



# Ofgem consultation: *“Amendments to the CERT 2008-2011 Supplier Guidance”*

## **ACE response – August 2009**

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### **Introduction to the views of ACE**

The Association for the Conservation of Energy is a lobbying, campaigning and policy research organisation, and has worked in the field of energy efficiency since 1981. Our lobbying and campaigning work represents the interests of our membership: major manufacturers and distributors of energy saving equipment in the United Kingdom. Our policy research is funded independently, and is focused on three key themes: policies and programmes to encourage increased energy efficiency; the environmental, social and economic benefits of increased energy efficiency; and organisational roles in the process of implementing energy efficiency policy.

We welcome this opportunity to respond to this consultation.

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## Introduction to our response

- 1 This consultation sets out how Ofgem intends to do two things: ensure the successful delivery of new low-cost behavioural measures that have been assigned inflated carbon scores, whilst ending the fiasco resulting from the delivery of CFLs - the other low-cost CERT measure with an inflated carbon score. The CFL mess, created by DECC (for proposing carbon scores far in excess of reality) and Ofgem (for failing to monitor and swiftly act on the excessive delivery), has meant that energy suppliers have put a large amount of finance (ultimately raised by passing costs through to energy bills) into a 'carbon reduction' and 'energy saving' measure that is neither delivering the expected carbon reduction nor energy saving.
- 2 Ofgem understands why energy suppliers will prioritise low cost measures with inflated carbon scores: in their recent discussion paper<sup>1</sup> they describe how energy suppliers can outcompete their competitors by both keeping the cost of the CERT low, but also (and importantly) by delivering measures that are ineffective, or at least less effective than their carbon scores suggest. The latter point, neatly illustrated by CFLs which sit in household drawers (or worse), means that the cost of the CERT is spread over a greater number of energy units sold, since the anticipated reduction in energy consumption hasn't materialised. This reduces the unit price of energy they sell. Energy suppliers therefore have a perverse incentive to deliver ineffective measures in order to keep the unit price of energy they sell low, and offer a more attractive tariff than their competitors. Whilst CFLs are to be withdrawn, there are now two more measures that will enable energy suppliers to behave in a similar vein.
- 3 Real Time Displays (RTDs) and Home Energy Advice (HEA) have all the hallmarks of the great CFL giveaway: they are relatively cheap for suppliers (compared to traditional 'hard' measures) and offer notional carbon scores that are far in excess of the evidence base. The obvious example is an RTD with a battery life of less than one year, which is still awarded CO<sub>2</sub> savings based on a 3.5% reduction in energy use over 7.5 years! Will the average recipient of such a device *really* replace the batteries every year for 7.5 years? Ofgem itself found during an ongoing trial that "after one year, only a quarter of the installed clip-on displays were still in active use."<sup>2</sup> So it would appear unlikely.
- 4 Ofgem has no control over the scores given to these measures. However, it does have control over the way in which they are delivered. ACE urges Ofgem to use

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<sup>1</sup> Can energy charges encourage energy efficiency? (2009) Ofgem  
<http://www.ofgem.gov.uk/Sustainability/Documents1/Final%20discussion%20paper%2022%20July.pdf>

<sup>2</sup> Energy Demand Research Project, Review of progress period April 2008 – August 2008 (2009) Ofgem  
[http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Smart/Documents1/EDRP\\_Progress\\_Report\\_2.pdf](http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Smart/Documents1/EDRP_Progress_Report_2.pdf)

this power to ensure that only those households who genuinely wish to use an RTD, or who are genuinely interested in receiving energy advice do so; to ensure that the measures are not just delivered but subsequently used. This is vital to ensure the credibility of the CERT and the respectability of Ofgem in helping to fight climate change and reduce energy bills. Measures provided to those who do not use them will do neither.

