

Summary of Responses to Ofgem's Consultation on the CERT Supplier Guidance

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Target audience: Electricity Suppliers, Gas Suppliers, Electricity Distributors, Gas Transporters, government departments, environmental bodies, consumer groups, and other interested stakeholders.

Overview:

This document provides a summary of the responses to Ofgem's consultation on the Supplier Guidance for the Carbon Emissions Reduction Target (CERT) programme. The consultation closed in September 2007.

Comments were invited on all aspects of the proposed administration of the CERT, particularly the following:

- Qualifying action, including microgeneration
- Innovation - market transformation and demonstration action
- Priority Group Flexibility option
- Monitoring

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Context

The Carbon Emissions Reduction Target (CERT), previously the Energy Efficiency Commitment (EEC2), is the government's main policy instrument for reducing carbon emissions from existing households. CERT is due to run from 2008 to 2011, and requires certain gas and electricity suppliers to meet a carbon emissions reduction obligation (carbon obligation). Defra has set the overall programme target and set out the policy framework, and Ofgem has responsibility for setting the suppliers' individual obligations and for administering the programme.

Ofgem published its proposed Supplier Guidance for the CERT programme for consultation on 1st August 2007. The responses received have helped to inform the development of the final supplier guidance document.

This document summarises the responses that were received from stakeholders and gives Ofgem's decisions on the issues consulted on and other issues raised. This document has been published along with the CERT administration tools, following the CERT Order coming in to force.

Associated Documents

- Ofgem's Consultation on the Carbon Emissions Reduction Target 2008-2011 Supplier Guidance - published August 2007
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=176&refer=Sustainability/Environment/EnergyEff>
- Ofgem's Carbon Emissions Reduction Target Supplier Guidance - published January 2008
www.ofgem.gov.uk/sustainability/energyeff/cert/pages/newprogrammececertinformationforprojectmanagers.aspx
- The Electricity and Gas (Carbon Emissions Reduction) Order 2008
<http://www.opsi.gov.uk>
- Ofgem's Market Transformation Guidance document - forthcoming <http://www.ofgem.gov.uk/sustainability/environment/energyeff/cert/pages/newprogrammececertinformationforprojectmanagers.aspx>

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Summary

The Carbon Emissions Reduction Target (CERT) 2008 – 2011 follows on from the EEC 2005 – 2008 and requires gas and electricity suppliers to achieve new targets for the promotion of reductions in carbon emissions generated by the domestic sector. The Electricity and Gas (Energy Efficiency Obligations) Order 2008 (the Order) provides the statutory basis for the CERT.

Ofgem's consultation on its Supplier Guidance for the CERT programme closed in September 2007. This document summarises the responses that were received through the consultation. Sixteen organisations responded, including the six major supply companies, as well as trade bodies and other interested parties. These are all listed in appendix 1. There was general support for most of the proposals in the consultation, with a few issues raised around newer aspects of the programme. These should be addressed in the main by the decisions we have subsequently taken on the administration of CERT, which are outlined in this document and detailed in the Supplier Guidance document. There was support for the proposed consistency of administration procedures between EEC2 and CERT.

This document summarises the responses that were received from stakeholders and gives Ofgem's decisions on the issues consulted on and other issues raised. This document has been published along with the CERT administration tools, following the CERT Order coming in to force.

A summary of the responses received is presented in the following three broad categories:

- Procedures
- Measures
- Defra issues

Each chapter is subdivided into the appropriate questions from the consultation. Because these chapter headings do not match the chapters in the consultation document and the original question numbering from the consultation document has been retained, the questions in each subsection are not numbered consecutively. For ease of reference, each relevant consultation question is provided in italics, followed by the responses to it. A full set of questions provided in appendix 2.

1. Procedures

Chapter Summary

This chapter details the responses to Ofgem's proposals relating to the procedures for administering the CERT programme

Qualifying Action

Qualifying action, Question 1:

We propose to simplify the initial scheme notification procedure to involve the submission of the scheme notification pro forma only. This will be modified to capture the information about savings and cost contributions currently provided on the EEC scheme spreadsheet.

1.1. Five suppliers welcomed this proposal. One supplier suggested that it would be simpler instead to incorporate a separate section on the pro forma for 'innovation', and that a paperless system would be welcome. In addition, one supplier asked that errors in the pro forma should be fixed, but did not identify these errors.

1.2. Ofgem comment: The pro forma has been significantly developed, in conjunction with suppliers, to make it more user-friendly. This should streamline the application process for suppliers and Ofgem. It has been updated to reflect the requirements of CERT, which includes capturing relevant data for market transformation, demonstration and Priority Group flexibility action in specific sections. Any errors that we are aware of have been corrected. A paperless system would not be possible to set up as it would need to be usable by all suppliers, who all have different IT systems.

1.3. Suppliers asked for the requirement for cost contribution information to be removed or simplified, including making this high level, rather than detailing the costs for each individual house type.

1.4. Ofgem comment: A simplified approach to cost contribution data has been adopted, with a percentage required for each general measure category, e.g. insulation or lighting, rather than each measure. This is required for all schemes and should be entered in the notification pro forma.

Qualifying action, Question 6¹:

Is the use of a declaration an appropriate way to ensure that savings from microgeneration are additional to those from other policies, e.g. the Merton rule?

1.5. Five suppliers and two other respondents commented on this question. Five were in favour of using a declaration to ensure additionality, one had some strong concerns and one opposed the idea of proving additionality to the Merton rule being necessary. Other suppliers also desired to know whether or not the Merton rule will be imposed across Britain. A variety of other comments were received relating to the differences in implementation of the rule between local authorities.

1.6. Ofgem comment: If the installation of microgeneration is a requirement for a building project to go ahead it is not appropriate for these measures to be accredited under CERT. This is consistent with the way we will administer other measures and delivery routes. We consider that a declaration is the most appropriate way to determine the additionality of microgeneration in new build developments, and the declaration has been designed to take account of any differences between local authorities.

Qualifying action, Question 8:

Comments are invited on the aspects of the EEC2 procedures relating to qualifying action and measures that we intend to keep the same.

1.7. Nine respondents provided comments. There was support for keeping procedures consistent between CERT and EEC2. Most suppliers submitted additional points for clarification or suggestions for improvements, however each point was only made by a small number of respondents. These comments can be categorised as follows:

Definition of 'domestic premises' and 'domestic customers'

1.8. Two suppliers believed that residential accommodation (residential homes, hostels, halls of residence) should be counted as domestic property, because houses of multiple occupancy are eligible. There was a request for consistency between Defra and Ofgem definitions with respect to domestic customers.

