

EEC UPDATE

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Charles Hargreaves, Emily Flatt and Urszula Kulpinska of Ofgem Energy Efficiency Team, at the EEC and CERT Summit held at Ofgem's offices in September 2007.

Key facts - EEC 2005-2008, year three quarter two:

- **145 TWh has been achieved, exceeding the 130 TWh target**
- **More than 64 TWh achieved in the Priority Group (although some Suppliers have yet to reach their Priority Group target)**

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.

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 second annual review of EEC2 is available on our website.

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.

Progress to date

Of the 145 TWh achieved by Suppliers to date, 82 per cent is made up of savings from insulation measures. This is indicated by **Chart 1**. This percentage has dropped slightly from 85 per cent last quarter, which reflects increased activity to promote heating, lighting and appliances (mainly efficient consumer electronics).

These three categories have all increased by 1 per cent each since last quarter. The per measure savings for appliances and lighting are much smaller than for insulation, so this small percentage increase in savings is indicative of a larger increase in activity involving these measures.

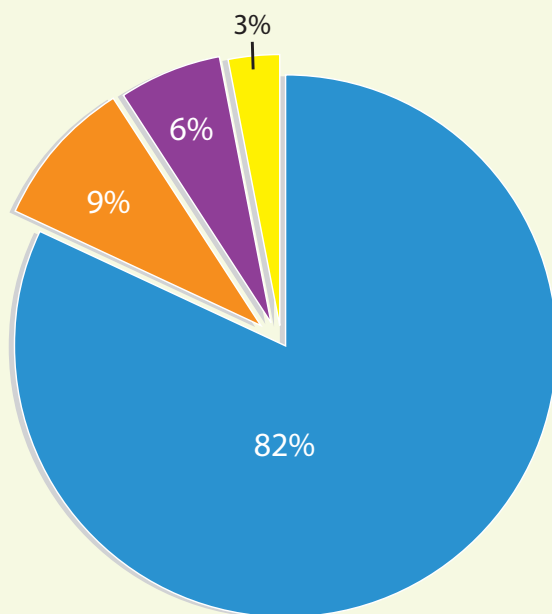


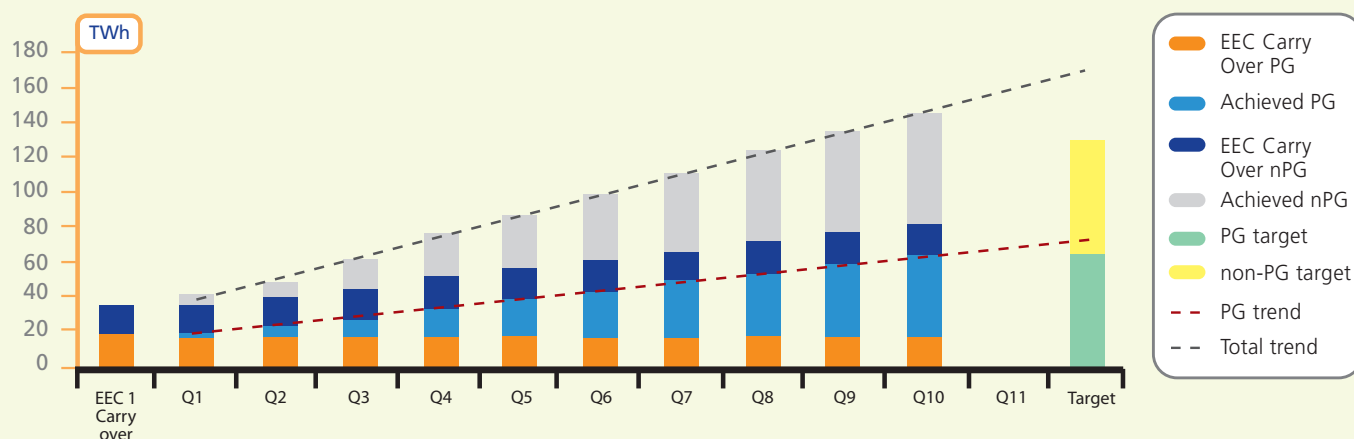
Chart 1: Energy savings, as a percentage of the total achieved, by measure type



Chart 2 shows savings achieved in each quarter broken down into Priority (red colours) and non-Priority Group (blue colours) savings. The paler colours indicate carry over from EEC1 and the darker colours indicate savings achieved during that quarter of EEC2. A trend line is

shown for both Priority and non-Priority Group savings. This shows that if Suppliers continue at their current rate of activity, they are set to exceed both their Priority and non-Priority Group targets, with potentially around 30 TWh of non-Priority activity to carry forward in to CERT.

Chart 2: Priority and non-Priority Group trends



Savings achieved and carry over

Defra's consultation on CERT stated their proposal to allow Suppliers to carry forward any action in excess of their EEC2 target to count towards their CERT target. This also took place during the transition from EEC1 to EEC2, when savings in excess of Suppliers' targets were able to be carried forward.

