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Mr A. MacFaul
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Dear Andrew

Ofgem's five year strategy 2006-2011

The Energy Saving Trust is pleased to be given the opportunity to respond to the above consultation. The Energy Saving Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector and one of the key delivery agents for the Government's climate change objectives. Our response focuses on the key areas of the Energy Saving Trust's activities and related issues and should not be taken as representing the views of individual Energy Saving Trust members.

We previously responded to Ofgem's open letter of August 2005 that sought views on its key challenges and priorities for the next five years. We welcomed the new framework established by the Authority that will allow Ofgem to participate in the wider debate on the interactions between environmental policy and energy markets and the requirement under the Energy Act 2004 that obliges Ofgem to best it can contribute to sustainable development.

We saw the new five year strategy as a major opportunity for Ofgem to embed environment issues at the core of its work and take a lead in supporting UK Government's climate change objectives, including its target to reduce CO₂ by 20% by 2010 and its longer term 2050 target. Although we welcome the stronger emphasis in some areas, such as greater involvement in European energy efficiency related work, we believe that an even greater priority can and should be placed on this area of work.

In our original response we identified the following four strategic issues, which relate to sustainable development that should feature as key priority areas for future Ofgem work:

- The key issue facing UK citizens is that of climate change.
- Rising energy prices are likely to have a detrimental impact on the alleviation of fuel poverty.
- Security of supply, which is best tackled by reducing energy demand in the first place.
- The introduction of new energy efficiency, metering and microgeneration technologies including mass market renewables.

Whilst we welcome the focus on fuel poverty and the work that Ofgem is taking forward on smart metering, the low priority of other areas is disappointing. We also believe greater consideration should be given to the potential role of microgeneration in tackling fuel poverty, particularly in off-gas network areas, and to improving the effectiveness of Energy Smart. Currently Ofgem's proposed deliverables in relation to 'Helping to Protect the Environment' consist of publishing general reports and guidance in relation to the Renewables Obligation as opposed to more forward-thinking activity. We are disappointed that there is no proposed deliverable in relation to the smart metering work and hope that this may be an oversight.

In our opinion, it would be helpful if Ofgem could contribute to sustainable development through a more proactive approach. With the recent energy price rises, the best means of protecting consumer's interests is to focus on energy efficiency improvements that will reduce customer's bills, reduce dependency on fossil fuels, help enhance security of supply, make a major contribution in reducing fuel poverty whilst mitigating the damaging impacts of climate change that are increasingly impacting on UK citizens. We note that with the right policy framework, it will be far quicker to implement energy efficiency measures than to build new power stations. We therefore urge Ofgem to increase its strategic focus on those key areas that we have identified. Specific actions we believe that the Authority should take to respond to these challenges include:

- **Working with suppliers and government to improve the delivery of the Energy Efficiency Commitment (EEC) in the next phase and thereafter.** Greater emphasis should be given to this work within the Strategy Plan, particularly as we note that Ofgem is already actively involved in this area.
- **Continuing to facilitate the development of energy services companies.** In addition to the trial relaxation of the 28 day rule, we urge Ofgem to explore potential options to mainstream the provision of energy services by suppliers and potential new entrants.
- **Increasing the role of microgeneration.** Whilst energy efficiency is the key solution to fuel poverty in most homes, some homes particularly 'hard to treat' solid wall properties off the gas network require additional solutions including the use of microgeneration to delivering 'affordable heating for all'. We believe that a major focus of Ofgem's strategy should be to facilitate the development of microgeneration including mass market renewables. Full details of how this might be progressed are included in our response to Ofgem's consultation on the 'Regulatory implications of domestic-scale microgeneration' earlier this year. In particular this should include refinement of the Renewables Obligation

(RO) support mechanism to make it easier for micro- generation to gain RO Certificates (ROCs).

- **Improving the delivery of Energy Smart.** We welcome the joint Energy Smart initiative between Ofgem and energywatch including the provision of the top 10 energy efficiency tips. However, it is important for greater emphasis to be placed on encouraging consumers to go to the next step in seeking advice and implementing energy efficiency measures. The Energy Saving Trust is best placed to provide this through its existing infrastructure, including its network of 52 Energy Efficiency Advisory Centres and its pilot Sustainable Energy Networks. This would ensure cost-effective delivery of consistent messages. Historically, we have worked at a regional level with energywatch to develop referral mechanisms, and are currently exploring ways of improving referral activities on a national basis. We are also working with energy suppliers in relation to their new helpline.
- **Developing mechanisms to underpin the green supply guidelines.** We believe Ofgem should support and fund the development of mechanisms that will help enforce the guidelines and promote the uptake of green tariffs, in particular robust accreditation schemes.
- **A full review of Ofgem's 2001 Environmental Action Plan.** In the context of Ofgem's wider strategy we believe that it is also timely for Ofgem to implement a full review of its 2001 Environmental Action Plan, rather than its current annual reviews. Although these are helpful there is always the tendency to focus on 'more of the same' rather than reflect the additional sustainable development responsibilities of Ofgem.

In summary, the Energy Saving Trust believes that Ofgem's future strategy needs to be more focused on sustainable development, specifically energy efficiency and mass market renewables to reduce customer's bills, help alleviate fuel poverty, mitigate climate change and enhance security of supply. The Energy Saving Trust is keen to work closely with Ofgem to help deliver this.

I trust that you find this response helpful. Meanwhile I would be pleased to discuss these issues in more detail with you.

Yours sincerely

Brian Samuel
Head of Policy Research