

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

Name Mike Lock
Phone 01905 340613
Fax 01905 340730
E-Mail mike.lock@npower.com

13th September 2004

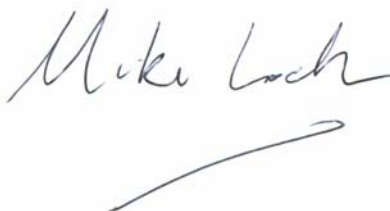
The Energy Efficiency Commitment (2005 – 2008) Administration Procedures – Consultation Proposals

Dear Fiona

Please find attached RWE Npower plc (npower) response to the Energy Efficiency Commitment (2005-2008) Administration Procedures Consultation Proposals. We are also happy for you to make this publicly available.

We look forward to further discussions with Ofgem to implement a workable EEC programme of energy savings targets.

Yours sincerely



Mike Lock
Energy Services Manager

Enc.

[npower](http://www.npower.com)

Oak House
Bridgwater Road
Worcester WR4 9FP

T +44 (0)1905/34 05 21
F +44 (0)1905/34 04 88
I www.npower.com

Registered office:
Npower Limited
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3653277

Mike Lock
Energy Services Manager

The Energy Efficiency Commitment (2005-2008) Administration Procedures – Response from RWE Npower plc to the Consultation Proposals

npower has welcomed the opportunity to contribute to the consultation proposal for Ofgem's Energy Efficiency Commitment (2005-2008) Administration Procedures. Whilst npower recognise and fully support Ofgem's requirement to administer a robust and integral energy efficiency programme, npower are of the opinion that the proposed Administration Procedures are overly prescriptive. These draconian approaches will significantly reduce the flexibility that has been the key element in establishing a successful energy efficiency mechanism in recent years. This flexibility has allowed energy suppliers to design energy efficiency programmes in accordance with individual company values and styles. A process that has greatly added to the success of the EEC and its predecessors.

The continued growth and development of energy efficiency and energy services in the domestic market represents a primary carriage for the UK Government's commitment to the environment, and obligation as part of the Kyoto Protocol. The creation of a mature market relies solely on the ability of energy suppliers to have provision for programme flexibility. The instrument of delivery for energy efficiency is the market itself, and too great a restriction of the parameters governing the market will be to the detriment of the success of any future programmes.

In reviewing the EEC (2005-2008) Administration Procedures, npower is concerned of the requirement to observe the Ofgem regulatory documents in isolation. The Administration Procedures, Technical Guidance and *pro forma* are used in conjunction with one another by energy suppliers and form an integral element of the notification procedure. The omission of some of these documents is detrimental to the consultation process.

npower understand and fully support Ofgem's objective of assisting with the transition between the Energy Efficiency Commitment. However, the timescales between Defra's Statutory Order consultation and the EEC Administration Procedure are not aligned and npower seek to understand what the procedure for the amendment to Ofgem's EEC governance will be in view of changes to the Order. npower also request clarification on whether this process will include an opportunity for energy suppliers to comment?

Finally, npower wish for Ofgem to reconsider the requirements for some of the Administration Procedures that will inherently lead to an increase in complexity, add unnecessary delay, have an impact on the indirect cost of the programme and challenge the delivery of social benefits to the priority group. The very group the application of equity seeks to protect.

The following pages contain npower's comments to specific sections of the Ofgem Energy Efficiency Commitment (2005-2008) Administration Procedures.

Section 3. Energy efficiency targets

The overall energy efficiency target

- 3.2. An implication for Ofgem operating on a parallel timescale to that of the Defra Consultation is the exposure of the proposed Administration Procedures to inconsistencies. Following the release of amendments by Defra to the EEC post 2005: Statutory Consultation the latest proposed target for the energy efficiency target is 121.6 fuel standardised terra-watt hours (TWh). This is a useful illustration of the problems that energy suppliers face in responding to Ofgem's draft Administration Procedures prior to a definitive Order being in place.

