

# EEEC UPDATE

Issue 14/Oct 2005

Under the EEC 2005 –2008:

- **Suppliers have achieved 47 TWh energy savings**
- **This is over a third of the new target**
- **Insulation measures dominate delivery**
- **Activity is split evenly between the Priority Group and other households**



From left to right: Andy Duff, Malcom Wicks, Sir John Mogg, Rita Clifton and Ed Mayo

## Powering the energy efficiency debate

**The EEC sets targets on energy suppliers to achieve improvements in energy efficiency 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 among consumers, 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.

Through this, the EEC also contributes to the Government's Fuel Poverty Strategy. 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 help any domestic customer in Great Britain, whether their home is heated by gas, electricity, coal, oil or LPG.

The first phase of the EEC ('EEC 1') ran from 2002 – 2005. The suppliers complied with their energy saving targets and Ofgem produced a review of the programme which is available on our website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

The energy saving target for the EEC 2005 – 2008 ('EEC 2') was set by Defra at the end of last year. The target is 130 TWh, more than double the target set for EEC 1. Defra plans to review the EEC by 2007 before setting a target for the period 2008 – 2011. Ofgem is responsible for administering the EEC.

The obligated suppliers are required to provide progress reports each quarter to indicate the energy savings each of their schemes has achieved and is forecast to deliver. This data is used to compile the EEC Update.

## Suppliers' achievements so far

### Reporting

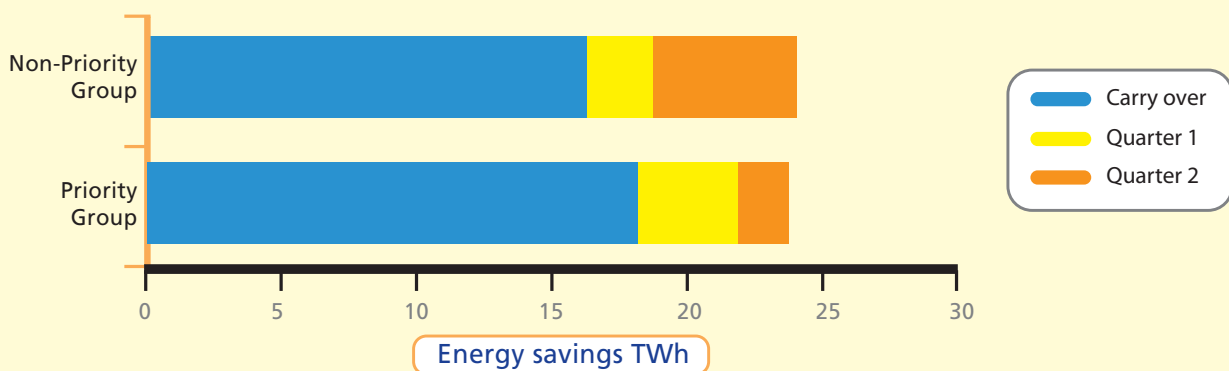
The EEC 2005 – 2008 officially started on 1 April this year. However, suppliers were able to set up new energy efficiency projects from January, after Ofgem set each of their targets.

Eight suppliers have been set an energy saving target. Suppliers meet their targets by setting up schemes to deliver energy efficiency measures. They are required to send their scheme

proposals to Ofgem, to be approved in accordance with the EEC legislation. So far, over one hundred schemes have been sent to Ofgem. The information in this update details the estimated achieved savings for those schemes which have been approved.

A further estimated 5 TWh of energy savings have been achieved by the suppliers but will not be included within the update until Ofgem has approved the schemes under which they have been achieved.

**Chart 1:** Energy savings carried over from EEC 2002 – 2005 and energy savings achieved in quarters 1 and 2 of the EEC 2005 - 2008



### Progress

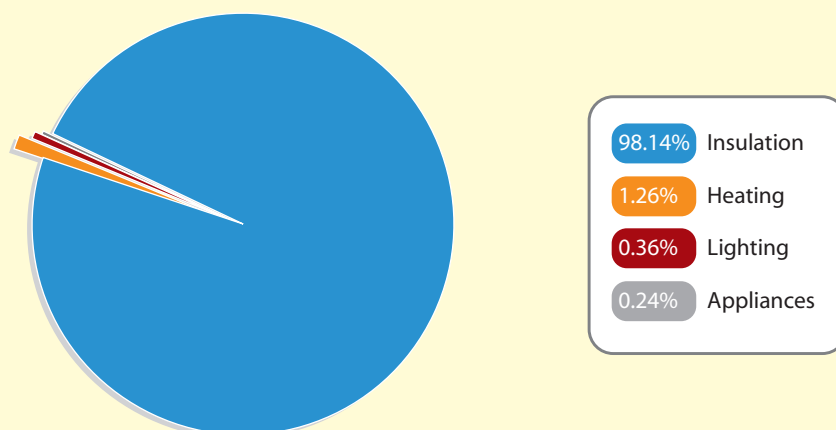
Suppliers have delivered sufficient measures to achieve 47 TWh, equating to over one third of the target. **Chart one** shows the energy savings that were in excess of the previous EEC targets that suppliers were allowed to carry forward to their new targets.

