

Summary of Responses to Ofgem E-Serve's Consultation on the CESP Generator and Supplier Guidance

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Overview:

This document provides a summary of the responses to Ofgem E-Serve's consultation on the CESP Generator and Supplier Guidance and Ofgem E-Serve's response to the comments made. The consultation closed in September 2009.

Comments were invited on all aspects of proposed administration of CESP, particularly whether the processes that are in place for administering CERT in relation to evaluating measures, submission of schemes, reporting and monitoring are appropriate for CESP. In the consultation on the CESP Generator and Supplier Guidance, Ofgem E-Serve was also seeking views on whether the proposals for managing double counting of measures between CESP and CERT through independent auditing and risk assessment are appropriate.

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Context

The Community Energy Saving Programme 2009-2012 (CESP) is a policy instrument for improving energy efficiency standards across Great Britain in given geographical areas. It was a key part of the Prime Minister's announcement of the launch of the Home Energy Saving Programme on 11 September 2008. The CESP obligation period runs from 1 October 2009 to 31 December 2012. It requires certain gas and electricity suppliers and certain electricity generators to meet a carbon emissions reduction target. The Department of Energy and Climate Change is responsible for setting the overall CESP target and the policy framework and Ofgem E-Serve is responsible for administering the programme.

Ofgem E-Serve published its proposals for administering CESP in August 2008. The responses received have helped to inform the development of the final generator and supplier guidance document.

This document summarises the responses that were received from stakeholders and informs Ofgem E-Serve's decisions on the issues consulted on and other issues raised by stakeholders. This document has been published alongside the CESP Generator and Supplier Guidance - Decision document and tools for administering CESP.

Associated Documents

- The Electricity and Gas (Community Energy Saving Programme) Order 2009
http://www.opsi.gov.uk/si/si2009/pdf/uksi_20091905_en.pdf
- Explanatory Memorandum to the Electricity and Gas (Community Energy Saving Programme) Order 2009
http://www.opsi.gov.uk/si/si2009/em/uksiem_20091905_en.pdf
- Community Energy Saving Programme (CESP): full consultation document published February 2009
<http://www.decc.gov.uk/en/content/cms/consultations/open/cesp/cesp.aspx>
- Community Energy Saving Programme (CESP) Consultation Response and Analysis published June 2009
<http://www.decc.gov.uk/en/content/cms/consultations/open/cesp/cesp.aspx>
- Community Energy Saving Programme (CESP) Generator and Supplier Guidance Consultation
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/cesp/Documents/1/CESP%20Generator%20and%20Supplier%20Guidance%201.pdf>

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- Carbon Emissions Reduction Target (CERT) 2008-2011 Supplier Guidance Amendments - Version 2
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/InfProjMngers/Documents1/CERT%20supplier%20guidance.pdf>
 - Carbon Emissions Reduction Target (CERT) 2008-2011 Technical Guidance Manual
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/InfProjMngers/Documents1/CERT%20supplier%20guidance.pdf>

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Summary

The Community Energy Saving Programme 2009-2012 (CESP) has been created as part of the government's Home Energy Saving Programme as a response to rising costs of fuel bills. In March 2009, the Department of Energy and Climate Change (DECC) consulted on their proposal on how to structure CESP and set out their decisions in the Electricity and Gas (Community Energy Saving Programme) Order 2009 ("the Order").

As the administrator of CESP, Ofgem E-Serve¹ published a consultation in August 2009 on how we propose to administer the programme. The key aspects of the proposed administration of CESP on which we sought comments included:

- whether the proposed requirements in relation to assessing whether an action can be considered a qualifying action are appropriate for the administration of CESP;
- whether we need to consider additional safeguards for the provision of home energy advice (HEA) to the consumers with the lowest income decile
- whether the proposed methods for accrediting solid wall insulation, replacement boilers and heating controls would simplify reporting
- whether the proposed scheme submission process is appropriate for CESP
- whether the proposed method for managing double counting is suitable
- whether the suggestions for auditing are appropriate and would eliminate the risk of double counting
- whether the proposed timetable and the amount of information requested by Ofgem as part of six monthly reports are appropriate, and
- whether stakeholders would welcome half-yearly reports on the suppliers' and generators' progress against the overall target.

The consultation on the CESP Generator and Supplier Guidance closed on 15 September 2009. We received 13 responses to this consultation. Comments were received on all aspects of proposed administration of CESP, particularly in relation to evaluating measures, submission of schemes, reporting and monitoring. In addition, the respondents offered views on how to manage the risk of double counting between the Carbon Emissions Reduction Target 2008-2011 (CERT) and CESP.

This document provides a summary of the responses received and Ofgem's response to those comments. The responses received have helped to inform the development of the final Generator and Supplier Guidance. The CESP Generator and Supplier Guidance has been published alongside this document.

¹ Ofgem E-Serve is a new business unit of the office of the Gas and Electricity Markets Authority responsible for administering CESP. The term Ofgem is used interchangeably with "Ofgem" and the "Authority" in this document.

