

**Community Energy Saving Programme (CESP) 2009-2012 Generator and
Supplier Guidance
Consultation
Response from ScottishPower Energy Retail Limited**

Introduction

The objective of the Community Energy Saving Programme (CESP) is to pilot community partnership; deliver 'whole house' refurbishment, addressing hard to treat properties carrying out intensive action within the homes of those most in need. The main aim of CESP is to learn from the pilot of this new delivery method. Whilst the CESP programme is entirely different from CERT to avoid a lot of onerous administration procedures and the development of new process, we believe the CESP guidance should correlate to the existing CERT guidance wherever possible. This will relieve the administration burden both for suppliers and Ofgem. This will ensure that the administration of both schemes will run with the minimum disruption and without the need for new processes to be designed.

It may be of benefit to use an independent third party to monitor and evaluate some of the elements of CESP, which are different to CERT and we have detailed our suggestions for the monitoring requirement within our response.

ScottishPower has considerable experience of developing and setting up community-based energy efficiency schemes working with community partners and the third sector. We believe CESP will play an important role in developing existing community based schemes and other partnerships to consider how hard to treat homes can best be tackled.

We consider that we have had a constructive relationship with the CERT team at Ofgem and have worked well both at a strategic level through the CERT Managers meetings and at an operational level on a day-to-day basis. We feel that we have benefited from this approach and hope that we will be able to develop a similar working relationship with the CESP team.

Chapter 3

Q1: 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 as a qualifying action are appropriate for the administration of CESP.

In principle we agree with the proposal that the proposed requirements are appropriate and similar to those in CERT. However there are a number of specific points we would like to raise.

- We would like to have clarity and agreement on the specific number of properties within the LSOA's that we propose to deliver CESP in. This is important to ensure we will achieve the savings we are expecting from the particular amount of work within an area. It would therefore be useful for Ofgem to confirm the qualifying postcodes and number of properties within an area as early as possible within the approval process.
- Further to the above, and on the basis that the above information is possibly fixed for the duration of the CESP scheme, guidance on how new build and

any proposed demolition of properties will be accounted for. A number of the qualifying LSOA's are in or around regeneration areas/ projects, and therefore this could potentially significantly change the bonuses applicable in relation to the area density uplift. Although unlikely, it could potentially lead to claims for in excess of 100% on an area density delivery.

- On the basis that CESP is a pilot programme and the design of the measures to be delivered to a particular area is likely to be identified and agreed at the start of the programme we feel savings should be fixed and held as the minimum value applicable to that measures, although they may not actually be installed until year 3. This will protect against the impact by any subsequent change or improvement to Building Regulations for example, that may reduce the carbon value of the planned mix of measures to be installed.
- We would also question the requirement to demonstrate additionality for Fuel Switching. The qualifying LSOA's have been identified due to income deprivation within that specific area. It is highly unlikely that these private sector householders are any more likely to be able to afford the installation of a central heating system without the aid of the CESP assistance, than cavity wall or loft insulation.
- Considering the nature of the areas identified and that this programme is a pilot, we would like to ensure that we have the ability to partner potential social housing programmes where the work has not commenced but is possibly at the planning or contract stage. The CESP programme will therefore create a new wider programme of work by considerably increasing the number of measures being installed.
- Within paragraph 3.23 and 3.24, we would like clarity on the type of evidence required by Ofgem and how workable this will be. We can provide the recipient with information to say they should not apply for a government grant but we cannot safe guard against them actually submitting a claim. It may be viewed that by making consumers aware that there is a government grant they should not claim against may actually increase the number of potential claims to the government grant.

Q2: Do we need to consider any additional safeguards to those proposed for CERT for the provision of the HEA to consumers with the lowest income decile?

No. CERT is a robust scheme partly targeted at priority customers who are broadly the same/ a similar group of customers on a much larger scale. Therefore if the proposal is acceptable for CERT guidance and application, it will also be suitable for CESP.

Q3: We welcome comments on whether the proposal for evaluating a reduction in carbon for solid wall insulation on a per installation basis will simplify reporting.

We are comfortable with and welcome the new Ofgem calculation tool for calculating pre and post 'u' values for solid wall insulation within CERT. Therefore on the basis that this tool will also be utilised within the CESP calculations, we are generally

happy with the proposal for evaluating a reduction in carbon for solid wall insulation on a per installation basis. We do agree that this will simplify reporting requirements.

We would however like to see the tool extended beyond its current lowest limits. As CESP is a pilot scheme we may wish to examine and compare the implications of improving wall insulation to lower 'u' values, as we believe this is relevantly easy to do with solid wall insulation. It may also be that the target specification required by the Social Landlord for example, is lower than this current level. Therefore to help facilitate and enable the benefits of this we should be able to claim the improvements achieved.

Q4: Comments are invited on whether the proposal for removing the disaggregation by fuel type across boilers and controls will simplify reporting.

