where it is the former monopolist.

To set against these concerns, wider use of non-terminable contracts may have a range of competitive benefits. For instance, contract structure could become a new dimension of competition, as for instance in the mortgage market. In addition, although some new entry could be stymied by widespread take-up of fixed-term contracts, it is quite possible that a new entrant could use such contracts as its vehicle to enter the market⁷.

Costs and benefits

Consumers

A more heavily-regulated trial would be likely to reduce the risk of down-side for individual consumers, but might also prevent consumers accessing the benefits of energy service packages.

It is clear (for instance, from the ESWG research) that consumers' needs in this area differ. Some will wish to buy individual measures, while others will be attracted by a full "make-over" that addresses all the opportunities for energy efficiency improvements. Some consumers will wish to borrow from a supplier if the terms are attractive, while others are credit averse. It therefore seems likely that allowing suppliers significant flexibility will lead to greater consumer benefit from a given number of contracts sold.

Suppliers

Responses to the initial RIA contained little hard data about costs to suppliers. However, Ofgem has given more weight to unquantified assertions when they were

⁷ Ofgem understands this was the approach adopted by Telge Energie in Sweden to fuel its substantial expansion.

made by a number of respondents. A number of common themes have led to Ofgem changing its initial proposals:

- a 15% threshold excluded many consumers. Suppliers would not necessarily know which in advance of an audit (for instance, because they would not know whether a consumers already had cavity wall insulation), so such a high threshold would be likely to lead to a level of nugatory marketing and audit expense;
- in a similar way, an obligation to include the provision of credit is likely to exclude some consumers and lead to nugatory spending by suppliers. Suppliers' costs and risks will be more manageable if third-party credit providers can be involved;
- suppliers will incur substantial expense (and regulatory risk) trying to establish whether consumers will actually save money, since this requires a level of information not likely to be available;
- while respondents were generally not opposed to providing price certainty for consumers, some approaches are likely to be more expensive for suppliers to administer. For example, revising prices each quarter in response to a re-issued index would mean very frequent changes to billing systems, which would be expensive. Fixed or capped prices would be cheaper to administer, as would a defined link to another tariff; and
- regulation of guarantees and the conduct of audits would increase administrative cost and regulatory risk, without being likely to produce better performance.

Some respondents identified a range of costs for suppliers that are apparently common to all new product creation, for instance: changes to billing, contract and account systems, staff training, creation of a sales quality benchmark, redesign of marketing literature, and development of internal processes.

Suppliers also pointed to a number of aspects of the trial design that generate cost, but where Ofgem has retained this measure as the benefits are expected to out-weight the costs, for instance:

- audits will be more expensive to deliver through home visits than through postal or telephone means. Ofgem has retained an emphasis on home visits, as we

believe (in part because of the ESWG research) that this is likely to lead to more accurate audits, and to greater consumer confidence in the process; and

- some respondents suggested Ofgem should not regulate the content of written quotes, but that this should be left to existing (largely non-sectoral) rules and to competition. However, Ofgem has retained regulation of the content of the written quote, so as to ensure these quotes are broadly comparable between suppliers.

Environment

Increasing domestic take-up of energy efficiency measures is a key plank of government energy policy. The government is committed to emissions reductions in households of around 3.5 MtC per annum by 2010 (additional beyond those envisaged in the UK Climate Change Programme), and a further 4 – 6 MtC by 2020.

Energy services may play a part in delivering this increase in domestic take-up of energy efficiency measures. An effective trial will help Ofgem, government and industry identify how best to promote take-up of energy services and therefore assist in meeting government targets.

The trial may also deliver benefits to the environment if it helps suppliers meet challenging EEC 2 targets, and may deliver additional benefits if it contributes energy efficiency measures being installed over and above EEC activity.

Security of supply

It is not expected that these proposals will lead to an additional improvement in security of supply, unless energy services are sold over and above EEC activity.

Distributional effects

Improving the energy efficiency of the homes of the fuel poor is a key objective of government policy. For this reason, fuel poor consumers can get measures for free under the Warm Front programme in England and the equivalent programmes in Scotland and Wales, and can obtain assistance under the priority group proportion of EEC. Ofgem proposes a clear prohibition on suppliers selling measures to a consumer who is eligible for substantial support. It therefore seems much less likely that these consumers will look to purchase measures through an energy services package.

Review and compliance

In order to suspend the 28 day rule in any circumstances, a licence modification is required. Given the detail involved in specifying the trial, it seems most sensible to modify the licences to give Ofgem an enabling power to set out in a direction the detailed conditions that must be met for the rule not to apply.

Ofgem will monitor closely suppliers' and consumers' response to the trial. This monitoring and evaluation will take account of both positive and negative experiences. If as a result of this monitoring, it comes to light that suppliers are signing up consumers to non-terminable contracts other than in compliance with the terms of the direction, Ofgem will pursue this in the normal way. This will be given a high priority by Ofgem and may lead to formal enforcement action.