1. Qualifying Actions

This chapter details the responses to Ofgem's proposals relating to procedures for determining whether the actions set out in Schedule 2 of the Order can be considered qualifying actions.

Delivering measures

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 CESP.

1.1. Ofgem received seven responses to this question. All of these responses welcomed the proposal and supported maintaining consistency between CERT and CESP, where possible.

1.2. Six suppliers and one other respondent sought clarification on other aspects of the proposed requirements or submitted additional points for amendments to the proposed requirements. These comments have been categorised as follows:

- monitoring additionality on fuel switching in private housing
- monitoring microgeneration for double counting with other government programmes
- obtaining a Coefficient of Performance for heat pumps
- evaluating heat meters
- apportioning a reduction in carbon emissions from district heating
- promoting microgeneration in new build properties
- defining eligible areas, post codes and number of properties
- managing potential changes to the Building Regulations, and
- working with other government programmes.

Monitoring additionality on fuel switching in private housing

1.3. Seven respondents asked for the requirement to monitor additionality on fuel switching in private housing to be removed.

1.4. Ofgem comment: Ofgem has removed this requirement in CESP. Ofgem considers that private householders with the lowest income decile are unlikely to install a new gas central heating system without the financial support from energy companies. The requirement to demonstrate additionality on fuel switching will remain for Social Housing Providers.

Monitoring microgeneration for double counting with other government programmes

1.5. Three suppliers and one other respondent suggested that monitoring whether a consumer has received a government grant for microgeneration measures should only be carried out before the installation. Consumers would sign a declaration that they will not apply for a government grant.

1.6. Ofgem response: Monitoring for double counting of microgeneration measures will be consistent with the requirements in CERT. We will require that suppliers and generators inform recipients that they are unable to apply for a government grant for the measure and monitor via customer satisfaction returns whether or not recipients have in fact benefited from a government grant.

Obtaining a Coefficient of Performance for heat pumps

1.7. One supplier asked for a seasonal Coefficient of Performance (CoP) for heat pumps to be evaluated using BS EN 14511 rather than by carrying out a field trial.

1.8. Ofgem response: A European standard procedure BS EN 14511 can be used to verify a seasonal CoP for ground source heat pumps. As the performance of air source heat pumps at low temperatures is not certain, a methodology has been developed to evaluate their seasonal performance. This should include a field trial on at least 10 dwellings over at least half, but preferably a whole, heating season to establish a seasonal CoP of the air source heat pumps installed. Suppliers and generators wishing to carry out such a field trial should contact Ofgem first.

Evaluating heat meters

1.9. A supplier and one other respondent thought that a reduction in carbon emissions for district heating metering for individual houses should be demonstrated at completion.

1.10. Ofgem response: The Order does not make provision for estimating a reduction in carbon emissions for a district heating meter for individual house billing. To promote district heating metering for individual houses, generators and suppliers will be required to agree a monitoring trial with Ofgem as part of a submission. The trial results should be reported to Ofgem once monitoring is completed, which can be when the scheme is completed.

Apportioning a reduction in carbon emissions from district heating

1.11. It was suggested that extending a district heating scheme installed under CESP to ineligible areas could potentially be claimed under CERT. One supplier asked for a revision of the communal heating spreadsheet to add a facility to input a proportion of households benefiting from a district heating scheme under CESP and CERT.

1.12. Ofgem response: Properties benefiting from a district heating scheme outside the eligible Lower Super Output Area (LSOA) or Data Zones could be claimed under CERT. This proposal to amend the communal heating spreadsheet has been adopted.

Promoting microgeneration in new build properties

1.13. A supplier asked for consistency between CERT and CESP in requiring the microgeneration declaration from local authorities.

1.14. Ofgem response: When delivering microgeneration measures in new build properties suppliers and generators will be need to confirm with each local authority whether they have in place any low carbon local government initiatives promoting microgeneration in new build. Each local authority that has such an initiative in place needs to sign the microgeneration declaration. If no minimum percentage of on-site microgeneration in new build development is required by the local authority, suppliers and generators need to obtain a signed new build declaration from their partners (social housing providers or developers). The requirements proposed for CESP are consistent with those in CERT.

Defining eligible areas, post codes and number of properties

1.15. Four suppliers and one other respondent asked Ofgem to provide a list of post codes within each eligible LSOA and Data Zone. One supplier recommended that this checklist should be made available on-line. In addition, a supplier requested that confirmation on the number of dwellings in each qualifying LSOA was provided. The suppliers also requested clarity on how changes in the number of dwellings due to demolitions and new build would be managed.

1.16. Ofgem response: Due to licence restrictions Ofgem is unable to publish the list of eligible postcodes. The number of dwellings in each qualifying LSOA and Data Zone will remain fixed for the duration of CESP to ensure that an area bonus is only dependent on the number of properties benefiting from the measures. The number of dwellings in each LSOA and Data Zone is based on the 2007 Council Tax Register in England and Wales and the 2008 Council Tax Register in Scotland.

