

EEC/SAF

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Dear Fiona

Re: Consultation on EEC Administration Procedures (2005- 2008)

Thank you for providing EDF Energy with the opportunity to comment on Ofgem's proposals on the EEC Administration Procedures (2005-2008). This response is made on behalf of EDF Energy, which includes the retail brands of London Energy, SWEB Energy, Seeboard Energy and Virgin HomeEnergy.

These comments are offered in a constructive light, and are based on our considered experience in delivering the current EEC.

Quarterly reports

Item 4.25

The proposal to detail the number of cavity wall measures installed each quarter is unlikely to be practical. The sheer scale of activity under EEC will dictate that exact reporting of numbers will be practically impossible until scheme closure. However, a requirement to report an approximate number for each period would be more acceptable and practical to implement.

Compliance

Item 5.14

The proposal to conduct an alternative form of monitoring (such as mystery shopping) raises two issues: for what purpose and at what cost? EDF Energy

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already carries out a high percentage of customer satisfaction and technical (quality) monitoring on its insulation scheme(s). To add a further requirement is unlikely to 'inform' Ofgem further.

Qualifying Action

6.9 ii) (b)

This proposal refers to distribution by suppliers attending events (e.g. charity events) and offering CFLs to customers (not by third parties). If EDF Energy personnel undertake this type of activity, names and addresses of recipients are already collected. However, this method of distribution represents a very small proportion of CFLs distributed to the Priority Group.

The majority of free CFLs to the Priority Group are distributed by third party organisations that have clients receiving the listed benefits/tax credits. This is undertaken in a variety of ways.

We already ask for the recipients' name and address in EEC. However we have met with considerable resistance from some organisations who are concerned about:

- Passing on their clients' details in relation to the Data Protection Act
- Passing on details of particularly vulnerable members of society (perhaps the very households that need the benefits of CFLs more than others do). As examples we have recently received communications from a Sure Start programme and a regional police force. The comments are as follows:

a) "These young women are extremely vulnerable members of society, often hiding from violent ex partners and both they and I would feel very uncomfortable with divulging their details to go on to any form of database.

If this information had to be given in full we would have to think twice about being part of this scheme, which would be a terrible shame as this is such a worthwhile and appreciated service."

b) "Information held by (name supplied) Constabulary regarding vulnerable persons or victims and their contact details is subject to a duty of confidence & the terms of the Data Protection Act 1998.

The low energy light bulbs donated by EDF Energy will be distributed under controlled conditions via police officers and local authority home security schemes to qualifying vulnerable members of the community who have been given/offered support regarding home security matters. Personal contact details cannot, therefore, be passed on to other parties."

We are concerned that Ofgem's proposal would, effectively close access to such laudable third party distribution channels.

In instances such as these it should be acceptable for organisations to supply a signed declaration by an authorised person, or a minimum of personal details, perhaps first name and first part of postcode only or organisation case/identity number.

6.9 ii) (d)

EDF Energy has already offered a choice of different Wattage and type of CFL to recipients, albeit in a limited way. This could be accommodated however it would depend on the cost of each type of CFL, and the resultant downgrading of energy saving for CFLs (as a result of other factors such as the heat replacement effect). Decorative lamps are not cost effective as 'free' distribution under the current EEC.

6.9 vii) (a)

With regard to the issue of CFLs delivered through a retail partner, the relevance of additionality is questionable, however we acknowledge that it does depend on the type of offer (i.e. subsidised marketing or reduced cost to the customer). Where it can be demonstrated that EEC activity has directly reduced the cost of the product to customers to a significant degree, then additionality should not apply. If the price and presentation are right, customers will buy and suppliers should receive credit for each subsidised product sold, regardless.

6.12 ii)

The proposed methodology is not practical and is potentially unfair to suppliers. Suppliers providing funds for social housing projects base their offers on an assessment of the priority group percentage before the project commences. The percentage of project costs will be determined by this factor, thereby determining if the project will be cost effective under EEC. Declarations made after the project is completed would place an unfair financial risk on suppliers, particularly on long term projects where residents (and LA/HA officers) often move on.

6.17

'Robust' sampling may be a method of calculating statistically significant data, however, as the schemes where this method is likely to apply are retail/customer purchase based, completion and return of questionnaires etc. cannot be guaranteed at specific levels. It is an entirely voluntary action that customers generally do not bother with (in large numbers), even with significant incentives applied. Monitoring information supplied with each purchase is all that can be guaranteed in general.

6.18

Any move towards accrediting energy savings in relation to suppliers' financial contributions will significantly reduce the scope for energy saving improvements

in social housing through EEC. Many projects are only just cost effective at present, due to the type of properties in the housing stock. Ultimately this will mean fewer social housing projects will proceed and the focus will shift to the private sector where costs will be higher. The alternative would be to reduce the overall energy savings target correspondingly.

Improvements in Energy Efficiency

7.6

There is a fundamental issue with the '13%' factor that requires clarification. We believe this figure relates to the average size of local authority property when compared to private sector homes, not to the priority group in isolation. This could represent a distortion in the model.

7.17

Provided that there is no significant disadvantage to suppliers as a result, a single set of figures for loft insulation would be easier to administer.

7.29

Provided that the figure of 12.5% is proven to be a considered and fair assumption, then we have no major objection other than it will have an impact on the cost effectiveness of DIY loft schemes.