Conclusion

Ofgem recognises that the scope for significant benefit or detriment to consumers and the environment both arise from the extent of take-up of energy service contracts. We have therefore tailored the trial so as to ensure suppliers can cost-effectively market packages under it. This will help Ofgem, government and industry understand whether the 28 day rule is a key barrier, and if it turns out not to be so, identify what other action is needed to promote energy services. The benefits and detriments to consumers and to competition (which is itself the best protector of consumer interests) are potentially significant. The risk of detriment can be substantially mitigated, and consumers are likely to benefit more from a more flexible trial that enables suppliers to tailor their offerings to the individual consumer's needs.

Appendix 2 – Copies of modification notices

Notice under Section 23 (3) of the Gas Act 1986

The Gas and Electricity Markets Authority (“the Authority”) hereby gives notice pursuant to Section 23(3) of the Gas Act 1986 (“the Act”), as follows:

1. The Authority proposes to modify the Standard Licence Condition 46 of all gas suppliers licences granted or treated as granted under Section 7A(1)(a) of the Act by including new paragraphs 8(d), 15 and 16, as set out in the Annex to this Notice.
2. The reasons why the Authority propose to make this licence modification and its effect were published by the Authority in the following documents:
 - a. Testing domestic consumer take-up of energy services: trial suspension of 28 day rule, Consultation document, January 2004
 - b. Testing domestic consumer take-up of energy services: trial suspension of 28 day rule, Decision document, March 2004
3. In summary, the effect of the proposed licence modification referred to in paragraph 1 above is to allow Ofgem to issue a direction removing (in defined circumstances) the obligation on relevant licence holders to include in all domestic supply contracts a term allowing the domestic consumer to terminate the domestic supply contract by giving to the licensee a valid notice of termination (defined in standard licence condition 46.2 as a notice that is given at least 28 days in advance).
4. Relevant licence holders for the purposes of this Notice are all holders of a Gas Suppliers Licence at the relevant time with Standard Condition 46 in force.
5. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this Notice.
6. Copies of the documents referred to in paragraph 2 are available free of charge from the Ofgem Library, 9 Millbank, London, SW1P 3GE (020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).

7. Any representations or objections with respect to the proposed licence modification may be made on or before 4 May 2004 and should be addressed to Iain Osborne, Director of Consumer Markets, Ofgem, 9 Millbank, London, SW1P 3GE or iain.osborne@ofgem.gov.uk. All responses will normally be published on the Ofgem website and held electronically in the Ofgem Research and Information Centre unless they are marked confidential. Respondents should try to confine confidential information to the appendices of their responses. Ofgem would prefer to receive non-confidential responses and to receive responses in an electronic form. In any case, statutory objections cannot be confidential.

.....
Steve Smith

Managing Director, Markets

Duly authorised on behalf of the Authority

31 March 2004

Annex

Proposed modification to Standard Condition 46 of the Gas Suppliers licence

Insert:

8. (d) the consumer is bound by the provisions of a contract with the licensee for the supply of gas at those premises which will neither expire nor, to the knowledge of the licensee, be terminated on or before the date of the proposed transfer, and that contract is of a kind specified in a direction issued by the Authority.
15. The Authority may issue a direction relieving the licensee of its obligations under paragraph 1 to such extent and subject to such terms and conditions as may be specified in the direction. The Authority may amend the direction from time to time.
16. Paragraphs 8(d) and 11 shall cease to have effect on 1 April 2006 (the "termination date") unless prior to the termination date the Authority issues a direction providing for the continuing effect of paragraphs 8(d) and 11. Any direction issued by the Authority under this paragraph may be subject to such terms and conditions as the Authority considers appropriate, and may be amended by the Authority from time to time.

Suggested pro forma to register a statutory objection
Proposed Modification of Standard Licence Condition 46
of the Gas Suppliers Licence

In response to the statutory notice dated [] in respect of the above proposed modification(s), this notice constitutes a statutory objection to that proposal on behalf of [state full name of each relevant licence holder making the objection]. I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[Signed]

Date: []

[Address for acknowledgement, preferably including email address]

Notice under Section 11 (1) of the Electricity Act 1989

The Gas and Electricity Markets Authority (“the Authority”) hereby gives notice pursuant to Section 11(2) of the Electricity Act 1989 (“the Act”), as follows:

1. The Authority proposes to modify the Standard Licence Condition 46 of all electricity supply licences granted or treated as granted under Section 6(1)(d) of the Act by adding new paragraphs 8 and 9 as set out in the Annex to this notice.
2. The reasons why the Authority propose to make this licence modification and its effect were published by the Authority in the following documents:
 - a. Testing domestic consumer take-up of energy services: trial suspension of 28 day rule, Consultation document, January 2004
 - b. Testing domestic consumer take-up of energy services: trial suspension of 28 day rule, Decision document, March 2004
3. In summary, the effect of the proposed licence modification referred to in paragraph 1 above is to allow Ofgem to issue a direction removing (in defined circumstances) the obligation on relevant licence holders to include in all domestic supply contracts a term allowing the domestic consumer to terminate the domestic supply contracts by giving to the licensee a valid notice of termination (defined in standard licence condition SLC 46.2 as a notice that is given at least 28 days in advance).
4. Relevant licence holders for the purposes of this Notice are all holders of a electricity supply licence at the relevant time with Standard Condition 46 in force.
5. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this Notice.
6. Copies of the documents referred to in paragraph 2 are available free of charge from the Ofgem Library, 9 Millbank, London, SW1P 3GE (020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
7. Any representations or objections with respect to the proposed licence modification may be made on or before 3 May 2004 and should be addressed to Iain Osborne, Director of Consumer Markets, Ofgem, 9 Millbank, London,

SW1P 3GE or iain.osborne@ofgem.gov.uk. All responses will normally be published on the Ofgem website and held electronically in the Ofgem Research and Information Centre unless they are marked confidential. Respondents should try to confine confidential information to the appendices of their responses. Ofgem would prefer to receive non-confidential responses and to receive responses in an electronic form. In any case, statutory objections cannot be confidential.

