A review of the Energy Efficiency Commitment 2002 – 2005

A report for the Secretary of State for Environment, Food and Rural Affairs

August 2005

Summary

This report fulfils Ofgem's reporting duties to the Secretary of State for Environment, Food and Rural Affairs under the Energy Efficiency Obligations Order 2001. In addition to reporting on each supplier's performance, as required, Ofgem has included extra analysis that we consider will help inform Defra's review of the Energy Efficiency Commitment in 2007.

The Energy Efficiency Commitment 2002-2005 (the EEC) required electricity and gas suppliers to achieve an energy savings target of 62 TWh in domestic households in Great Britain between 1 April 2002 and 31 March 2005. At least 50% of the target had to be met in relation to a Priority Group of consumers, defined as those in receipt of certain income-related benefits and tax credits.

The overall target was set by Defra. Ofgem was required to administer the programme. The EEC is the Government's key energy efficiency policy for existing households and Defra expected it to curb domestic carbon dioxide emissions by 1% per annum. The EEC has also made a contribution to alleviating fuel poverty through targeting at least half of the energy savings towards the Priority Group.

Twelve supplier groups were set a target under the EEC: Atlantic Electric and Gas, British Gas, Cambridge Gas, Dee Valley, EDF Energy, npower, Opus Energy, Powergen, Scottish and Southern Energy, Scottish Power, Telecom Plus and TXU Energi. All suppliers met their EEC targets, with the exception of TXU Energi and Atlantic Electric and Gas, who went into administration and administrative receivership respectively during the three-year period. Because of this there has been a shortfall of nearly 1 TWh in meeting the target. 61 TWh counts towards the final EEC 2002 – 2005 target and at least 50% of this was achieved in Priority Group households.

The main measure type offered by suppliers was insulation, contributing 56% to the total savings achieved. Cavity wall insulation and loft insulation were the most popular insulation measures. The distribution of energy efficient lightbulbs achieved one quarter of the total savings. Appliances, mainly energy efficient white goods, contributed 11% to the total savings achieved and heating measures achieved 9%.

The EEC 2005 – 2008 began on 1 April this year with a new target on suppliers to save energy in consumers' homes. The suppliers had the option to carry forward energy efficiency measures which exceeded their EEC 2002 – 2005 targets to count towards their new EEC targets. The total energy savings achieved by suppliers over the three

years 2002 - 2005 was 86.8 TWh. Six suppliers chose to carry over their excess measures, equating to roughly 25% of the EEC 2005 – 2008 energy savings target.

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1. Introduction

1.1. The EEC required suppliers to achieve a target improvement in domestic energy efficiency. The overall target set by Defra for the EEC was 62 TWh, which had to be delivered between 1 April 2002 and 31 March 2005. At least half of this target had to be achieved in the Priority Group.

1.2. The EEC forms part of the Government's Climate Change Programme[1]. Defra expected the programme to curb carbon dioxide emissions from households by 1%. In addition, the EEC was highlighted in the Fuel Poverty Strategy[2] as improvements in energy efficiency have an important role to play in the alleviation of fuel poverty. To ensure equity for those consumers on low-incomes, at least 50% of the energy savings had to be achieved from households in the 'Priority Group'. The Priority Group was defined as those households receiving certain income related benefits and tax credits. The Government's Energy White Paper[3] and Energy Efficiency Plan for Action[4] further recognised the importance of domestic energy efficiency in contributing to the Government's energy policy objectives. The EEC followed on from three Energy Efficiency Standards of Performance programmes set up by Offer and Ofgem that ran from 1994 to 2002.

1.3. Under the Electricity Act 1989 and the Gas Act 1986 the Secretary of State has the power to set targets for suppliers to achieve improvements in energy efficiency. The Electricity and Gas (Energy Efficiency Obligations) Order 2001 sets the legal basis for the EEC. Ofgem was required to administer the programme.