¹ Each chapter is subdivided into the appropriate questions from the consultation. Because these chapter headings do not match the chapters in the consultation document and the original question numbering from the consultation document has been retained, the questions in each subsection are not numbered consecutively.

1.9. Ofgem comment: Our definition of domestic premises is consistent with Defra's policy and the Order.

SHP Declarations

1.10. It was suggested that a declaration for a Social Housing Provider (SHP) partnership should be used for multiple schemes, and that there should be a requirement for only a random selection of partner declarations to be submitted.

1.11. Ofgem comment: Ofgem would not be confident in doing so due to the error rate in the declarations received so far.

1.12. A supplier would welcome an e-mail version of the SHP declaration, believing it to be an easier method.

1.13. Ofgem comment: we do not consider email declarations suitable as electronic signatures are not as secure as a signed hard copy.

Determining carbon savings

1.14. A respondent asked Ofgem to clarify the circumstances under which it might deviate from the Defra illustrative mix savings and lifetimes.

1.15. Ofgem comment: we will use the measure lifetimes and savings as set out in Defra's illustrative mix, where they exist. For any new measures these will need to be determined on a case by case basis.

Retrospective trading

1.16. A respondent pointed out that suppliers withdrawing from partnerships causes instability for the contractors, and called for retrospective trading to be allowed. That is, contractors should be able to undertake work and suppliers should then be allowed to 'buy up' the credit and use it in CERT.

1.17. Ofgem comment: The Order requires suppliers to notify Ofgem upfront of any activity. Ofgem must be satisfied that the supplier's action has led to a reduction in carbon emissions and that the total improvement is not due to other factors. Therefore, suppliers must not set up any retrospective agreements to provide funding for measures already installed.

Innovation - Demonstration Action

Innovation, Question 1:

Ofgem can only approve a demonstration action if it is satisfied that suitable monitoring arrangements will be put in place to assess the effectiveness of the measure at reducing carbon emissions. Respondents are asked to consider the list in 4.3 (of the consultation) and whether any other categories should be considered.

1.18. Respondents were generally supportive of the list from the draft Order, as outlined in the consultation.

Innovation, Question 2:

Consultees are asked to consider the format of the reports the suppliers should publish as part of their demonstration action.

1.19. None of the respondents objected to providing information to Ofgem but some concerns were expressed about Ofgem publishing the reports. Two suppliers and one other respondent wanted only short reports to be published and one supplier wanted nothing to be published on the grounds of confidentiality in the competitive market. Another suggested giving a short report to Ofgem and receiving an uplift for providing a fuller report. One supplier commented that the reports would not capture consumer reaction or behavioural type activity.

1.20. Ofgem comment: The Order is clear that Ofgem must publish a report on each demonstration action scheme, and provision of consent for this is part of the notification and approval process should a supplier wish to use this mechanism. We consider that the publication of a short report is appropriate. We would aim to publish the report that is produced by the suppliers. We will ensure that the suppliers have completed the activity as set out in the submission, but we do not intend to edit the report. Monitoring reports are required for all types of trials, including for trials investigating consumers' reactions or behaviours.

Innovation, Question 3:

Consultees are asked to consider the requirements for information in demonstration action submissions, i.e. the proposed list of questions provided, and are invited to comment on these proposals.

1.21. There were five responses, three of which were broadly supportive, and two of which expressed stronger concerns, mainly that they felt that having a list of required information was too bureaucratic and would hinder applicants. Some specific concerns are discussed below. One supplier was content with the proposed questions but would prefer a case by case approach. Three suppliers made no comment on this section.

1.22. Ofgem comment: the list in the consultation reflected the original requirements in the draft Order. These have been updated in the Order. We have considered all comments received in the light of the requirements in the revised Order. We have also tried to simplify our requirements, so that they satisfy what suppliers are required by the Order to notify Ofgem of but are not overly burdensome. For clarity the CERT supplier guidance indicates how each question relates to the requirements in article 11(3) of the Order. We would seek to hold a meeting with each supplier to discuss their application to facilitate the approval process.

1.23. Some other specific concerns were raised. Several respondents requested clarity over which project costs would be eligible to be submitted. Two suppliers expressed concerns about the requirement for independent validation of the statistical soundness of the trials, saying that this is the purpose of the trials.

1.24. Ofgem response: the complete cost of the project including the monitoring is eligible for submission to be converted to CO2 savings. This is why third party verification of the sample size is required, to ensure that the trial is large enough to return robust and useful information, but not needlessly large and therefore incurring unnecessary cost.

1.25. Two suppliers had interpreted "reports in the months specified by Ofgem" as "monthly reports". It was considered that detailed interim results should not be required as these could be meaningless before the trial was complete.

1.26. Ofgem response: we will not require monthly reporting on any schemes. This point was to indicate that suppliers should be prepared to provide progress reports on demonstration action at certain points throughout their scheme.

1.27. One suggestion was that a list of partner organisations should be submitted to Ofgem as part of the notification, to avoid duplication.

1.28. Ofgem comment: this is a useful suggestion which we have adopted. It will be important for Ofgem to ensure that there are no conflicts of interest between partners / contractors.

1.29. One respondent suggested that a base line fuel needed to be determined for microgeneration measures to be measured against.

1.30. Ofgem comment: this will be captured in the description of the project design. In line with other savings calculations in CERT, the baseline fuel will be that which is being replaced.

1.31. Clarity was requested on the distinction between 'demonstration' and 'new innovation' measures.

1.32. Ofgem comment: demonstration action and market transformation action (effectively 'new innovation') are clearly defined in article 2(3) of the Order. This is the definition that Ofgem must use. Details of how these will be administered are clearly laid out in the CERT supplier guidance and CERT market transformation guidance.

Innovation, Question 4:

Respondents are asked to consider the broad types of demonstration action listed below and whether there are other categories which should be included:

- *Trialling a technology*
- *Trialling consumer reaction to a technology*
- *Trialling consumer behaviour to better information*

1.33. Two respondents commented that they would prefer a case by case approach as they were concerned that these categories may exclude some schemes. Two additional categories were suggested which themselves are subdivisions of the three categories suggested.

1.34. Ofgem comment: The categories proposed are for guidance only to help indicate to suppliers what kind of information to provide in their applications. They are not intended to be restrictive.

