

# EEC UPDATE

Issue 10 Nov 2004

## Energy Efficiency Commitment Key Facts

- **July, August and September: suppliers delivered over 6 TWh**
- **Suppliers have delivered 61 TWh in total**
- **Sufficient non Priority consumers have been assisted to meet the target**
- **3 TWh are required to be saved in Priority households**



From left to right: Defra's EEC team - Hunter Danskin, Janet Miller, John Collingwood, Iris Rooney and Carsten Rohr

## The end of the beginning: EEC 1 leading into EEC 2

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

The EEC is primarily a carbon saving programme and as such is part of the Government's Climate Change Programme. To ensure that the benefits of energy efficiency are shared equally amongst customers, at least half of the energy savings must be targeted at the "Priority Group" - households in receipt of certain income-related benefits or tax credits.

Suppliers have flexibility in the types of energy efficiency measures that they provide to customers, such as insulation, lighting, appliances and heating measures.

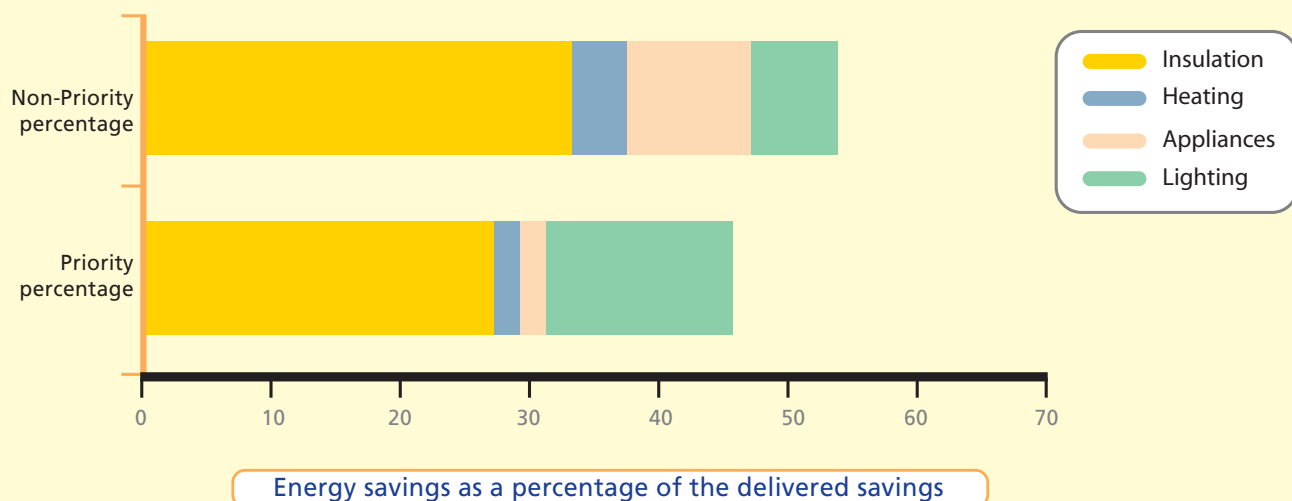
These measures can also be promoted and delivered with a range of project partners such as social housing providers, charities, retailers and manufacturers. Suppliers

can assist any domestic customer in Great Britain, whether their home is heated by gas, electricity, coal, oil or LPG. This is the tenth Ofgem EEC Update outlining the suppliers' progress towards their targets, which must be met by 31 March 2005.

Defra is proposing to extend the EEC from 2005 - 2011, at a level roughly double that of the current EEC. Defra's consultation on the energy saving target to be met by suppliers between April 2005 and March 2008 has now ended. For an update on the progress in setting the new target, please turn to the back page. There will be a further review of the EEC in 2007 before setting a target for the period 2008 - 2011.

## Progress to date and expected over the next six months

**Chart 1:** Energy savings delivered in the Priority and non Priority Groups, by measure type, during the first two and a half years of the EEC



Suppliers' quarterly progress reports show that they have installed sufficient measures from July to September to save over 6TWh. The total energy saving achieved by suppliers since the beginning of the EEC is now 61 TWh. However, the work doesn't stop here!