This mainly consists of loft and cavity wall insulation measures. The remainder of the bar chart shows those measures installed in the first nine months of the new programme. The energy savings shown in yellow are those reported in June this year.

The right-hand-side of the bar graph shows those energy savings delivered from July to September. It is clear from **Chart one** that the savings carried over have made a significant contribution towards the suppliers' new targets. It is encouraging to see an even split in the delivery of measures to Priority households and to other households across Great Britain.

At the start of EEC 1, the suppliers' schemes focused on delivery to non-Priority consumers, as they are often easier to locate and assist. One of the challenges facing each supplier is achieving a balance between providing measures to able to pay consumers and to the Priority Group.

**Chart 2:** The energy savings achieved by measure type



## Measures delivered

**Chart two** shows that insulation dominates the supplier's activity and relatively few energy savings have been achieved from installing heating measures or through selling lights and appliances. Insulation contributed just under 40 per cent of the energy savings for the EEC 1 target. To illustrate the scale of the new EEC 2 targets, more insulation energy savings are already counting towards the current EEC than counted towards the EEC 1 target.

**Chart three** shows that the delivery of insulation is evenly split between the Priority Group and other households. Despite the acceleration in delivery of insulation, suppliers are employing the same delivery routes as under the previous EEC, ie they are partnering with social housing providers or offering measures direct to private householders. Some suppliers have also started partnering with the lead contractor of the Government's Warm Front programme, to provide insulation measures to the Priority Group.

Energy efficient light bulbs (CFLs) made up one third of the EEC 1 target. None of these lighting measures were carried forward from EEC 1 to EEC 2. The current programme shows a significant change of focus, with CFLs currently accounting for less than one per cent of the total savings achieved.

Defra reviewed the energy saved from fitting CFLs in 2004 and reduced the energy savings that are awarded to CFLs compared with those under the previous programme. This helps explain why less CFLs are now being promoted by the suppliers. **Chart three** shows that CFLs are mainly being delivered to the Priority Group, generally distributed for free by organisations such as social housing providers and charities. The remaining four per cent of the energy savings from CFLs have resulted mainly from partnerships with retailers.

The delivery of heating measures, predominantly boilers, shows an interesting development. Under EEC 1, heating installations made the smallest contribution of energy savings to the target (12 per cent). Now however heating is delivering double the energy savings from lights and appliances combined. When installing replacement boilers, suppliers must exceed the Building Regulations minimum efficiency and are awarded with the difference between that minimum and the actual efficiency of the boiler they install.

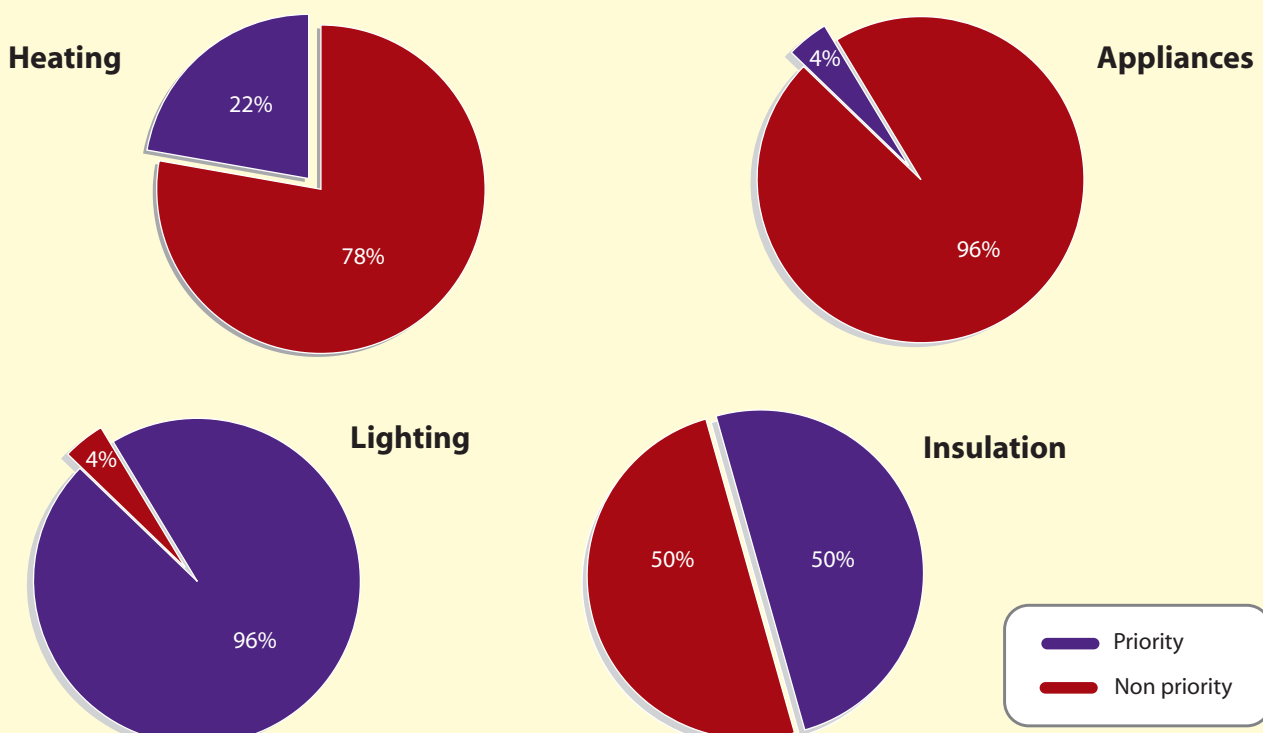
So far, the majority of boilers have been provided to private householders not in the Priority Group, with the Priority Group installations being made in social housing (see **Chart three**). Suppliers are also looking at other ways to promote boiler upgrades and a few suppliers are now working directly with boiler manufacturers. These partnerships enable manufacturers to subsidise and promote 'A' rated boilers.

