

Energy Efficiency Commitment 2005-2008

ScottishPower reponse to OFGEM's Consultation on Administration Procedures.

Introduction

ScottishPower is appreciative of the opportunity presented by Ofgem to contribute to the future administration of the second Energy Efficiency Commitment 2005 – 2008. All comments are made in a positive and constructive manner and may be viewed openly.

Target Setting

ScottishPower will work within and to, the proposed criteria and associated time scales for allocation and calculation of energy savings target. However, we shall be replying in full to Defra's request for additional arrangements or methodology for calculating suppliers share of target which is due by 17/9/04.

Suppliers Proposals

Point 4.25 asks suppliers to provide the number of cavity walls insulated on a quarterly basis we are happy to comply with this request and are currently working with this standard request at the moment.

Sections 4.14 –4.18 set out the mechanisms which permit suppliers to carry measures into EEC 2 ScottishPower feel these are fair and reasonable.

Section 4.22 permits the transfer of group obligations to one licensee ScottishPower believe this to be a sensible approach by Ofgem.

Compliance

5.14 - ScottishPower believe that this type of monitoring is not required and would recommend against this action. All EEC schemes and projects carry their own monitoring criteria. With two Ofgem on site audits proposed and various supplier internal and external agency audits being continually carried out as part of normal business functions compliance it is difficult to see compliance becoming a major issue. Schemes are currently over monitored as suppliers complete their monitoring and project partners complete theirs.

Qualifying action.

Section 6.8 point vi, which is additional to the improvement that would be achieved by project partner with out the suppliers funding. Additionality – we believe (for insulation) this is an outmoded concept. The insulation industry has to expand to twice its current size to ensure that the anticipated targets can be achieved. There is a large "business as usual" built into the proposed target therefore we do not believe there is a requirement to prove additionality, by statement, clause or lettered confirmation for the future insulation projects.

Where the delivery mechanisms involving Consumer self installation are considered, in particular points 6.9 ii) (b) and 6.9 ii) (d) we feel these to be reasonable requests to make. However when considering DIY loft insulation and retail CFL's (6.9 vii) (a) Why is there a requirement for such a high level of increased sales required to demonstrate an improvement in energy efficiency?

It must surely be considered that an INCREASE in sales will demonstrate the required improvement as it is widely felt that the general marketplace is stagnate and closing on saturation.

We believe that there is an inconsistent approach being taken in relation to the additionality of retail schemes. We feel strongly that there needs to be consistency in Ofgem's approach and that schemes need to be dealt with in a common manner. Ofgem appear to be treating retail schemes, in a more favourable manner than the direct sales, such as internet, bill stuffers and direct mail approach creating artificial barriers. We feel this may be just an Ofgem interpretation however we have concerns over the loss of flexibility and feel there may be too many barriers to implement schemes. This will push us down a route, which is proven unsuccessful. We are also concerned that retailers seem to be selling an increasing number of lower cost CFL's, which are not EST approved. As retail customers have already a wide choice of lamps, even if not EST approved, at a comparable or lower cost than offered by Suppliers Direct Sales we see no reason for Ofgem to restrict supplier's direct sales.

When considering the priority group and the measurement of it the biggest concern with the proposed mechanics for points 6.12 – 6.16 are the significant increase in costs placed upon low cost measures. This will bring a burden to the delivery of these measures, which may make them too expensive, and in some cases impractical. We deal regularly with people who are within the priority group. Point 6.12 v appears to be an unrealistic request when coupled with other requirements to facilitate this measure how can this be reported if an individual is to benefit from the measure. If someone refuses to confirm their status with in such a group but confirm they are within it how will it be reported.

ScottishPower support the current EEC rules in relation to the accreditation of energy savings when working with SHP's and can see no compelling reason to change these rules. In general we do not lend support to any uplift for energy savings and would continue this stance concerning Energy Service programs or activities.

