

# EEEC UPDATE

Issue 20/May 2007

Key facts - EEC 2005-2008, year two:

- **93 per cent of the target has been achieved, equal to 120TWh**
- **Priority Group activity remains at 45 per cent**
- **55 TWh achieved in the Priority Group, with 10 TWh still remaining**



The Ofgem Energy Efficiency team visited a home to watch insulation being installed. From left to right : Dinesh Naidu, Priya Patel, Urszula Kulpinska, Sue Corbett, Charles Hargreaves, Emily Flatt and James Clee.

## 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 an energy efficiency programme which achieves a reduction in carbon emissions and, as such, is part of the Government's Climate Change Programme. Defra is responsible for setting the target and for the policy behind the programme. 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. The data presented in this update comes from these reports.

To ensure low income consumers who pay a larger proportion of their income on energy 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 complete 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](http://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 May 2007.

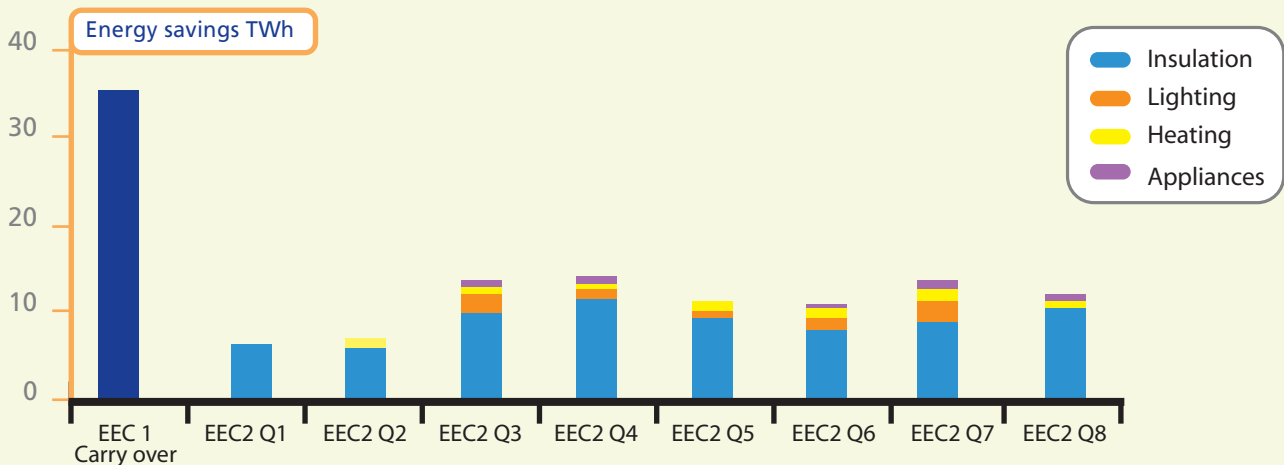
## Two years of EEC 2 - Suppliers' achievements

The suppliers have been working towards their targets for the last two years.

**Chart 1** below shows the savings achieved by suppliers in each quarter, broken down by measure type. The energy savings achieved in quarter eight were slightly lower

compared to quarter seven, 12.7 compared to 11.3 TWh. This is mainly due to a slight drop in savings achieved through lighting schemes (shown in orange), compared to the large amount achieved in quarter seven.

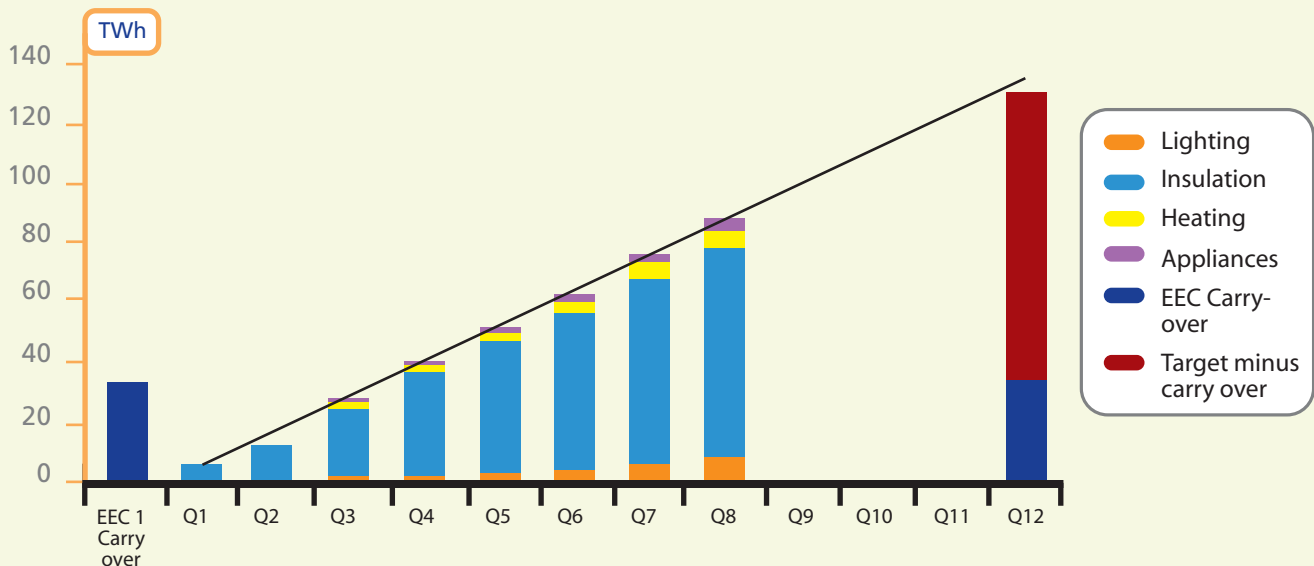
**Chart 1:** Savings achieved in each quarter of EEC 2, broken down by measure type.