The suppliers are also showing an interest in other types of heating measures such as ground source heat pumps and communal heating systems.

As **Chart two** shows, the sale of energy efficient appliances, such as fridges, freezers, washing machines and dishwashers, make the smallest contribution to the energy savings reported so far.

The relative proportion of appliances has decreased also, shifting from 16 per cent across the EEC 1 programme to less than one per cent of energy savings over the last nine months. These appliances are generally sold through retailers to private non-Priority Group consumers, as shown in **Chart three**. A+ and A++ rated appliances are included within these partnerships and are considered to be innovative measures. The suppliers are looking into the potential to improve efficiency with other types of appliances such as consumer electronics.

**Chart 3:** The proportions of each measure type that have been delivered to Priority Group consumers and to other households



## Interaction between the Energy Efficiency Commitment and the Warm Front Scheme

This article provides an explanation of the arrangements put in place under the current EEC and Warm Front to enable interaction between these programmes to the benefit of vulnerable households.

Warm Front is a Defra-funded scheme designed to tackle fuel poverty in the private sector in England. Warm Front, which is run by the Eaga Partnership, provides a range of heating and insulation measures and energy advice to households in receipt of certain benefits. The maximum value of assistance is £2,700, or £4,000 where oil central heating has been recommended. Funding for the scheme in the current year is around £170 million.

In meeting their EEC targets, suppliers can choose to work in conjunction with the Warm Front Scheme. This interaction can help provide eligible households with additional benefits as a supplier's funding can be used to provide measures over and above the Warm Front grant of £2,700.

Under the new phase of EEC, to enable them to work in conjunction with those delivering the Warm Front Scheme, suppliers are required to make an up front commitment with Eaga Partnership to fund the delivery of measures. This will then enable measures, such as cavity wall or loft insulation, to be paid for by the supplier and so count against their EEC target. These commitments are undertaken as commercial agreements between Eaga Partnership and individual suppliers.

For further information about the eligibility criteria and measures available under Warm Front, visit [www.eaga.co.uk/Grants/warm\\_front.htm](http://www.eaga.co.uk/Grants/warm_front.htm)

## Powering the energy debate: Delivering sustainable solutions for affordable warmth

**On Thursday 13 October Ofgem hosted a seminar on 'Delivering sustainable solutions for affordable warmth'. This was the third seminar in our 'Powering the energy debate' initiative aimed at providing a forum to stimulate debate at a more strategic level.**

Ofgem's Chairman Sir John Mogg chaired the seminar in which presentations were given by Energy Minister, Malcolm Wicks MP, Chief Executive of the National Consumer Council, Ed Mayo, Chief Executive of RWE npower, Andy Duff, and Chairman of Interbrand and member of the Sustainable Development Commission, Rita Clifton.

The speakers gave their individual perspectives on how to deliver affordable warmth in a sustainable way, particularly for those worse affected at a time of rising prices. Malcolm Wicks called for more co-ordination between suppliers, the Government and other organisations to tackle fuel poverty and assist those people that are unable to keep their homes warm.

The presentations were followed by a lively question and answer session, with a wide range of contributions from the attendees on how to tackle this important issue.

A photo from the event is shown on the front cover.

## Energy efficiency team



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### We do this by:

- promoting effective competition, wherever appropriate
- regulating only where necessary.

