

Community Energy Saving Project

Issue 2 / October 2010

Update

In this second edition of the half-yearly newsletter, we present key trends seen in the CESP activity proposals which Ofgem has received from the obligated energy companies to the end of August 2010. These trends include a regional analysis – shown below - and charts presenting the key measures set for delivery under the programme.

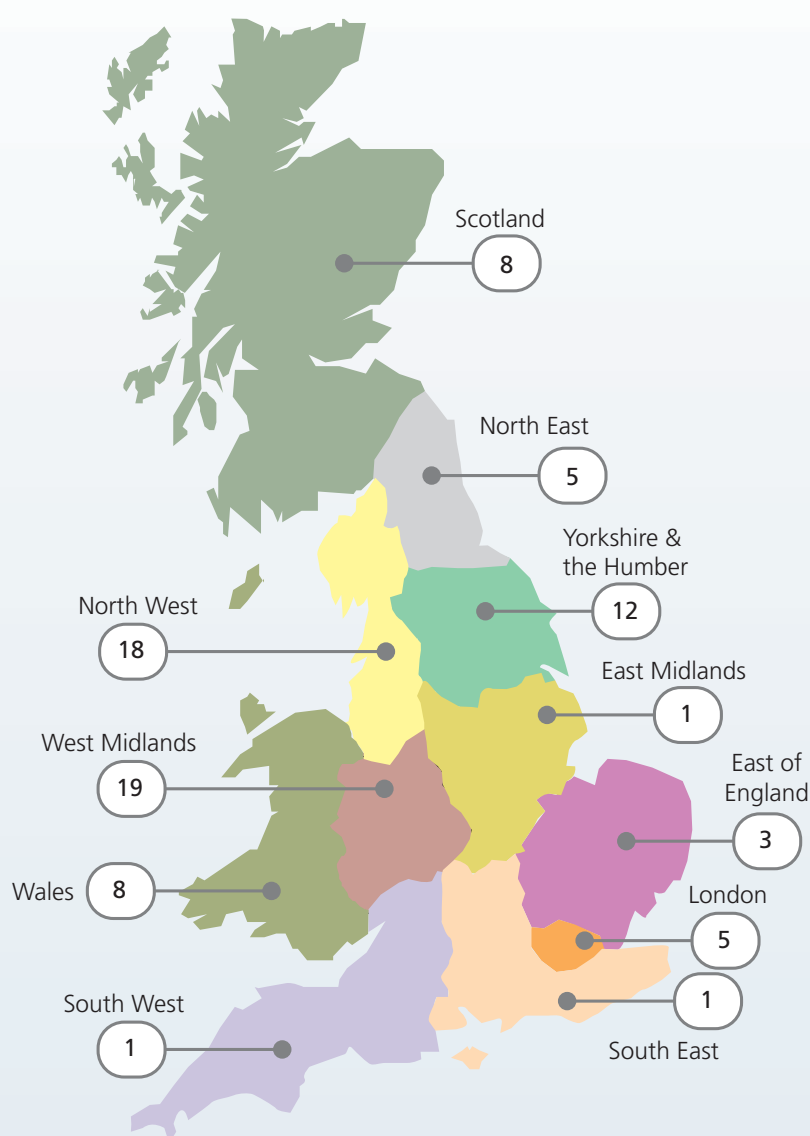
Headlines:

- At the end of August, Ofgem had received 81 proposals of activity from obligated energy companies. Around a quarter of these are live with activity having started.
- Submissions include those from electricity generators - who have not had an obligation under previous energy efficiency programmes.
- Solid wall insulation is the most frequently proposed measure, with 91% of schemes including this measure.
- Of the 11 GB regions, all now have proposed CESP activity. The West Midlands has the highest number of proposals.
- Around half of schemes (47%) include a proposal to work with private householders.

CESP facts:

- CESP target is 19.25 Mt (lifetime) CO₂
- Delivery of measures to the most deprived areas in Great Britain
- Incentives for the promotion of solid wall insulation, heat generation technologies, micro CHP and replacement of G-rated boilers
- Incentives for a 'whole house' approach
- Incentives for targeting more than 25 per cent of the properties in an area

Chart 1: Number of scheme activity proposals submitted to Ofgem by obligated energy companies in each region of Great Britain.