The criteria in the draft Order

- 3.15. npower do not agree with the principles behind progressively tighter energy efficiency targets being imposed on suppliers with greater numbers of domestic customers. The targets should be imposed on an equitable basis, apportioned proportionality across energy suppliers' domestic customer volumes.
- 3.16. npower request that any refinement of the definition of N (the quotient of an energy suppliers domestic consumers number using a divisor of 1,000) and subsequent implications be discussed with energy suppliers prior to implementation.

Changes to the Order

- 3.35. Inline with npower's response to Defra's Consultation, npower would seek further clarification on this point. npower would request a suitable notification period to any altered supplier targets. This will be necessary in assisting with the planning and implementation of consequential strategies.

Section 4. Suppliers' proposed action

Qualifying actions

- 4.7. npower request further clarification on what may constitute an approved action no longer being considered as a qualifying action as a result of changes made to that action. Section 4.7. should provide clarification that this is not applicable when changes result from externalities that are outside of the scope of an energy supplier's control.

A sense of magnitude should also apply to Section 4.7. Flexibility is the primary factor for success for energy suppliers in meeting their energy efficiency obligations. Actions that may be subject to disqualification as a result of inconsequential delivery changes would represent a significant element of risk to an energy supplier's energy saving programme.

Format for notifications of proposed actions

- 4.9. npower is firmly of the opinion that a more constructive and relevant Ofgem Administration Procedures consultation would have been possible if all related documents had been released to energy supplier's. The Ofgem documents used in the delivery of the Energy Efficiency Commitment should not be viewed in isolation. The first *pro forma*, the EEC Scheme Spreadsheet is an integral element of the notification procedure and its omission is detrimental to the consultation process. npower has addressed comments on the second *pro forma*, the EEC Scheme Notification in Appendix 1.

- 4.11. npower is supportive of the use of electronic mail in the notification process, but request that Ofgem provide a standard response to verify the successful delivery of energy supplier communications.

Timescales for notifications of proposed actions

- 4.12. npower suggest a more flexible approach to the initial notification period of 3 January 2005 will assist in the transition between the EEC programmes 2002-2005 and 2005-2008.

Whilst npower principally agree with the duration and process for assessing schemes, npower would prefer added flexibility. npower propose that schemes can be notified to Ofgem at any date, followed by a four week approval process. This will not only create a more flexible process, rather than restricting suppliers to submit on the first working day of every month, but also have the inherent effect of establishing a more uniform work load.

- 4.13. npower fully support Ofgem's proposal to provide flexibility in relation to scheme notification and action initiation.

Carrying forward energy savings from the EEC 2002 – 2005

- 4.17. The process of carrying forward energy savings from the EEC 2002-2005 will operate in parallel with the completion of the EEC 2002-2005 and the potential for new schemes notification envisaged for the EEC 2005-2008. It is therefore imperative that Ofgem provide absolute clarity on the parameters governing energy savings 'carry-over'. Energy suppliers should not be in any doubt as to the basis of choice of actions that can constitute carry-over energy savings. In order to align the timescales between a supplier submitting EEC 2002-2005 completion reports, and submitting energy saving carry-over reports, the carry-over parameters should be available far in advance of the calendar quarter one (2005). Unless this is achieved it is difficult to envisage how a smooth transition and carry-over process is to be implemented. npower believe this will also complement the transitional period between the current and proposed energy efficiency programmes.

Transfers

- 4.20. npower believe the mechanism for transferring qualifying action between energy suppliers is seriously flawed. The mechanism is unnecessarily arduous and inflexible. The process is therefore subject to a considerable legal framework, which by its very nature creates difficulty when incorporating a transfer strategy within an energy supplier's programme.

npower request that Ofgem consider revising the transfer framework to create a more simplified approach to transfers between energy suppliers.

Quarterly reports

- 4.23. & 4.24. npower request further clarity surrounding the terminology, action and qualifying action. npower understand that once a scheme is approved at submission stage the action is defined as being capable of being qualifying action, and it is only when a supplier has met both the total energy saving target and the Priority Group saving target that the action becomes qualifying action.
- 4.25. npower request clarification on the quarterly reporting of volumes of cavity wall insulation installations. It is npower's understanding that this metric will be of cumulative nature, representing an energy supplier's total number on installations.