## Comments upon those sections without questions

In addition to our responses to the specific questions asked, ACE would like to make the following points:

### 5 Real Time Displays (RTDs)

Given the estimate that the carbon savings resulting from RTDs will amount to a 3.5% reduction in electricity consumption over 15 years, it is vital that Ofgem ensures that such savings do indeed accrue for 15 years. Ofgem must closely monitor the provision of RTDs and make sure that they are used by those householders that received one. Ofgem must request details of all the households receiving a device and visit a random sample of these. What the householder says regarding RTDs can be used to ensure that they requested the device and were given straightforward instructions on how to install it, together with support if it didn't work. If Ofgem finds that things are awry, they must penalise the energy company. The threat of such action will likely suffice to ensure proper delivery.

6 Regarding what constitutes an 'allowable scheme' under the delivery of RTDs, ACE has concerns that suppliers will entice consumers to 'sign up' to an RTD by promoting them in conjunction with other enticements, such as direct financial rewards. For example, suppliers may offer customers a £5 reduction on their energy bill if they sign up for an RTD. Since, in this case, it may not be the RTD which is the principal attraction, Ofgem must make clear that such promotions are not acceptable.

7 RTDs should be installed by the suppliers. If not, then there must be clear instructions with a contact number for help with installation. Energy suppliers must provide a stamped addressed envelope for the householder to return the device if it is not likely to be used, it fails, or it cannot be installed. Such returns must be subtracted from the supplier's carbon total. Without provision for this, energy suppliers will be encouraged to deliver the lowest standard devices with opaque instructions, thus reducing the amount of energy saved.

8 All devices delivered should include an Ofgem note that explains that the customer can request a replacement free of charge if it breaks, that they can return the device to the supplier in the provided stamped addressed envelope if it cannot be installed, and that they can contact Ofgem and report the energy

supplier if they have received more than one RTD or been provided with one unsolicited.

9 **Home Energy Advice (HEA)**

Regarding paragraph 2.30, Ofgem must make it absolutely clear that HEA constitutes clauses (a) and (b) and (c), and not (a) or (b) or (c).

10 Whilst it may be assumed from the text, it is not specified that the Home Energy Survey must take place in the home. It absolutely must. Only in the home can a proper and accurate assessment be made. If not, we are concerned that it could be provided, for example, at the roadside or supermarket as part of a cross-promotional exercise.

11 It is specified that advice should be given regarding heating controls, boiler use, appliances, and hot water consumption. Quite bizarrely, this list excludes information on insulation, glazing and windows, and lighting. These areas must also be covered.

12 The requirement that a report be delivered within 3 months is too long a time lag. The likelihood of carbon savings being realised will be that much greater if the householder receives their report in a timely manner after the assessment. A customer is liable to have lost interest and motivation after three months, and will be less engaged with the report as a result. We suggest a target time of within two weeks, with a maximum of one month.

13 To ensure that the advice is not forgotten, and that the levels of carbon savings assumed are actually delivered, energy suppliers must be required to follow up annually with the household, ideally through a home visit, to monitor and assess whether savings have been made and reiterate the advice.

14 In order to ensure that HEA reports provided by the CERT obligated suppliers are meeting the requirements set out in the Order, Ofgem must follow up with a sample of householders who have received advice, and check that all of the proposals within both the 'sample energy survey' and 'energy assistance proforma' have subsequently been carried out by the energy supplier.. Energy suppliers must face financial penalties if they are found to have offered a service in reality that was less thorough than that presented to Ofgem.

15 **Interaction with the CESP**

As acknowledged in Paras 1.8 and 2.113, Ofgem will have to carefully and rigorously administer both the CERT and the CESP to ensure that energy suppliers do not install a measure and claim for credit under both schemes. To this end, it is vital that house by house information is collected under the CERT to complement and tally against the information that will be collected under the CESP.

## Answers to specific questions:

Here we present our response to the specific questions asked in the document:

