



Community Energy Saving Programme (CESP) 2009-2012 Generator and Supplier Guidance

E.ON Response to consultation of draft CESP Generator and Supplier Guidance

3. Qualifying actions

Question 1: Comments are invited on whether our proposed requirements (which are similar to those in CERT) in relation to assessing whether an action can be considered a qualifying action are appropriate for the administration of the CESP.

E.ON supports the proposed approach and would stress that a balance be met by aligning where practical with CERT processes but consideration must be given in the trialling of CESP; procedures should aim to encourage diversity of scheme delivery to ensure maximum learning's for future programmes.

3.11. When promoting measures generators and suppliers must identify whether the property they provide measures to is within the LSOA. The areas will be specified on DECC's website the date the Order comes into force. The LSOA boundaries will remain fixed for the duration of CESP, as will the number of properties in each of the LSOA.

Further clarification is required to ensure postcode alignment to CESP areas is maintained as it is understood that postcodes can be reassigned to a different LSOA in effect taking it outside of the qualifying LSOA. E.ON believes that the postcode areas should be set at the beginning of the CESP period 1 October 2009 and only these postcodes are applicable for CESP. Tracking would be required to ensure that all activity could be matched back to the properties in the postcodes as they stood on the 1 October. E.ON would propose that in support to the above a re-submission style approach as used with CERT submissions could be adopted where a Supplier/Generator wishes to apply for new postcodes to be added into a CESP scheme. This will put the onus on the Supplier/Generator to evaluate how material the opportunity is before applying.

3.14 We will monitor any potential changes to the Building Regulations throughout CESP and will discuss any implications of this on the measures with the suppliers and generators.

E.ON would welcome this consultation approach however it brings further uncertainty into an already complex programme and will make long-term contractual arrangements more challenging. E.ON would welcome the standards to be set at the beginning of the period ensuring that there is consistency for the term of CESP.

3.17. Where an action is delivered in the social housing stock, Ofgem proposes to require each social housing provider (SHP) to sign a declaration to confirm that they would not have gone ahead with these actions without the additional funding from the supplier or generator. The declaration may be signed before or after the installation is completed. If the declaration is signed beforehand and a material change occurs, the SHP is required to sign another declaration once the action is completed. A SHP declaration is in Appendix 5 of the document.

E.ON supports this process.

3.19 As the uptake of professionally installed measures by householders is generally low, we will not require generators or suppliers to demonstrate additionality for insulation, heating (except for fuel switching), or microgeneration actions which are promoted to and installed in private housing stock.

E.ON does not agree that additionality should be demonstrated for fuel switching specific to the private sector including both owner occupier and private rented. Householders in the CESP areas by definition of their low income status cannot afford low cost insulation solutions. We would continue to support the additionality approach taken for social housing stock.

Question 2: Do we need to consider any additional safeguards to those proposed for CERT for the provision of the HEA to the consumers with the lowest income deciles?

E.ON believes that the CERT rules should be appropriate. If Ofgem feel that additional safeguards are required because the CERT rules are not felt appropriate then we believe that the CERT rules should be extended to incorporate any new requirements for CESP ensuring the same rules are applicable for all households.

Establishing a reduction in carbon emissions attributed to the qualifying actions

3.39 Where there is insufficient evidence that an action achieves a reduction in carbon emissions, or the reduction in carbon emissions has not been calculated, a supplier or generator will be required to monitor or determine what the reduction in carbon emissions for that action is. For example, if a supplier or generator wishes to promote district heating metering for individual houses they will be required to undertake a field trial to demonstrate that this action achieves a reduction in carbon emissions. Details of such a monitoring trial should be agreed with Ofgem before any work is undertaken.

E.ON is concerned as to the impact of the field trial process in respect to the delay in launching the programme. Significant planning resource is required for District Heating/metering programmes and this made on the general understanding that a scheme will proceed. The monitoring process adds an additional level of risk and administration which may rule out commitment. Setting what traditionally are long term schemes within a fixed term programme such as CESP requires a quicker proving process or a pre-agreed CO2 reward level as a fall back position.

Question 3: We welcome comments on whether the proposal on evaluating a reduction in carbon emissions for solid wall insulation on a per installation basis will simplify reporting.

E.ON believes that by evaluating reduction on a per installation basis will make reporting more complicated. E.ON has experience within its wider business with respect to the evaluation of wall U values. It would propose the publication of solid wall U values reflective of the most common wall types. Organisation such as BRE would have sufficient insight to support such a listing and it would be possible for a qualified organisation to produce an ex poste state reflective of adding the range of wall solutions in existence. This would not be definitive but would create a base line reference document similar to one issued by Eurisol (Mineral Wool Assoc.)

Ofgem need to allow for dwelling combinations of internal and external solid wall insulation, cavity and solid wall, and non-standard wall situations e.g. terrace homes with solid walled alleyway/entries. Standard calculations could be proposed but where 'U' value calculations are required Ofgem should propose an industry wide consistent manner to support continuity.

Without further clarification the risk exists that such stock will be avoided or the calculation used is not sufficiently robust.