Section 5. Compliance

Format for notification of actions taken

5.8. npower makes reference to an earlier comment in Section 4.11.

Timescales for notifications of actions taken

5.9. npower makes reference to comments in paragraph 2 Section 4.12.

Completion and progress reports

5.11. npower are supportive of Ofgem's flexibility in relation to the notification of both completion reports and progress reports. However, npower request clarity on any administration differences associated with the notification process, if any. As it appears at present there is no incentive for suppliers to submit scheme progress reports.

Auditing

5.13. npower fully support the use of independent auditors for the purposes listed. However, npower request Ofgem reconsider the terminology used to describe the relationship(s) with project partners. It may not be necessary for all relationships to be of a legal context.

5.14. npower are unsure as to the value that would result from Ofgem conducting alternative forms of monitoring. npower therefore request Ofgem to clarify the circumstances in which it would be deemed necessary for Ofgem to utilise this process. Additionally npower would request Ofgem to detail the selection process for appointing an agency to perform additional monitoring such as mystery shopping, give an indication of how a briefing would be established and what measures Ofgem would put in place to monitor the implementation of the brief. npower would also seek clarification that the financial requirements for the proposed activity would not be borne by the energy suppliers.

Compliance with the energy efficiency obligations

5.16. npower seek to verify this statement. Would Ofgem be in a position to determine obligatory compliance prior to 31 March 2008 if an energy supplier had submitted completion reports prior to this date?

5.17. npower request qualification of this paragraph. Is Ofgem indicating that a penalty is capable of being imposed based upon a possibility?

Section 6. Qualifying action

Criteria to establish whether a proposed action would result in improvements in energy efficiency

6.2. npower makes reference to an earlier comment in Section 4.23. & 4.24.

6.8.vii npower request Ofgem provide clarity on this statement. It is npower's opinion that energy suppliers cannot militate against all external factors.

6.9.ii(a) npower believe that this proposal is practical for professionally installed measures, but is highly detrimental towards self-installation measures. This process would penalise consumers who

are unaware of the benefits of energy efficiency measures and would serve as an additional barrier to the Energy Efficiency Commitment's objectives. This would inevitably lead to increased energy supplier costs and the abandoning of previously successful delivery channels.

From experience npower do not believe the proposal would provide the flexibility necessary for delivering energy efficiency improvements to specific consumer segments, in particular the Priority Group. In the case of CFLs, significant volumes are delivered in partnership with charity organisations that would be incapable of fulfilling these criteria. If the operational parameters are too onerous potential project partners will be deterred from partnering schemes and assisting energy suppliers in their obligations. Ofgem's proposal would seriously disadvantage the customer group they seek to protect through the application of equity within the programme.