[1] Climate Change: The UK Programme, November 2000, DETR
[2] The UK Fuel Poverty Strategy, November 2001, DEFRA and DTI
[3] Our Energy Future – Creating a Low Carbon Economy, 2003, DTI
[4] Energy Efficiency The Government's Plan for Action, 2004, Defra

Ofgem's role under the Energy Efficiency Commitment

1.4. Ofgem's remit to administer the EEC included:

- determining the energy efficiency targets for each gas or electricity supplier on whom obligations were imposed, and adjusting these targets each year of the EEC,
- determining whether a proposed activity was considered to be qualifying action,
- determining the improvement in energy efficiency to be attributed to a qualifying action,
- providing written agreement where appropriate to a supplier regarding the trade of energy savings to another supplier,
- providing written agreement where appropriate to a supplier regarding trading all or part of their target to another supplier, and
- reporting to the Secretary of State for the Environment, Food and Rural Affairs, each year of the programme.

Administration of the EEC

1.5. Defra set the overall EEC target. All licensed supplier groups with at least 15,000 gas or electricity domestic consumers were subject to a target, apportioned by Ofgem in relation to the suppliers' domestic consumer numbers. The formula for target setting, which was provided in the Order, set progressively higher targets for suppliers with larger consumer numbers to take into account the economies of scale that they were expected to achieve.

1.6. The initial targets were set in January 2002 based upon each supplier's consumer numbers on 31 December 2001. These targets were revised in January 2003 and were finalised in January 2004 to take account of changing consumer numbers. Eleven suppliers were set a target in January 2002 with

one new entrant to the programme in January 2003 and a further two new entrants in 2004.

1.7. Suppliers met their targets by setting up schemes to promote and deliver energy efficiency measures to domestic consumers. As administrator, Ofgem put in place procedures to assess suppliers' schemes and to oversee their progress and compliance against their targets. Ofgem assessed whether a supplier's proposal could be capable of being qualifying action under the Order, ie that it would lead to improvements in energy efficiency that would not have otherwise happened. These proposals detailed the measures suppliers were planning to offer, how they would be promoted and who could benefit from the scheme.

1.8. Suppliers were required to report on each scheme once it had been completed to confirm the exact types and numbers of measures that were installed. The results of the supplier's monitoring of the quality of installations and customer satisfaction monitoring was scrutinised along with evidence from the relevant project partners such as retailers and social housing providers (SHPs). Ofgem was then able to approve the scheme and determined the improvement in energy efficiency that had resulted. Suppliers had to demonstrate how they had assisted the Priority Group by monitoring recipients of their schemes. At the end of the programme Ofgem had to determine whether the supplier's activity was qualifying action under the Order, ie that at least 50% of the total approved energy savings had been achieved in relation to the Priority Group.

1.9. Ofgem has developed an EEC Scheme Spreadsheet that details the energy savings attributable to standard energy efficiency measures. Suppliers were accredited with energy savings for their schemes on an ex-ante basis. The methodology for determining the energy savings attributed to measures corresponded to Defra's EEC target-setting model. The energy savings were, where possible, taken from recognised sources such as the Building Research Establishment and the Energy Saving Trust. Ofgem has also appointed technical advisory agents to assist it in its role as administrator.

1.10. Procedures were put in place to monitor delivery and to oversee each supplier's progress against its target. Suppliers submitted information to

Ofgem each quarter, detailing the energy savings they had achieved. This information was used to compile Ofgem's quarterly EEC Update report which is available on our website at www.ofgem.gov.uk.

1.11. As well as monitoring each supplier's overall progress, Ofgem conducted two rounds of auditing in Summer 2003 and in early 2005. An independent auditor was appointed to conduct this process. These audits confirmed that the suppliers had the correct procedures in place to report accurately on their schemes and that they were delivering their schemes as proposed. The actual energy savings achieved from the different measures employed by the suppliers were not monitored on a 'before and after' basis.

1.12. In July 2004 the National Audit Office published a report on Ofgem's energy efficiency work in relation to the EEC[5]. In the report it commented that 'in administering the EEC, Ofgem has established robust arrangements for checking suppliers' schemes and obtaining reliable data.'