.....

Steve Smith

Managing Director, Markets

Duly authorised on behalf of the Authority

31 March 2004

Annex

Proposed modification to Standard Condition 46 of the Electricity Supply licence

Insert:

8. The Authority may issue a direction relieving the licensee of its obligations under paragraph 1 to such extent and subject to such terms and conditions as may be specified in the direction. The Authority may amend the direction from time to time.
9. Paragraph 8 shall cease to have effect on 1 April 2006 (the “termination date”) unless prior to the termination date the Authority issues a direction providing for the continuing effect of paragraph 8. Any direction issued by the Authority under this paragraph may be subject to such terms and conditions as the Authority considers appropriate, and may be amended by the Authority from time to time.

Suggested pro forma to register a statutory objection
Proposed Modification of Standard Licence Condition 46
of the Electricity Supply Licence

In response to the statutory notice dated [] in respect of the above proposed modification(s), this notice constitutes a statutory objection to that proposal on behalf of [state full name of each relevant licence holder making the objection]. I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[Signed]

Date: []

[Address for acknowledgement, preferably including email address]

Appendix 3 - Draft direction

For the purposes of paragraph [8 / 15] of standard licence condition 46 of the **[Electricity supply licence / Gas suppliers licence]** the Authority directs that the licensee shall not be required to comply with its obligations under paragraph 1 of standard licence condition 46 with respect to any Energy Service Contract entered into by the licensee where the terms and conditions set out in paragraphs 1 to 6 below are satisfied.

[The Authority directs that an Energy Service Contract is a contract of the kind specified for the purposes of paragraph 8(d) of standard licence condition 46 of the gas suppliers licence where the terms and conditions set out in paragraphs 1 to 13 below are satisfied.]

1. Before entering into the Energy Service Contract the licensee must carry out an appropriate energy efficiency audit of the premises in which it is proposed to install energy efficiency measures under the contract. For the purposes of this direction an appropriate energy efficiency audit is one that:
 - (a) is carried out at the premises in which it is proposed to install energy efficiency measures under the contract, unless the consumer requests that the audit is carried out over the telephone or by post using a detailed questionnaire;
 - (b) assesses the efficiency of the heating system, lighting and any insulation at the premises, and assesses the performance of all major gas and electrical appliances at the premise;
 - (c) assesses the energy efficiency measures that may be installed at the premises (including any zero cost energy efficiency measures that may be installed) and any opportunities for lower carbon generation at the premises; and
 - (d) includes a written report to the consumer setting out the matters described in paragraphs (b) and (c) above.
2. Before entering into the Energy Service Contract the licensee must offer to provide, or arrange to provide, credit to the consumer on reasonable terms for the purpose of funding the energy efficiency measures to be provided and installed under the contract.

3. Before entering into the Energy Service Contract the licensee must provide the consumer with a written quote that includes the information set out in paragraphs (i) to (xi) below.
 - i. the energy efficiency measures to be provided and installed under the contract;
 - ii. the total cost of the energy efficiency measures to be provided and installed under the contract;
 - iii. the expected reduction in energy consumption at the premises as a result of the energy efficiency measures to be provided and installed under the contract,
 - iv. the consumption assumptions underlying the expected reduction in energy consumption at the premises;
 - v. the notional carbon saving as a result of the energy efficiency measures to be provided and installed under the contract;
 - vi. the terms of any credit offered by the licensee or its agents, including the APR to be applied and the total cost of any credit;
 - vii. the unit charge of the **[electricity/gas]** to be provided under the contract and the method used to calculate the unit charge during the term of the contract;
 - viii. the total monthly charge for all of the goods and services to be provided under the contract;
 - ix. the payback period (which means for the purposes of this direction the period during which the energy efficiency measures to be provided under the contract must be installed before the total cost of the energy efficiency measures will be equal to the total reduction in the cost of **[electricity/gas]** supplied to the relevant premises based on the average monthly charge for **[electricity/gas]** under the consumer's current supply contract);
 - x. the billing arrangements under the contract; and
 - xi. the circumstances in which the consumer may terminate the contract.

4. Before entering into an Energy Service Contract the licensee must provide the consumer with contact details of an independent person or agency that can provide a second opinion in relation to the expected reduction in energy consumption resulting from the energy efficiency measures to be provided and installed under the contract.
5. The licensee must not enter into an Energy Service Contract with any consumer that is otherwise eligible to receive substantial financial support for the energy efficiency measures to be provided and installed under the contract. (The Authority may provide guidance from time to time as to what proportion of cost shall be interpreted as substantial.)
6. The licensee and its affiliates must not enter into Energy Service Contracts with more than 4 percent of the aggregate number of their domestic consumers, or 50,000 domestic consumers, whichever is the greater number.