Innovation, Additional

1.35. One non-supplier agreed that activity undertaken under the Energy Demand Reduction pilots should not be approved as demonstration qualifying action, but there was some support for the proposal that extensions of such pilots should qualify.

1.36. Ofgem comment: extensions of these pilots may qualify, if they meet the criteria in the Order, described in detail in the supplier guidance.

1.37. One supplier felt that Ofgem will require greater resources to deal with the CERT scheme, in particular the innovation schemes that might start in the first half of the programme

1.38. Ofgem comment: we have considered the resource requirement for CERT carefully.

Priority Group Flexibility

Priority Group flexibility, Question 1:

Suppliers applying to reduce their Priority Group percentage are required to provide Ofgem with a variety of information under article 15(1). We propose to adapt the scheme notification pro forma for suppliers to use for this purpose. Respondents are invited to consider whether this is the most appropriate way of dealing with these applications.

1.39. Five suppliers commented on this point; two welcomed the proposal to modify the scheme pro forma. The others preferred a separate process for notification of Priority Group flexibility schemes, by-passing the pro forma, which is viewed as being complicated enough. Suggestions included a separate pro forma, a written submission and a workshop to discuss the options.

1.40. Ofgem comment: The Priority Group flexibility mechanism has been simplified in the Order, and the new mechanism was discussed with suppliers at the workshop held at the Ofgem offices in December 2007. The pro forma has been redesigned so that it is both simpler and has the facility to capture information required for notification of Priority Group flexibility and demonstration schemes. Priority Group flexibility schemes will have a separate section on the scheme pro forma and will be accredited based on a separate section of the scheme submission spreadsheet.

Priority Group flexibility , additional

1.41. A question was raised over whether there would be any differentiation between property types for measures promoted under the Priority Group flexibility mechanism.

1.42. Ofgem comment: the mechanism has been simplified in the Order, which now allows suppliers and Ofgem to calculate savings that take account of property types for measures delivered through this mechanism. The measures are however restricted to those property types specified in the Order, i.e. not social housing and, for ground source heat pumps, those which do not have mains gas supply.

1.43. Some respondents sought details of the mechanism for managing the effects of fluctuations in the supplier's total CER target year on year and the interaction of this with the Priority Group flexibility mechanism.

1.44. Ofgem comment: this is no longer an issue due to the simplification of the mechanism in the Order. The process will be managed in the same way as the innovation ring fence has been under EEC2, i.e. the ring fence will apply to the suppliers' obligation in the final year of the programme.

1.45. It was believed by one respondent that it would be inappropriate to use the term 'fuel poverty' measures in this context.

1.46. Ofgem comment: these measures have been renamed 'flexibility' measures to reflect the name of the mechanism.

Submission of Schemes

Submissions, Additional

1.47. There was uncertainty about the proposed timings of submissions during each month, and possible removal of the one month rule.

1.48. Ofgem comment: notification can be given at any time. Ofgem needs to have a process in place to ensure that all submissions are dealt with in a reasonable timescale and that the workload can be managed. Consequently an initial review of submissions will take place in the first part of each month according to the timescales proposed in the consultation. This is the same process as was followed under EEC2. Ofgem considers the notification date to be the date that we receive the notification from suppliers. The Order now allows for the one month rule, so there will be no change to how this is administered from EEC2.

1.49. One supplier did not agree that suppliers should have to notify Ofgem of changes to the scheme such as working with another manufacturer or retailer. They commented that as long as they were operating in line with the initial proposal then it did not matter who they worked with.

1.50. Ofgem comment: We consider that this is necessary to enable us to prevent double counting of measures where different suppliers may work with the same project partners.

1.51. It was requested that all questions should be resolved before a scheme is approved.

1.52. Ofgem comment: we try to ensure that questions are resolved before a scheme is approved, however further questions may arise during the course of a scheme's delivery. This is one of the reasons why we strongly encourage suppliers to bank their schemes, so that if any issues arise they can be dealt with early on when there is time to rectify them.

Reporting and Compliance

Reporting and Compliance, Question 1:

Where a supplier has used the Priority Group flexibility option, we propose that the fuel poverty measures are treated as a scheme for administrative purposes and a final report is submitted on the scheme notification pro forma in the same way as a conventional scheme. Comments are invited on this.

1.53. Four suppliers commented on this; all supported the idea.

1.54. Ofgem comment: we have adopted this proposal and the pro forma has been adapted to make submission and reporting of Priority Group flexibility schemes as straightforward as possible.

Reporting and Compliance, Question 2:

Consultees are asked to consider the changes proposed to the data which suppliers should submit on a quarterly basis (quarterly reports). It was proposed that these should be extended from the number of insulation measures to include the number of CFLs, microgeneration, fuel switching and perhaps other measures. Are these changes appropriate?

1.55. There were eight responses to this question. Three respondents supported the proposals, although one of them commented that this will increase the administrative burden. However, two suppliers had strong reservations about this proposal, arguing that the work would be arduous, unnecessary and of limited value to Ofgem. In the responses to section 8 on monitoring, two respondents asked that there be a public record of the measures that are installed, to provide an understanding of the effectiveness of CERT.

1.56. Ofgem comment: We plan to implement the proposals outlined in the consultation. This will provide useful data on measures delivered which can be used for reporting, to assess the programme and inform future government policies such as the proposed supplier obligation.

1.57. Another of the three asked that Ofgem publish predictions for each quarter in advance to aid with contractors' planning.

1.58. Ofgem comment: we are not able to estimate what type of measures will be promoted and when by the suppliers.

Reporting and Compliance, Question 3:

We invite comments on the proposal to require suppliers to bank two thirds of their in-progress activity by 1st September 2010. This will enable a manageable flow of data throughout the programme.

1.59. There was general qualified support for this proposal, and some requests for clarification. Two respondents welcomed the proposal commenting that it would give contractors and suppliers greater certainty, and another was supportive so long as it was understood that the report would not necessarily reflect the supplier's final achievement towards their obligation. Two suppliers opposed the plan, saying that it would put an extra burden on the suppliers and that the definitions are unclear. One of these two suppliers said that the target should be aspirational not mandatory.

1.60. Ofgem comment: we have adopted this proposal. The proposal is aimed at facilitating the reporting process for both Ofgem and the suppliers. This interim target would not be enforceable. Suppliers are strongly encouraged to bank two thirds of their schemes by the proposed date and not, for instance, two thirds of the savings or measures. The banked schemes do not need to be complete by this date; they may be in progress. Suppliers are not restricted by this proposal to only banking in September 2010; they may bank schemes as often as they wish.