The cost of administering the EEC

1.13. The direct costs incurred by Ofgem in administering the EEC from April 2002 to March 2005 were £1 million. Ofgem's costs are paid by licensees and agreed by HM Treasury.

Key features of the EEC

1.14. The key features of the EEC 2002 - 2005 programme were as follows:

- the savings suppliers were accredited with were derived on an ex-ante basis rather than an ex-post basis
- at least 50% of the total energy savings had to be met within the Priority Group, ie those households receiving certain income related benefits or tax credits

[5] Social Action Plan and Household Energy Efficiency, July 2004, HC 878, July 2004.

- the overall target was set in fuel-standardised, lifetime discounted energy savings. Suppliers could achieve savings in homes heated by gas, electricity, coal, oil or LPG
- suppliers were not restricted to their own customer base
- suppliers had flexibility over the types of measures that they used to meet their targets
- suppliers were not required to spend a fixed amount of money and consequently Ofgem did not collect suppliers' cost data
- the target included business as usual energy efficiency activity. As a result, suppliers were allowed to tie in with existing programmes but every scheme had to demonstrate that measures were being installed which were additional to the business as usual activity
- the target assumed that suppliers would lever in funding from third parties such as social housing providers (SHPs)
- suppliers had the option of trading their obligation or energy savings with other suppliers
- there was an incentive (in terms of an uplift in savings) for suppliers to deliver schemes as an energy service package. The energy service savings eligible for uplift were limited to 10% of each supplier's target
- there was an incentive (in terms of an uplift in savings) for suppliers to deliver appliance schemes
- those suppliers who exceeded their Energy Efficiency Standard of Performance 3 (EESoP, 2000 - 2002) targets were able to carry over these energy savings into the EEC. The amount that could be carried over was limited to 10% of each supplier's EEC target, and
- Suppliers were obliged to meet their targets by 31 March 2005.

EEC 2005 – 2008

1.15. The EEC 2002 – 2005 has been superseded by the EEC 2005 – 2008. The Electricity and Gas (Energy Efficiency Obligations) Order 2004 ('the 2004 Order') sets the legal framework and a target of 130 fuel standardised, lifetime discounted TWh. Eight suppliers are currently obligated under the EEC 2005 - 2008. These are British Gas, EDF Energy, npower, Opus Energy, Powergen, Scottish and Southern Energy, ScottishPower and Telecom Plus.

1.16. Defra has committed to continuing the EEC for a further three years from 2008 to 2011, following a review of the EEC in 2007.

The annual review

1.17. Ofgem is required to report to the Secretary of State for Environment, Food and Rural Affairs at the end of each year of the EEC. Chapter 3 fulfils these reporting requirements for the period 1 April 2004 to 31 March 2005, providing details on the:

- progress towards the achievement of the suppliers' targets over the third year of the programme
- the schemes completed
- proposed activity, and
- the proportion of energy savings achieved in the Priority Group.

1.18. Suppliers' overall progress to the end of the third year is set out in Chapter 2. Analysis of the measures promoted and how they were delivered over the three years is detailed in Chapter 4. Information on the outcome of the programme following Ofgem's monitoring is set out in Chapter 5. Detail on the suppliers' carry over to the EEC 2005 – 2008 is set out in Chapter 6. The emerging issues have been identified in Chapter 7. Appendix 1 details the measures delivered through the main delivery routes. A glossary of terms is provided in Appendix 2.

2. Overall progress 2002-2005

2.1. This chapter outlines suppliers' overall progress during the three years of the programme (April 2002 to March 2005), focussing specifically upon the energy savings achieved. To give some context to the discussion, the suppliers' progress in the first two years of the EEC (April 2002 to March 2004), which was outlined in the second EEC Annual Review[6], is briefly summarised.

2.2. This chapter discusses the main measures installed, provided or promoted by the suppliers and outlines the progress suppliers have made towards meeting at least half of the overall energy efficiency target in the Priority Group.

