

To: CERT obligated suppliers

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*Promoting choice and  
value for all customers*

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Dear supplier

## **CERT: the accreditation of CFLs**

### **Background**

Under the CERT scheme suppliers are permitted until 31 March 2011 to promote compact fluorescent lamps (CFLs) to consumers through retail outlets. To date more than 270 million lamps<sup>1</sup> have been delivered through CERT. Given this and the concerns expressed by Ministers and stakeholders about the inclusion of CFLs in the scheme, on 3 December 2010, we issued an open letter. We said that in light of the concern that the lamps being promoted were not being installed we would no longer base our determination on the assumption that all retail CFLs were being installed. We stated that to test this assumption, we would require the energy companies to monitor retail CFL activity between January and March 2011 and provide evidence to us. We also made clear our intention that our statutory determination of carbon emissions reductions attributable to CFLs promoted between 1 January 2011 and 31 March 2011 would take account of the results of the monitoring.

Suppliers were requested to provide views and comments on the letter by 21 January 2011. The ERA responded twice on behalf of energy suppliers, once on 24 December and again on 20 January. We also held a meeting with the ERA and energy suppliers on 12 January to discuss the proposal. In addition we received a letter on 10 February from one energy supplier which stated its support for the ERA letters.

### **Overview of responses**

The principal concern raised by the companies was that the change proposed created uncertainty in the administration of the CERT scheme and if implemented would undermine the suppliers' investments, and thus create market risk leading to additional cost. While we do not necessarily accept that a requirement for monitoring CFL activity does create significant uncertainty or market risk, we understand the desire for the CERT programme to be administered on the basis of certainty. However, we have a duty to ensure that carbon savings attributed to the measures promoted are based on the savings that are actually realised. Given our functions under article 19 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008 ("the Order") in this respect we therefore do not consider that the arguments put forward around uncertainty and market risk (even if there were significant uncertainty or market risk) provide a basis for not carrying out the monitoring.

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<sup>1</sup> Based on quarterly monitoring data submitted by suppliers to Ofgem for measures promoted to December 2010.

Suppliers also argued that a retrospective change in the programme was not welcome as the policy and consultation were not robust, and that Ofgem was micro-managing the issue. Suppliers also stated that there have been extensive consultations in the past on CFLs where this proposal could have been raised.

We have considered carefully the suggestion that the change is retrospective, but do not consider it to be so. Among other matters, it appears to be in part based on a misunderstanding of the process of determining carbon emissions reductions under the CERT Order. In particular, it is not strictly correct that, as stated by the ERA in their letter of 20 January 2011, "Ofgem calculates the carbon at the point of scheme approval". The calculation made at the time an action is approved is an "estimation", pursuant to article 15(1) of the Order. The final "determination" of the carbon emissions reduction (pursuant to article 19(2)(b)) is not made until suppliers provide their final notifications of completed actions under article 19(1).

Ofgem wrote to the energy suppliers on 3 December 2010 clearly stating the concern with retail CFL activity in CERT, and stating that we would no longer base our determination on our earlier assumption that all retail CFLs were being installed. The letter went on to say that in order to test that assumption we would be requiring suppliers to conduct monitoring. Suppliers were given until 21 January 2011 to respond. As such we consider the consultation process robust.

In terms of earlier opportunities to implement monitoring suppliers are aware that concerns have been raised previously and that DECC acted by first removing direct CFLs from the programme (from 1 January 2010) and then by removing all CFLs from the CERT for the extension (from 1 April 2011). Further concerns were raised with Ofgem as to whether our assumptions about retail CFLs being installed were correct and hence we chose to act. If the monitoring shows that CFLs are being installed, then naturally they will be attributed the same "score" as has been used to the end of December 2010. As for "micro-managing", as is set out further below, we are content for suppliers to put forward the basis for their monitoring programme or programmes.

In terms of Better Regulation we consider that the principles of consistency, predictability, and transparency have been met as we have consulted with suppliers, advising them in advance of our intentions.

Suppliers questioned whether such an exercise could be conducted within appropriate timeframes and at a reasonable cost. We have spoken with experts at DECC and also with Ipsos Mori regarding what could be achieved within the timeframe and consider that a suitably appropriate monitoring exercise is achievable, and at a reasonable cost. To this end we have suggested to suppliers some of the options that may be available to them in this letter.

We are aware of the recent Lighting Association survey and report, but to date we have only received headline figures from this. Also, we are not presently satisfied that this data is appropriate as we are looking for retail sales of CFLs to be monitored whereas the Lighting Association study, as far as we are aware, includes CFLs that may have been received through a free mail-out. We also do not consider that the suppliers' offer to provide sales data addresses the question of whether the lamps sold have actually been installed. If suppliers wish to refer us to the Lighting Association survey and report in conjunction with information obtained by monitoring, we would remain willing to consider on the merits any such representations as may be made.

## **Decision**

Having carefully considered all the arguments put forward by the energy suppliers we maintain our position that a monitoring exercise must be conducted.

CERT obligated energy suppliers promoting CFLs through retail outlets are therefore required to submit evidence from the monitoring of retail CFL activity promoted as qualifying actions in the period 1 January – 31 March 2011 to determine the proportion of lamps that are actually installed. The results of this monitoring will be applied to retail CFL claims made by suppliers, for activity between 1 January and 31 March 2011.

The requirement to provide this monitoring information is made pursuant to article 16 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008 (as amended).

## **Monitoring exercise**

Suppliers should respond to this letter with details as to how they intend monitoring retail CFL activity, by 2 March 2011. The results of the monitoring should be provided in writing to Ofgem no later than 31 May 2011. It is noted that suppliers jointly responded to our 3 December letter through the ERA letters. Similarly suppliers may wish to conduct such monitoring jointly.

It is for the suppliers to decide how monitoring can best be achieved. Clearly it is important that a statistically significant sample size be achieved, that this sample be representative of Great Britain, and that the results be robust. In addition it is essential that the questions used in the monitoring exercise are appropriate.

There are a number of available options open to suppliers, to achieve this within the timeframes outlined above, including those listed below:

- Taking part in a regular Omnibus Survey(s).
- In-store staff asking questions of consumers purchasing CFLs.
- Direct customer contact – via telephone.
- Online access panel – emailing consumers to take part in a survey.

The purpose of the monitoring exercise is to establish the percentage of retail CFLs installed by consumers. The questions therefore should focus on whether CFLs have been purchased since 1 January 2011, and whether they have been installed – not whether they will be installed.

Should you have any questions or require any further clarification then please contact me.

Yours sincerely

Steve McBurney  
Head of Energy Efficiency