Energy Service Contract

For the purposes of this direction, an Energy Service Contract means a contract that complies with terms and conditions set out paragraphs 7 to 13 below.

- 7 The contract provides for the supply of **[electricity/ gas]** to the relevant premises by the licensee, and provides for the provision and installation of energy efficiency measures to the relevant premises by the licensee or its agents. The relevant premises will be the premises of a domestic consumer who is a party to the contract or any other premises which the Authority has not notified from time to time as being excluded for the purposes of this direction.
- 8 The contract may provide for the licensee to arrange for the provision of advice, subsequent servicing of the energy efficiency measures, other ancillary services or credit by other persons whether or not these persons are acting as an agent for the licensee.
- 9 The energy efficiency measures provided under the contract must be expected to reduce energy consumption at the relevant premises by at least 9 per cent.
- 10 The term of the contract must comply with paragraphs (a) to (c) below:

- (a) where the energy efficiency measures provided under the contract are expected to reduce energy consumption at the relevant premises by between 9 per cent and 12 per cent, the term of the contract must be no longer than three years;
 - (b) where the energy efficiency measures provided under the contract are expected to reduce energy consumption at the relevant premises by between 12 per and 15 per cent, the term of the contract must be no longer than four years; and
 - (c) where the energy efficiency measures provided under the contract are expected to reduce energy consumption at the relevant premises by more than 15 per cent, the term of the contract must be no longer than five years.
- 11 The unit price of **[electricity/gas]** supplied under the contract must be calculated using one of the methods set out in paragraphs (a) to (d) below. The contract must specify the method which will be used to calculate the unit price of **[electricity/gas]** during the term of the contract.
- (a) A fixed unit price.
 - (b) A price above which the unit price will not rise.
 - (c) A fixed difference between the unit price payable under the contract and the price paid by the largest number of the licensee and its affiliates' consumers (where these consumers pay by direct debit). For the purposes of electricity supply, the relevant price is that paid by the largest number of the licensee and its affiliates' consumers within the same Grid Supply Point Group as the consumer entering into the contract.
 - (d) A unit price where any increase in the unit price shall not be greater than any increase in the relevant retail energy index published by the Department of Trade and Industry, or under any successor arrangement made by the Department of Trade and Industry.
- 12 The contract must be terminable by the consumer without notice in the following circumstances:

- (a) where the consumer ceases to own or occupy the premises in which energy efficiency measures have been installed under the contract;
 - (b) where the consumer has paid in full any credit (and related charges) provided by the licensee or its agents under the contract, or arranged by the licensee or its agents in relation to the contract;
 - (c) where the licensee is in breach of any of the terms and conditions set out in paragraphs 1 to 18 of this direction.
- 13 Any payment request for any goods or services provided under the contract must separately specify:
- (a) charges for **[electricity/ gas]** supplied under the contract;
 - (b) charges for energy efficiency measures provided under the contract; and
 - (c) charges for credit provided under the contract.

Calculating a Reduction in Energy Consumption

- 14 For the purposes of this direction, the reduction in energy consumption resulting from an energy efficiency measure shall be calculated using the same assumptions as are used to calculate a reduction in energy consumption for the purposes of the Electricity and Gas (Energy Efficiency Obligations) Order 2001 (“EEC Methodology”).
- 15 A number of examples of the reduction in energy consumption that shall be regarded as resulting from energy efficiency measures under particular conditions for the purposes of this direction are provided in Annex 1 of this direction.
- 16 Where an energy efficiency measure is installed under conditions that are not represented in the examples provided in Annex 1 of this direction, the reduction in energy consumption for the purposes of this direction shall be calculated using the EEC Methodology.
- 17 Where an energy efficiency measure is installed which is not represented in the examples provided in Annex 1 of this direction, the reduction in energy consumption for the purposes of this direction shall be calculating using the metered demand for **[electricity/gas]** at the premises, and taking account of any exported electricity.

18 The Authority may issue guidance from time to time with respect to the methodology that should be used to calculate the reduction in energy consumption resulting from energy efficiency measures for the purpose of this direction.

Provision of Information to the Authority

19 The Authority may require a licensee that enters into an Energy Service Contract to provide the Authority with such information in such manner and at such times as it may reasonably require for the purpose of evaluating the effect of this direction.