We are relatively comfortable with the proposal for removing the disaggregation by fuel type across boilers and controls within this CESP pilot programme. It will simplify reporting for all parties and agree that this is the correct way to move forward with small pilot schemes such as CESP, by removing some of the administrative burden. We have made this same proposal to a number of the other comments earlier within this chapter.

However if the CESP model influences future larger schemes we would want to assess the possible increased implications of this decision in terms of carbon savings.

Q5: Respondents are invited to comment on our proposal for managing the issue of double counting of measures between the CERT and CESP.

As the CESP scheme is a relatively small pilot with much smaller volumes of data, coupled with a more focused approach due to the concentration of properties within each LSOA, we do not believe double counting of measures will be an issue.

However should Ofgem feel that there is a significant risk, we do not believe the current proposal to utilise HEED via EST is suitable. HEED does not possess real time data. On the basis of their Voluntary Agreement with DECC, suppliers have committed that CERT measures will be forwarded for upload into HEED on an annual basis. This means that when the data is uploaded in June each year the data could be as much as 15 months out of date. Therefore we would suggest that this does not reduce the risk of double counting sufficiently.

We propose that other alternatives should be explored between Ofgem and Suppliers (and Generators) to agree on a better solution to this issue.

Chapter 4

Q1: Comments are invited on whether the scheme submission process (which is similar to that in CERT) is appropriate for CESP.

Again we are fully supportive of the proposal to keep the scheme submission process as similar to CERT as possible and that it is appropriate for CESP.

However we are not yet clear what a scheme submission will look like until the proposed CESP Scheme Notification Proforma has been completed and released.

As part of this process and as discussed at the recent meetings, we would like Ofgem to issue a standard template letter for Local Authorities to sign. We do accept that there may be some circumstances where the letter of support becomes more bespoke, but the use of a standard template will make the approval process less onerous for all.

The proposed one-month timeline for the CESP submission process is acceptable, however we believe it is not practical for these timelines to only be imposed from the beginning of each month. Although CESP is a relatively small scheme in terms of the number of projects and properties within each project, the value of each is substantial. The projects will also involve significant third party funding proposals, which will need timely decisions and be subject to ultimate deadlines.

To enable this pilot programme to achieve its objectives effectively, Ofgem need to impose the proposed submission one-month timeline from the date the submission is actually received, and not just from the beginning of each month.

As stated in our comments on chapter 3 we would like to re-iterate the need for clarity early in the scheme approval process, of the exact post codes and number of properties eligible within the proposed LSOA areas suppliers/ generators submit to Ofgem. To facilitate this it would be necessary for the supplier/ generator to specify the LSOA codes they propose to potentially deliver measures to within each scheme submission. However this may also help Ofgem identify any potential areas for double counting between companies.

It would also be useful if Ofgem could notify obligated companies of the process (and information required) for schemes to be submitted/ notified to Ofgem from the 1st October 2009, prior to the formal Administration Guidance and scheme notification proforma being released mid-November. We acknowledge that this has been discussed at recent meetings.

One final point would be to question whether it is possible and acceptable for the letter of support to come from the Registered Social Landlord where the proposed scheme is almost wholly applicable to their housing stock as opposed to the Local Authority. There may be the possibility of a Local Authority having a long established relationship with a different supply company, which may delay them supporting a proposed scheme that has predominantly been agreed with the RSL.

Chapter 5

Comments are invited on all aspects of this chapter, in particular;

Q1: We welcome comments on whether the suppliers and generators intend to use an area based approach when setting up and delivering their schemes.

Although we are still considering our strategy for delivering the CESP obligation, due to the area density bonus applicable to each scheme being calculated against that particular LSO area, we believe it will make sense to report and manage each scheme via an area based approach. We are therefore comfortable with the proposal to base the reporting process on each specific LSO area.

Q2: Comments are invited on whether a complete reconciliation by October 2011 would help suppliers and generators monitor their compliance with the obligation.

We will continually monitor the progress of our CESP schemes and are comfortable with the process of providing regular half yearly (or even quarterly) progress reports to Ofgem based on installed measures. Assuming these reports follow a similar process to CERT, in that they are based on average savings figures for each type of measure installed, we would be comfortable with providing a more accurate report in October 2011 based on actual savings figures.

However, although it will be our intention to bank data at regular intervals when appropriate to each of our schemes, we would need to ensure we have the flexibility to move measures between CESP and CERT. Therefore we would not agree to a specified banking timetable until we have more knowledge and information about how CESP schemes actually deliver and information around carry-over for CERT and/ or CESP beyond the end of 2012.

Q3: We welcome views on what type of information stakeholders would like to see in the assessment of the effectiveness of CESP.

Suppliers and generators will be obliged to provide regular reports on the actual delivery and progress of their schemes via the above reporting process. We would not want the reporting to be any more onerous.

