

EEEC UPDATE

Issue 18/November 2006

Under the EEC 2005-2008:

- **At the halfway point of the programme, 76 per cent of the target has been achieved (99 TWh)**
- **Nearly 45 per cent of activity to date has been achieved in the Priority Group**
- **Insulation activity remains strong, accounting for 88 per cent of the total achieved energy savings**



The Energy Efficiency team visited the Knauf Glasswool insulation plant in St Helens. From left to right: Urszula Kulpinska, James Clee, Fiona Kenyon, Sue Corbett and Charles Hargreaves.

The first half of EEC 2 – progress so far

The EEC 2005 – 2008 sets targets on energy suppliers to achieve improvements in energy efficiency by providing energy efficiency measures to households across Great Britain.

The EEC 2005 – 2008 is primarily a carbon saving programme and, as such, is part of the Government's Climate Change Programme. To ensure low income consumers who pay a larger proportion of their income into the scheme get a larger share of the benefits, 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 to 2005. Ofgem's review of this programme is available on our website at www.ofgem.gov.uk. The energy saving target for the EEC 2005 – 2008 (EEC 2) was set by Defra at the end of 2004. The target is 130 TWh, roughly double the target set for EEC 1. The Government's consultation on the initial proposals for EEC 3 recently closed. Defra plan the statutory consultation for spring 2007. Ofgem is responsible for administering the EEC.

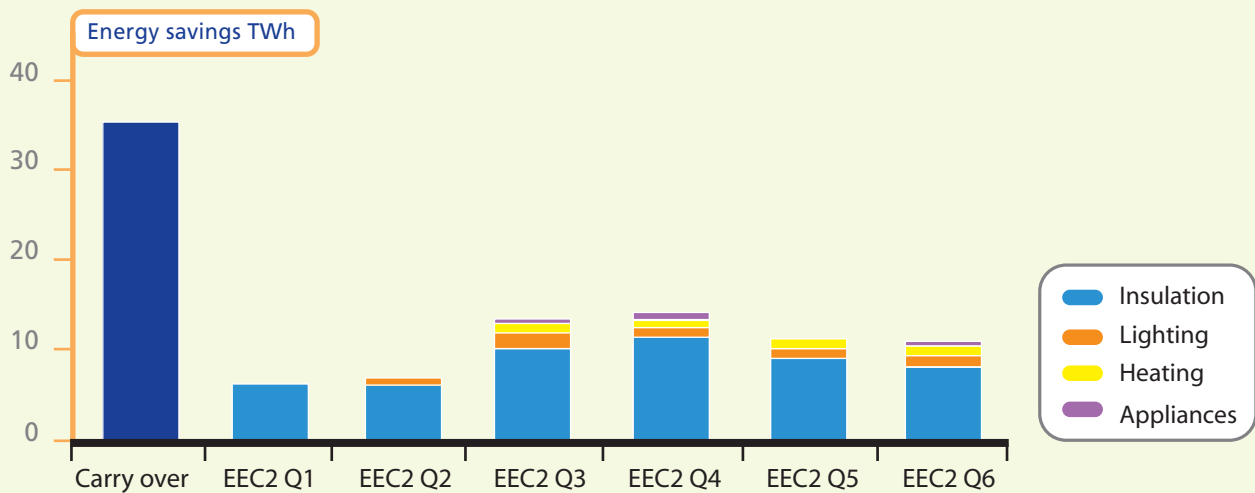
The obligated suppliers are required to provide progress reports each quarter to indicate the energy savings each of their schemes has achieved and is forecast to deliver. This data is used to compile the EEC Update.

18 months into EEC 2 - Scale of supplier activity

The EEC 2 is now halfway through its duration, and suppliers have been working towards their targets for 18 months. 76 per cent of the total target, equalling 99 TWh energy savings, has been achieved by suppliers so far. Excluding the measures that were carried over, suppliers have achieved 64 TWh of energy savings since

the beginning of EEC2, roughly half the overall target. This rate of progress matches that in EEC 1: at the halfway stage of EEC 1 suppliers had met half their target.

