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Dear Urszula,

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

Thank you for giving SSE the opportunity to comment on the above consultation.

Overall we are supportive of Ofgem's proposals and hope that the suggestions in the attached paper will help reach the stated intentions. You will find our detailed answers to each question in the enclosed annex.

If you have any questions regarding the content in the meantime, please feel free to contact me.

Yours sincerely

Katherine Marshall

Regulation Manager

ANNEX

CHAPTER: Three

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.

We agree that the process for approving qualifying actions is generally suitable. However there are a couple of specific points that we believe should be reconsidered. First, under paragraph 3.23, for micro generation, Ofgem state that to avoid double counting we must monitor the recipient post install to see if they have received a grant from a government source. We do not agree that before and after monitoring is required. If we receive an assurance from a customer that they will not be claiming any other grant, then we cannot be held responsible if the measure is then double funded by an action of that recipient. We would have no viable way in which to retrieve the money / measure.

Second, for fuel switching we do not believe there is a need to monitor 1% of recipients. We believe that customers living on the lowest 10% of incomes are unlikely to be able to undertake fuel switching without financial assistance therefore we do not see the need to undertake this monitoring.

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 decile?

We do not believe that an additional safeguard is required.

Question 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.

We believe this should be scored as per CERT. Any adjustment to carbon scoring should take place post 2012 if required. Working on a per installation basis will add to the complication of reporting and possibly have the effect of individualising every install we carry out. We believe that by adopting the way of working as per CERT a suitable avenue for reporting and a reduction in complexity to an appropriate level will be achieved. Should Ofgem have concerns about the carbon savings from solid wall installs then we believe this should be looked at through the course of CESP.

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

We believe this will simplify reporting, but as we know the fuel type and the measures are restricted to heating type measures, we think they should be credited against fuel type. We believe this to be beneficial to those who are considering undertaking work in electrically heated properties, particularly flat style.

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

We will take responsibility for managing our suppliers' and our own intra company CERT / CESP crossover. We recognise however, that there could be circumstances where different suppliers could be cross claiming CERT and CESP measures and we agree that there needs to be a process to identify and then resolve such issues, including which party is entitled to claim the measure. Under CERT there is already a mediated process to resolve similar issues and we suggest that Ofgem explore adopting this model for CESP / CERT double counting.

Whilst we agree with Ofgem's proposal to compare the data provided to HEED with the data provided by the energy companies under CESP, Ofgem must recognise that the reliability of HEED is as yet unknown and there is uncertainty regarding the robustness of the data that will be provided. We will work with Ofgem, EST and other parties to resolve these issues as part of our commitment to the voluntary agreement.

General Comments on Chapter 3

Overall, we are disappointed with the restrictive list of technology available. We feel that we do not have the opportunity to try out new technology to the detriment of innovation.

We are disappointed that a number of measures appear in the illustrative mix which then is not backed up by a carbon score and we will be expected to provide evidence of carbon savings on a pre and post assessment. This is an additional cost with no obvious way of retrieving it through a carbon mechanism.

We are also eager to find out what Ofgem will regard as a penalty.

CHAPTER: Four

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

We are comfortable with the speed of approval as long as Ofgem are confident they can meet this deadline. We are concerned that current resources at Ofgem may not allow this to happen.

We will need clarification whether schemes can be resubmitted as measures may be added into a programme at a later date.

With regard to paragraph 4.12 section D we will only be supporting properly installed measures as there are a number of risks for SSE if this is not the case e.g. reputational, litigation in the case of a poorly installed measure etc

CHAPTER: Five

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

Yes, we intend to use an area based approach.

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

We will monitor this internally. Any compulsory banking could get in the way of managed activity. We feel that it would be better to leave this for the suppliers and generators to decide when they wish to bank or reconcile and it may also the ability to move measures between CERT and CESP.

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

We understand that there may be significant interest in CESP from a number of stakeholders. However we would ask Ofgem to bear in mind that the reporting requirements for CESP are likely to be fairly extensive and so any additional reporting may prove burdensome.

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.

We are in general agreement with this approach.

General Comments on Chapter 5

For transferring information we would urge Ofgem to look at the use of a File Transfer Protocol web based system or the use of secure data transfer.

CHAPTER: Six

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.

We are comfortable with the table provided by Ofgem. We would like some clarity on whether Ofgem intend to use the savings including or excluding bonuses. We would obviously be looking to calculate our own bonuses to make sure we are on course to meet our target. If Ofgem want scores with bonus to be reported we believe it would have to be on the basis of the supplier's or generator's own calculated bonus.

SSE believes that one week's offsetting with CERT requirements would be very useful and help administrative requirements to be met more easily.

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.

We would have no issues in providing these, but would reiterate that further requirements in reporting may prove burdensome so ask that this issue is treated with care.

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

We are satisfied with Ofgem's suggestions.

General Comments on Chapter 6

We recognise paragraph 6.13, the double counting of measures between CERT and CESP, as a risk and would suggest that any risk assessment take into account the safeguards that suppliers have put in place to distinguish the work. The issue of increased compliance monitoring should be supplier specific based on the controls put in place and not be a blanket one size fits all approach.

CHAPTER: Seven

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

We believe that the monitoring arrangements are generally appropriate.

General Comments on Chapter 7

We recognise that two monitoring within two months is desirable but there may be practical reasons why this may not take place. E.g. the cost of sending monitoring agents out on such a regular basis.

CHPQA as a requirement for CHP installs may not work if the certificate is not issued until the end of the CHP program. We may have had homes in the CESP area connected but a final certificate not issued. We'd ask that alternatives could be looked at.