2.3. All figures included within this review are in relation to the overall target set.

Progress to the end of the second year (April 2002-March 2004)

2.4. By the end of the second year of the EEC, suppliers had achieved 47.4 TWh of energy savings, representing 77% of the overall target of 62 TWh. Roughly 60% of the achieved savings were from insulation measures, with just over 20% from lighting measures and the remainder split between appliances and heating. Suppliers' activity was more focused towards non-Priority Group households with 46% of the achieved energy savings relating to the Priority Group during the first two years.

Progress in the third year (April 2004 to March 2005)

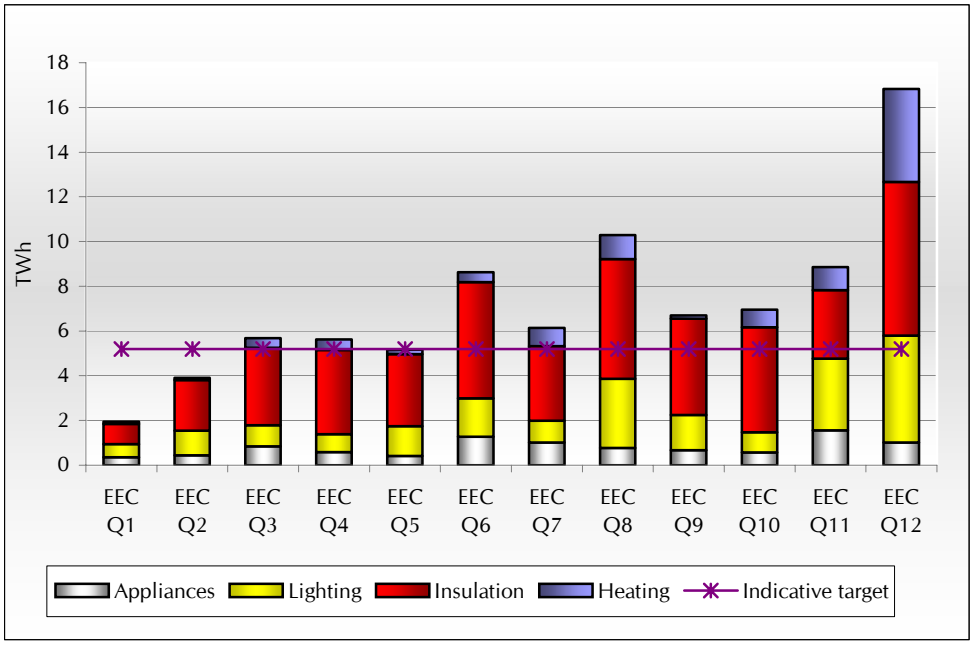
2.5. At the end of the EEC, suppliers had installed or provided energy efficiency measures which would result in an energy saving of 86.8 TWh or 140% of the overall target. Of this total, nearly 40 TWh was achieved within the third year of the programme. The solvent suppliers have over-achieved against the overall target by roughly 25 TWh of energy savings and this will be transferred to the EEC 2005-2008. This transfer of energy savings to EEC 2005 - 2008 means that

[6] "A review of the Energy Efficiency Commitment to the end of the second year – A report for the Secretary of State for Environment, Food and Rural Affairs" 178/04, Ofgem, July 2004

the solvent suppliers have done just enough to comply with their targets. However, one supplier went into administration and one into administrative receivership during the course of the EEC 2002 - 2005 and did not comply with their targets. As a consequence, despite one company's shortfall being made up by another on a voluntary basis, the overall target of 62 TWh will not be achieved: the shortfall is less than 2% of the overall target, or nearly 1 TWh.

2.6. The EEC 2002-2005 followed on from the Energy Efficiency Standards of Performance (EESoP) programme, the third tranche of which ran from April 2000 to March 2002. Figure 2.1 charts the energy savings achieved on a quarter-by-quarter basis over the three years of the EEC.