Further work needs to be carried out to assist the Priority Group. Suppliers have the option to exceed their current targets and count these additional measures towards the EEC 2 targets. They will also need to be busy over the next six months monitoring and reporting on the delivery of each of their schemes.

## Assisting the Priority Group

**At least half of the energy savings under the EEC must be made in Priority Group households. So far, measures installed in Priority Group households will lead to a saving of 28 TWh, or 46 per cent of the total achieved savings, as shown in Chart 1.**

Suppliers will therefore need to continue targeting these consumers in order to achieve at least 3 TWh more energy savings, and ensure that the overall target is met. Good progress has clearly been made in targeting measures at other non Priority consumers with around 33.5 TWh worth of measures being installed in such households.

Defra stated in their proposals for the next phase of the EEC that the suppliers will be able to carry over any excess measures from the current EEC towards their new

EEC target from April 2005. This 'carry over' is not expected to be capped to encourage suppliers to start their EEC 2 work early and so that the energy efficiency industry is not affected by any stopping or starting in the delivery of measures. It is therefore expected that the suppliers will continue to deliver measures to consumers at a similar, or even a greater, rate over the next six months.

## Reporting

Once an energy efficiency scheme has been completed suppliers are required to conduct quality checks for heating and insulation measures.

A sample of recipients from each scheme must also be monitored to determine their satisfaction with the measures provided.

Of the 61 TWh worth of measures installed, 40 per cent have been monitored and 'banked' towards the suppliers' targets. Suppliers must cease delivery of their EEC 1 schemes by 31 March and report to Ofgem by 30 April 2005. Ofgem will continue to work closely with the suppliers to sign off and approve their schemes and ensure compliance.

## Looking forward to the ECC from April 2005

**The overall target proposed by Defra in their consultation on the EEC 2005 - 2008 was 130 TWh. This was derived using an illustrative mix of energy efficiency measures which suppliers could deliver over the three years, based on a notional cost to suppliers of around £9 per customer per fuel per year.**

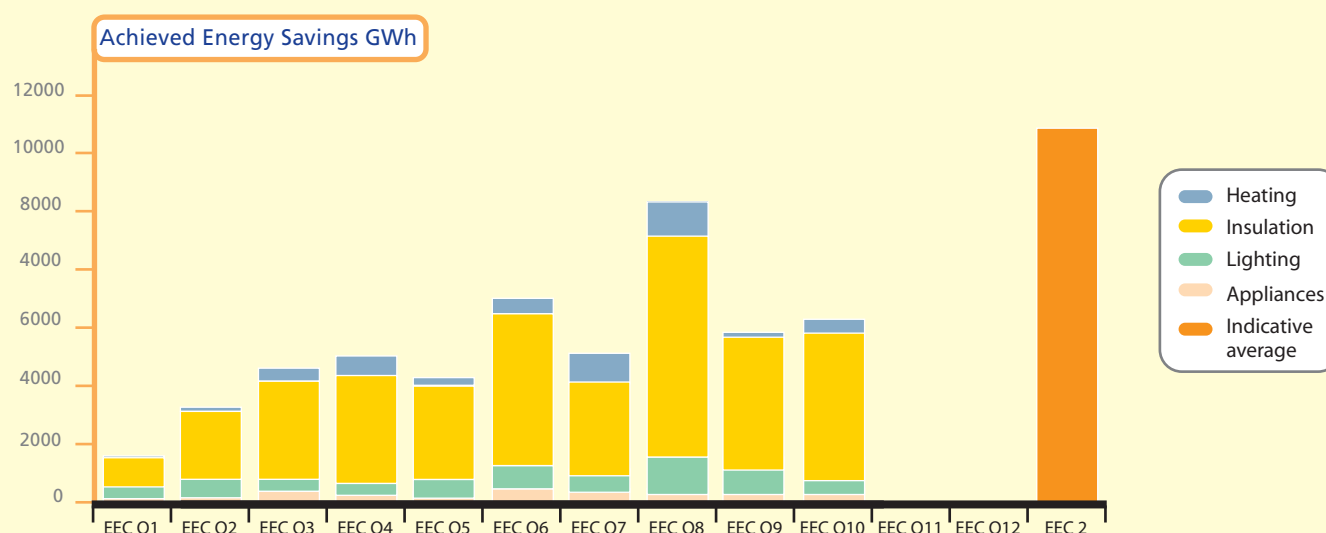
The assumptions behind this mix have been refined from those used under the current EEC to take into account changing standards for energy efficiency measures and the estimated costs and savings of those measures post 2005. Consequently, the current target of 62TWh is not directly comparable to the proposed 130TWh.