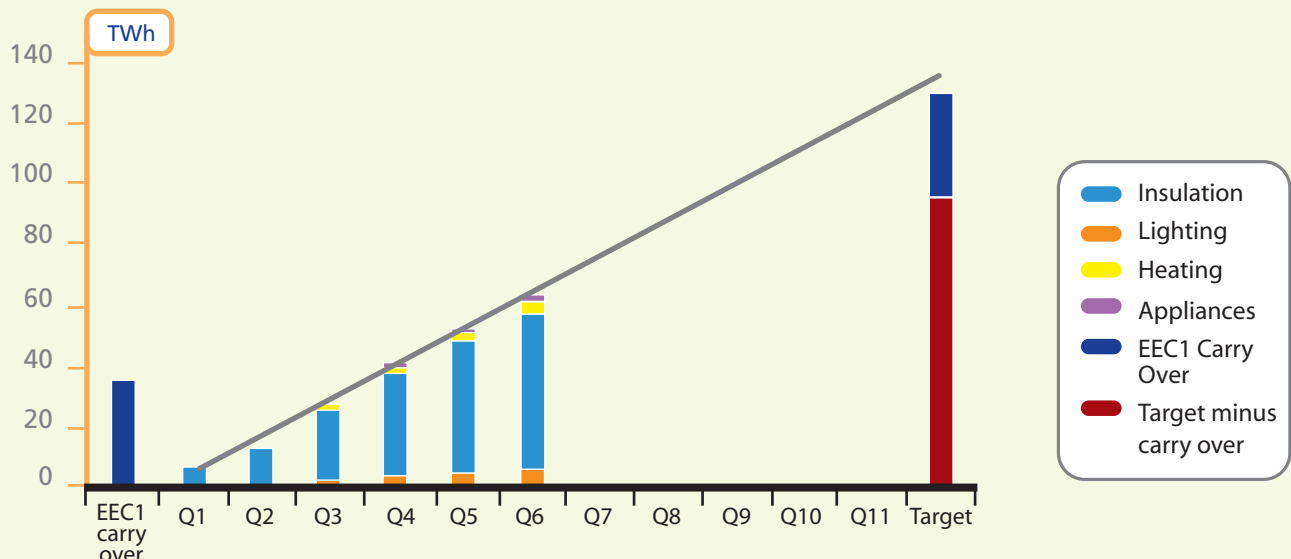
Chart 1: Savings achieved in each quarter of EEC 2, broken down by measure type.



As shown in **Chart 1**, nearly 11 TWh savings were achieved by suppliers during quarter 6. Although this is slightly lower than the savings in quarter 5, suppliers are well on track to meet the overall EEC 2 energy saving target. This is illustrated by **Chart 2** below, which shows the cumulative savings with a trend line to the end of the

EEC 2 period. The red bar in quarter 12 represents the target minus the carryover, ie the savings to be achieved under in the three years 2005-08. Therefore if the current level of activity is maintained suppliers will comfortably meet their EEC 2 target.

Chart 2: Energy savings counting towards the EEC2 target

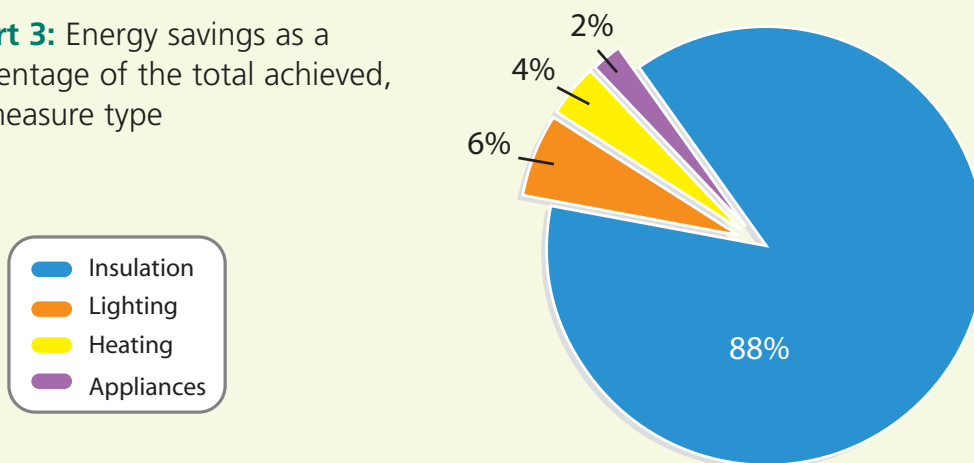


Mix of measures

Chart 3 below shows the percentage of total energy savings achieved so far, broken down by measure type. As expected the proportion of savings from insulation remains high, currently at 88 per cent. Despite the large number of measures promoted, lighting, heating and

appliance energy savings account for a small proportion of the total savings so far at 6 per cent, 4 per cent and 2 per cent respectively.