- 16 **Question 1: What evidence should be provided by suppliers to satisfy Ofgem of the lifetime of the battery in an RTD under normal conditions of use?**  
ACE does not support the fact that RTDs with a battery life of less than one year should be allowable under the CERT, and it is especially preposterous that such devices are still ascribed a carbon saving equivalent to saving 3.5% of electricity use over 7.5 years. To simplify matters, it would be sensible to disallow any RTDs using disposable batteries.
- 17 If Ofgem does allow disposable batteries, then their compliance should be tested through a random check by Ofgem across a number of households where the devices have been installed.
- 18 **Question 2: Are Ofgem's proposals to ensure that the required information is gathered from partner organisations distributing RTDs sufficient?**  
Considering the fact that the delivery of CFLs through partner organisations has been such a remarkable failure (given that so many have been distributed to the same households) it seems astonishing, if not a little negligent, that essentially the same declaration is being proposed for RTDs that covered the third party delivery of CFLs.
- 19 Specifically, Ofgem must outline in more detail the acceptable ways in which third parties can ensure that only householders that request RTDs receive them, and the ways in which third parties should ensure that no more than one has been provided to any address. It must then rigorously monitor this to ensure that third party commitments translate into reality. To help enforce this, Ofgem must bare its teeth at energy suppliers who enter agreements with third parties that do not rigorously comply with the above, by applying financial penalties.
- 20 **Question 3: Is the proposal for determining the Priority Group percentage for an RTD scheme sufficient?**  
Yes.
- 21 **Question 4: Respondents are invited to comment on the level of monitoring of RTDs, and whether the questions are appropriate.**  
ACE does not agree that the level of monitoring is sufficient. In order for the carbon savings from RTDs to be validated, suppliers must annually check with the householder that the device is (a) working and (b) helping them to monitor their energy use. This check would ideally take place through a home visit, and could include the questions put together by Ofgem. Where the device is no longer working, the supplier must provide a replacement (without claiming additional carbon scores).

- 22 **Question 5: Are Ofgem's proposed requirements for the content of HEAs sufficient to maximise the likelihood of carbon savings being realised?**  
ACE believes that the proposed content of HEAs is sufficient, with one caveat: that recommendations discussed with the householder and within the report must include potential improvements to the building's insulation, windows, and lighting. This is currently a bizarre omission since the energy assessor is required to cover heating controls, boiler use, appliances, and hot water use.
- 23 The likelihood of carbon savings being realised will be much greater if the householder receives their report in a timely manner after the assessment. A customer will likely have lost interest and motivation after three months, and will be less engaged with the report. We suggest a target time of within two weeks, with a maximum of one month.
- 24 Follow up contact will also help maximise the likelihood of carbon savings being realised. We propose that suppliers be required to contact annually those households that have received HEA to discuss and assess any changes they have made, and aspects of the recommendations that they have yet to implement.
- 25 Whilst the proposed content of HEAs is satisfactory, ACE has concerns over the verification of these, and whether suppliers will provide such details, assessments and advice in reality. Ofgem must ensure that they do so. Ofgem simply has to request details of all the households receiving HEA and visit a random sample. The householder's account regarding HEA can be tallied with the information provided to Ofgem before the scheme by the supplier. If Ofgem finds that things are awry, they must penalise the energy company. The threat of such action will likely suffice to ensure proper delivery.
- 26 **Question 6: Are the proposed requirements on obligated suppliers promoting HEAs sufficient to prevent mis-selling of energy efficiency and low carbon products.**  
Energy Assessors should not be permitted to promote any products/services from specific energy suppliers - even those products/services that lie outside the energy sphere.
- 27 **Question 7: Respondents are invited to comment on the proposed level of monitoring of HEAs, and whether the proposed question themes are appropriate.**  
We do not believe that either an online questionnaire or feedback form are sufficient for monitoring HEAs. They are appropriate only if additional to more through monitoring. As with RTDs, ACE believes that each recipient should receive annual follow up contact with the energy supplier, ideally though a home visit to discuss and assess any changes they have made, and aspects of the recommendations that they have yet to implement.