**Chart 2** shows the cumulative savings each quarter broken down by measure type. The red bar in quarter 12 represents the target minus the carryover, ie the savings to be achieved in the three years 2005-08, with carry over represented by the dark blue bar. The trend line shows that if the current level of activity is maintained, suppliers

are well on track to meet the overall EEC 2 energy saving target. In addition, effectively they will have energy savings to carry over from their EEC 2 activity on top of the equivalent amount of energy savings that were carried forward from EEC 1.

**Chart 2:** Energy savings counting towards the ECC2 target



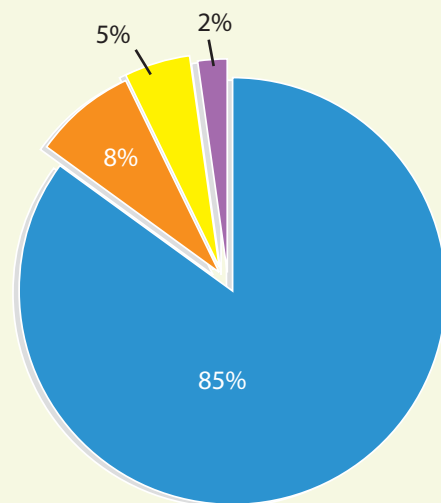
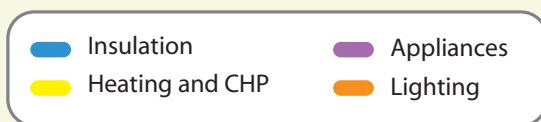
## Mix of measures

**Chart 2** also shows how there has been an increase in the variety of measures used by suppliers as the programme has progressed. Activity in quarter one was solely comprised of insulation schemes, which are generally more straightforward and so could be set up earlier in the programme. Other more complex schemes involving different measures came later. By quarter three more schemes had been set up which involved different types of measures, and the proportion of savings from other measure types has continued to increase over time.

As illustrated by **Chart 3**, the proportion of the total EEC 2 savings currently being achieved through insulation is 85 per cent, with 8 per cent coming from lighting, 5 per cent from heating and 2 per cent from appliances.

These proportions vary slightly between the Priority and non priority groups, although both follow a largely similar pattern with the majority of savings coming from insulation.

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



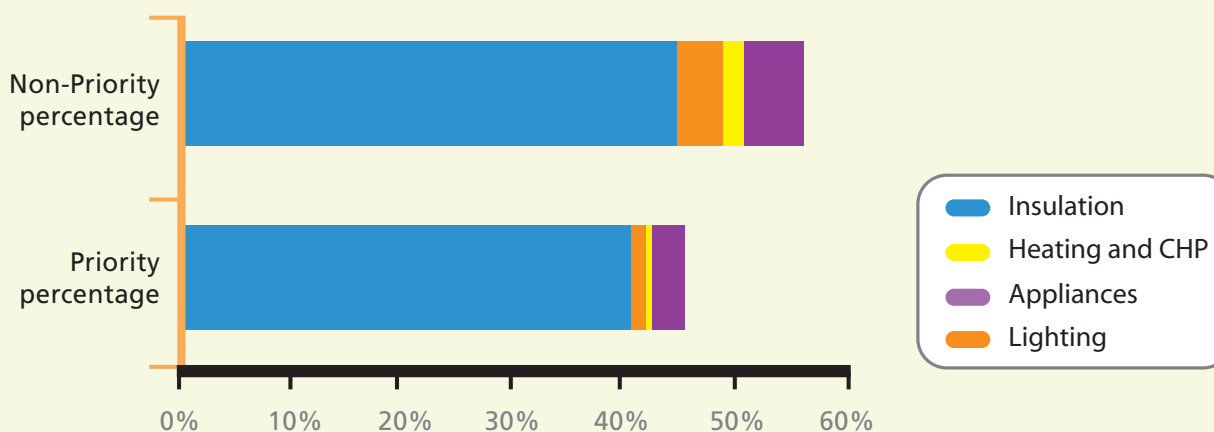
## Priority Group

The difference between the mix of measures in the Priority and non Priority groups is shown in **Chart 4** below.

These proportions vary slightly between the Priority and non Priority groups, although both follow a largely similar pattern with the majority of savings coming from insulation.

The share of Priority Group activity has remained at around 45 per cent for the last three quarters. Suppliers are required to achieve at least 50 per cent of their energy saving target in the Priority Group. In order to comply with these targets, suppliers will need to continue to focus on this group; there remains 10TWh of savings to be achieved in the Priority Group.

**Chart 4:** Proportion of energy savings by measure type delivered to Priority and non-Priority group consumers



## EEC 3: Statutory Consultation

**The next phase of the EEC will run from 2008-2011. The statutory consultation will be published in May 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. Defra consulted specifically on these scores in January/February this year, and published final scores for standard measures in March. These

scores and a summary of consultation responses are available from the Defra website:

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

Ofgem's supplier guidance (administration procedures) for the EEC 3 will be developed and consulted on in summer 2007, following Defra's statutory consultation. This consultation document will be available from our website: [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

## EEC post 2011

Defra is considering options for the supplier obligation which will replace the EEC 3 from 2011. Defra are planning to issue a call for evidence on proposals in summer 2007.

## Energy efficiency team



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