Reporting and Compliance, Additional

1.61. Some additional comments were received. One respondent asked why notifications should not be accepted before January 2008.

1.62. Ofgem comment: We cannot accept notifications before the legislation comes into force. This was estimated to be during January 2008.

1.63. It was suggested that Ofgem develop a banking checklist for each generic scheme type to inform project managers of exactly what information they have to submit to Ofgem in order to gain approval.

1.64. Ofgem comment: This is a useful suggestion and is being carried out.

1.65. One respondent asked for clarification of the process for carrying over carbon savings from EEC2, saying that this is unclear in the consultation document.

1.66. Ofgem comment: this has been clarified in discussions at supplier working group meetings and the process is set out in the Supplier Guidance document. Notification, including the relevant spreadsheets, must be received by 16th May 2008 as set out in the Order.

Monitoring

Monitoring, Question 1:

Consultees are asked to consider whether the proposal to reduce the requirement on suppliers to monitor free CFL utilisation from 1 per cent to a maximum of 1,000 is appropriate.

1.67. Six suppliers responded to this question. These were generally supportive of the proposal, with two of these specifically welcoming the reduction in administration. Clarification was sought over whether the new arrangements for CFLs would apply to the whole submission or to the individual delivery channels. Some suggested that other measure types should be subject to the 1,000 cap on utilisation monitoring, especially where calculation of savings is not dependent on the utilisation monitoring itself.

1.68. Ofgem comment: It is intended that this cap would apply to all the direct lamps distributed by each supplier and this rule would not be applied per scheme. It is important to note that the suppliers would still need to have the appropriate Priority Group monitoring in place. It is not appropriate to cap consumer utilisation monitoring for other measures. This is because the number of other measures delivered is a lot fewer than the number of CFLs expected to be delivered through the programme. For consumer electronics, the level of monitoring will be determined on a case by case basis, depending on the nature of the scheme.

Monitoring, Question 2:

We propose to use the same level of monitoring for microgeneration as used for energy efficiency measures (5 per cent technical and 1 per cent customer satisfaction). Consultees are asked to comment on whether this is a suitable level.

1.69. This question received five responses. Suppliers generally welcomed the proposal as it is consistent with other measures within the scheme, but two other respondents were less supportive. One commented that microgeneration should be checked more rigorously than established measures as it is newer to the scheme. The other believed that customer satisfaction surveys might be of limited value in measuring the success of the work as the reasons for installing microgeneration are broad (ethical, future-proofing, etc).

1.70. Ofgem comment: as we will require microgeneration measures and their installers to be registered with the Microgeneration Certification Scheme (MCS) (or equivalent), the requirement for technical monitoring has been dropped as we consider that accreditation will ensure high standards of installation. Suppliers are encouraged to work with installers accredited with the Renewable Energy Assurance Listed (REAL) Assurance scheme which sets out standards for companies selling the measures. If installed by a registered installer, customer satisfaction monitoring is not required. If they are not registered, 1 per cent customer satisfaction monitoring

will be required, using the Ofgem standard questions. These are appropriate for all measures as they address broad customer satisfaction issues with the actual installation process.

Monitoring, Question 3:

Respondents are asked to consider the proposed technical monitoring questions for microgeneration, and suggest additions or amendments as appropriate.

1.71. Four suppliers and one other stakeholder responded to this question. Several suggested amendments to the questions. One supplier believed that the proposed microgeneration questions are too detailed to be conducted in the course of a survey visit, and suggested that a better approach would be to lay down specific installation standards that could be checked more easily.

1.72. Ofgem comment: we have considered these comments carefully. As detailed in paragraph 1.94, we have decided not to require technical monitoring for microgeneration measures. The CERT Technical Guidance Manual will contain specific details on specification.

Monitoring, Question 4:

Comments are invited on the aspects of the EEC2 procedures relating to monitoring that we intend to keep the same.

1.73. One supplier believed that Priority Group monitoring could be conducted with smaller sample sizes, and requested that Ofgem review the issue. Another respondent suggested that the means for determining the Priority Group percentage should be tightened up, and that an SHP declaration should not be used.

1.74. Ofgem comment: It is important that we can have a high level of confidence in these Priority Group percentages as they relate directly to suppliers' obligations. It is therefore necessary to carry out Priority Group sampling to 95 per cent confidence level with a confidence interval of 1. This is widely recognised as a robust and reasonable level of sampling. We are content that use of an SHP declaration is suitably robust.

1.75. It was commented that it should be permissible to calculate the Priority Group percentage using market data.

1.76. Ofgem comment: if suppliers have adequate Priority Group monitoring data from EEC2 retail schemes, we will accept this as evidence of the Priority Group percentage under CERT, where they are working with same retailer. Where suppliers want to discuss an alternative methodology for evaluating the Priority Group they should discuss this with Ofgem.

2. Measures

Chapter Summary

This chapter details the responses to Ofgem's proposals for particular measures that can be delivered under CERT.

Qualifying Action

Qualifying action, Question 2²:

To reflect changes in the cold appliance market, consultees are asked to consider whether we should approve just the A+ and A++ appliances, or whether we should accredit A-rated appliances based on a change in the market share resulting from a supplier's scheme.

2.1. In total there were six responses (including five suppliers) in favour of the first scheme (A+ and A++ only), with general comments that A-rated appliances are now the norm and that the market share type scheme would be too complicated to administer and predict results from. One supplier disagreed and preferred the market share proposal. Another mentioned the value of trade-in schemes which would be supported by the first option, but not by the market share approach. It was commented that A-rated appliances make up a smaller portion of the chest freezer market and that accreditation of these appliances should be considered. One supplier asked if A+ and A++ rated cold appliances would still be eligible for uplift on savings.

2.2. Ofgem comment: we will accredit only A+ and A++ fridges and fridge freezers, and not adopt the market share approach. However, it will also be possible for suppliers to be accredited for A-rated chest freezers. Trade-in schemes will still be supported. A+ and A++ rated appliances will still be eligible for market transformation uplift. More detail on market transformation measures can be found in the forthcoming CERT Market Transformation Guidance document.

Qualifying action, Question 3:

To reflect changes in the boiler market we propose that it is no longer appropriate to accredit sales for replacing B rated with A rated boilers.

² Each chapter is subdivided into the appropriate questions from the consultation. Because these chapter headings do not match the chapters in the consultation document and the original question numbering from the consultation document has been retained, the questions in each subsection are not numbered consecutively.