Ofgem has carried out some analysis to enable us to make a comparison with the current EEC activity and that required post April 2005. The EEC 1 target setting model and the proposed EEC 2 model (as set out in Defra's consultation paper) have been used to compare the energy savings accredited to the different measures against those proposed for the next phases of the EEC.

**Chart 2** shows the delivery of energy savings each quarter during the current EEC, scaled to be comparable with the EEC 2 target setting model. The indicative average (in GWh) for the proposed EEC 2 target is illustrated to show the volume of energy savings that suppliers are expected to be able to save each quarter from April 2005.

Defra are aiming to set challenging yet achievable targets. As illustrated by **Chart 2**, suppliers' activity will have to increase in order for them to meet their new targets. It is expected that insulation will continue to be the dominant measure offered to consumers, due to its cost effectiveness.

**Chart 2:** EEC 1 quarterly energy savings comparable to the proposed EEC 2 model



## The ECC 2005-2008

Since their consultation on the EEC post April 2005 closed, Defra's team (as pictured on the front cover) has been busy reviewing all of the responses received. After considering these responses and holding discussions with the key stakeholders, Defra is now working on finalising the overall target and policy framework for the EEC.

The Statutory Instrument will be laid before Parliament to be read and agreed by the House of Commons and the House of Lords before coming into force. This process is expected to take place at the end of November and lead in to the beginning of December.

In the meantime, Ofgem has been considering the responses to its consultation on the administration of the EEC post 2005. Once the Statutory Instrument has been agreed in Parliament Ofgem can finalise its procedures for monitoring the supplier's progress and ensuring their compliance with their targets.

## Promoting energy efficiency

One of the toughest barriers to the up take of energy efficiency is customer apathy.

During Energy Efficiency Week (25 - 29 October), Environment Minister Elliot Morley announced £3million funding was being provided to the Energy Saving Trust (EST). This money, which is in addition to the EST's usual budget, is specifically for a winter campaign to promote the Energy Efficiency Commitment.

The EST will be promoting energy efficiency and will signpost consumers to the electricity and gas suppliers to receive assistance.

### Contacting the suppliers

The contact details for those suppliers with an EEC target are available on Ofgem's website [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

## Energy efficiency team



Contact details

<b>Charles Hargreaves</b>	<b>Head of Energy Efficiency</b>
<b>Tel</b> 020 7901 7459	<b>Email</b> <a href="mailto:charles.hargreaves@ofgem.gov.uk">charles.hargreaves@ofgem.gov.uk</a>
<b>Kate Smith</b>	<b>Deputy Head of Energy Efficiency</b>
<b>Tel</b> 020 7901 7488	<b>Email</b> <a href="mailto:katharine.smith@ofgem.gov.uk">katharine.smith@ofgem.gov.uk</a>
<b>Emma Chetwynd</b>	<b>Energy Efficiency Manager</b>
<b>Tel</b> 020 7901 7476	<b>Email</b> <a href="mailto:emma.chetwynd@ofgem.gov.uk">emma.chetwynd@ofgem.gov.uk</a>
<b>Fiona Kenyon</b>	<b>Energy Efficiency Assistant Manager</b>
<b>Tel</b> 020 7901 7155	<b>Email</b> <a href="mailto:fiona.kenyon@ofgem.gov.uk">fiona.kenyon@ofgem.gov.uk</a>
<b>Urszula Kulpinska</b>	<b>Energy Efficiency Administrator</b>
<b>Tel</b> 020 7901 7290	<b>Email</b> <a href="mailto:urszula.kulpinska@ofgem.gov.uk">urszula.kulpinska@ofgem.gov.uk</a>

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