1.17. One respondent asked for clarity on the area eligibility criteria for CESP and whether rural areas or areas with the Index of Multiple Deprivation (IMD) greater than 10 per cent in England and greater than 15 per cent in Wales and Scotland would qualify.

1.18. Ofgem response: The Department of Energy and Climate Change (DECC) published a complete list of eligible areas for CESP². The areas are defined as those with the lowest income decile under IMD in England and the lowest 15 per cent in Wales and Scotland. Ofgem will administer CESP on this basis.

² http://www.decc.gov.uk/Media/viewfile.ashx?FilePath=Consultations\CESP\1_20090630123736_e_@@_DECCCommunitareasoflowincomeCESP.pdf&filetype=4

1.19. One respondent asked whether an eligible area with low density of properties requiring improvement could be eligible for CESP.

1.20. Ofgem response: All LSOAs with the lowest income decile under IMD in England and the lowest 15 per cent in Wales are eligible. In Scotland, all Data Zones with the lowest 15 per cent of IMD in Scotland are eligible. However, the suppliers and generators will choose which areas will benefit from their financial support.

Managing potential changes to the Building Regulations

1.21. Two suppliers expressed concern that potential changes to the Building Regulations during CESP might impact on the reductions in carbon emissions attributed to measures and were against any adjustments to carbon scores during the programme.

1.22. Ofgem response: Ofgem will assess the impact of the potential changes and consult with suppliers and generators before making a decision. We will as far as possible maintain the accreditation scores for measures in CESP throughout the CESP period.

Working with other government programmes

1.23. A supplier asked for more clarity on demonstrating additionality when working with other government programmes.

1.24. Ofgem response: Suppliers and generators will be required to declare that the measures would not have been installed without the supplier's or generator's funding. Energy companies will also need to demonstrate to Ofgem that no retrospective installations are being claimed and that there has been no double counting of measures between CESP and the other programme by obtaining a letter from the government's or the devolved administrator's lead contractor confirming these aspects.

Home Energy Advice

Do we need to consider any additional safeguards to those proposed for CERT for the provision of the Home Energy Advice (HEA) to the consumers with the lowest income decile?

1.25. Seven respondents commented on this question. The general consensus amongst the respondents was that no additional safeguards to those in CERT were needed for the provision of HEA in CESP.

1.26. However, one respondent thought that HEA provided to those in fuel poverty should be specifically tailored to ensure that it provides useful information under

these circumstances. Another respondent suggested that specific training is provided to advisors working in low income areas to ensure that a high quality service is provided to the vulnerable and those with special needs.

1.27. Ofgem response: When promoting HEA, generators and suppliers need to ensure that advice is tailored to each household's circumstances and that it is provided in a usable format for that householder.

1.28. The respondents also suggested that the provision of HEA is followed up by monitoring, for example a home visit, to ascertain whether the householder uses the measure or combination of measures efficiently and that they are satisfied.

1.29. Ofgem response: Homes visits are not part of the requirements. However, as part of our monitoring requirements, an independent evaluation on 5 per cent or a statistically significant sample of recipients has been stipulated to evaluate any changes in behaviour.

Establishing a reduction in carbon emissions attributed to the qualifying actions

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.

1.30. We received eight responses to this question from suppliers, a generator and one other stakeholder. Five suppliers were against this proposal and suggested that that, like in CERT, a reduction in carbon emissions should be provided for an improvement to the standard based on the 'before' and 'after' U-values.

1.31. Ofgem response: Ofgem will provide a standard set of scores for installations improving a U-value of the wall from 2.1W/m²K to 0.35W/m²K and from 2.1W/m²K to 0.45W/m²K. In addition, a calculator will be available to obtain a set of scores for non-standard installations.

1.32. One other respondent who supported this proposal suggested that 5 per cent of installations should be inspected to ascertain the 'after' U-value.

1.33. Ofgem response: The Order does not make provision for measuring the 'after' U-value. It requires Ofgem to ensure that the measures installed lead to a reduction in carbon emissions. Inspecting a sample of properties post installation will provide the sufficient assurance of the quality of installation and the 'after' U-value.

1.34. One supplier commented that the calculator for non-standard solid wall installations should take account of very low 'after' U-values. Currently, the calculator allows for U-values of 0.35W/m²K or greater.

1.35. Ofgem response: The methodology used does not apply to the reduction in a U-value of the wall below $0.35\text{W/m}^2\text{K}$ as there is no evidence of the relationship between energy savings and U-values below $0.35\text{W/m}^2\text{K}$. If suppliers or generators come across properties where the U-value of the wall could be reduced below $0.35\text{W/m}^2\text{K}$, they should contact Ofgem.

1.36. Two suppliers considered that Ofgem should ensure that the accreditation process for solid wall insulation allows them to claim for a combination of internal and external solid wall insulation installed in the same property.

1.37. Ofgem response: We will be working with the suppliers and generators to incorporate this request and will provide guidance on how to make these claims.

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

1.38. The majority of respondents agreed with the proposal. Two suppliers asked for evaluation of this method if CESP was to become a model for future schemes.