2.3. Four respondents (including two suppliers) agreed with this proposal. One supplier strongly disagreed and one commented that replacement of B rated boilers should be eligible when working in conjunction with SHPs. One respondent commented that credit should be given for replacing less efficient boilers with biomass boilers.

2.4. Ofgem comment: We have adopted this proposal. B rated boilers only account for a very small proportion of the boiler market. In addition to this, latest evidence suggests that it is not possible to determine robust savings for replacement of B rated boilers with A rated due to the margins of error in calculating their efficiencies. Biomass boilers are eligible for market transformation uplift under CERT, and will have savings calculated on a case by case basis as outlined in the forthcoming CERT Technical guidance manual.

2.5. One respondent commented that credit should be given for early replacement of old, but serviceable boilers, and that the action should qualify for a 50 per cent uplift (but not under the market transformation ringfence).

2.6. Ofgem comment: we continue to have concerns about the deadweight element of the replacement of open-flue boilers. Data from the Heating and Hot water Industry Council (HHIC) shows that a large number of these boilers are already being replaced every year. We will continue to investigate whether this is suitable activity to be carried out through CERT. There is no scope for Ofgem to apply uplifts outside of those set out in the Order.

Qualifying action, Question 4:

In the absence of recent monitoring data, what would be an appropriate methodology for revising the Fridgesaver savings? A percentage reduction, an increase in the number of points to qualify, or an alternative? Suggestions are invited.

2.7. A variety of responses were received to this question. Three respondents suggested keeping the same scores as under EEC2 with one suggesting amending the points system to focus solely on energy-related damage. One supplier would prefer a percentage reduction in the savings claimed per appliance and another supplier suggested that the age of replaced appliances could be estimated (but gave no details of how). It was pointed out that Fridgesaver schemes can be a valuable tool in assisting the Priority Group, but also that they have poor cost effectiveness for suppliers and are seldom used. Several commented that no change should be made to the scores without new evidence to base this on.

2.8. Ofgem comment: In the absence of any new data it is not possible to change the energy savings for Fridgesavers. We have revised the questions to ensure that they clearly refer only to energy related damage, and that the scores are appropriate to the severity of the type of damage.

Qualifying action, Question 5:

Are the proposals for accrediting CFLs in the light of the phase out of GLS lamps appropriate?

2.9. Six responses (including five from suppliers) were received to this question. All of these stated that CFLs should be accredited by CERT. Clarification was sought concerning the details and additionality that will affect accreditation, and also that this support will continue throughout the lifetime of CERT, even after GLS equivalents have been withdrawn from sale. It was commented that the phase out of GLS lamps by participating retailers is voluntary, so CERT support would not be duplicating the effects of other legislation but would assist the GLS phase out.

2.10. Ofgem comment: additionality is a fundamental principle of CERT as it was under EEC. If the energy suppliers are involved in this activity, supplier activity to promote efficient lighting under this agreement will be eligible for approval as qualifying action, if carried out in accordance with the supplier guidance. Determination of carbon emissions reductions will be dependent on the details and additionality of suppliers' actions

2.11. There was concern from one supplier about the change from 6,000 hour bulbs to 10,000 hour bulbs, specifically a perceived short supply of 10,000 hour bulbs and the time required to arrange new orders. The supplier believed that these issues should be seen as good reasons to permit the 'carry-over' of 6,000 hour bulb schemes.

2.12. Ofgem response: we believe it is important to maintain the link with Energy Saving Recommended (ESR) lamps to ensure that only the most efficient CFLs are promoted through CERT. Only ESR lamps will be accredited.

Lighting

2.13. There was disagreement over the proposal to maintain limits on the numbers of CFLs that can be supplied to each household. One respondent agreed that the limit on free distribution should stay in place, along with the mail order limit (ten per household). One supplier requested that the limit of free CFLs for Priority Group households be increased from four to six. Two other suppliers went further, suggesting that all limits should be removed, including utilisation monitoring. There was also a suggestion to ensure customer utilisation of CFLs that are distributed free of charge at events by providing freepost addresses for the return of unwanted lamps.

2.14. Ofgem comment: We recognise that the delivery of CFLs will be important for the suppliers in the CERT programme, however, we have concerns that the same consumers as those in EEC1 and EEC2 will receive CFLs in CERT and the number of consumers benefiting will not be broadened. We have carefully reviewed the procedures for CFLs and lighting to consider how they could realistically be simplified, and taken these comments into account. We have raised the limit of free

CFLs without asking if consumers wish to receive them from two to four. Details of the recipients must be cross checked to ensure they will not receive more than four from any one supplier. To ensure the lamps will be used, consumers should instead be provided with a freepost address to return any unwanted lamps. The mail order limit remains at 10 to prevent stockpiling.

2.15. One supplier supported the 40p minimum price for CFLs. One supplier disagreed with setting a minimum price, believing that it prevents suppliers from adjusting to the market in which one retailer is already selling CFLs for less than 40p. There was a more general concern that the retail prices will fall and make the minimum CERT prices out-of-date, although one supplier welcomed the reduction of the minimum price to 40p from 50p in EEC2.

2.16. Ofgem comment: we have considered this and removed the minimum charge for CFLs distributed through a retailer. The limit for mail order has been lowered to 20p.

Qualifying action, Question 7:

Is use of installers and products accredited under the BRE UK microgeneration certification scheme (UKMCS)³ the most appropriate way to ensure high quality microgeneration products are used and installations are carried out under CERT?

2.17. There were eleven responses to this question (including six from suppliers), expressing a range of opinions - one respondent gave full support and seven gave conditional support. The rest disagreed with the proposal for a range of different reasons. The main concerns expressed were that the accreditation system should not be a monopoly, that the UKMCS doesn't seem to be supported by the microgeneration industry, that the price of accreditation was too high, that UKMCS has not yet been finalised, that it covers only England and Wales, and that it does not cover all of the relevant microgeneration technologies. One respondent believed that it should apply only to smaller installations and that larger plants should be dealt with by Ofgem on a case by case basis.

2.18. Ofgem comment: ultimately we consider that it is important that microgeneration measures are installed to a high standard to ensure that the carbon saving that the suppliers will be accredited with is being realised. In rejecting the UKMCS respondents are implicitly suggesting that Ofgem needs to set up an alternative accreditation system, which is not appropriate. We have reviewed these concerns and have discussed with BERR, the Building Research Establishment (BRE) and other stakeholders. These discussions covered all the points raised by respondents. The programme covers the whole of the UK which includes Scotland.

