



Ofgem CESP 2009-2012 Generator and Supplier Guidance Consultation

August 2009

Chapter 3: Qualifying Actions

- 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.**

The proposed requirements could be perfectly reasonable, but with no prior experience of delivering measures under CERT, InterGen is unable to address this question. CESP is the first time that generators have been included in a domestic energy savings scheme, although those generators who have a supply arm will already have experience of CERT upon which to draw. The independent generators who are involved in CESP, such as InterGen, will therefore not only be at a disadvantage when it comes to delivery on the ground, but also in the proposed reporting, as this consultation suggests that a prior knowledge of CERT processes is essential. InterGen suggests that Ofgem should consider this imbalance carefully before choosing how to administer the CESP programme.

- 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 decile?**

InterGen does not wish to comment on this at this time.

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

InterGen understands why Ofgem would prefer to score solid wall insulation on a per installation basis, as we understand that the quality of material used can affect the performance of the measure by a considerable amount. However, InterGen believes it would be appropriate to have approximate scoring figures agreed before the installation takes place, to give the generator/supplier a good indication of the final carbon uplift achieved for each installation, as can be requested with other measures.

- 4. Comments are invited on whether the proposal for removing the disaggregation by fuel type across boilers and controls will simplify reporting.**

InterGen is not in a position to comment on this at this time.

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

InterGen is not in a position to comment on this at this time.

Chapter 4: Submissions of intended actions

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

InterGen urges Ofgem to consider the difficulty independent generators have in determining the appropriateness of the submission process when they have no prior experience of it under CERT. Measures to avoid discrimination between existing CERT participants and parties new to delivering carbon savings should be promoted.

InterGen agrees that Ofgem's approval for each 'scheme' should be sought prior to the commencement of any work, to ensure both parties are fully aware of what is proposed and what can be counted as measures under CESP.

It is essential that the proforma Ofgem decide to use to make such notifications is easy and quick to populate. The administration of the CESP scheme will be labour intensive and time consuming and adding to this process will increase the burden on the supplier/generator side and may disincentivise the generators and suppliers to notify Ofgem of proposed schemes in a timely manner.

The guidance document proposes that all pro forma submissions should include written confirmation from a local authority to confirm that they have been consulted on the proposed qualifying actions to be undertaken in their area. InterGen believes that this is something both Ofgem and DECC should get feedback on throughout the CESP scheme, as it may be the case that failure to engage the local authorities into completing this action will delay schemes getting underway.

We suggest that Ofgem or DECC should consider a way of engaging with local authorities if a generator/supplier is having difficulty obtaining the necessary written confirmation. InterGen would be interested to see how other participants in the scheme were finding this particular aspect, and think perhaps it would make a useful addition to the bi-annual reporting process.

Chapter 5: Submission of completed actions

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

InterGen is not in a position to comment on this at this time.

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

Whilst InterGen understands the intention behind the proposed October 2011 reconciliation, we are concerned that this could possibly add increased administration to a scheme that is already perceived to have onerous reporting requirements. We would urge the Regulator to consider this (particularly for the independent generators who are participating in this type of scheme for the first time) in their design of the reconciliation system. The reconciliation process should be designed so as to avoid any duplication of work as it is presumed that all of the data should have been captured when the generators and suppliers submit their pro formas on completion of each scheme.

InterGen is also concerned that this will replicate the work done by the suppliers and generators in their bi-annual submission (Chapter 6) to Ofgem in order for the regulator to report on the progress of CESP to the Secretary of State. We believe that Ofgem should think carefully about what amount of reconciliation can be done 'in-house' without input from the suppliers and generators. If the reconciliation is designed to capture data that is not contained in the submission pro forma, then the pro forma should be modified to include such data at the outset.

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

InterGen would like to see details regarding the ease in which participants in CESP have managed to engage and work successfully with local authorities. Publication of figures such as the number of differing types of measures installed would no doubt be of interest to all participants, as would details of the geographic spread of schemes across the UK.

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.

As previously stressed in this response, independent generators have no prior experience under CERT and so are at a disadvantage with regards to reporting experience compared to those suppliers already familiar with the processes. InterGen suggests that Ofgem should consider this imbalance carefully before choosing how to administer the CESP programme.

InterGen urges Ofgem to thoroughly examine ways of submitting notification data of completed schemes electronically, rather than only accepting information via courier. As it stands, the scheme will be labour and cost intensive and it likely to result in submissions to Ofgem being delayed, as participants may wait until they have sufficient pro forma's to send via courier in order to improve cost effectiveness.

We support a simple and clear submission process, in order to minimise the administrative burden of CESP.

Chapter 6: Reporting

- 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.**

InterGen understands the requirement for the Secretary of State to receive annual reports from the regulator as is set out in the Statutory Instrument. However, InterGen is concerned that the proposed bi-annual reports the suppliers and generators will be required to submit will add another layer of unnecessary administration to the CESP scheme.

This is particularly pertinent for generators such as InterGen who are not involved in delivery of the CERT and therefore will be unable to leverage upon existing resources and systems to deliver this information. The consultation sets out that we will be required to submit data on the following:

- A 'submission of intended actions' before schemes are even underway, along with sign off from the local authority;
- Two 'notification' pro forma's on the completion of each scheme;
- A further 'progress report' to be submitted in October 2011;
- Biannual reports to go to the SoS

It was suggested at an earlier stage in the proposed CESP scheme that the aim was to target 90,000 homes; if the data submission proceeds as laid out in the consultation then that will require over 360,000 proformas being couriered to Ofgem over 3 years. This will place as large an administrative burden on Ofgem as it does on those who participate in CESP. If the database Ofgem designs to administer CESP is as robust as it should be, there should be no requirement for any party to submit data on individual schemes more than once.

- 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.**

InterGen would welcome publication of a half yearly report on the progress of CESP, and reiterates the point made in Question 1 (above), that Ofgem should use data already submitted on completed schemes to populate such a report, rather than placing further administrative burden on CESP participants.

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

InterGen believes the auditing suggestions are appropriate, although we would appreciate confirmation on how many participants Ofgem intends to audit over the lifetime of the scheme, and the anticipated timescales involved in that process.

Chapter 7: Monitoring

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

InterGen has no experience of CERT and therefore we are not in a position to be able to answer this question at this time.

InterGen would also like to make the following points regarding Chapter 2: 'Setting Carbon Reduction Commitment Obligations'

Chapter 2 discusses the trading of obligations 'internally' between entities owned by one parent company. InterGen would ask that Ofgem consider such trades in a different manner to those monetary trades anticipated to take place between generators and suppliers. Ofgem should adopt reasonable grounds of consideration, to assist those generators with separate entities which are individually licensed, to reduce the administrative burden of the scheme.

In addition, paragraph 2.32 states that if such 'internal' trades are carried out, the individual licensees' will not be eligible for the relevant bonus uplifts. InterGen strongly believe that this was not the intention of DECC in including generators in this scheme. InterGen's inclusion in the CESP scheme is based on the principle of the parent company as laid out in the Statutory Instrument article 4 (4). Our obligation is worked out at a licensee level (our 3 plants are licensed individually), however in all of DECC's literature around CESP (including the February 2009 DECC CESP Consultation document) we are referred to as 'InterGen'. We believe that Ofgem should adopt this convention for generators too, otherwise it will be more difficult for us to bank bonuses compared to suppliers and is discriminatory dependent on how generators assets are licensed. InterGen understands that it is not the only generator who will be placed in this position.