

EEEC UPDATE

Issue 19/February 2007



The Ofgem Energy Efficiency team is back to its full compliment of six, following the recruitment of Priya Patel as Assistant Energy Efficiency Manager. From L to R back row: Charles Hargreaves, Urszula Kulpinska and James Clee. From left to right sitting: Priya Patel, Emily Flatt, and Sue Corbett.

Under the EEC 2005-2008, third quarter, second year:

- **85 per cent of the target has been achieved**
- **45 per cent of activity to date has been achieved in the Priority Group**
- **50 TWh has been achieved in the Priority Group, with 15 TWh remaining**

The Energy Efficiency Commitment 2005-2008

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. Ofgem is responsible for administering the EEC.

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 can 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.

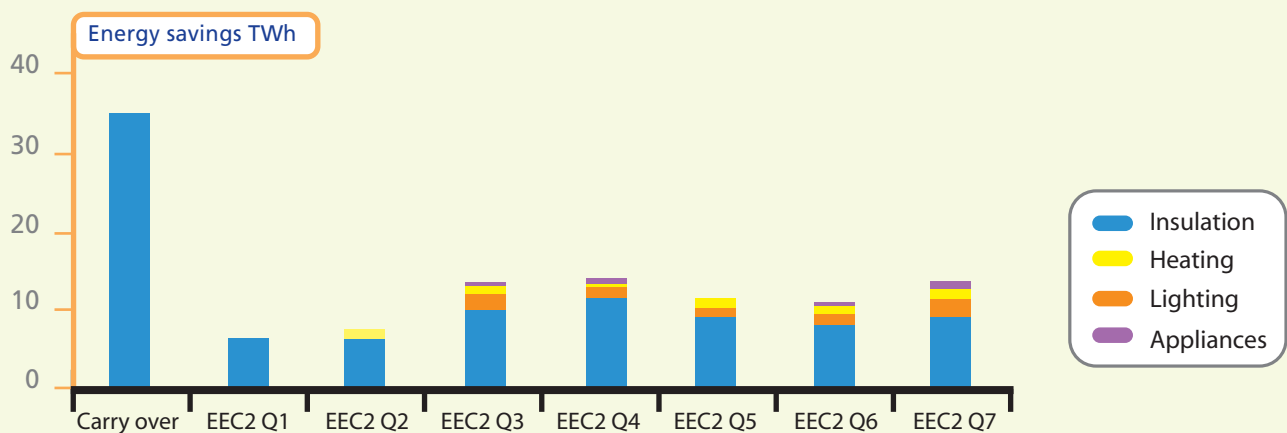
The first phase of the EEC (EEC 1) ran from 2002 to 2005. Ofgem's review of this programme is available on our website at www.ofgem.gov.uk. The energy saving target for the EEC 2005 – 2008 (EEC 2) was set by Defra at the end of 2004. The target is 130 TWh, roughly double the target set for EEC1. The Government's consultation on the initial proposals for EEC 3 closed in autumn 2006. Defra plan the statutory consultation for late spring 2007, and are currently consulting on the scores for measures.

Suppliers' EEC 2 activity so far

The seven obligated suppliers have been set their final targets for EEC 2, based on their customer numbers as at 31st December in each year of the programme (2004, 2005 and 2006). Since the start of EEC 2, over 120 supplier schemes have been received by Ofgem for approval. 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. The data presented in this update comes from these reports.

Chart 1 below shows the savings achieved by suppliers in each quarter, broken out by measure type. There has been an increase in energy savings in quarter seven. This is comprised of a slight increase in savings achieved through insulation and heating, but mainly through increases in savings from lighting and appliances. The first results from some CFL and consumer electronics schemes were reported in this period and these account for this increase.