- 6.9.ii(b) npower do not support this proposal. Consumers may be sensitive to providing information directly and so openly, resulting in a prohibitive barrier to market. The disadvantaged may well be placed at risk through such an open process. npower do not believe this proposal will provide assistance in the delivery of energy efficiency improvements.
- 6.9.ii(c) npower request clarification on the actual requirements listed in this section. Whilst npower accepts the need to offer consumers choice in purchasing arrangements, a complex control system would be required if suitable parameters were not in place. This will add significant costs to the delivery process. It must be remembered that in a retail market customers will only buy what they want and they will extract value from what they purchase.
- 6.9.ii(d) npower do not agree with this proposal. npower suggest that 100% funded lamps into the Priority Group market is becoming more restrictive with the proposed cap of two lamps (in situation where a choice is not a practical offering). This has the effect of placing greater pressure (and cost) on energy suppliers, and may require a four-fold increase in activity in comparison to the EEC (2002-2005) programme.
- 6.9.iii(a) npower seek clarification on the definition of a retail partner. npower believe further consideration should be given when proposing to constrain trade account purchases. There are examples in retail business of the use of trade accounts specifically aimed at providing goods and services to domestic consumers through social housing providers and charity organisations. Therefore, mechanisms would have to be provided to ensure these energy efficiency improvements could be included within the EEC programme and not eliminated. Flexibility in this area needs to be applied as retailers operate in a number of suitable markets. Also, trade account data may not be able to be separated from general EPOS data. This would have to be considered on a case-by-case basis dependant upon the business operation and logistics of the retail partner. However, npower would seek to ensure that feasible and viable controls would be in place to ensure energy efficiency improvements would not be delivered to commercial consumers.
- 6.9.v npower request confirmation that regulatory change during the EEC 2005-2008 duration will not have a negative effect on energy saving values, thereby effecting the cost effectiveness of programme delivery.
- 6.9.vi(a) npower are supportive of the declaration form content to demonstrate additionality when working with Social Housing Providers. However, npower seek clarification on the legalities associated with a Social Housing Provider agreeing to pass information to Ofgem for the purpose of demonstrating compliance (point 6).
- 6.9.vi(b) npower are supportive of the view taken that an energy suppliers activity must result in energy efficiency improvements additional to mandatory requirements, but request clarification when

applied to voluntary industry agreements. npower suggest that partnerships designed to promote Best Practice policy, where additional to mandatory requirements should be included within the EEC programme.

- 6.9.vii(a) npower suggest that if BAU is built into Defra's illustrative model any energy efficiency activity that energy suppliers encourage should be included within the programme.

In considering the additionality rules for CFLs, npower believe that market transformation principles could apply here. Also npower believe that EST recommended lamps will be subject to competition from imported products and potentially the market share of EST recommended lamps will decrease. This is a low level of "business as usual" so we would see that suppliers would not need to demonstrate additionality.

Ofgem should also consider the possibility of sales data not being available for 2001.

- 6.9.vii(b) npower are disappointed that Ofgem does not appear to have incorporated the comments presented by the Energy Retailers Association (ERA) on the interaction of the EEC and Warm Front (6 July 2004). npower wish to reiterate the view of energy suppliers that 'in order to facilitate greater interaction an independent agency would be required to liaise between Warm Front, energy suppliers, Defra and Ofgem. It is recommended that responsibility for appointing and monitoring this agency should rest with Defra. The choice of agency must be agreeable to all parties, given the sensitivity of the data to be handled.'

- 6.9.viii npower request clarity on the requirements to demonstrate additionality when supporting boiler replacements in partnership with a retail partner or Social Housing Provider. With Building Regulations dictating the minimum legal standard, all products above this level should be included in an energy supplier's programme.

npower request Ofgem confirms their view on additionality of A+ and A++ appliances at the earliest opportunity to assist energy suppliers in developing strategies for the EEC 2005-2008 programme.

npower fully understand Ofgem's requirements for additionality but request Ofgem consider the implications of future UK economic growth and provide contingency options if consumer spending prohibits volume levels.

The Priority Group

- 6.12.i Whilst npower accept that detailed benefit and Tax Credit information is collated on all schemes where priority group savings are attainable, npower would emphasise that this information is of a personal and sensitive nature to some consumers. Some consumers may not willingly wish to divulge evidence of this statute. Therefore alternative options for providing evidence should be considered; for example a customers consent stating the qualifying benefits or Tax Credit.
- 6.12.iii npower agree with the concept that Priority Group customers will purchase energy efficiency products via retail routes and that energy suppliers should endeavour to record this information. However, in practical terms for CFLs and appliances, suppliers have no requirement to carry out any form of monitoring. Therefore, the feasibility of collating this information is limited through a questionnaire approach. npower also have concerns that if asking consumers to provide this type of information could affect the sales process with the consumer ill at ease with providing personal data. npower believe an alternative option would be to obtain socio-economic and demographic information.