1.39. One supplier asked for clarification of the definition of a partial system.

1.40. Ofgem response: A partial system is a heating system that heats the house through focal point fires.

Interaction with CERT

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

1.41. Ofgem received eight responses offering views on whether using the Homes Energy Efficiency Database (HEED) for managing double counting between CERT and CESP is suitable. Four suppliers and one other respondent suggested that HEED was suitable; however, three of those suppliers indicated that their support for this method was conditional upon the CESP data being processed by an independent party and consolidated before it is sent to the Energy Saving Trust.

1.42. There were some concerns amongst the respondents about the robustness of the data in HEED and consequently whether the database will be practical as a checking tool. Three suppliers and other stakeholder suggested that other options for managing the issues of double counting of measures between CERT and CESP should be looked at.

1.43. One supplier thought that the auditing of supplier systems for managing CERT and CESP would be one way for managing double counting. Another supplier suggested that the local authority in whose area the work is carried out should sign a

declaration to confirm that no other supplier or generator funded work is being undertaken in its area. One respondent's view was that suppliers should provide details of householders benefiting from CERT funded measures to Ofgem to allow cross-checking.

1.44. Ofgem response: We are looking into different options for managing double counting between CERT and CESP, including HEED and the suggestions made by suppliers and other stakeholders. We particularly welcome the idea of suppliers providing CERT property data to Ofgem and we propose to explore this option with the suppliers.

1.45. One supplier requested clarity on the process that Ofgem will employ when double counting is found.

1.46. Ofgem response: In a case when double counting of measures between CERT and CESP is found, Ofgem will contact the parties concerned in the first instance. Both parties will be asked to resolve double counting between them and provide evidence to Ofgem that the issue has been resolved.

2. Submissions of intended actions

This chapter details the responses to Ofgem's proposals relating to submissions of intended actions under CESP.

Format for notifications of schemes

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

2.1. Responses to this question were received from six suppliers, one generator and two other stakeholders. One stakeholder suggested that Ofgem should put a different process in place to manage suppliers' and generators' submissions but did not offer views on what this process should entail.

2.2. The majority of respondents agreed that the proposed submission process was appropriate for CESP. Three suppliers raised concerns regarding the proposed timings of submissions and scheme approval and proposed that there should be more flexibility around the submission schedule. Suppliers suggested that schemes should be reviewed within two to four weeks of receipt to allow approval within a month of receipt.

2.3. Ofgem response: Ofgem needs to have a process in place to ensure that the workload on all aspects of CESP can be managed. Notifications can be submitted to Ofgem throughout a month and these notifications will be reviewed in the following month. If suppliers and generators provide all required information to Ofgem in the timescales proposed in the consultation, Ofgem will be able to approve a scheme within two weeks of providing initial comments to the supplier or generator.

2.4. Most of the respondents asked for clarification on a number of issues arising when submitting schemes to Ofgem. Their comments can be categorised as follows:

- scheme submissions
- resubmissions
- local authority letter, and
- CESP scheme notification pro forma.

Scheme submissions

2.5. Two suppliers requested guidance on how to submit schemes between 1 October and 13 November 2009.

2.6. Ofgem response: On 28 September 2009, Ofgem circulated an e-mail template to outline the information required to make an interim submission.

2.7. One supplier was concerned that it would not be in a position to define a complete list of measures at scheme submission.

2.8. Ofgem response: The Order requires suppliers and generators to notify Ofgem within a month of commencing the work of measures they intend to promote and Ofgem can only approved the notified measures. Suppliers and generators can add additional measures to a scheme throughout CESP, and these should be notified to Ofgem as a scheme resubmission.

Resubmissions

2.9. Clarification on the resubmission process was requested by one supplier.

2.10. Ofgem response: Suppliers or generators wishing to add further measures or delivery routes to their existing schemes will be required to make a scheme resubmission to Ofgem. The resubmission will also be required if the scheme is to target another area, which is not covered by the existing local authority. Suppliers and generators will submit the CESP scheme pro forma covering the changes/additions to the existing scheme and provide a letter from a local authority, if required. The resubmissions will be looked at in accordance with the scheme submission schedule.

Local authority letter

2.11. Five suppliers thought that Ofgem should provide a letter template for local authorities to aid the submission process.

2.12. Ofgem response: This will be provided to suppliers and generators.

2.13. There was a concern that a letter from a local authority might be difficult to obtain when making a scheme submission to Ofgem. A generator asked whether Ofgem would engage with local authorities to help suppliers and generator obtain this information.

2.14. Ofgem response: The Order requires that a letter from a local authority is obtained before making a scheme submission to Ofgem. We suggest that Ofgem is informed of any difficulties that a supplier or generator is facing, so these can be fed to DECC.

2.15. One supplier asked whether a Registered Social Landlord (RSL), rather than a local authority, in whose properties measures will be installed could write to confirm that they have been consulted on the measures to be installed.

2.16. Ofgem response: The Order sets out that a letter must be received from a local authority. The definition of local authority provided in the Order does not cover RSLs.