7.43

30% would appear to be a reasonable assumption for ease of administration. However, the challenge will be to make a scheme cost effective at that level.

7.48

We acknowledge that controversy surrounding the existence of a heat replacement effect is not of Ofgem's making. However in practical terms the effect (if any) remains questionable. Debate is continuing following identification of flawed assumptions, therefore is a correction factor used in Defra's model appropriate?

7.49

We challenge the definition of CFLs purchased by mail order (not free) as "direct". There is no practical difference between mail order and retail, provided the product can be purchased for the same/similar cost through a retail chain. Customers have the choice to either purchase from the high street or use the convenience of mail order.

7.51

We understand the classification of free lamps by post/mail order as being “direct”. However, where customers exercise their right to purchase lamps at a comparable price to high street offers, the analogy does not stand. This route should be classified as a retail channel, possibly subject to case-by-case scrutiny.

7.52 ii)

It cannot be assumed that all CFLs distributed by third parties in EEC2 (i.e. other than those signed for with name/address details) are going to households who already have CFLs in their high and medium use light fittings. Acquiring name and address information does not *guarantee* that the CFL(s) will be used in a high/medium use fitting (or otherwise). As mentioned previously, we are particularly concerned that our vulnerable customers are not disadvantaged by onerous administrative requirements that will make the schemes not viable.

The proposal suggests that a Priority Group household be required to register (as suggested, by phone, post or Internet) in order for a supplier to provide 4 free CFLs and claim savings for high/medium use fittings. We would propose an alternative approach where customers could register at their local community centre (for example) and CFLs could then be delivered in bulk and the centre would receive a consignment on production of a list to the supplier. This would eliminate the added postage cost of delivering CFLs to households rather than in bulk through an organisation.

7.52 iii)

This will restrict access to schemes for many vulnerable customers. Whilst we understand the need to control distribution of free lamps, one low use lamp will not be cost effective to deliver for most suppliers. Whereas in previous SoP/EEC schemes suppliers could adopt an ‘average across the board’ approach, reduced savings for CFLs and higher programme delivery costs for insulation etc. will consign such projects to the ‘not viable’ category. The imposition of this requirement will penalise the disadvantaged customer in particular and weakens the justification for an enhanced EEC on equity grounds.

Surveys have shown that 63% of EEC CFL recipients were already using CFLs and that these had an average of 2.78 each. If the number of CFLs already in use is spread among the total recipients surveyed for EEC, they have just 1.76 each. By providing just one more we are only supplying 2.76 on average. If we supply 2 more we can supply on average 3.76 each. Therefore 2 CFLs should be provided as a minimum.

For a Priority Group household that has no CFLs in use, provision of just one is not going to impact on their lives. At least 50% of EEC is aimed at the Priority Group and is helping to alleviate fuel poverty. We should therefore be doing more than supplying just one CFL. Additional energy efficiency

advice/measures are offered/provided but the household cannot be forced to take them up. At least 4 CFLs instead of 1 might just make a difference (2 should be the minimum).

EDF Energy comprehensively question organisations that request free CFLs and check whether the organisation has applied before. We can then gauge the likelihood of supplying free CFLs to households who have already been supplied and turn down repeat requests from these groups (or at least restrict the number of CFLs that they are allowed to distribute).

7.75

A single set of fuel switching savings would be easier to administer.

Appliances

There are no major issues with the proposed definition(s), however the removal of an incentive factor for appliances in DEFRA's model will render the development of cost effective appliance schemes very difficult. The incentive for potential retail partners is likely to be too small to make projects worthwhile.

Heating

There are no major issues with the proposed definition(s), however due to impending changes to Part L of the Building Regulations, scope for boiler replacement schemes will be restricted to limited sectors of the owner occupier market.

Monitoring Qualifying Action

8.2 ii)

Focusing the requirement for customer satisfaction monitoring on the two main qualifying actions is a welcome proposal.

8.3

This paragraph requires clarification to reflect that it applies to qualifying actions where *there is a monitoring requirement*, as for some types of action/project there may not be a requirement.

8.6

We have no objection, in principle, to the concept of using standard question sets for customer and technical monitoring, provided the questions are reasonable in content and quantity. The administration requirement of such activity under the current EEC is already high.

8.19

There is no reason why questionnaires should not be distributed with the questions outlined in Appendix 3. These can replace satisfaction questionnaires used in the current EEC. However, there is no guarantee that they will produce any statistically relevant data as it is entirely dependent on the response rate.

We welcome the opportunity of responding to the consultation and trust that our views will be given due consideration. However, whilst recognising that these are only proposals at this stage, we remain concerned that if some of the proposed changes are implemented then there remains the possibility that the "accreditation model" will no longer reflect DEFRA's "target modeling".

It would be helpful to know Ofgem intends to proceed towards an agreed set of Administration Procedures and when and how it will be able to verify to energy suppliers that there is no inconsistency between the 2 models. Given that all stakeholders agree that a smooth transition between EEC and EEC2 would be welcome, it is important that we have an early indication of the final procedures that we will be working to and potential cost impacts, if delays are to be avoided.

I hope the above comments are helpful. If you have any queries please contact me on 0207 247 8148 or e-mail steve.fuller@edfenergy.com.

Yours sincerely

Steve Fuller
Energy Efficiency Commitment Manager