- 6.12.iv npower has concerns with this statement in relation to the sales process and customer experience when purchasing CFLs through a mail-order scheme. Incorporating the full list of qualifying benefits and credits on the response form may affect consumers buying behaviour and deter the purchase. Although npower understand that Priority Group customers may purchase lamps, it is problematic to gather this data with the potential for loss of future sales and financial contribution from householders.
- 6.12.v npower wish to make reference comments in 6.9.ii(b)
- 6.12.vi npower support the flexibility of this approach. npower request clarification on the appropriate form to be used for this purpose.
- 6.13. npower is supportive of the confidence level statistical analysis for large-scale schemes, however npower do not feel this is appropriate or practical for smaller projects. npower requests the application of a minimum threshold.

Defra's consultation

- 6.18. The proposal not to take account of contributions from Social Housing Providers constitutes a fundamental change to the basis and focus of EEC 2005 – 2008 with serious cost and delivery implications. npower do not support this proposal.

npower strongly supports the Government proposal to provide an incentive for Energy Services for the first year of the EEC 2005 – 2008. These initiative enable suppliers to develop long-term propositions for consumers as well as an improved customer experience. npower believe that due to the time constraints taken in developing energy service propositions the period should be extended to the entire duration of the EEC programme. npower requests clarification on the administrative procedures for energy services as soon as possible.

- 6.19. npower would strongly encourage that the processes and procedures for Energy Services and the trial suspension of the 28-day rules are flexible and in complete alignment with the EEC procedures. npower requests detailed clarification on the assessment in order to understand the necessary implications on cost and delivery requirements. Unnecessary additional reporting for purposes associated with the trial suspension of the 28-day rule will deter experimentation in the market.

Section 7. Improvements in energy efficiency

- 7.4. npower are not in favour of *ex post* approval of energy efficiency activity. This implies the retrospective application of energy savings, a concept that could damage the integrity of the EEC programme.
- 7.5. Although npower support the use of 'average' energy savings in the main, npower believe that where energy suppliers qualifying action results in greater energy savings, Ofgem should view actions on a case-by-case basis.
- 7.6. npower are not in agreement with Defra's assumption that the average Priority Group property is 13% smaller than the average Non-Priority Group property. npower request further clarification on the evidence that supports this assumption. It is feasible to understand that a size parameter exists between private and social sectors as the definitions refer to a physical property. This is not the case for any difference between Priority Group and Non-Priority Group where the definition relates to a household circumstance and not the actual property. The Priority Group and Non-Priority Group definitions span all property types in all sectors and cannot be related to a specific

property size. In addition, aside from stock transfer undertakings, social and private sector property averages will remain uniform. This is not the case with Priority Group and Non-Priority Group as the definition moves with the household, surely invalidating any assumption on specific property metrics.

Cavity wall insulation

7.10. Although npower support the use of average cavity width as the determining factor in attributing energy savings, npower request that Ofgem make provision for additional energy savings for properties that are in excess of a capped level. npower consider it appropriate for Ofgem to accredit energy savings for these properties on a case-by-case basis. In npower's experience certain prefabricated dwellings exist with cavity widths of 100mm and 150mm. Enhanced energy savings would offset the increase in costs that result from the additional material requirements.

Professionally installed loft insulation

7.17. npower supports the approach of calculating one set of energy savings for loft insulation, dependant upon the depth of the insulation installed and type of material used for insulation to achieve the required U-value of 0.16 W/m²K. However, npower request flexibility in order to allow for circumstances where the physical parameters of a property prohibit larger thickness of loft insulation being installed. There are also significant issues relating to constraints inherent within the loft insulation manufacturing industry. Flexibility to revert to calculating energy savings by loft thickness installed would assist energy suppliers in controlling market supply and price issues.

DIY loft insulation

7.25. npower understands that the concept of banking energy savings has been superseded with progress reports that necessitated the submission of all monitoring reports appropriate for the level of energy savings being reported.

7.27. to 7.29. npower support the proposed correction factor for DIY loft insulation provided that Defra factor the correction into their target setting model.

Draught proofing

7.35. npower request an absolute definition on the procedures required to ascertain the nature of a property with high air infiltration rates.