To consider the success of CESP from a wider perspective and to enable the learning's to shape future policy and obligations, we suggest Ofgem may want to utilise an independent third party to carry this out. It is important to evaluate what has worked and what hasn't and an independent party may be better placed to do this. We would suggest the following information would be useful;

Partnerships – how they are negotiated, responsibilities of all parties, how the communication is maintained and structured. What has worked and how things could be done better in future programmes.

Community Engagement – engagement with the community is key to the success of CESP and information on how the community was engaged, the percentage of the community contacted, levels of initial interest and final engagement would all be useful. It would also be useful to be able to compare different approaches to see if some work better than others.

Householders experience – relating to the process and engagement and installation of measures and their experience of living in the homes after installation.

Q4: We would welcome views on whether the proposed processes (which are similar to those in CERT) in relation to submitting completed schemes are appropriate for use in CESP.

Further to our earlier comments we are generally happy with the proposed processes in relation to submitting completed schemes and consider that they are appropriate.

We would however like confirmation from Ofgem relating to the processes to be adopted for CESP reporting with regard to data protection, and transfer of data, issues and requirements.

We request clarification on how Ofgem will calculate the limits imposed for cavity wall insulation, loft insulation and HEA's as outlined in paragraph 5.21.

Within the various CESP documents DECC has provided estimates as to the number of measures these caps will approximately equate to; i.e. 250,000 Loft Installations, 45,000 CWI's and 285,000 HEA's. However there are no examples and the explanations as to how these are calculated are not particularly clear.

Our interpretation, (and to get somewhere near to the DECC figures), is to take the base carbon score for each measure prior to any bonus or uplift, but the % of the target applicable is the full uplifted target, i.e. 19.25mtCO₂.

E.g. CWI base carbon score (prior to -50% uplift) of 17.9 tCO₂
4% of 19.25 mtCO₂ = 770,000 tCO₂
Therefore 770,000 tCO₂ / 17.9 tCO₂ = circa 43,000 installations

Chapter 6

Comments are invited on all aspects of this chapter, in particular:

Q1: 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.

Q2: 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.

We can confirm that we are comfortable with the regular reporting intervals set out within Chapter 6. We will continually monitor the progress of all our CESP schemes and will be able to provide the estimated reduction in carbon emissions attributed from the actual measures installed at that time.

However we believe we can only provide information on the actual measures installed within the required progress reports, together with any actual multiple measure bonus or area delivery bonus achieved at that point in time, i.e. where we have installed more than 1 measure in a property and/ or when we have delivered measures to more than 25% of the total houses within that particular LSO area. Obviously these will become more prominent the nearer to the end of the scheme the reporting period reflects.

We do not propose to estimate or report any assumptions on the uplifts that may or may not ultimately be applicable subject to the performance of that particular area scheme. This could ultimately be viewed as inaccurate reporting to the Regulator.

Therefore we would suggest Ofgem explores the following alternative suggestions;

- That uplift assumptions for each reportable CESP scheme should mirror the assumptions used by DECC in setting the CESP target
- Ofgem provide their own assumptions to estimate the position against target
- Reports are based against the estimated lifetime carbon savings of circa 2.9mtCO₂ as opposed to the uplifted bonus applied target of 19.25mtCO₂.

Q3: Comments are invited on whether Ofgem auditing suggestions are appropriate and whether they will address compliance and double counting issues.

We would like to understand more about the appropriateness and the expected benefits of the additional auditing as proposed within paragraph 6.11.

The CESP scheme will be particularly intrusive to customers in terms of the numerous visits they may have to endure from the initial communications, to technical surveys, to the installation of possibly several different measures (at different times) and the prolonged disruption and intrusion some measures will entail. Added to this will be the necessary technical monitoring and customer satisfaction we will be obliged to carry out.

Therefore there needs to be real benefit and justification before an extra level of auditing is adopted. If it is then deemed to be required this will need to be organised, agreed and carried out in partnership with the scheme delivery partners.

We would suggest Ofgem explore this process and requirement in more detail with the suppliers/ generators further into the scheme.

Chapter 7

Q1: We welcome views on whether the CERT monitoring requirements are appropriate for use in the CESP.

We agree that the CERT monitoring requirements are appropriate for use in the CESP.

The only point we would note is with regard to paragraph 7.5, that ideally monitoring should be conducted within two months of installation. Some of these measures may only be installed to a small number of properties, but the duration of the installation to these properties may be over several months.

Therefore due to the potential small number of inspections required for compliance, it is possible that you would arrange for the full monitoring of that measure to be carried out within one or two working days. This may well be within 2 months of the final completion of that measure, but we would want to monitor a range of these installations and not just a concentration of the last few installations.

Our final point is in relation to the provision of a CHPQA certificate for technical monitoring compliance. This certificate may not be awarded until the whole project is completed which could be beyond the CESP deadlines. Can Ofgem provide some assistance with regard to what maybe an acceptable alternative should these circumstances arrive.