3 This has since been renamed the Microgeneration Certification Scheme or MCS.

Once the programme is up and running, other operators will be able to tender to carry out accreditation work under the scheme, so it will not be a monopoly (we understand that this is currently planned to take place in the latter part of 2008). We will also consider any other equivalent accreditation schemes. BERR is currently supporting the cost of accreditation. A number of installers have already signed up to the scheme and to ease the transition period these will be covered by a provisional accreditation until their application has been finalised. These installers will be able to carry out work under CERT while their applications are being finalised. In the light of these discussions we are satisfied that it is appropriate to require that microgeneration products and installers be certified by MCS or an equivalent.

Qualifying action, Question 8:

Comments are invited on the aspects of the EEC2 procedures relating to qualifying action and measures that we intend to keep the same.

2.19. One respondent believed that biomass systems should only be installed when all practical energy efficiency measures have been installed, and another made the same observation regarding microgeneration and insulation.

2.20. Ofgem comment: we encourage suppliers to install all insulation measures before installing microgeneration measures. This is in line with the REAL Assurance code. We encourage suppliers to work with REAL code accredited installers where they are delivering microgeneration.

2.21. One supplier made the suggestion that, given uncertainty over the plans for 'brown goods' schemes, the experience of suppliers that have run such schemes before should be used as guidance for other suppliers.

2.22. Ofgem comment: it would not be appropriate for Ofgem to publicise details of suppliers' EEC2 schemes as these are confidential.

Qualifying action, Additional, Question 8 (Measures)

Insulation

2.23. There was support from one supplier and one other respondent for removing the age bands for cavity wall insulation and for changing the claimed depths of loft insulation to 0-60mm and 60mm and above. It was noted that this will reduce the administration required on such schemes, and no-one opposed the proposal. One respondent requested an increase in the final thickness of loft insulation to at least 350mm and a minimum thickness of top-up (150mm).

2.24. Ofgem comment: we will remove the age bands for cavity wall and consolidate the range of starting thicknesses for loft savings as proposed. It is not appropriate to accredit additional savings for insulating lofts to 350mm as the difference in

carbon savings between this and the 270mm required under the Building Regulations is minimal.

2.25. Regarding aggregation of fuel types for insulation measures, there were five responses. Two suppliers and one other respondent agreed with the proposals, but one non-supplier opposed this, saying that aggregation would reduce the value of the data that was gathered for future analysis, and they believed that not collecting this data is unlikely to save significant amounts of time or money. In addition, one supplier would prefer to use two carbon categories, one to include gas, LPG and oil, and the other to include coal and electricity.

2.26. Ofgem comment: we will adopt the aggregation of fuel types for insulation measures. As mentioned at previous supplier meetings, we will request that the suppliers monitor the fuel type of installations and submit this data to the Energy Saving Trust (EST) for the Homes Energy Efficiency Database (HEED), to ensure that this remains as accurate and useful as possible for suppliers and other users.

2.27. Another respondent commented on Section 3.52 regarding the savings correction factor for insulation, saying that there was a discrepancy between figures in the consultation and those that were believed to be under discussion by Defra and BRE.

2.28. Ofgem comment: we will use the 50 per cent reduction factor provided by Defra.

Additionality

2.29. One supplier felt that it is not always necessary to obtain a declaration from the partners when the supplier's cost contribution is small. The supplier felt that additionality should consider not just the cost contribution but also a broader view of the supplier's contribution. The example that was given was the case of a supplier promoting fuel switching, in which only a small cost contribution was required from the supplier but in which the supplier's position made the switching possible.

2.30. Ofgem comment: where a measure has been funded by other parties in addition to the supplier, cost contribution is the only practical, reasonable way of apportioning additionality. Our consideration of additionality does take a broader view of the suppliers' contribution. Ofgem needs to be satisfied that a supplier's action is additional to what would be delivered under business as usual, and the declaration assists us in doing this.

2.31. There was agreement that it is now hard to prove additionality for DIY loft insulation and radiator panels, and wide support for the proposal to drop the requirement to demonstrate a 20 per cent increase in sales. Only one respondent disagreed with the proposal, but did not provide an alternative.

2.32. Ofgem comment: we have adopted this proposal.

2.33. In the case of supporting appliances, a supplier requested the removal of the requirement to provide a letter from the partner or manufacturer confirming the previous market subsidy. The supplier was concerned about such sensitive information possibly entering the public domain where it could be used by competitors. One respondent asked for the removal of the need to submit a year's worth of EPoS (electronic point of sale) data for A-rated appliance schemes.

2.34. Ofgem comment: we need to be satisfied that a supplier's action is additional to what would be delivered under business as usual, and a letter confirming the subsidy assists us in doing this. Any notification data submitted to Ofgem will remain confidential. EPoS data only needs to be submitted when banking a scheme, not at the notification stage.

2.35. There was some doubt expressed around the potential for additionality in the IDTV (Integrated Digital TV) sector and the difficulty of proving additionality. One supplier believed that the IDTV market has already been transformed and that there is no room for accreditation. Another supplier thought that it is unlikely that consumers would trade down to a 22" model. Another respondent agreed with Ofgem's analysis that the smaller screen sector of the TV market offers greater potential for additionality, but that measuring additionality could be difficult.

2.36. Ofgem comment: we will accredit IDTVs of less than 22" in size. This is because there is a clear distinction in market transformation between LCD (Liquid Crystal Display) TVs which are less than 22" and those 22" and over in size. In the market for larger screen TVs, integrated digital models predominate whereas less than 15 per cent of the market that is less than 22" is digital. It is possible to show that there is scope for additionality for smaller screens. This does not mean that we are assuming that large screen non-digital LCD TVs will be traded in for smaller screen IDTVs: we expect that consumers will purchase the size of TV that they wish but where they are choosing a smaller screen model there is potential to increase the market share of integrated digital LCD models where analogue models may have been purchased in conjunction with a set top digital box.

2.37. For collaborations in new-build schemes, there was a request that thought be given to the different building regulations across Britain.

2.38. Ofgem comment: when considering additionality with respect to the Building regulations, we would refer to the relevant legislation relating to where the development is taking place.

2.39. One respondent asked that Ofgem remove the requirement for suppliers to install draught proofing only in properties with high air infiltration rates.

