

Fiona Kenyon  
Environmental Affairs Directorate  
Ofgem  
9 Millbank  
London  
SW1P 3GE

13<sup>th</sup> September 2004

Dear Ms Kenyon

### **Response to Consultation on EEC Administration Procedures (2005- 2008)**

I write on behalf of the White Goods Strategy Group of the Energy Efficiency Partnership for Homes in response to your consultation proposals on the Energy Efficiency Commitment 2005.

#### **Background**

The White Goods Strategy Group is a sector working group of the Energy Efficiency Partnership for Homes (the Partnership) – a network of over 250 organisations from the public, private and voluntary sectors working together to promote energy efficiency and combat fuel poverty. The Partnership is funded by Defra and facilitated by the Energy Saving Trust.

The White Goods Strategy Group brings together representatives of manufacturer of domestic kitchen appliances (such as Electrolux and LEC), retailers of those products (such as Dixons and Co-operative Retail), relevant trade associations (eg AMDEA and RETRA), the Energy Saving Trust and representatives of Defra and Defra's Market Transformation Programme. It should be noted that the views expressed in this letter are not those of all members of the White Goods Strategy Group. Views should only be attributed to the organisations that have signed this letter.

The White Goods Strategy Group has only recently been constituted as a Partnership working group in its own right: previously the group met as a sub-group of a wider ranging Appliances Group.

In our response we would comment on the following:

1. Poor engagement with independent retailers
2. Projected EEC Contribution
3. Monitoring

#### **1. Poor Engagement With Independent Retailers**

We have already submitted to Defra that, as the EEC-funded discounts are mostly negotiated, exclusively, through large retailers, this has a distorting effect on the white goods markets. Many members of the group felt that the current regime significantly damages independent retailers, and may even be anti-competitive. We also argued that the current regime mitigates against the market transformation effect in the white goods sector. We are therefore very concerned that this issue has not been addressed at all in the proposals for the future of EEC that Defra put out for consultation.

### 1.1 The impact of independent retailer exclusion from EEC

The White Goods Strategy Group has recently staged a small survey of leading and informed personnel from key organisations engaged with the Energy Efficiency Commitment (EEC). This research confirmed many of the perceived difficulties in involving independent appliance retailers in the EEC.

Respondents included independent retailers, large retailers, energy suppliers and agencies such as the Energy Saving Trust. They were, surprisingly, almost unanimous in describing the difficulties for energy suppliers in engaging with the independent sector on EEC schemes. Given the way that EEC schemes are structured, it is widely recognised by all concerned that it is in the interest of energy suppliers to seek to minimise the costs of scheme administration by dealing with a single commercial partner wherever possible. In our research the **administrative bureaucracy** needed to run an EEC scheme was cited by nearly all respondents as a reason for the non-participation in EEC schemes of independent retailers.

The exclusion of independent retailers from EEC has two serious consequences:

- **An impact on the competitiveness of independent retailers:** Some of our members are companies who have historically taken a leading role in promoting energy efficient goods in their communities and the current EEC scheme penalises them for promoting those products.
- **An impact on the market transformation effect in the Appliances Sector:** We believe that the current EEC scheme disenfranchises independent retailers in the appliances sector and undermines the effectiveness of EEC. Consequentially, a growing antipathy by the independent retail sector could seriously impact on achievable market transformation.

EEC has been successful in transforming the market for A rated appliances. In EEC2 appliances schemes are likely to focus A+, A++ or AAA rated products. There will be new and more difficult challenges to get these to consumers and we believe involving independent retailers is critical to achieving this next step in the market transformation process.

Achieving market transformation to make A+ the norm for consumers will be a difficult enough task in EEC2, without the scheme incentivising 25% of retailers (the independents) actively **not** to promote these products!

### 1.2 How can independent retailers gain more access to EEC support?

We recognise that the success of the EEC programme has been based on a free market model and the flexibility it offers suppliers. However we believe that this competition issue should at least be **monitored**. We therefore suggest that energy suppliers be required to **report to Ofgem** on the impact of schemes on competition in markets where they are run.

We also believe Defra should give active support and encouragement for round table discussions between energy suppliers, Ofgem and the independent retail sector to **discuss and agree how the administrative burden can be reduced in EEC schemes**. One possibility, which was suggested, by a number of respondents to our survey was a national scheme specifically designed to minimise and simplify the (retail) bureaucracy and which could include independents. The independent retailers themselves are keen to promote service quality, which they see as their USP, and this could be incorporated into such a programme. We would seek Ofgem's support for this initiative on the basis of improved scheme efficiency apart from market balance.

## 2. Projected EEC Contribution

We note that the Ofgem projected scheme mix ratio for appliances is 0.7 as opposed to the (Defra) EEC predicted ratio of 3.0<sup>1</sup>. We hope this is not indicative of an implied acceptance of reduced appliance installation as particularly in the social sector there is still significant penetration to be

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<sup>1</sup> Comparing EEC 2002-05 with 2005-08, Defra, August 2004.

achieved with schemes of the 'fridgesaver' model. We would wish to see continued encouragement and acceptance of viable appliance improvements as an integral part of EEC schemes.

### **3. Monitoring**

**5.14 (page 25):** In order to ensure compliance and equity between multiples and independent retailers the group would not, in principle, object to the use of sample mystery shopping, where appropriate.

**6.9.viii)(page 33):** We accept that **additionality** will need to be demonstrated by the retailer. This should be based on each individual retailer's sales in the year preceding EEC 2005. We should prefer to see acceptance of a nil additionality for A+ and better appliances in order to increase promotional incentives.

**7.57 (page 52):** We accept that separate demonstration of savings for A, A+ and A++ appliances is merited.

**8.22 (page 62):** The group welcome the proposal to continue customer satisfaction surveys only for those schemes involving professionally installed insulation and heating measures as this will remove a burdensome cost from many appliance schemes.

We trust these comments are helpful and constructive in your further deliberations.

Yours faithfully



David Weatherall  
Energy Efficiency Partnership

On behalf of the following members of the White Goods Strategy Group:

Peter Carver, AMDEA  
Simon Freear, Vestfrost  
Cliff Gardener, Hoover Candy Group  
Laurence Naylor, Bennetts Retail  
Les Wicks, Electrolux  
Derek Jackson, Cooperative Retail  
Fred Round, RETRA