Annex 1

GAS

		Household Energy Demand			Energy Savings (KWh)							Energy savings as proportion of household energy demand						
Property Type	No. bedrooms	Heat & Hot Water Demand	Cooking Appliances and Lighting Demand	Aggregated Household Energy Demand	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Boiler replacement (90%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Boiler replacement (90%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)
Flat	1	11,262	1822	5763.4	6114.9	1485.0	1470.5	1,016.5	680.0	185.0	179.0	37.1%	9.0%	8.9%	6.2%	4.1%	2.6%	2.5%
Flat	2	16,356	2200	7924.5	8880.8	2156.5	2135.2	1,476.3	680.0	185.0	179.0	39.2%	9.5%	9.4%	6.5%	3.0%	1.9%	1.8%
Flat	3	23,864	2947	11299.2	12956.6	3146.7	3116.1	2,153.7	680.0	185.0	179.0	40.1%	9.7%	9.7%	6.7%	2.1%	1.3%	1.3%
Mid-Terrace	2	13,500	2247	6971.6	4485.5	1079.5	2529.6	1,468.7	680.0	185.0	179.0	22.5%	5.4%	12.7%	7.4%	3.4%	2.1%	2.1%
Mid-Terrace	3	16,929	2657	8582.0	5624.5	1353.2	3171.4	1,842.1	680.0	185.0	179.0	22.9%	5.5%	12.9%	7.5%	2.8%	1.7%	1.7%
End-Terrace	2	17,550	2256	8398.7	4485.5	1079.5	4350.3	1,909.5	680.0	185.0	179.0	18.7%	4.5%	18.1%	8.0%	2.8%	1.8%	1.7%
End-Terrace	3	22,008	2667	10369.4	5624.5	1353.2	5455.3	2,395.0	680.0	185.0	179.0	19.0%	4.6%	18.4%	8.1%	2.3%	1.4%	1.4%
Semi-bungalow	2	18,647	2263	8789.7	8183.0	2051.1	3637.2	2,029.2	680.0	185.0	179.0	32.6%	8.2%	14.5%	8.1%	2.7%	1.7%	1.6%
Semi-bungalow	3	21,730	2526	10131.1	9536.2	2390.2	4238.1	2,364.6	680.0	185.0	179.0	32.9%	8.3%	14.6%	8.2%	2.3%	1.5%	1.4%
Det-bungalow	2	21,385	2353	9838.2	8288.4	2114.8	4376.7	2,326.6	680.0	185.0	179.0	29.5%	7.5%	15.6%	8.3%	2.4%	1.5%	1.5%
Det-bungalow	3	24,896	2640	11353.4	9649.2	2461.6	5095.8	2,708.5	680.0	185.0	179.0	29.7%	7.6%	15.7%	8.3%	2.1%	1.3%	1.3%
Det-bungalow	4	28,726	2989	13043.6	11134.2	2840.7	5879.5	3,125.5	680.0	185.0	179.0	29.9%	7.6%	15.8%	8.4%	1.8%	1.1%	1.1%
Semi-house	2	21,453	2616	10124.7	5049.0	1207.0	4920.7	2,334.2	680.0	185.0	179.0	17.5%	4.2%	17.0%	8.1%	2.4%	1.5%	1.4%
Semi-house	3	24,796	2964	11642.1	5836.1	1395.7	5688.2	2,698.0	680.0	185.0	179.0	17.5%	4.2%	17.1%	8.1%	2.0%	1.3%	1.2%
Semi-house	4	28,418	3381	13327.5	6688.7	1599.7	6518.7	3,092.3	680.0	185.0	179.0	17.6%	4.2%	17.1%	8.1%	1.8%	1.1%	1.1%
Det-house	2	28,029	3007	12817.4	5635.5	1390.6	7575.2	3,049.5	680.0	185.0	179.0	15.4%	3.8%	20.7%	8.3%	1.9%	1.2%	1.1%
Det-house	3	32,389	3462	14797.8	6512.7	1607.4	8754.2	3,524.5	680.0	185.0	179.0	15.4%	3.8%	20.7%	8.3%	1.6%	1.0%	1.0%
Det-house	4	37,372	4038	17117.8	7514.0	1853.9	10100.6	4,066.0	680.0	185.0	179.0	15.4%	3.8%	20.7%	8.3%	1.4%	0.9%	0.8%