CESP Scheme Notification pro forma

2.17. A supplier and a generator commented that the CESP Scheme Notification pro forma needs to be easy to populate to facilitate administration. One other stakeholder suggested that Ofgem holds an open meeting to discuss the design and content of the pro forma.

2.18. Ofgem response: The CESP Scheme Notification pro forma will be based on that used for CERT. Suppliers and generators will be able to select measures they plan to deliver and a type of delivery route and the pro forma will generate the appropriate set of questions. Instructions on how to use the pro forma will also be provided. As proposed in the consultation, Ofgem will meet with suppliers and generators to present the pro forma and other tools to make sure that all spreadsheets are aligned with their suppliers' and generators' management systems. Other parties are encouraged to feedback on Ofgem's tools at any time to cesp@ofgem.gov.uk.

3. Submissions of completed actions

This chapter details the responses to Ofgem's proposals relating to submissions of completed actions.

Progress reports

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

3.1. We received eight responses to this question from suppliers and other stakeholders. All suppliers agreed to submit schemes either covering one LSOA or Data Zone or one local authority with multiple LSOAs or Data Zones. Other stakeholders welcomed this proposal.

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

3.2. Out of nine respondents, six did not support a specific deadline for submitting progress reports for reconciliation. Four suppliers commented that the progress against the obligation would be monitored internally to ensure compliance with the obligation. The respondents expressed the following concerns with the requirement to submit progress reports for a deadline:

- the timetable for submitting progress reports should be discussed with each supplier individually to take account of their individual delivery plans
- suppliers were not in a position to commit to the banking timetable as they needed the ability to move measures between CERT and CESP, and
- this requirement would add more administrative burden on energy companies and may duplicate six-monthly reports.

3.3. Ofgem response: Suppliers are strongly encouraged to bank their activity regularly. This will help facilitate the reporting process for suppliers, generators and Ofgem. Ofgem will liaise with the energy companies individually to agree a banking timetable. This arrangement will not be enforceable.

3.4. It was suggested that the deadline for submitting progress reports should be aligned with the deadline for submitting trade requests to Ofgem.

3.5. Ofgem response: This is a useful suggestion and Ofgem has adopted this proposal. From 1 October 2012, Ofgem will only accept completion reports from suppliers and generators.

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

3.6. Collectively, six respondents provided the following suggestions for analysis of the effectiveness of CESP:

- the impact of uplifts on actual carbon savings
- the results of customer satisfaction monitoring
- technical monitoring findings
- an estimate of customer financial savings
- the geographical spread of CESP and the evaluation of an area based approach
- the number of measures installed
- the effectiveness of delivery partnerships, including the impact of community engagement, and
- the effectiveness and impact of HEA.

3.7. There were mixed views from suppliers about providing additional data to Ofgem to carry out this assessment. Some thought that providing more data to Ofgem would add to the administrative burden whereas others were willing to do so.

3.8. It was suggested that the data requirements and the timetable for providing this information should be defined within the Generator and Supplier Guidance.

3.9. One supplier thought that such an assessment should be carried out by a third party rather than Ofgem to provide an independent view on the effectiveness of CESP.

Format and timetable for notification of completed schemes

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.

3.10. There was general support for this proposal.

3.11. A supplier requested clarity on the processes for submitting sensitive information to Ofgem. Half of the respondents suggested that a secure online system should be used to submit household information. It was proposed that a working group should be set up to ensure that an online system is implemented in a timely manner.

3.12. Ofgem response: We are looking into options for handling submissions of sensitive information and will communicate our decision in due course.

3.13. One supplier was particularly supportive of Ofgem estimating a reduction in carbon emissions including all bonuses at the time of banking.

3.14. One supplier requested clarification on how Ofgem would calculate whether a supplier or generator has exceeded the limits on loft insulation, cavity wall insulation and HEA.

3.15. Ofgem response: We will compare an unadjusted lifetime reduction in carbon emissions achieved from loft insulation, cavity wall insulation and HEA with the supplier's or generator's obligation. If the lifetime reduction in carbon emissions achieved from loft insulation or cavity wall insulation across all schemes is 4 per cent or more of the supplier's or generator's obligation, the excess measures will not be qualifying action and the energy company will be asked to remove those measures from its scheme(s). Similarly, if the lifetime reduction in carbon emissions achieved from HEA across all its schemes is 1 per cent or more of the supplier's or generator's obligation, the energy company will be asked to remove excess measures from its scheme(s).

4. Reporting

This chapter details the responses to Ofgem's proposals relating to ongoing reporting of suppliers' and generators' activities and auditing of schemes.

Reporting

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.

4.1. There was general support for reporting on the estimated reduction in carbon emissions attributed to all approved schemes and the number of key insulation, heating and microgeneration measures every six months. However, some respondents thought that Ofgem's proposal was additional to the reporting requirements set out in the Order while others considered that a more demanding level of reporting was required to analyse how the programme is being delivered.

