

Iain Osborne
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By Email to iain.osborne@ofgem.gov.uk

Dear Iain

We would like to take this opportunity to welcome your decision document on the trial suspension of the 28 day rule, issued in March. We welcome the positive approach taken by Ofgem to the trial, and the apparent desire to make this trial work.

However, we are concerned about one minor point relating to the exclusion of measures from the trial that can be received by consumers at substantial cost reductions, or for free. Whilst we understand the underlying principle, our concern arises from the explanation in a footnote on page 3 of the document. The principle reads as follows:

"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 free. ",

while the footnote sets out the programmes Ofgem would exclude from the trial.

"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."

As the Programme Manager under contract to DTI, and one of the organisations that designed the Clear Skies Programme, it is the BRE's and EST's view that Clear Skies is not comparable to the other programmes listed, both in its aim, and in the share of capital cost for an installation that is being provided.

The financial support for any technology in Clear Skies is far below the 50% mark for an installed system, regardless of the technology you may want to consider. In the case of the most popular technology within the programme, Solar Water Heating, it is only ~16% or less of the total system cost that we observe. When Clear Skies was designed, the organisations drawing up the support mechanism, EST and ESD, set the support level at the lower end, to allow for the possibility of some co-funding, e.g. from EEC or the Renewables Obligation, without overheating the market.

Unlike all the other programmes mentioned in the footnote, Clear Skies does not aim to alleviate fuel poverty, and is therefore not access restricted. Any homeowner in the UK that can technically take a renewable measure subsidised by Clear Skies is eligible to apply. The scheme criteria and total installation costs result in mostly well-off households applying. Therefore, the danger that an energy supplier is trying to gain advantage from its position is lower than in a more vulnerable household. This is a fundamental difference from the fuel poverty programmes.

Clear Skies, unlike the fuel poverty programmes mentioned in the letter, is a programme covering a wide range of renewables technologies. Excluding Clear Skies would therefore exclude technologies such as Solar Water Heating, micro-wind, biomass heating, and heat pumps from the range of offers that energy suppliers can make, to all households in the UK. This would dramatically reduce the possibility to create innovative offerings within the trial. It may also undermine the longer term aim to develop a healthy and competitive UK industry supplying these technologies.

In summary, comparing the funding levels, technologies, and target audience, of Clear Skies to the funding available from the other government initiatives mentioned, we believe that Clear Skies does not fall within the description of 'substantially reduced price'. We would therefore like to urge Ofgem to not include Clear Skies in the list of programmes excluded from the trial. We furthermore believe that including Clear Skies would exclude a large number of households with an interest in innovative technologies from benefiting from potential offers by energy suppliers and, because of the breadth of technologies covered by Clear Skies, would substantially restrict the freedom of energy suppliers to offer renewable energy services deals to their customers, restricting customer freedom of choice.

Please do not hesitate to contact us should you have any questions regarding this letter.

With kind regards

Chris Roberts
Scheme manager
For and on behalf of Clear Skies

cc. Energy Saving Trust