7.36. npower seek clarification on the assumption that has led to a change in the lifetime of draught proofing measures.

Tank insulation

7.38. npower request further clarification on this statement. Do Ofgem intend to provide a single energy saving value for each of the measures; the full insulation of a bare cylinder and the top-up insulation of an existing insulated cylinder? npower also request a criteria that can be applied to incidences when an existing insulated cylinder can be subject to a further top-up.

Radiator panels

7.43. npower are supportive of Ofgem's proposal to apply a correction factor of 30% to the ex ante energy savings of radiator panels delivered through mail order or in conjunction with retail partners.

Lighting

- 7.45. npower are supportive of Ofgem's adoption of the approach for calculating energy savings for CFLs. npower request the definition of high, medium and low use fittings be inserted into the Administration Procedures.
- 7.48. The inclusion of the Heat Replacement Effect (HRE) remains controversial. Its inclusion as part of the Defra illustrative model will penalise lighting and appliances by some 4TWh, and serves to make these products less attractive to the EEC programme, limiting the product range available to customers. npower firmly believe that this will make it more difficult to take energy efficient lighting and appliance products into the main stream. More damagingly, Defra has modelled an effect that is theoretical. It is disappointing that Defra has rejected an energy suppliers' offer to establish a practical test of the HRE in matched pair houses under controlled conditions. npower do not agree with the application of a correction factor to the energy savings from lighting.
- 7.50. npower cannot agree with Ofgem's assumption that CFLs delivered through a direct route may not be used in a manner that results in the realisation of maximum energy savings. npower seek clarification on the basis of this assumption. npower find the proposal incredulous that consumers will not install products when purchasing CFLs through a direct delivery route.

The purpose of the Ofgem Administration Procedures is to provide energy suppliers with definitive guidance on the operational governance of individual schemes and the energy efficiency programme as a whole. The Ofgem proposal to apply various criteria depending upon the way in which direct CFLs are delivered is completely ambiguous and will not assist energy suppliers in the strategic planning necessary to deliver a programme of this magnitude.

- 7.52.i npower suggest that this statement contradicts Ofgem's Procedures in sections 7.47. and 7.50. npower do not agree with the limiting factors for mail-order CFLs. npower do not agree with the distinction between Priority and Non-Priority Group dwelling sizes. npower wish to make reference to the comments listed in section 7.6.
- 7.52.ii npower requests that Ofgem provide a background information on the assumptions stated in section 7.52.ii pertaining to the amount of high and average use fittings that remain in Priority Group properties. npower do not feel it is appropriate to limit the number of CFLs to Priority Group customers. The energy savings from low energy lighting realise true benefits for the recipients.
- npower has concerns over the onerous administrative procedures in this section. The volumes of CFLs forecast for the EEC 2005-2008 programme are not conducive to the comprehensive cross check procedure proposed by Ofgem.
- 7.52.iii npower are firmly against this proposal. The Energy Efficiency Commitment has been designed to assist customers defined as Priority Group through the principle of equity. npower has concern with regard to the requirement to limit the number of CFLs to one and the detrimental effect this can have on providing benefit to those who need it most. npower do not see the validity of this procedure.

Cold and wet appliances

- 7.57. npower accept that different energy savings should be accredited for A+ and A++ appliances. Whilst npower understand the results of market transformation for A-rated appliances, npower do not believe that this should apply to the higher efficiency products. npower therefore request the inclusion of an uplift for energy savings to assist in the promotion of A+ and A++ rated units.

7.58. npower wish to make reference to earlier comments on the validity of the HRE. Section 7.48.