4.2. One supplier suggested that reporting on the number of measures should not be broken down by scheme.

4.3. Ofgem response: Ofgem has adopted the proposal in the consultation and will require suppliers and generators to provide the estimated reduction in carbon emissions per scheme including and excluding the relevant bonuses and the number of key measures delivered every six months. Suppliers and generators will be given an option to report on the number of key measures either per scheme or overall per period. In addition, Ofgem proposes to collect information on the number of households benefiting from CESP measures in each period.

Bonuses

4.4. Suppliers offered mixed views on whether the six monthly data should take account of the relevant bonuses. Two suppliers supported applying bonuses but asked for more clarity on how this should be managed.

4.5. Three suppliers voiced concerns that they would not be in a position to calculate the relevant bonuses when reporting on their activity to date and suggested that the six monthly data should exclude the bonuses. One supplier commented that half-yearly reports might not fully demonstrate compliance at a given point in time if reductions in carbon emissions reported were inclusive of estimated bonuses.

4.6. The suppliers thought that Ofgem should determine an average uplift and apply it to their estimated figures provided by the energy companies to reflect the bonuses; however, one supplier was against that approach and said that bonuses should be calculated individually.

4.7. One supplier suggested that the six monthly data should include a banked reduction in carbon emissions with all bonuses applied as well as the estimated reduction in carbon emissions from activity to date excluding the bonuses.

4.8. Ofgem response: The Order requires Ofgem to report to the Secretary of State on each energy company's progress against its obligation. To enable Ofgem to present a realistic picture of the suppliers' and generators' progress to the Secretary of State, the reductions in carbon emissions reported need to include the relevant bonuses. To make reporting more robust, energy companies will also be asked to provide the unadjusted reductions in carbon emissions.

Reporting timetable

4.9. Two suppliers requested that the deadline for returning the completed reporting pro forma is extended from two to three weeks of its receipt.

4.10. Ofgem response: The reporting deadline will be on the 10th working day following the receipt of the pro forma.

4.11. One supplier suggested that the timescale for reporting should be aligned with CERT.

4.12. Ofgem response: The deadline for submitting completed reporting pro formas for each period coincides with CERT reporting deadlines, where possible. For example, the deadline for submitting reporting pro formas for Period 1, Period 2 and Period 3 in CESP is aligned with the CERT reporting deadline for Quarter 7, Quarter 9 and Quarter 11 respectively.

4.13. One respondent added that the reporting process should enable the suppliers to decide whether their measures are reported under CERT or CESP.

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.

4.14. Ofgem received seven responses to this question. The respondents were generally supportive of half-yearly reports on the suppliers' and generators' progress against their CESP targets. However, there were mixed views amongst the respondents as to the provision of additional data. Two suppliers offered to provide more data ad hoc, if required, but some respondents considered this as an additional administrative burden.

4.15. One supplier and two other respondents suggested that in addition to the suppliers' and generators' overall progress against their CESP targets, the six monthly newsletter should include the following:

-
- the analysis of non-carbon benefits
 - the geographical spread of areas targeted
 - details on how CESP is delivered
 - details on how CESP is marketed to communities and what the response to the marketing is
 - the analysis of the technical performance of the measures
 - the analysis of customer satisfaction
 - the analysis of fuel savings, and
 - the effectiveness and impact of HEA.

4.16. Ofgem response: Detailed analysis of CESP will be carried out annually as part of reporting to the Secretary of State. Six monthly reports will give an update on how suppliers and generators are progressing against their carbon emissions reduction targets.

Auditing

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

4.17. There was general support for auditing of schemes amongst the respondents. Two respondents recommended the inclusion of property visits. It was also suggested that the process should include an interview with a community partner. However, five suppliers expressed concerns about visiting recipient properties as an addition to the auditing process. The suppliers did not foresee what additional benefits this type of audit would bring and also highlighted that they would need to agree this with their partners.

4.18. Respondents made additional comments in relation to the auditing process. One generator asked how many participants would be audited during the course of CESP and when auditing is likely to take place.

4.19. Ofgem response: Auditing is a very important aspect of the CESP administration and will be undertaken to address all aspects of generators and suppliers' schemes. It will provide assurance to Ofgem that the programme is delivered effectively. Each energy company that has set up schemes to comply with its obligation will be audited. The auditing regime will include 'lessons learned' from reviewing schemes and auditing other programmes, and recommendations from an independent CESP fraud risk review, which is being undertaken at the moment. We will take the respondents' comments on board when finalising the format and timing of audits.

General comment

4.20. One supplier commented that the risk assessment of CESP should review the safeguards that each energy company has in place to eliminate double counting.

4.21. Ofgem response: This is a useful suggestion and the review of safeguards to eliminate double counting between CERT and CESP will be considered as part of the auditing process.

5. Monitoring

This chapter details the responses to Ofgem's proposals relating to monitoring requirements of measures installed by suppliers and generators.

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

Technical monitoring

5.1. Seven responses were received to this question with a view that the proposed monitoring requirements were appropriate; however, the respondents made some suggestions for amendments and asked for clarification to some of the proposed requirements.