The intention behind this proposal is to allow Suppliers to begin carrying out work for CERT, avoiding a drop then an increase in demand for measures. This will help increase

Suppliers' flexibility in meeting their EEC2 targets and work on CERT. Suppliers have already achieved in excess of their non-Priority Group targets (and in some cases their Priority Group targets also). Nearly 15 TWh so far has been achieved which will be eligible to be carried forward into CERT. This will help to ensure that Suppliers can get off to a good start towards achieving their challenging CERT targets.

Priority Group

Collectively, Suppliers have achieved 64 TWh in the Priority Group. Some Suppliers have achieved their EEC2 Priority Group target already, and others still have some way to

go. Indications are that all Suppliers will have met their targets by the end of EEC2.

Chart 3: Energy savings by measure type delivered to Priority and non-Priority consumers

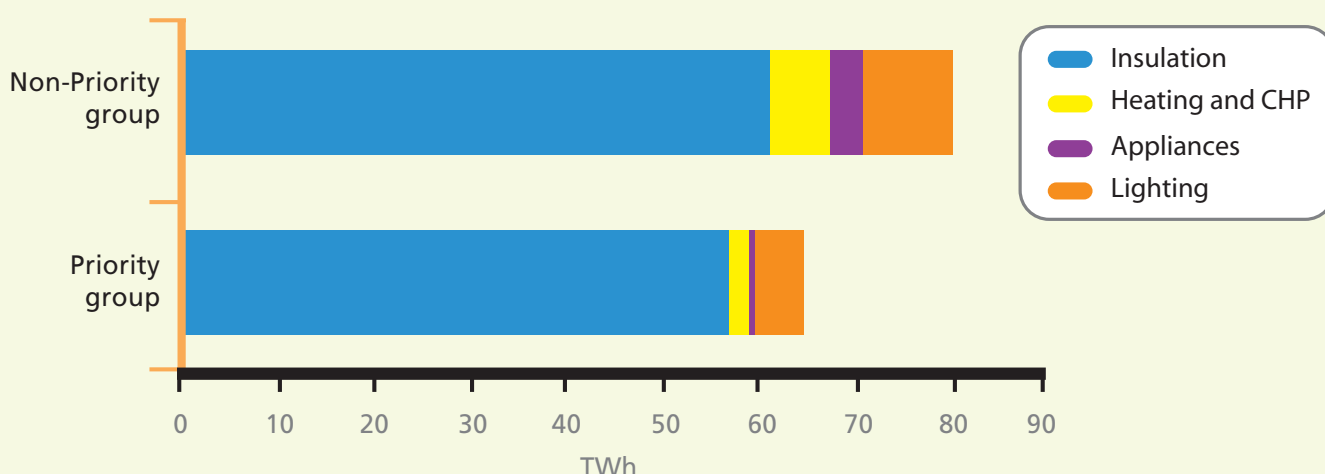


Chart 3 shows the mix of measures Suppliers have been using for their activity in the Priority Group and non-Priority Group.

Countdown to CERT

The CERT will run from 2008-2011. The CERT Order will be laid before Parliament where it is subject to debate and approval by both Houses.

It is proposed that Ofgem will be able to accept applications for Suppliers once the Order comes in to force. Suppliers will be able to begin their activity promoting carbon reduction from 1st April 2008.

Meanwhile, we have been considering the responses received to the consultation on the proposed Supplier Guidance for CERT, which was published in August 2007. 15 responses were received in total from various stakeholders and these have made a useful contribution in our decision-making on the guidance.

A summary of these responses will be published in December. The Supplier Guidance must accurately reflect the CERT Order, so it will not be finalised until the CERT legislation has been agreed in Parliament.

The summary of responses and Supplier Guidance document will be available from our website:

<http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/Pages/EnergyEff.aspx>

EEC and CERT Summit held at Ofgem

Ofgem held an event in September for Suppliers and other stakeholders to hear more about the proposed detail of the CERT programme.

This included an overview of Suppliers' progress against their EEC2 targets, and presentations on the proposed differences between EEC2 and CERT, including the Priority Group flexibility option and demonstration action. Maxine Frerk provided an overview of Ofgem's Consumer First project, which involves understanding more about energy consumers including vulnerable customers.

A further event is planned to present the final CERT Order and corresponding Supplier Guidance. This will be an opportunity for Suppliers to seek clarity on any aspects of the new programme from both Ofgem and Defra. A date will be arranged once the Order has been laid before Parliament.



Discussing CERT over lunch at the summit

EEC/CERT post 2011

Defra is considering options for the supplier obligation which will replace the CERT from 2011 and published a call for evidence in May. Defra plan to publish a summary of responses.

Energy efficiency team



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The contact details for those suppliers with an EEC target are available from Ofgem's website:
<http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/Contact/Pages/Contact.aspx>

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

Ofgem is the Office of Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain.
 Everything Ofgem does is designed to protect and advance the interests of consumers present and future.

We do this by:

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