Scheme Proposals

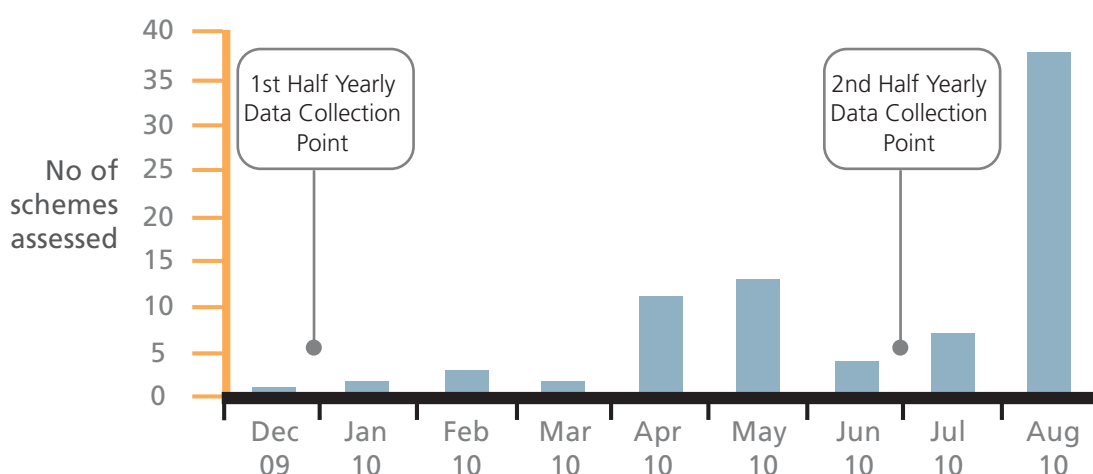
A key role for Ofgem in our administration of CESP involves the review of 'scheme proposals' from the obligated energy companies. These proposals detail the measures which the companies intend to deliver – including where and how they intend to deliver them. These must be submitted to Ofgem for our scrutiny and approval, in a process which can take a number of weeks. Some companies may choose to wait for Ofgem approval before they start delivering measures to householders. Others have chosen to press ahead.

Chart 2 shows the number of proposals submitted each month by the energy companies since late 2009. This clearly shows that submission of scheme proposals has increased since April this year.

Every six months at a pre-determined point energy companies report their delivery progress to us against Ofgem approved schemes only .

At the second half-yearly data deadline, the majority of schemes had not submitted sufficient information to allow approval. Furthermore, there has been an increase in submissions after the deadline. We expect many of these schemes to reach approval this autumn and therefore, this second edition of the CESP Update presents key trends found in the 81 activity proposals received to the end of August.

Chart 2: Number of scheme activity proposals submitted to Ofgem since the beginning of the programme.



Regional Analysis

Chart 1 (front page) shows the number of schemes that have been submitted for each of the GB regions. This provides an early indication of where in the country activity is taking place. Schemes

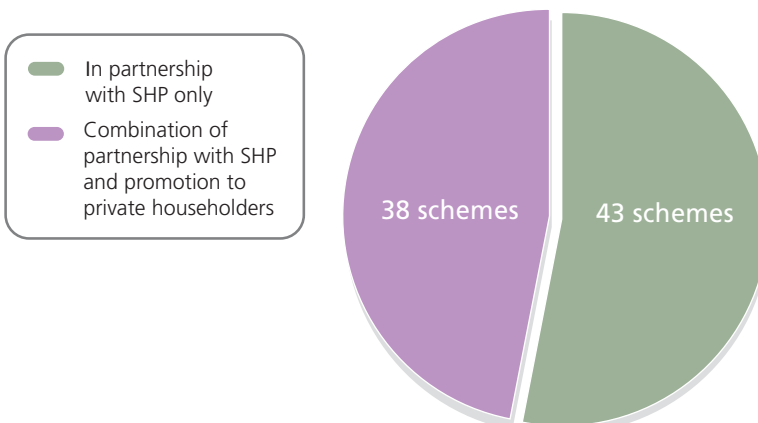
can be of very different sizes – for example one scheme may be quite large - covering a number of LSOAs and resulting in very high carbon savings - whereas another may be much smaller.

Tenure Analysis

Chart 3 provides a basic yet significant picture of the type of households which energy companies are intending to work with. Whilst there have been no scheme submissions to date which propose only to work with private householders, half of them detail delivery routes which incorporate both private and social tenure dwellings.

Furthermore, Ofgem has been notified that some early CESP schemes - initially intended to target social housing households – have been extended to include private tenure households.

Chart 3: Proportion of schemes with activity proposed to different tenure groups.



Measure Analysis

Chart 4 shows the key insulation measure trends that we are seeing in the proposals. Solid wall insulation has been proposed in 91% (74) of schemes. Also, energy efficient glazing has been proposed for half of all schemes so far submitted. This is a significant change

for glazing compared to the Carbon Emissions Reduction Target (CERT). Furthermore, loft and cavity wall insulation – which are the predominant insulation measures in CERT – are only proposed in 49% and 33% of CESP schemes respectively.