Improvement in Energy Efficiency

In connection with insulation measures ScottishPower, feel that point 7.17 is a sensible way to accredit the savings associated with this measure. We are satisfied with the correction factor mentioned in point 7.29 if based on results reflected in Defra target setting model. In connection with point 7.42 all (mainstream) new build homes in Scotland, which have cavities these remain unfilled. The correction factor noted in point 7.43 is acceptable.

The use of an average saving as mentioned within point 7.45 is acceptable. Point 7.52 (I) indicates Ofgem wish to restrict mail order customers to six lamps however they do not install a limit per customer on retail schemes both of which involve the purchase of lamps this action must disadvantage the mail order scheme. Point 7.52(ii) indicates the limit of four lamps for priority households ScottishPower agrees with this policy however we would wish to indicate that lamps which may not be used in a standard high /medium use fitting should be permitted e.g. security lights/sensor etc.

ScottishPower believe the statement made in point 7.57 is a positive one.

We feel it is important to be aware of all the possible eventualities which may have to be considered in points 7.69 –7.7 Ofgem's stance is acceptable and we agree a sensible way forward should be taken.

ScottishPower are happy with Ofgem's plans to deal with CHP and communal heating projects on a case by case basis.

Monitoring Qualifying Action

Point 8.2 (ii) requires the supplier to complete consumer satisfaction monitoring it's difficult to see why this is necessary as it is the suppliers interests to provide good customer satisfaction. With measures, being widely available the customer has a wider choice therefore good customer service will be part of the market force. Point 8.4 indicates a wish to continue the monitoring of DIY loft and CFL's, since over 40 million CFL's have been utilised from SOP 1 through to EEC1 there is surely enough knowledge on the use of these lamps. We also note that there is no requirement (and rightly so) to monitor retail CFL's which according to Defra make up the largest number delivered. Monitoring should not be imposed upon supplier direct schemes.

As DIY loft schemes are young in comparison to the CFL's monitoring should be undertaken but it should be noted that this is a difficult and expensive undertaken and we suggest that a 1-% total should be the limit set.

8.6 The collation of monitoring reports can be difficult when no set format is used we therefore agree that a sensible core questionnaire should be drafted and agreed by all suppliers and Ofgem. The core questions being the regulatory requirement with suppliers adding to them for specific responses should they wish.

8.9 When technical monitoring is being reported Ofgem must give guidance and clarity on the details of errors they wish to consider to accumulate to their 25% error rate differing between small errors to serious errors or omissions.

8.10 We cannot agree that satisfaction monitoring is necessary as previous comments have advised. If it is to be undertaken then it should be limited to 1% or 1000 units which ever is the smaller per delivery route. This again will limit the cost of the most cost-effective measures.

8.11-8.12 Retailers do not provide the names and addresses of the customers suppliers rely upon the customer returning incentivised literature. The quality of the returned info is not always what is required producing this type of information to the level which Ofgem feel is adequate may involve significant costs. To date our experience has given a return rate of 3-8% this is return not qualified quality returns.

8.15 This has the same problem as 8.11-8.12. Cost of monitoring may make these types of schemes unattractive and highly unlikely to reach suggested activity level suggested by Defra due purely to the cost /difficulty of Ofgem's proposed monitoring arrangements.

8.17 This point appears to express a non-requirement for customer satisfaction in contradiction to point 8.4

8.19 Again confusion with point 8.17- 8.4

8.20 We have made a comparison to this in our response to point 8.4 The same reasoning should apply to direct supplier sales as to retail schemes.

8.25 In many cases, suppliers are only involved in funding the installation of the measure concerned. The customer/SHP confirmation of quality standard should be sufficient without the supplier undertaking further monitoring. Suppliers should only be responsible for checking type of appliance and house details. Suppliers should not be put at risk of taking Health & Safety responsibility from participating Customer/SHP's.

8.27 We see no reason for this particularly if we have no direct relationship with customer.