Question 4: Comments are invited on whether the proposal on removing the disaggregation by fuel type across boilers and controls will simplify reporting to Ofgem.

For ease of the CESP “trial” implementation and learning’s E.ON would support the proposal in 3.48, but suggest that evaluation be undertaken to ensure that future disaggregation process reflects fairly the market activity

In respect to fuel switching further clarification on what constitutes a partial system (3.51) should be provided.

Question 5: Respondents are invited to comment on our proposal for managing the issue of the double counting of measures between CERT and CESP.

E.ON has concerns about the ability of the HEED to provide a sufficiently practical and robust facility and as such the issue of double counting across CERT/CESP should be covered under CERT/CESP based audit process. This is a valid approach for analysis within Suppliers own in-house programmes.

To avoid double counting across Suppliers poses a separate problem and for this E.ON would support the use of an independent 3rd party data clearing house.

For the purpose of evaluating performance of a scheme Ofgem need to understand the types of measures delivered to an individual property and all the information for those properties treated within the defined area. E.ON proposes that a household identifier, postcode and installed measure(s) should be sufficient to allow comparison. In alignment with CERT there is no process requiring the provision of full name/address details.

Annual audits are undertaken by BRE on Ofgem’s behalf and E.ON believes this, incorporating company processes to ensure no double reporting along with the information suggested above would be sufficient.

Consideration will be needed to account for traded measures which could be declared by either party. Clarification as to the time window within which an address should be submitted for comparison will be helpful in avoiding error.

4. Submissions of intended actions

Question 1: Comments are invited on whether the scheme submission process (which is similar to that in CERT) is appropriate for CESP.

E.ON in general agrees with this approach but refers to the specific issue raised below in point 4.1.

4.1 A generator or supplier must notify Ofgem of their intended actions for the purpose of compliance with their carbon emissions reduction obligation. This must include information on which of the qualifying actions they intend to promote, which local authority area they are planning to work in and how the intended action will achieve a reduction in carbon emissions. Their proposals must comply with the Order and the requirements published in the Generator and Supplier Guidance - Decision Document following the outcome of this consultation.

E.ON has concerns that in delivering a multi measure based community scheme, unlike CERT, it will be unable to define accurately the potential list of products to be promoted until all homes have been audited. To reach this stage in a scheme without approval of the scheme puts too much risk on scheme delivery and community engagement.

5. Submissions of completed actions

Question 1: We welcome comments on whether suppliers and generators intend to use an area based approach when setting up and delivering their schemes.

E.ON considers the delivery of the CESP programme through a range of area engagement models core to CESP delivery.

Question 2: Comments are invited on whether a complete reconciliation by October 2011 would help suppliers and generators monitor their compliance with the obligation.

E.ON's view is that it will have to monitor its progress against its CO2 target. It wishes to retain the option to claim measures under CERT or CESP as such it does not see the value in this reconciliation.

Question 3: We welcome views on what type of information stakeholders would like to see in the assessment of the effectiveness of CESP.

E.ON has seen value in the 1:1 debates with DECC during and after the consultation. The open sharing of issues and concerns is an approach which E.ON would be willing to use and at this stage learning's can be shared.

Question 4: We welcome views on whether the proposed processes (which are similar to those in CERT) in relation to submitting completed schemes are appropriate for the use in CESP.

E.ON is broadly in agreement with this approach but specific attention needs to be given to developing a robust and secure process when submitting confidential data which is a specific attribute of CESP reporting.

6. Reporting

Question 1: We welcome views on whether the frequency of regular reporting as well as the amount of information requested by Ofgem are appropriate for the energy companies to take account of the relevant bonuses.

E.ON supports the need for regular reporting but would not propose to provide measure data broken down by scheme. This reflects the lack of value that can be obtained during early phases of a scheme where area and household uplifts bear no relation to the proposed final outcome. In addition the reporting should not preclude the option to transfer measures from CESP to CERT as part of the overall claim reconciliation process.

E.ON supports the six monthly reporting proposal.

Question 2: Comments are invited on whether half-yearly reports on the suppliers' and generators' progress against the overall target would be welcome and what type of information stakeholders would like to see in these reports.

E.ON proposes that such reports are aligned with CERT timetables. Ofgem need to be aware that any reported measures in CESP or CERT may be banked in either scheme as obligated companies see fit.

Question 3: Comments are invited on whether Ofgem auditing suggestions are appropriate and whether they will address compliance and double counting issues.

In principle we would support alignment with CERT process but would seek guidance on the sharing of householder data and the risk of D.P.A. breach. In supporting the alignment with CERT process E.ON see no reason for Ofgem to conduct direct audit with the householders.

As CESP will be a new trial we trust audit reports will be provided in a timely manner to ensure learning's can be implemented at the earliest opportunity.

7. Monitoring

Question 1: We welcome views on whether the CERT monitoring requirements are appropriate for the use in the CESP.

E.ON agrees that the CERT processes should be adopted for this element. A pragmatic view should be taken when considering the requirement for a percentage target for assessment or a statistically significant target as the cost of monitoring may have an adverse impact on the aspiration to trial products and services