Chart 4: Proportion of schemes proposing to promote key insulation measures, to the end August 2010

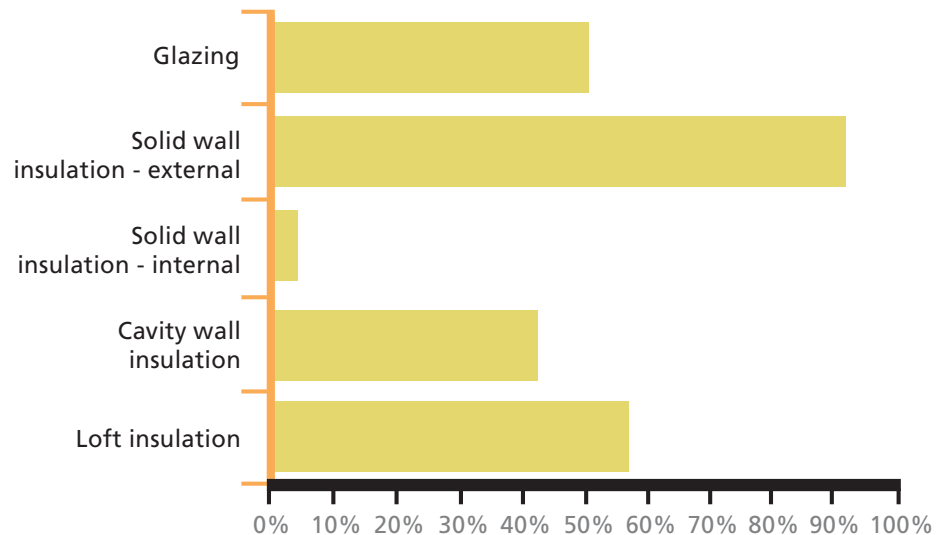
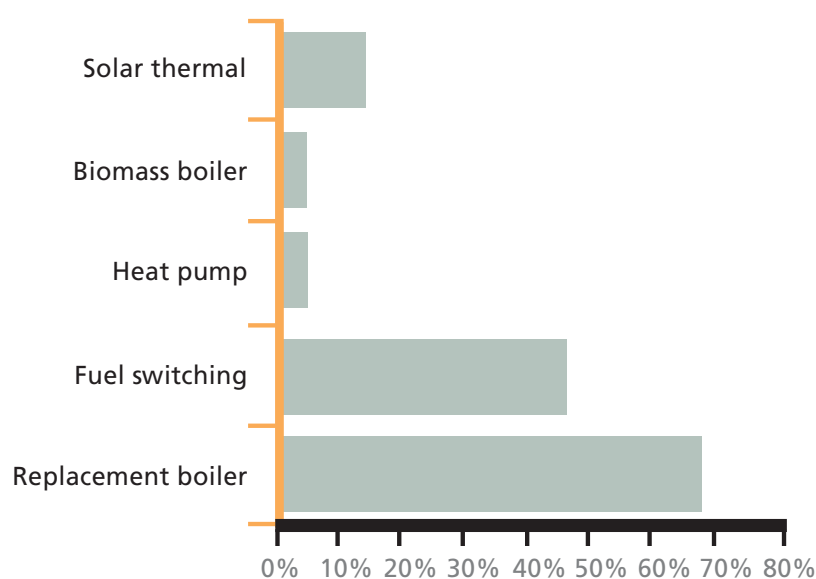


Chart 5 shows the key heating measure trends we are seeing in the proposals. Whilst it is clear that the microrenewable heating measures are being proposed in some projects, replacement

conventional boilers and fuel switching are seen much more frequently across the programme.

Chart 5: Proportion of schemes proposing to promote key heating measures, to the end August 2010



What is the Community Energy Saving Programme?



The Community Energy Saving Programme 2009-2012 (CESP) places a domestic carbon reduction obligation on energy companies to help families reduce energy bills.

It will run between 1 October 2009 and 31 December 2012. CESP sets an obligation on energy suppliers with 50,000 or more domestic customers to reduce carbon emissions. Electricity generators who have generated on average 10 TWh/yr or more over three years are also required to meet a carbon reduction obligation, by promoting a range of energy efficiency measures to domestic energy users. The government set the overall carbon emissions reduction target for CESP at 19.25 million tonnes of lifetime carbon dioxide. Half of this overall target, 9.625 million tonnes of lifetime carbon dioxide, is imposed on the qualifying generators and the remaining half is imposed on the qualifying suppliers.

Under CESP, energy companies have an obligation to deliver energy efficiency measures to the most deprived areas in Great Britain. The eligible areas are defined as those within the lowest income decile under the Index of Multiple Deprivation in England and Wales and the lowest 15 per cent in Scotland.



The energy companies are incentivised to promote solid wall insulation, heat generation technologies and micro CHPs to consumers living in those areas. They are also encouraged to replace G-rated boilers to help reduce carbon emissions from domestic households. CESP has been designed to promote a 'whole house approach', where energy companies receive an incentive for installing multiple energy efficiency measures in the same property. Energy companies are also eligible for an 'area bonus' for targeting more than 25 per cent of properties in a particular area.

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The contact details for those suppliers with a CESP obligation are available from the Ofgem website:
www.ofgem.gov.uk/cert