Trade-in schemes

7.61. npower agree with the principles behind a trade-in scheme, however npower are unsure as to the value of collecting declaration information on the final position of an appliance that has been stripped for parts and destroyed. npower request Ofgem confirm that units subjected to this process will remain suitable of accreditation as a trade-in scheme.

npower support the requirement for energy suppliers to report on the compliant nature of trade-in schemes and the provision to acknowledge the destruction of all old units. However, npower are uncertain that appliance retail partners will be in receipt of all the information Ofgem request, particularly for the period unaffected by the introduction of the Waste Electrical and Electronic Equipment (WEEE) Directive. npower therefore request that energy suppliers operate in accordance with the EEC (2002-2005) guidelines until WEEE Directive implementation. It is unlikely that energy suppliers will have input to the agreement for the disposal of appliance units in order to stipulate the level of detail required by this proposal. npower suggest therefore that this proposal remains at the best endeavours of energy suppliers.

Boiler replacements

7.68. npower would appreciate further clarification and guidance on what constitutes an exception.

Heating controls

7.72. npower request Ofgem to provide clarity of the definition of 'certain rooms'

7.73. npower request detailed information with regard to heating controls with 'intelligent features' listed throughout this section. There is significant variation on the technologies utilised by manufacturers of heating controls and Ofgem may wish to establish an approved list of control units.

Fuel substitution

7.74. npower are disappointed that the information provided by energy suppliers on fuel switching in response to Ofgem's communication dated 20 December 2002 does not appear to have been utilised in the development of the Administration Procedures for the EEC 2005-2008. npower would encourage Ofgem to provide further guidance on the rules that will apply to this energy efficiency action with regard to full or partial heating, reporting and customer satisfaction.

Other heating measures

7.77. npower fully support the continued accreditation of niche heating measures. npower firmly believe that the EEC programme is the principle mechanism for market transformation of energy efficient technologies. Therefore, npower request Ofgem to consider the difficulties energy suppliers' face through the integration of the EEC with other funding mechanisms and the detrimental impact on the accredited energy savings that can result.

7.78. npower do not support the use of *ex post* energy saving accreditation. Energy savings should only be determined on an *ex ante* policy.

New or innovative measures

7.79. npower requests that energy suppliers be provided with a capped incentive mechanism for innovation. npower are of the opinion that this would encourage the introduction of new energy efficiency improvements and limit the energy savings accreditation risk.

Section 8. Monitoring qualifying action

Determining the improvement in energy efficiency in relation to completed action

8.2.i. npower supports the use of technical monitoring as a suitable mechanism of ensuring relevant quality standards. As the energy efficiency industry continues to promote the main stream appeal of energy saving actions it is imperative that domestic consumers have confidence in the products that are utilised by energy suppliers.

Defra's review of EEC

8.4. npower support the principle that the monitoring of existing products can provide salient information useful in the process of shaping future energy efficiency programmes. However, npower questions the view that there is only limited information available for the product groups of DIY loft insulation and CFLs. Neither product is a recent innovation in the field of energy efficiency. In addition, both product groups are associated with high volume delivery mechanisms. npower are of the view that this form of monitoring is essentially product development on behalf of the manufacturers and should therefore be outside of the scope of the EEC programme.

8.5. npower would question the validity for section 8.5. to be included as part of the Ofgem Administration Procedures. The Home Energy Efficiency Database (HEED) is an independent entity that is subject to a separate legal process associated with the provision of energy efficiency data to a third party. The requirement to encourage suppliers to provide data may not be acceptable on a legal basis and therefore should not form part of the EEC (2005-2008) Administration Procedures.

Standard monitoring questions

8.6. npower support the principle behind Ofgem proposing a consistent approach to the questions utilised in technical and consumer satisfaction monitoring, provided the content is aligned with the relevant industry regulatory bodies and standards. npower support the benefit this would have in providing uniformity across energy suppliers. However this requirement should not be at the exclusion of additional material and it should be at the discretion of each energy supplier to complement the standard questions with enquiries that support the individual strategy and learning of each company.

npower would also reiterate the concern that it may prove detrimental to the Ofgem consultation process that this documentation was not released in conjunction with the proposed Administration Procedures. In releasing the standard monitoring questions alongside Ofgem's Technical Guidance, npower are unable to comment on the content.