Figure 2.1: Energy saving by measure type achieved each quarter of the EEC



2.7. To reach the overall target of 62 TWh, suppliers needed on average to provide just under 5.2 TWh of energy efficiency measures for each quarter of the EEC, as shown by the horizontal line in Figure 2.1. After the first six months of the EEC, where suppliers were scaling up their activity, the suppliers consistently achieved the indicative average required, and in some months overshot it by a considerable margin.

2.8. The data presented in Figure 2.1 is taken from quarterly reports submitted by the suppliers. These reports are based on the estimated outturn of the energy savings each supplier achieved by measure and type. When a supplier

completed the activity outlined in its scheme proposal it submitted a completion report outlining the actual measures provided and the energy savings achieved. By the end of June 2005 Ofgem had approved 139 completion reports on supplier energy efficiency activity that had been carried out in the period April 2002 to March 2005. By the end of the second year of the EEC 2002-2005 Ofgem had had just one completion report from suppliers to approve. During the course of the EEC suppliers could bank parts of their schemes and some took advantage of this during the third year. Other suppliers chose to submit all of their completion information in one batch in April 2005.

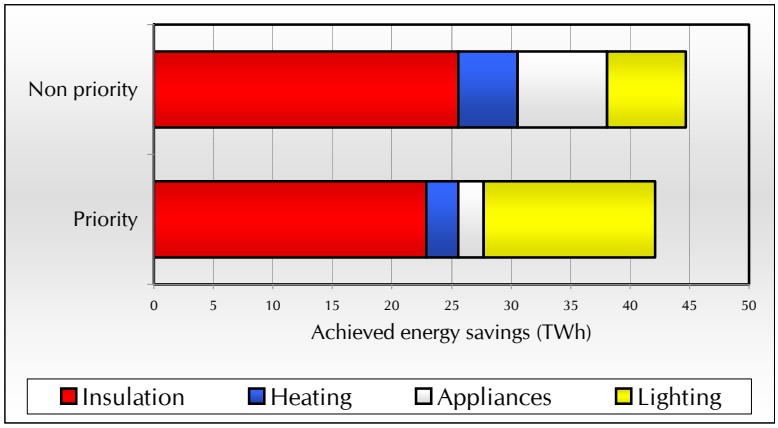
2.9. The supplier data shows no clear seasonal trend for the delivery of energy efficiency measures. One possible reason for this is that the suppliers were able to integrate with the Warm Front, Welsh HEES and Warm Deal programmes at any time. This involved the suppliers purchasing measures from the Government programmes, with the funds from the sales being used to support further energy efficiency measures. The purchase date was assumed to be the date when the associated energy savings were achieved. Suppliers also set up large programmes of insulation work with social housing providers. In these cases the activity reflects the project partners schedule of works as opposed to consumer demand.

The Priority Group

2.10. Of the total energy savings achieved, 42 TWh or 48.5% resulted from measures installed in, or provided to, Priority Group households. The remaining 44.7 TWh or 51.5% results from measures provided to other households. Figure 2.2 shows the breakdown of the energy savings achieved during the course of the programme, distinguishing between Priority and non-Priority Group households. In the final year of the programme the suppliers managed to narrow the gap between their Priority and non-Priority Group activity primarily by increasing the distribution of free low energy lamps to Priority Group households.