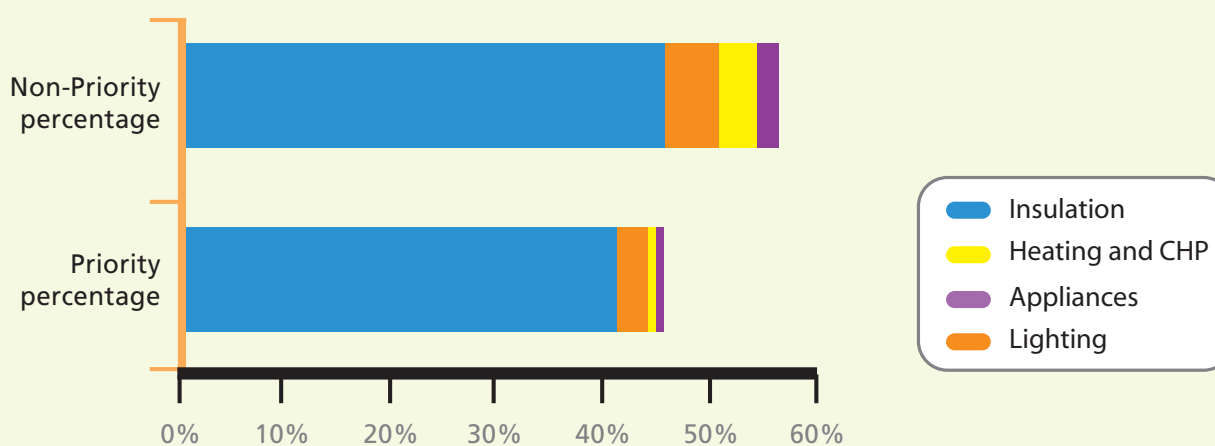
Chart 1: Savings achieved in each quarter of EEC 2, broken down by measure type.



The chart also shows an increase in variety of measures over time. Activity in quarter one was solely comprised of insulation schemes. These schemes are generally more standardised and so were set up earlier in the programme, before other more complex schemes. By quarter three more schemes had been set up which involved other types of measures.

If the current level of activity is maintained, suppliers will exceed their EEC 2 targets. As shown in **Chart 2** below, the proportion of savings achieved through activity in the Priority Group remains similar to last quarter at 45 per cent of the total savings achieved (including carry over from EEC 1). A number of suppliers will need to increase activity in the Priority Group in order to meet the target of 50 per cent activity from this group by the end of EEC 2, in March 2008.

Chart 2: Proportion of energy savings by measure type delivered to Priority Group and non - Priority Group consumers



Mix of measures

Looking at total energy savings since the start of EEC 2, the percentage share of savings coming from lighting and heating schemes has continued to grow. This reflects a large number of measures promoted through these type of schemes. However, overall savings are dominated by insulation, reflecting the larger saving available per measure installed.

Within each measure type, the proportion of savings coming from Priority Group and non Priority Group consumers has shifted as EEC 2 has progressed. This is illustrated in **Chart 4**.

The percentage of appliance savings now coming from activity in the Priority Group has grown to 17 per cent compared to only four per cent 15 months ago. In contrast, the percentage of lighting savings currently from the Priority Group has fallen, with 37 per cent from Priority Group activity now compared to 94 per cent in quarter two. This is because there are now more retail CFL schemes taking place, which tend to attract non Priority Group customers.

Chart 3: Energy savings as a percentage of the total achieved, by measure type, Q1-Q7

