

LCNF Full Submission

Supplementary Answer Form

DNO Name:	SHEPD	Question Number:	SSE012
Question Date:	16/09/10	Answer Date:	20/09/10
Question Topic:	Risk management		

Original Question No:		Original Answer Date:	
Original Question:			
Original Answer:			

Question:	<p>'One of the risks mentioned is getting the level of payment to customers correct; can you elaborate on how you would adapt the project if your current assumptions do not hold?'</p> <p>see answer overleaf</p>
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Answer:

Domestic customers

Replacing existing space and water heating systems in households in Shetland with the new more efficient models we propose will deliver an estimated 15% energy saving on heating , we believe this is a significant incentive for customers to participate in the scheme. The new heating systems will also provide increased levels of comfort by delivering heat in a more controllable way throughout the day, compared to the existing systems.

Our proposed additional payments are intended to be a further incentive, should one be needed, for participation in the scheme. The level of £250 per year per household has been identified as an upper limit, representing a further saving of almost 20% on heating costs. We believe this is sufficient to ensure participation of almost all households and that it is unlikely we will have to revise payments upwards.

If, however, the project reveals that higher levels of payment are required to secure participation, this will in itself be a significant learning point, indicative of an unexpected level of resistance to employing new technologies. If this occurs, we will revise the number of households participating in the scheme to a level that reduces total payments to the planned maximum level, while still providing valid learning.

In the extremely unlikely event that the level by which we must reduce participation in the scheme unacceptably affects the quality of learning, we would consider increasing payments. If this could not be covered by costs savings elsewhere, and significantly increased project costs as a whole we would discuss the issue with Ofgem prior to making a final decision on the matter.

Industrial customers

Understanding the level of support required to encourage customers to participate in DSM schemes is one of the essential parts of the learning from the project.

The level of payment we propose for commercial customers reflects the need to provide an incentive to customers and to provide a 'buffer' from any additional charges levied by energy suppliers due to the perceived increase in the uncertainty of the customers' profile. individual payments will be related to projected consumption. We believe that after the scheme has been operating for a period of time, customers will have a trading history which should allow them to approach the market with confidence and any additional costs will reduce. However, this remains to be "tested" and may need to be altered depending upon feedback from customers.

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Attachments:	
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