ELECTRICITY

		Household Energy Demand			Energy Savings (KWh)							Energy savings as proportion of household energy demand						
Property Type	No. bedrooms	Heat & Hot Water Demand	Cooking Appliances and Lighting Demand	Aggregated Household Energy Demand	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Fuel Switching (full elec to full gas)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Fuel Switching (full elec to full gas)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)
Flat	1	8,977	1822	9003.4	5267.5	1218.9	1202.8	2932.7	382.5	185.0	179.0	46.8%	10.8%	10.7%	26.1%	3.4%	1.6%	1.6%
Flat	2	13,038	2200	12630.3	7650.0	1770.6	1747.6	4258.9	382.5	185.0	179.0	48.5%	11.2%	11.1%	27.0%	2.4%	1.2%	1.1%
Flat	3	19,023	2947	18165.1	11161.4	2584.0	2549.2	6214.0	382.5	185.0	179.0	49.2%	11.4%	11.2%	27.4%	1.7%	0.8%	0.8%
Mid-Terrace	2	10,664	2247	10777.4	3785.1	903.6	2090.2	4248.4	382.5	185.0	179.0	28.1%	6.7%	15.5%	31.5%	2.8%	1.4%	1.3%
Mid-Terrace	3	13,372	2657	13354.3	4745.6	1133.1	2620.6	5327.6	382.5	185.0	179.0	28.4%	6.8%	15.7%	31.9%	2.3%	1.1%	1.1%
End-Terrace	2	14,033	2256	13482.7	3785.1	903.6	3652.5	5652.5	382.5	185.0	179.0	22.5%	5.4%	21.7%	33.5%	2.3%	1.1%	1.1%
End-Terrace	3	17,597	2667	16744.6	4745.6	1133.1	4580.7	7088.9	382.5	185.0	179.0	22.7%	5.4%	21.9%	33.9%	1.8%	0.9%	0.9%
Semi-bungalow	2	15,012	2263	14272.9	7531.9	1794.4	3045.6	6083.8	382.5	185.0	179.0	42.2%	10.1%	17.1%	34.1%	2.1%	1.0%	1.0%
Semi-bungalow	3	17,494	2526	16521.0	8777.1	2091.0	3549.6	7088.9	382.5	185.0	179.0	42.5%	10.1%	17.2%	34.3%	1.9%	0.9%	0.9%
Det-bungalow	2	17,347	2353	16231.1	7862.5	1864.9	3777.4	7075.6	382.5	185.0	179.0	38.8%	9.2%	18.6%	34.9%	1.9%	0.9%	0.9%
Det-bungalow	3	20,195	2640	18795.9	9153.7	2171.8	4397.9	8237.5	382.5	185.0	179.0	39.0%	9.2%	18.7%	35.1%	1.6%	0.8%	0.8%
Det-bungalow	4	23,302	2989	21631.1	10561.3	2505.8	5074.5	9504.8	382.5	185.0	179.0	39.1%	9.3%	18.8%	35.2%	1.4%	0.7%	0.7%
Semi-house	2	17,197	2616	16373.9	4494.0	1082.9	4167.6	6942.6	382.5	185.0	179.0	22.0%	5.3%	20.4%	33.9%	1.9%	0.9%	0.9%
Semi-house	3	19,877	2964	18865.1	5194.4	1251.2	4817.0	8024.7	382.5	185.0	179.0	22.0%	5.3%	20.4%	34.0%	1.6%	0.8%	0.8%
Semi-house	4	22,780	3381	21605.6	5953.4	1434.0	5519.9	9197.0	382.5	185.0	179.0	22.0%	5.3%	20.4%	34.1%	1.4%	0.7%	0.7%
Det-house	2	22,735	3007	21194.9	5169.7	1246.1	6477.0	9273.0	382.5	185.0	179.0	19.5%	4.7%	24.4%	35.0%	1.4%	0.7%	0.7%
Det-house	3	26,271	3462	24478.4	5973.8	1439.9	7485.1	10715.1	382.5	185.0	179.0	19.5%	4.7%	24.5%	35.0%	1.3%	0.6%	0.6%
Det-house	4	30,313	4038	28287.8	6892.7	1661.8	8636.0	12364.3	382.5	185.0	179.0	19.5%	4.7%	24.4%	35.0%	1.1%	0.5%	0.5%

COAL

		Household Energy Demand			Energy Savings (KWh)							Energy savings as proportion of household energy demand						
Property Type	No. bedrooms	Heat & Hot Water Demand	Cooking Appliances and Lighting Demand	Aggregated Household Energy Demand	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Fuel Switching (full coal to full gas)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Fuel Switching (full coal to full gas)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)
Flat	1	15,243	1822	10357.9	8925.0	2097.0	3251.3	3996.7	748.0	185.0	179.0	48.3%	11.3%	17.6%	21.6%	4.0%	1.4%	1.4%
Flat	2	22,139	2200	14597.5	12962.5	3045.6	4722.6	5805.5	748.0	185.0	179.0	49.7%	11.7%	18.1%	22.3%	2.9%	1.0%	1.0%
Flat	3	32,301	2947	21035.3	18912.5	4443.8	6890.1	8470.2	748.0	185.0	179.0	50.3%	11.8%	18.3%	22.5%	2.0%	0.7%	0.7%
Mid-Terrace	2	18,098	2247	12381.7	6364.0	1506.2	3520.7	5772.2	748.0	185.0	179.0	28.8%	6.8%	15.9%	26.1%	3.4%	1.2%	1.2%
Mid-Terrace	3	22,695	2657	15366.1	7980.7	1888.7	4414.9	7239.0	748.0	185.0	179.0	29.1%	6.9%	16.1%	26.4%	2.7%	1.0%	0.9%
End-Terrace	2	23,863	2256	15619.1	6138.7	1450.1	6157.4	7682.7	748.0	185.0	179.0	22.0%	5.2%	22.1%	27.5%	2.7%	0.9%	0.9%
End-Terrace	3	29,923	2667	19423.5	7697.6	1818.2	7720.6	9633.0	748.0	185.0	179.0	22.2%	5.2%	22.3%	27.8%	2.2%	0.8%	0.7%
Semi-bungalow	2	25,475	2263	16529.3	12631.9	2998.8	5194.4	8227.0	748.0	185.0	179.0	42.8%	10.2%	17.6%	27.9%	2.5%	0.9%	0.9%
Semi-bungalow	3	29,687	2526	19150.5	14720.3	3494.4	6053.7	9587.4	748.0	185.0	179.0	43.0%	10.2%	17.7%	28.0%	2.2%	0.8%	0.7%
Det-bungalow	2	29,519	2353	18883.8	13127.4	3139.9	6256.9	9596.0	748.0	185.0	179.0	38.9%	9.3%	18.6%	28.5%	2.2%	0.8%	0.8%
Det-bungalow	3	34,365	2640	21884.0	15283.0	3655.9	7284.5	11171.1	748.0	185.0	179.0	39.1%	9.4%	18.6%	28.6%	1.9%	0.7%	0.7%
Det-bungalow	4	39,652	2989	25194.3	17634.1	4218.6	8404.8	12890.6	748.0	185.0	179.0	39.2%	9.4%	18.7%	28.7%	1.7%	0.6%	0.6%
Semi-house	2	29,256	2616	18999.4	7456.2	1757.0	7047.4	9437.3	748.0	185.0	179.0	22.0%	5.2%	20.8%	27.8%	2.2%	0.8%	0.8%
Semi-house	3	33,815	2964	21899.9	8618.2	2030.7	8145.6	10907.9	748.0	185.0	179.0	22.0%	5.2%	20.8%	27.9%	1.9%	0.7%	0.7%
Semi-house	4	38,754	3381	25083.6	9877.0	2327.3	9335.6	12501.1	748.0	185.0	179.0	22.1%	5.2%	20.8%	27.9%	1.7%	0.6%	0.6%
Det-house	2	38,624	3007	24636.4	8540.8	2043.4	10931.9	12542.9	748.0	185.0	179.0	19.4%	4.6%	24.8%	28.5%	1.7%	0.6%	0.6%
Det-house	3	44,632	3462	28455.3	9869.4	2361.3	12631.9	14493.2	748.0	185.0	179.0	19.4%	4.6%	24.9%	28.5%	1.5%	0.5%	0.5%
Det-house	4	51,498	4038	32876.5	11387.5	2724.3	14575.0	16722.9	748.0	185.0	179.0	19.4%	4.6%	24.8%	28.5%	1.3%	0.5%	0.4%