5.2. Two suppliers suggested that it may not always be practical to inspect each property within two months of an installation.

5.3. Ofgem response: Suppliers and generators are encouraged to inspect properties within two months of installation. Ofgem is mindful that this might not always be practical and hence this is not a requirement.

5.4. One supplier asked for an amendment to the wording of some of the technical monitoring questions and a review of the classification of failures. Of particular concern was the fact that a lack of CIGA guarantee at the time of inspection warrants a re-inspection in our proposal.

5.5. Ofgem response: Where appropriate, we have adopted some suggestions to the wording of technical monitoring questions. All installations of cavity wall insulation must be covered by CIGA or a manufacturer's guarantee. If the guarantee has not been received by the householder at the time of inspection, suppliers and generators must ensure that the guarantee has been received at a later date. Ofgem considers that suppliers and generators do not need to re-inspect the property, but are required to contact the consumers to ensure that the guarantee has been received.

5.6. One supplier advocated the view that being a member of a recognised certification scheme for insulation should supersede the 5 per cent technical monitoring requirement.

5.7. Ofgem response: Ofgem needs to be satisfied that the proposed certification scheme provides an equivalent replacement of technical monitoring inspections. The supplier is encouraged to contact Ofgem with more information about the scheme. Until an alternative is found, technical monitoring on 5 per cent of installations will be required.

5.8. One respondent commented that in addition to a surveyor quality check, recipient properties should receive a post installation SAP assessment. The respondent also suggested that the improved thermal performance of homes which received multiple measures should be measured.

5.9. Ofgem response: The Order does not make provision for carrying out a SAP assessment of the property or measuring its thermal performance post installation. It requires Ofgem to ensure that the measures installed lead to a reduction in carbon emissions. Inspecting a sample of recipient properties will provide the assurance of the quality of installation.

Combined Heat and Power

5.10. Three suppliers and one other respondent highlighted that it might not be possible to obtain a Combined Heat and Power Quality Assurance (CHPQA) certificate for all schemes and asked Ofgem to relax the requirement of providing a CHPQA at completion.

5.11. Ofgem response: Where possible, suppliers and generators should obtain a CHPQA; however, if it is not available in time for the scheme completion, suppliers and generators should contact Ofgem to agree an alternative verification that the district heating system is fully operational.

Customer satisfaction

5.12. One respondent commented that the level of customer satisfaction monitoring should be carried out at a higher level than was proposed; however it was not clear from the response what the increased level should be.

Customer utilisation

5.13. It has been suggested that the proposed level of monitoring for customer utilisation for HEA was too high. The supplier thought that 1 per cent would be sufficient.

5.14. Ofgem response: Ofgem considers that a robust sample of recipients of HEA should be monitored to evaluate whether the reduction in carbon emissions is being realised. A robust sample either represents 5 per cent of the population or is statistically significant with confidence level of 95 per cent with a confidence interval of 1.

General comments

5.15. One supplier proposed that monitoring results are shared by the companies.

5.16. One supplier was unclear on why monitoring should be carried out across all delivery routes.

5.17. Ofgem response: It is essential that monitoring represents a robust sample across all activities and for this reason we require that each installer/delivery route is monitored.

5.18. One supplier suggested that monitoring requirements for new products are considered on a case by case basis.

5.19. In its consultation, Ofgem set out monitoring requirements for the eligible measures under CESP. If the Order is amended to make provision for new measures, Ofgem will consider appropriate monitoring requirements for these measures.

6. Other issues

This chapter details the responses referring to issues that relate directly to the Order, which Ofgem has no discretion over. These issues have been forwarded to DECC. In addition, this chapter details general issues that have been raised in the responses.

DECC issues

6.1. One supplier was disappointed with the limited technologies available and that some measures in the mix do not have a prescribed carbon score.

6.2. One supplier sought clarification on how the limits on the number of loft insulation, cavity wall insulation and HEA measures were derived.

6.3. One respondent was concerned that the provision of HEA was capped at 1 per cent of each energy company's obligation.

General issues

Obligation setting

6.4. One generator asked for making each generator's obligation publically available.

6.5. Ofgem response: This information is commercially sensitive and Ofgem is not in a position to release it.

6.6. Two generators suggested that trades between two companies and trades between two licensees within the same group should be considered in a different manner; the group trade should be given less scrutiny.

6.7. Ofgem response: The Order sets out how Ofgem deals with trade requests and does not make specific provisions for trading within a group or between companies. Ofgem will administer trade requests as set out in article 21 of the Order.

6.8. One generator commented that CESP compliance should be determined on a group obligation basis.

6.9. Ofgem response: The Order defines an obligated party and Ofgem will monitor CESP compliance on this basis.

Delivery of measures

6.10. Three respondents thought that Ofgem's proposal did not sufficiently address the involvement of communities in CESP delivery.

6.11. Ofgem response: The Order does not make provision for a specific delivery route or partnership to promote measures to consumers. This gives suppliers and generators complete flexibility in how they deliver measures. The Order, however, stipulates geographical areas to be targeted and encourages suppliers and generators to install more than one measure in a home and to target as many properties as possible in the same area. Ofgem will administer CESP on this basis.