2.40. Ofgem comment: this requirement is important to ensure additionality.

ESR

2.41. One respondent commented that CERT should link to all ESR accredited appliances.

2.42. Ofgem comment: ESR is a valuable indication of energy efficiency, however it is not appropriate to limit suppliers to only promoting these products. Suppliers may choose to promote efficient appliances which are not in the ESR scheme. Similarly we need to maintain the ability to evaluate other aspects of suppliers' proposed schemes in addition to the proposed measure.

Fuel switching

2.43. Some suppliers asked for more information on additionality with respect to fuel switching. One wanted clarification on how to prove that fuel switching activity leads to improvements. Another respondent sought further guidance concerning the criteria that Ofgem would expect suppliers to satisfy in order to prove additionality, including the baseline.

2.44. Ofgem comment: deadweight has been taken into account in Defra's target setting model, therefore there will no longer be the requirement for suppliers delivering fuel switching with an SHP to demonstrate 20 per cent additionality.

2.45. Two respondents commented that consideration should also be given to accreditation of schemes where the new fuel is biomass. One supplier requested guidance for when the new fuel is biomass.

2.46. Ofgem comment: 'fuel switching' is used to refer to replacing heating of one fuel type to central heating with a less carbon intensive fuel type. Biomass boilers are eligible under CERT as market transformation action and will be administered under the market transformation methodology to account for uplift. The CERT market transformation guidance document contains further information.

3. Defra issues

Chapter Summary

This chapter details the responses referring to issues that relate directly to the Order, which Ofgem therefore has no discretion over. This has therefore not been made as a separate response to each comment; Ofgem comments have only been added where they make an additional point to this. These responses were fed back to Defra during the policy development process.

Priority Group

3.1. One supplier felt that the Priority Group criteria should be widened. Two suppliers expressed the opinion that the CERT Priority Group threshold for relevant income should change in line with that in Warm Front.

3.2. Ofgem response: the government has amended the Priority Group definition, which now includes those aged 70 and over who are not in receipt of benefits or tax credits. The threshold for relevant income was required to be defined in the legislation and cannot therefore change during the period of the Order. Warm Front works in a different way so is able to change.

3.3. Concerning the Priority Group flexibility option, one supplier questioned the need for suppliers to provide details (as outlined in Article 15(1) of the draft Order) of how they intend to replace the Priority Group customers with the 'able-to-pay'.

3.4. Ofgem response: the Order no longer contains this requirement as the structure of this mechanism has changed.

3.5. One non-supplier expressed concerns that the scale of the Priority Group meant that suppliers would not focus on the non-Priority Group in the early stages of the programme. They commented that this could cause problems for contractors, who would like six months notice of suppliers' plans for Priority Group work.

3.6. Ofgem comment: the 40 per cent Priority Group obligation is laid down in the Order. Ofgem is not able to require suppliers to give contractors six months notice of activity, and would not consider this appropriate.

Uplift for Market Transformation

3.7. There was opposition from one supplier and five other respondents to the proposal to include the up-lift in the ring fence, rather than apply the uplift on top as under EEC2. Another respondent asked for clarification of this matter.

3.8. Ofgem comment: The ring fence is exclusive of the uplift, as can be seen in the Order. This means that uplift will apply in the same way as innovation uplift in EEC2.

Insulation Reduction Factor

3.9. One respondent disputed the level of reduction factor for insulation, but did support the proposal not to reduce it further for tile hung walls and conservatories.

3.10. Ofgem comment: we have used the reduction factor set by Defra in their target setting methodology and are content with this.

Demonstration Action

3.11. One non-supplier disagreed with the concept of demonstration action, considering that behavioural measures should not be eligible under CERT. Another commented that only face to face advice should be eligible for demonstration action trials.

Priority Group flexibility

3.12. One supplier wanted the ring-fence to be increased from 5 per cent to 10 per cent.

3.13. A few respondents asked that the translation factors be made available as soon as possible.

3.14. Ofgem comment: The translation factors are part of the Order and have now been made available by Defra.

Other

3.15. One respondent was very unhappy that micro-CHP (Combined Heat and Power) was not to be given more support, especially through its apparent omission from the illustrative mix.

3.16. Ofgem comment: Micro-CHP is eligible for market transformation uplift.. Defra's illustrative mix is not a definitive list but rather it is for illustrative purposes only, to show how suppliers might meet their targets.

3.17. One respondent wanted suppliers to be required to achieve their targets by country, in proportion to their customer base.

3.18. Ofgem comment: The Order contains no requirement for suppliers' obligations to be split by country. The CERT obligations apply to consumers throughout Great Britain. Suppliers are free to target any domestic energy consumers and are not limited to their own customers. We encourage suppliers to provide data on their

activities to the Energy Saving Trust for the HEED database. This database can be interrogated by suppliers or any other user to provide data by country.

3.19. A respondent disagreed with using the CFL savings for candle bulbs which have shorter lives and lower wattages, and argued that savings for all lighting types should be calculated as they were in EEC1, based upon the actual lamps that were delivered.

3.20. Ofgem comment: savings are calculated in line with Defra's target setting methodology. The EEC1 lamp savings methodology was found to be very complex and impractical, so this has since been simplified.

Appendices

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3	The Authority's Powers and Duties	30
4	Glossary	32
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Appendix 1 - Consultation Response and Questions

List	Name
1	AEAT
2	Centrica (British Gas) - confidential
3	CHPA
4	EDF
5	E.ON
6	Energy Saving Trust (EST)
7	Eurisol
8	Knauf - confidential
9	Lewellyn Smith
10	Micropower Council
11	National Insulation Association (NIA) - confidential
12	Npower
13	Ravenheat
14	Renewable Energy Association (REA)
15	Scottish Power
16	Scottish and Southern Energy (SSE)

Responses received by Ofgem which were not marked as being confidential will be published on Ofgem's website www.ofgem.gov.uk. Copies of non-confidential responses are also available from Ofgem's library.

Appendix 2 - Consultation Response and Questions

1.1. In its consultation document (Carbon Emissions Reduction Target (CERT) 2008-2001 Supplier Guidance, Ref: 198/07) Ofgem sought the views of respondents about a number of questions as set out below:

CHAPTER: One

There are no specific questions relating to this chapter.

CHAPTER: Two

There are no specific questions relating to this chapter.

CHAPTER: Three

Question 1: We propose to simplify the initial scheme notification procedure to involve the submission of the scheme notification pro forma only. This will be modified to capture the information about savings and cost contributions currently provided on the EEC scheme spreadsheet.

Question 2: To reflect changes in the cold appliance market, consultees are asked to consider whether we should approve just the A+ and A++ appliances, or whether we should accredit A-rated appliances based on a change in the market share resulting from a supplier's scheme.