Chart 3: Energy savings as a percentage of the total achieved, by measure type

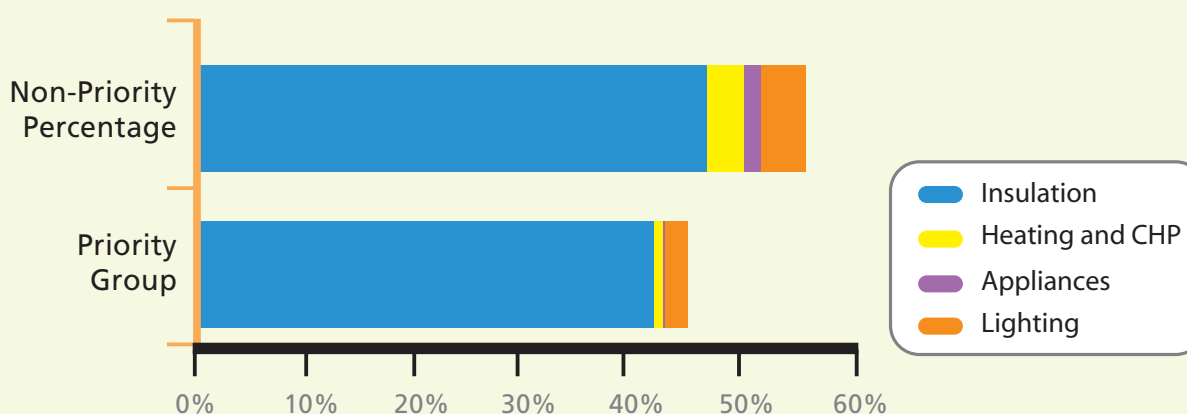


Priority Group activity and progress

50 per cent of the suppliers' targeted savings have to be achieved through activity in the Priority Group. Currently, savings from the Priority Group account for 45 per cent of total savings, as shown in **Chart 4** below (this includes carry over from EEC1). The overall share of activity achieved in the Priority Group has declined over time as the suppliers' carry over was roughly evenly split between the two groups, while activity throughout EEC 2 has been

consistently split 60:40 non-priority group to Priority Group. Suppliers appear on track to achieve their target of 65 TWh savings from the Priority Group by the end of quarter 12. However, the imbalance in activity between the two groups could impact on the carry over of measures into EEC 3, meaning that, based on current trends, the majority of carry over will be in the non Priority Group.

Chart 4: Proportion of achieved energy savings, by measure type delivered to Priority and Non-priority consumers



The bulk of the activity in the Priority Group has been the installation of insulation measures, and this share is even higher in the Priority Group than overall. So far in this

group, the savings being delivered though cold and wet appliances are minimal and heating activity remains at a very low level.

Energy Efficiency Information Site

We have launched an information site to provide targeted guidance on the mechanics of the EEC 2005 – 2008.

You can access this information site by choosing 'Energy Efficiency' from the third drop down box on the left hand side of www.ofgem.gov.uk.

The information is split into a home page and the following pages: EEC Update; Fast Facts; Information for Project Managers; Information for Social Housing Providers; Innovative Action; Previous Schemes; and Contact Details. Each page targets information and publications to a specific audience. We will regularly update these pages with new information.

Industry visit

In September, Ofgem's Energy Efficiency team made the trip to St Helens to see glasswool insulation being manufactured in the Knauf plant.

It was an educational trip to understand the manufacturing process from raw materials and recycled glass through to packaged loft and cavity wall insulation products ready for the consumer. The team also benefited from a tour of the testing facility to check the efficacy of insulation installed in cavity walls.

Energy efficiency team



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If you have any comments or suggestions on the information provided within the EEC Update, we would be happy to hear them. Please email your thoughts to eec@ofgem.gov.uk

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