Oil

		Household Energy Demand			Energy Savings (KWh)							Energy savings as proportion of household energy demand						
Property Type	No. bedrooms	Heat & Hot Water Demand	Cooking Appliances and Lighting Demand	Aggregated Household Energy Demand	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Replacement boiler (92%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Replacement boiler (92%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)
Flat	1	9,928	1822	6388.7	5390.7	1309.0	1296.3	532.0	595	185.0	179.0	38.8%	9.4%	9.3%	3.8%	4.3%	2.3%	2.2%
Flat	2	14,419	2200	8832.7	7829.4	1901.5	1882.8	773.3	595	185.0	179.0	40.8%	9.9%	9.8%	4.0%	3.1%	1.7%	1.6%
Flat	3	21,038	2947	12624.3	11422.3	2774.4	2747.2	1127.7	595	185.0	179.0	41.6%	10.1%	10.0%	4.1%	2.2%	1.2%	1.1%
Mid-Terrace	2	11,902	2247	7721.3	3954.2	951.2	2229.6	769.5	595	185.0	179.0	23.6%	5.7%	13.3%	4.6%	3.5%	1.9%	1.9%
Mid-Terrace	3	14,924	2657	9522.0	4958.1	1193.4	2795.7	964.3	595	185.0	179.0	24.0%	5.8%	13.5%	4.7%	2.9%	1.6%	1.5%
End-Terrace	2	15,472	2256	9373.2	3954.2	951.2	3835.2	1000.4	595	185.0	179.0	19.4%	4.7%	18.8%	4.9%	2.9%	1.6%	1.5%
End-Terrace	3	19,401	2667	11591.4	4958.1	1193.4	4809.3	1254.0	595	185.0	179.0	19.7%	4.7%	19.1%	5.0%	2.4%	1.3%	1.2%
Semi-bungalow	2	16,439	2263	9825.1	7214.0	1808.0	3206.2	1062.1	595	185.0	179.0	33.8%	8.5%	15.0%	5.0%	2.8%	1.5%	1.5%
Semi-bungalow	3	19,157	2526	11337.7	8406.5	2107.2	3736.6	1237.9	595	185.0	179.0	34.1%	8.5%	15.2%	5.0%	2.4%	1.3%	1.3%
Det-bungalow	2	18,853	2353	11025.7	7306.6	1864.1	3858.2	1218.9	595	185.0	179.0	30.5%	7.8%	16.1%	5.1%	2.5%	1.3%	1.3%
Det-bungalow	3	21,948	2640	12735.8	8506.8	2170.1	4492.3	1418.4	595	185.0	179.0	30.7%	7.8%	16.2%	5.1%	2.1%	1.2%	1.1%
Det-bungalow	4	25,325	2989	14638.7	9815.8	2504.1	5183.3	1636.9	595	185.0	179.0	30.8%	7.9%	16.3%	5.1%	1.9%	1.0%	1.0%
Semi-house	2	18,912	2616	11315.9	4451.5	1064.2	4338.4	1222.7	595	185.0	179.0	18.1%	4.3%	17.6%	5.0%	2.4%	1.3%	1.3%
Semi-house	3	21,860	2964	13018.9	5145.1	1230.0	5014.2	1412.7	595	185.0	179.0	18.2%	4.3%	17.7%	5.0%	2.1%	1.1%	1.1%
Semi-house	4	25,053	3381	14905.5	5896.5	1410.2	5746.9	1618.8	595	185.0	179.0	18.2%	4.4%	17.7%	5.0%	1.8%	1.0%	1.0%
Det-house	2	24,710	3007	14373.8	4968.3	1225.7	6678.5	1597.0	595	185.0	179.0	15.9%	3.9%	21.4%	5.1%	1.9%	1.0%	1.0%
Det-house	3	28,554	3462	16596.2	5740.9	1417.0	7717.2	1845.9	595	185.0	179.0	15.9%	3.9%	21.4%	5.1%	1.6%	0.9%	0.9%
Det-house	4	32,946	4038	19193.0	6624.9	1634.6	8904.6	2129.0	595	185.0	179.0	15.9%	3.9%	21.3%	5.1%	1.4%	0.8%	0.7%