- 28 Ofgem must also conduct its own monitoring, sampling recipients to (a) ensure the HEA was conducted (i) satisfactorily, and (ii) as per the suppliers' sample energy survey and energy assistance proforma; (b) determine whether the HEA had any impact on their energy consumption; and (c) whether the report was received in a timely manner and was of use.
- 29 **Question 8: Is our representation of domestic CFL penetration and the surrounding issues reasonable, and in particular are there any further issues we might have missed?**  
ACE believes that the account is accurate but notes that when including the 40million CFLs delivered under EEC1, the total number delivered is actually around 300million - around 12 per household. We must also stress that the illustrative mix of measures produced prior to the commencement of the CERT suggested that 110million were to be delivered over 3 years. Instead, we have 150million delivered in just one.
- 30 This is not a pointless argument: CFLs are responsible for over 30% of the delivered 'carbon savings' in the first year of the CERT. Since 50% of the revised CER target has already been met, this is 15% of the three year savings, a very significant proportion. Yet we do not know how many of these lamps are actually saving carbon.
- 31 The reasons why CFLs are attractive to energy suppliers are known by Ofgem and outlined in our introduction to this response. Ofgem must learn these lessons and ensure that the inclusion of RTDs and HEA does not result in a sorry trilogy of ineffective low-cost measures.
- 32 **Question 9: Are the proposed CFL scheme restrictions suitable and sufficient to ensure carbon savings from this measure are maintained?**  
ACE does not support the continued direct mailout of CFLs. Ofgem has a duty to ensure that the carbon savings described under the CERT are actually delivered: since they are manifestly not being delivered through the direct mailout of CFLs, by allowing this to continue Ofgem is in dereliction of its duty.
- 33 If Ofgem insists on allowing direct mailouts from those companies who have not delivered them to their customer base thus far, then they must immediately stop the third party mailouts from all companies.
- 34 **Question 10: Is the variety of bulbs proposed appropriate, and does this allow sufficient consumer choice to ensure the realisation of carbon dioxide savings?**  
ACE supports the idea that customers should be able to choose their fitting type. However, this choice will have to be made and relayed to the energy supplier before the delivery of the lamps. If a supplier simply sends out a mixed pack of lamp types and fittings then there is likely to be only one suitable bulb per pack – a waste of resources, let alone the loss of carbon savings.

- 35 **Question 11: Are the proposed restrictions for multi-pack and multi-purchase CFLs set at the correct level to ensure savings are realised?**  
No. ACE is concerned by the use of multi-packs for retail schemes. Many, if not most, households have only one type of light fitting, so purchasing a multipack that features three different fittings would create serious wastage and a loss of carbon savings. For retail schemes, Ofgem should require suppliers and their retail partners to provide the full range of lamp types, so that customers can purchase accordingly.
- 36 **Question 12: Respondents are invited to comment on what constitutes a request for a giveaway CFL, and what does not constitute a request.**  
Ofgem must ensure that the primary reason for the customer requesting a set of lamps is because they want to install them, rather than because they have been advertised in conjunction with another offer. For example, we do not believe it is acceptable if a supplier offers CFLs and money off their bill within the same promotion.
- 37 **Question 13: Given the scale of the CER target, are the monitoring requirements currently in place appropriate and set at a sufficient level to ensure that energy suppliers are meeting the requirements of the Order?**  
ACE does not feel that the current requirements are sufficient. The huge volume of CFLs delivered thus far under the CERT is evidence that suppliers will pick the cheapest and least effective (in terms of carbon scores versus actual carbon saving) route to meeting their obligation, and so it is vital that Ofgem properly monitors and polices this activity. This is especially the case with the new behavioural measures which, like CFLs but unlike most other CERT measures, have uncertainties over whether they are implemented, and whether the implementation translates into behavioural change. It is easy for energy suppliers to cut corners with these measures: to deliver substandard RTDs that are difficult to set up; to provide a hurried advice service that does nothing to encourage the customer to change their behaviour. In such a case the energy suppliers will still be awarded the carbon saving, but, since the overall energy saving won't materialise, will be able to spread the cost of the CERT over more units sold. The incentive for energy suppliers to behave in this way is quite clear. It is up to Ofgem to ensure that it does not happen.
- 38 It will be straightforward to police this. Ofgem simply has to request details of all the households receiving these two measures and visit a random sample. The householder's account regarding HEA can be tallied with the information provided to Ofgem before the scheme by the supplier. The householder's account regarding RTDs can be used to ensure that they requested the device and were given straightforward instructions on how to install it, together with support if it didn't work. If Ofgem finds that things are awry, they must penalise the energy company. The threat of such action will likely suffice to ensure proper delivery.

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