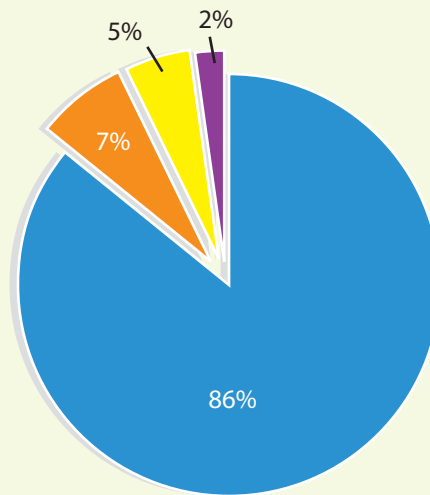
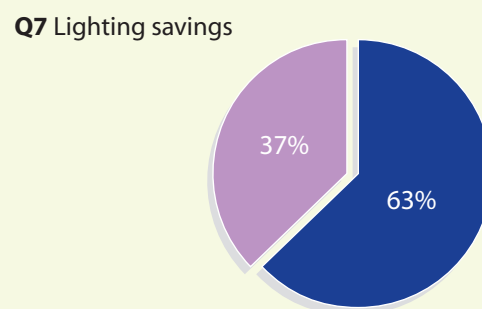
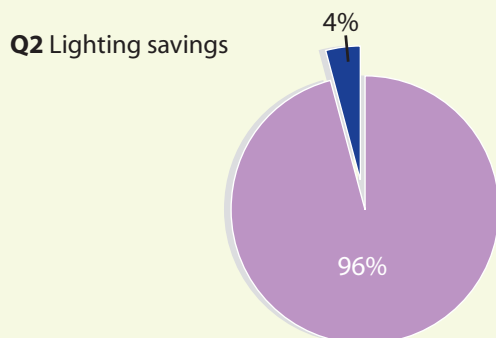
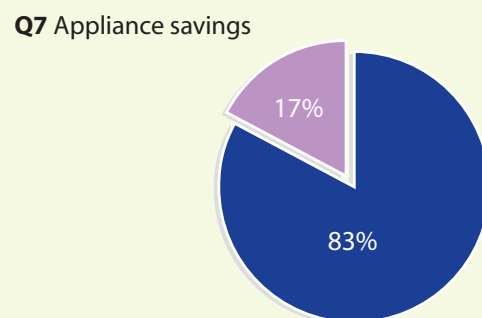
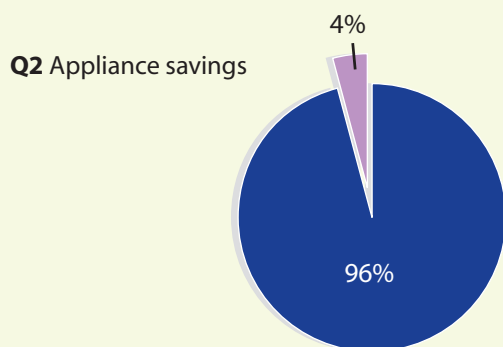


Chart 4: Quarter seven Lighting and appliance savings



EEC 3: Defra's consultation on scores for measures

The next phase of the EEC will run from 2008-2011. The statutory consultation will take place later this year. In the summer of 2006 Defra held an initial consultation on the EEC 3 and published the draft illustrative mix of measures for EEC 3.

The illustrative mix document indicates the number of measures the government considers could be installed in EEC 3, with proposed scores for their savings. In the light of comments received on these documents and further work which has taken place, there have been some changes to these scores since the initial consultation. Defra is currently providing stakeholders an opportunity to comment on the revised savings scores for measures before they are finalised. The deadline for comments is 12th February 2007. Further details are available from the Defra website:

<http://www.defra.gov.uk/corporate/consult/eec3-2007/index.htm>

One of the main changes between the draft illustrative mix and the revised scores published in January was to the savings proposed for loft insulation. In the first draft these were subject to a 30 per cent reduction to take account of energy used for increasing comfort in the dwelling. In the current consultation this has been decreased to 15 per cent. However a correction factor has been applied to take account of results from physical monitoring. The combination of these two factors results in an overall reduction of 50 per cent.

Another significant change from the first draft of the illustrative mix is that the lifetime of fuel switching is now considered to be 20 years rather than 15. This will increase the lifetime savings, the savings over the entire lifetime of the measure.

Ofgem's administration procedures for the EEC 3 will be developed and consulted on following Defra's statutory consultation later this year.

Launch of the integrated administration procedures

The EEC 2 administration procedures document and the supplementary guidance document have been combined to provide a more convenient format for users. The new 'all in

one' administration procedures document has been published on the EEC Microsite, which can be accessed via the Ofgem website www.ofgem.gov.uk

Energy efficiency team



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