6.12. One respondent advocated a view that the primary focus of CESP should be directed towards improving the existing housing stock.

6.13. Ofgem response: The CESP Order makes provision for improvements to the existing housing stock as well as new build properties. Although retrofit measures are expected to prevail, Ofgem will administer CESP as set out in the Order.

Other issues

6.14. A supplier and one other respondent asked for more clarity on how CESP will interact with other policies, such as the Feed-In Tariffs and the Renewable Heat Incentive.

6.15. Ofgem response: When delivering measures under CESP, suppliers and generators will be required to demonstrate how their funding has led to the uptake of measure(s) to ensure that there is no double counting.

6.16. One supplier was looking for clarity on what constitutes a penalty.

6.17. Ofgem response: Ofgem may take action if it has grounds to believe that a supplier or a generator is contravening or is likely to contravene a relevant requirement. Such action may be by way of an order for securing compliance. Where a supplier or generator has contravened or is contravening a relevant requirement, Ofgem may take action by the imposition of a penalty of up to 10 per cent of the energy company's global turnover. This is stipulated in Part I of the Electricity Act 1989 and Part I of the Gas Act 1986. The penalty imposed on the energy company would be proportionate to how the relevant requirement had been contravened.

6.18. One supplier raised a concern regarding Ofgem resourcing, whether the CESP team would be able to manage a large number of schemes within the scheme submission schedule outlined in the consultation document.

6.19. Ofgem response: Ofgem will carefully assess whether additional resources are needed to support the administration of CESP to ensure that the workload can be managed.

Appendices

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Appendix 1 - List of Respondents

List	Name
1	Association for the Conservation of Energy
2	British Gas
3	E.ON
4	EDF Energy
5	Energy Retail Association
6	Energy Saving Trust
7	Groundwork
8	InterGen
9	International Power
10	Kirklees Neighbourhood Housing
11	npower
12	Scottish and Southern Energy
13	Scottish Power

Responses received by Ofgem which were not marked as being confidential have been published on the Ofgem website www.ofgem.gov.uk. Copies of non-confidential responses are also available from Ofgem's library.

Appendix 2 - Consultation Questions

In its consultation document (98/09), Ofgem sought views on issues relating to the proposed administration of CESP. The specific questions are set out below:

CHAPTER: One

There are no specific questions relating to this chapter.

CHAPTER: Two

This chapter refers to the definitions and framework described in the Order, hence there are no specific questions relating to this chapter.

CHAPTER: Three

Respondents are invited to comment on the following questions:

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 CESP.

Question 2: Do we need to consider any additional safeguards to those proposed for CERT for the provision of the Home Energy Advice (HEA) to consumers with the lowest income decile?

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

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

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

CHAPTER: Four

Respondents are invited to comment on the following question:

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

CHAPTER: Five

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

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

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

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

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.

CHAPTER: Six

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

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.

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.

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

CHAPTER: Seven

Respondents are invited to comment on the following questions:

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

CHAPTER: Eight

There are no specific questions relating to this chapter.

Appendix 3 - The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.³

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly⁴.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of existing and future consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met
- the need to secure that all reasonable demands for electricity are met
- the need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁵
- the need to contribute to the achievement of sustainable development, and
- the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁶

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

³ entitled "Gas Supply" and "Electricity Supply" respectively.

⁴ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

⁵ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

⁶ The Authority may have regard to other descriptions of consumers.

-
- promote efficiency and economy on the part of those licensed⁷ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
 - protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity; and
 - secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- the effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation⁸ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

⁷ or persons authorised by exemptions to carry on any activity.

⁸ Council Regulation (EC) 1/2003

Appendix 4 - Glossary

C

CERT	Carbon Emissions Reduction Target
CESP	Community Energy Saving Programme
CHP	Combined Heat and Power
CHPQA	CHP Quality Assurance
CIGA	Cavity Insulation Guarantee Agency
DECC	Department of Energy and Climate Change

E

EST	Energy Saving Trust
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H

HEA	Home Energy Advice
HEED	EST's Home Energy Efficiency Database

I

IMD	Index of Multiple Deprivation
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L

Lower Super Output Area	specified areas in Great Britain with the lowest decile of Index of Multiple Deprivation
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O

Order	The Electricity and Gas (Community Energy Saving Programme) Order 2009
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R

RSL	Registered Social Landlord
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S

scheme	a description of action proposed or undertaken
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U

U-value	the measure of heat transmission through the wall ($\text{W/m}^2\text{K}$)
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Appendix 5 - Feedback Questionnaire

1.9. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- Does the report adequately reflect your views? If not, why not?
- Does the report offer a clear explanation as to why not all the views offered had been taken forward?
- Did the report offer a clear explanation and justification for the decision? If not, how could this information have been better presented?
- Do you have any comments about the overall tone and content of the report?
- Was the report easy to read and understand, could it have been better written?
- Please add any further comments.

1.10. Please send your comments to:

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