Question 3: To reflect changes in the boiler market we propose that it is no longer appropriate to accredit sales for replacing B-rated with A-rated boilers.

Question 4: In the absence of recent monitoring data, what would be an appropriate methodology for revising the Fridgesaver savings? A percentage reduction, an increase in the number of points to qualify, or an alternative? Suggestions are invited.

Question 5: Are the proposals for accrediting CFLs in the light of the phase out of GLS lamps appropriate?

Question 6: Is the use of a declaration an appropriate way to ensure that savings from microgeneration are additional to those from other policies, e.g. the Merton rule?

Question 7: Is use of installers and products accredited under the BRE microgeneration certification scheme (UKMCS) the most appropriate way to ensure high quality microgeneration products are used and installations are carried out under CERT?

Question 8: Comments are invited on the aspects of the EEC2 procedures relating to qualifying action and measures that we intend to keep the same. These are listed in Appendix 3.

CHAPTER: Four

Question 1: Ofgem can only approve a demonstration qualifying action if it is satisfied that suitable monitoring arrangements will be put in place to assess the effectiveness of the measure at reducing carbon emissions. Respondents are asked to consider the list in 4.3 and whether any other categories should be considered.

Question 2: Consultees are asked to consider the format of the reports the suppliers should publish as part of their demonstration qualifying action.

Question 3: Consultees are asked to consider the requirements for information in demonstration qualifying action submissions provided in Appendix 16, and are invited to comment on these proposals.

Question 4: Respondents are asked to consider the broad types of demonstration qualifying action listed in paragraph 4.6 and whether there are other categories which should be included.

CHAPTER: Five

Question 1: Suppliers applying to reduce their Priority Group percentage are required to provide Ofgem with a variety of information under article 15(1). We propose to adapt the scheme notification pro forma for suppliers to use for this purpose. Respondents are invited to consider whether this is the most appropriate way of dealing with these applications.

CHAPTER: Six

There are no specific questions relating to this chapter.

CHAPTER: Seven

Question 1: Where a supplier has used the Priority Group Flexibility option, we propose that the fuel poverty measures are treated as a scheme for administrative purposes and a final report is submitted on the scheme notification pro forma in the same way as a conventional scheme. Comments are invited on this.

Question 2: Consultees are asked to consider the changes proposed to the data which suppliers should submit on a quarterly basis, outlined in 7.19. Are these changes appropriate?

Question 3: We invite comments on the proposal to require suppliers to bank two thirds of their in-progress activity by 1 September 2010. This will enable a manageable flow of data throughout the programme.

CHAPTER: Eight

Question 1: Consultees are asked to consider whether the proposal to reduce the requirement on suppliers to monitor free CFL utilisation from 1 per cent to a maximum of 1,000 is appropriate.

Question 2: We propose to use the same level of monitoring for microgeneration as used for energy efficiency measures (5 per cent technical and 1 per cent customer satisfaction). Consultees are asked to comment on whether this is a suitable level.

Question 3: Respondents are asked to consider the technical monitoring questions for microgeneration proposed in Appendix 7, and suggest additions or amendments as appropriate.

Question 4: Comments are invited on the aspects of the EEC2 procedures relating to monitoring that we intend to keep the same. These are listed in Appendices 4 and 5.

Appendix 3 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.⁴

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly⁵.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁶; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁷

⁴ entitled "Gas Supply" and "Electricity Supply" respectively.

⁵ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

⁶ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

⁷ The Authority may have regard to other descriptions of consumers.

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- Promote efficiency and economy on the part of those licensed⁸ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation⁹ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

⁸ or persons authorised by exemptions to carry on any activity.

⁹ Council Regulation (EC) 1/2003

Appendix 4 - Glossary

Banking

The process of suppliers submitting interim activity reports and Ofgem estimating their savings before the end of the programme.

BERR

Department for Business, Enterprise & Regulatory Reform.

BRE

Building Research Establishment.

C

Carbon obligation

Each supplier's carbon emissions reduction obligation.

CERT

Carbon Emissions Reduction Target, the name of the programme.

CER target

The overall target for carbon emissions reduction set by Defra under the draft Order.

CFLs

Compact Fluorescent Lamps (energy efficient light bulbs).

CHP

Combined Heat and Power.

D

Defra

Department for Environment, Food and Rural Affairs.

Draft Order

The draft Electricity and Gas (Carbon Emissions Reduction) Order 2007.

E

EEC

Energy Efficiency Commitment, general reference to the EEC1 and EEC2 programmes which ran from 2002-2005 and 2005-2008, respectively.

EEC1

EEC 2002-2005.

EEC2

EEC 2005-2008.

EPoS

Electronic Point of Sale data. Sales data from a retailer's computer system.

ESR

Energy Saving Recommended.

EST

Energy Saving Trust.

F

Fuel poverty measures

Measures which are eligible under article 2(3)(b) of the Order as a Priority Group flexibility action (ground source heat pumps and solid wall insulation in the specific circumstances laid out in the Order). Referred to in the finalised supplier guidance as 'flexibility measures'.

Fridgesaver

Specific type of cold appliance trade-in scheme, where suppliers are accredited with high savings for removing very inefficient appliances and replacing them with highly efficient ones. The appliance being replaced is scored according to a scale of damage to ensure that the most inefficient appliances are targeted.

G

GLS

General Lighting Service Bulb ('normal' light bulb).

H

HHIC

Heating and Hotwater Industry Council.

HEED

Homes Energy Efficiency Database.

I

IDTV

Integrated digital television.

Illustrative mix

Defra's illustrative mix of measures indicates how suppliers might meet their carbon obligation. Suppliers are free to choose their own mix of measures or include other measures, subject to approval by Ofgem.

L

LCD TV

Liquid crystal display television, a type of flat screen TV.

Lifetime

The estimated lifetime for measures (as set out in Defra's illustrative mix).

LPG

Liquefied Petroleum Gas.

M

[MCS](#)

See UKMCS

P

[Priority Group](#)

Defined in the draft Order in article 2.

R

[REAL Assurance code](#)

Renewable Energy Association standards scheme for companies selling / installing microgeneration.

S

[Schemes](#)

Suppliers' schemes for delivering their qualifying action.

[SHP](#)

Social Housing Provider – a Local Authority or a Registered Social Landlord.

[Supplier](#)

Defined in the draft Order in article 4(1).

U

[UKMCS](#)

UK Microgeneration Certification Scheme, now known as the MCS.

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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