LPG

		Household Energy Demand			Energy Savings (KWh)							Energy savings as proportion of household energy demand						
Property Type	No. bedrooms	Heat & Hot Water Demand	Cooking Appliances and Lighting Demand	Aggregated Household Energy Demand	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Replacement boiler (90%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)	0-250mm Loft Insulation	50-250mm Loft Insulation	Cavity Wall Insulation (pre 1976)	Replacement boiler (90%)	Tank jacket	4 CFLs	A-Rated Fridge Freezer (standard)
Flat	1	10,935	1822	6523.9	5937.3	1,441.600	1428.0	825.6	657.9	185.0	179.0	39.1%	9.5%	9.4%	5.4%	4.3%	2.3%	2.2%
Flat	2	15,882	2200	9029.1	8623.3	2,094.400	2074.0	1199.9	657.9	185.0	179.0	41.1%	10.0%	9.9%	5.7%	3.1%	1.6%	1.6%
Flat	3	23,172	2947	12910.9	12581.7	3,055.750	3025.2	1749.9	657.9	185.0	179.0	41.9%	10.2%	10.1%	5.8%	2.2%	1.1%	1.1%
Mid-Terrace	2	13,109	2247	7883.4	4355.4	1,048.050	2455.7	1193.2	657.9	185.0	179.0	23.8%	5.7%	13.4%	6.5%	3.6%	1.9%	1.8%
Mid-Terrace	3	16,438	2657	9725.4	5461.3	1,314.100	3079.6	1496.3	657.9	185.0	179.0	24.1%	5.8%	13.6%	6.6%	2.9%	1.5%	1.5%
End-Terrace	2	17,042	2256	9583.9	4355.4	1,048.050	4224.5	1551.4	657.9	185.0	179.0	19.5%	4.7%	19.0%	7.0%	3.0%	1.5%	1.5%
End-Terrace	3	21,370	2667	11855.7	5461.3	1,314.100	5297.2	1945.6	657.9	185.0	179.0	19.8%	4.8%	19.2%	7.1%	2.4%	1.2%	1.2%
Semi-bungalow	2	18,106	2263	10049.0	7945.8	1,991.550	3531.8	1648.3	657.9	185.0	179.0	34.0%	8.5%	15.1%	7.1%	2.8%	1.5%	1.4%
Semi-bungalow	3	21,100	2526	11598.7	9259.9	2,320.500	4115.7	1920.9	657.9	185.0	179.0	34.3%	8.6%	15.3%	7.1%	2.4%	1.3%	1.2%
Det-bungalow	2	20,765	2353	11282.5	8048.7	2,052.750	4250.0	1890.5	657.9	185.0	179.0	30.7%	7.8%	16.2%	7.2%	2.5%	1.3%	1.3%
Det-bungalow	3	24,175	2640	13034.8	9369.6	2,390.200	4947.9	2201.2	657.9	185.0	179.0	30.9%	7.9%	16.3%	7.3%	2.2%	1.1%	1.1%
Det-bungalow	4	27,894	2989	14983.7	10811.2	2,758.250	5708.6	2539.4	657.9	185.0	179.0	31.0%	7.9%	16.4%	7.3%	1.9%	1.0%	1.0%
Semi-house	2	20,831	2616	11573.6	4902.8	1,172.150	4778.7	1896.2	657.9	185.0	179.0	18.2%	4.4%	17.8%	7.0%	2.4%	1.3%	1.2%
Semi-house	3	24,077	2964	13316.7	5667.0	1,354.900	5523.3	2191.7	657.9	185.0	179.0	18.3%	4.4%	17.8%	7.1%	2.1%	1.1%	1.1%
Semi-house	4	27,594	3381	15246.8	6494.0	1,552.950	6330.0	2511.8	657.9	185.0	179.0	18.3%	4.4%	17.9%	7.1%	1.9%	1.0%	0.9%
Det-house	2	27,217	3007	14710.4	5472.3	1,350.650	7355.9	2477.6	657.9	185.0	179.0	16.0%	3.9%	21.5%	7.2%	1.9%	1.0%	1.0%
Det-house	3	31,450	3462	16985.2	6324.0	1,560.600	8500.0	2863.3	657.9	185.0	179.0	16.0%	4.0%	21.5%	7.2%	1.7%	0.9%	0.8%
Det-house	4	36,289	4038	19641.8	7296.4	1,800.300	9807.3	3304.1	657.9	185.0	179.0	16.0%	3.9%	21.5%	7.2%	1.4%	0.8%	0.7%