Professionally installed cavity wall, loft, internal and external insulation and draught proofing

8.8. npower do not support the requirements expressed in section 8.8. npower are not of the view that technical monitoring should be conducted within 2 months of installation for a variety of reasons; namely it is not always practical to operate within such a time frame, particularly when a project has national coverage. npower are firmly of the opinion that the timing of technical monitoring should be at the discretion of the energy supplier as increased costs may apply to continuous monitoring programmes as opposed to batch processed operations.

npower also request clarification on the definition of a 'suitably qualified independent contractor'.

8.10. npower request Ofgem to provide further clarity on how customer satisfaction monitoring will determine the improvements in energy efficiency attributable to professionally installed insulation products. In view of the magnitude of the insulation installations, npower believe that 1% is a realistic and statistically valid number to be monitored.

Boilers, ground source heat pumps, solar water heating and fuel switching

8.24. npower would seek further clarification and examples for the definition of a suitably qualified independent contractor. npower also request Ofgem to define what is meant by the term 'correct standards'. In regard of the timescales associated with monitoring, npower refer to comments in section 8.8.

8.26. npower do not agree with the requirement to monitor compliance and performance of 5% of Corgi registered installers. It is not an energy supplier's responsibility to oversee the technical performance of industry specialists.

8.27. npower believe that 1% is a realistic and statistically valid number to be monitored.

Appendix 1 – EEC Scheme Notification *pro forma*

npower has conducted a review of the EEC Scheme Notification *pro forma* and have serious concerns over the validity of the document. A considerable amount of the information requested within *the pro forma* is already contained within the proposed Administration Procedures. npower feel this approach to be too simplistic, after all it is not in the interest of an energy supplier to submit energy efficiency schemes that are not capable of becoming qualifying action. It is the purpose of Ofgem auditing to highlight non-compliant schemes. The act of submitting an energy efficiency scheme as part of the Energy Efficiency Commitment should in itself be confirmation of adherence to the Procedures, therefore rendering the proposed *pro forma* irrelevant. Within the current Energy Efficiency Commitment procedures, energy suppliers provide a letter of authorisation detailing that a scheme will be compliant with the administration guidelines. Is it therefore necessary to repeat this procedure in terms of completing the *pro forma*? npower would like to understand the process and thinking that has led Ofgem into producing this document.

The *pro forma* is representative of the overly prescriptive nature of the proposed Administration Procedures and npower do not feel that this will assist suppliers in delivering a flexible energy efficiency programme.

Whilst npower are willing to discuss the exact content of the *pro forma* with Ofgem, npower are of the opinion that the entire document should be reconsidered. In forming this view, npower will list a number of illustrations pertaining to the overall issue of content:

- Section 2. There are a number of flaws with the key field correlation between professionally installed measures and self-installation measures. npower are not convinced by the link between professionally installed measures and promotion in a retail store.
- Section 2. There does not appear to be an option for appliances to be delivered through retail store promotion and mail order in the self-installation field. npower understand that there is growth in this delivery channel.
- Section 2. npower do not support the self-installation delivery mechanism and promotion in a retail store for replacement boiler units. As the EEC programme strives to promote ever greater quality standards, supported by Ofgem's stated concerns relating to customer satisfaction and technical monitoring, npower do not understand Ofgem's decision to accredit actions where there is a possibility of a replacement boiler being commissioned by non-Corgi registered persons.
- Section 2. npower are not aware that dCHP technology has been approved for energy supplier utilisation within the EEC programme. If approval or an indication that approval is possible has been communicated, npower would wish to be informed of how and when this occurred and the number of suppliers taking advantage of such communication.
- Section 3 (15). npower do feel it is appropriate for energy suppliers to state the product details. This does not provide flexibility when dealing with issues such as change of supplier(s), technical constraints and externalities outside of the scope of energy suppliers.
- Section 4 (37 & 50). This question is unnecessary, as the action is incapable of becoming qualifying action as stated in the Administration Procedures.
- Section 4 (38 & 51). npower believe this information to be commercially sensitive and therefore it is not appropriate to divulge this data.