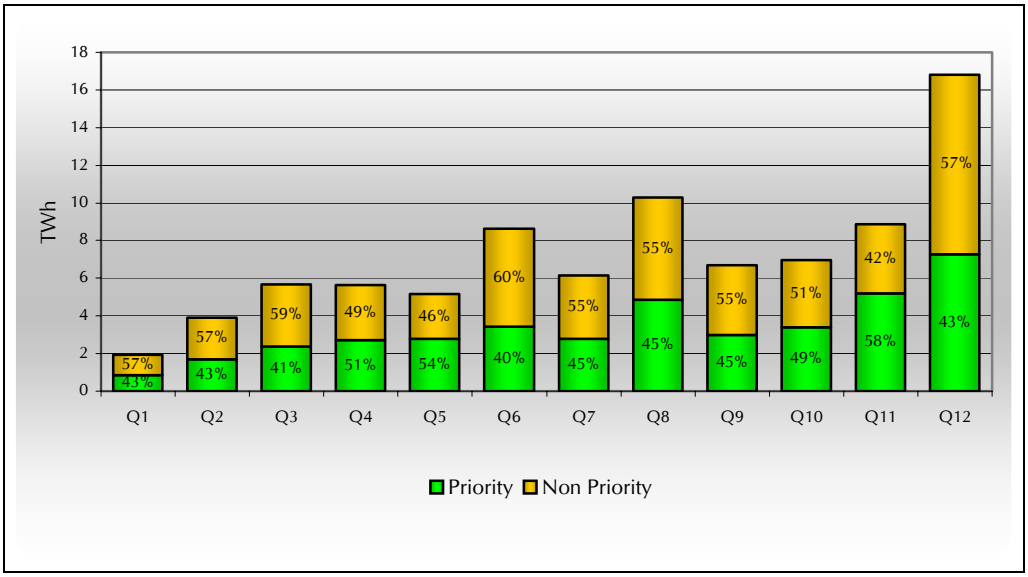
2.11. By the end of the EEC each supplier was required to achieve at least 50% of its target in relation to Priority Group consumers. Figure 2.3 shows the total energy savings achieved in the Priority and non-Priority groups. It shows that although the suppliers achieved slightly more activity in the non-Priority Group during the course of the EEC they had managed to keep their activity broadly in balance.

Figure 2.2: Energy Savings by measure type and Priority and non-Priority Group



	Energy savings achieved in the first year of the EEC (TWh)			Energy savings achieved in the second year of the EEC (TWh)			Energy savings achieved in the third year of the EEC (TWh)		
Measure	Priority Group	Non-Priority Group	Total	Priority Group	Non-Priority Group	Total	Priority Group	Non-Priority Group	Total
Lighting	5.0	5.3	10.3	7.1	10.0	17.1	10.8	10.3	21.1
Heating	0.2	1.0	1.2	1.0	1.5	2.5	1.5	2.5	3.9
Insulation	2.6	0.8	3.4	4.7	2.4	7.1	7.1	3.4	10.5
Appliances	0.2	2.0	2.2	0.9	2.6	3.5	1.1	2.9	4.0
Total	8.0	9.1	17.1	13.7	16.5	30.2	20.4	19.1	39.5

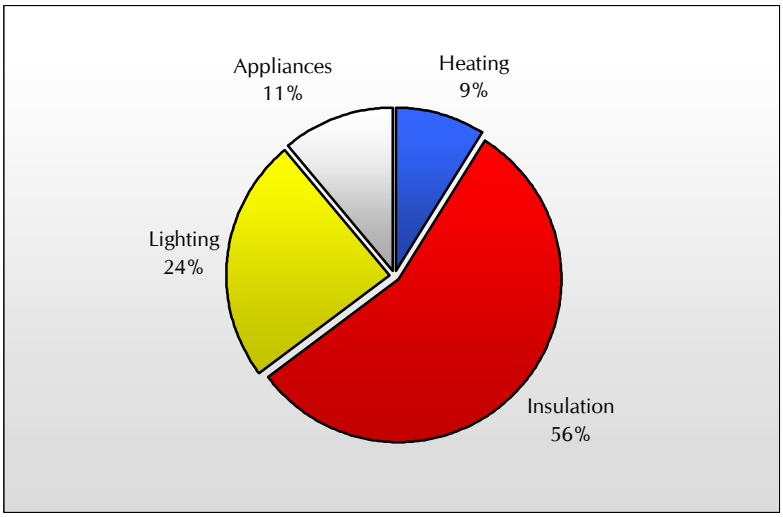
Figure 2.3: Energy savings (TWh) achieved in relation to the Priority and non-Priority Groups for each quarter of the EEC



Measures delivered

2.12. Supplier activity can be broken down into four broad categories of measure: lighting, insulation, heating and appliances. Figure 2.4 and the accompanying table shows how the delivered energy savings are attributed to the four main measure types. The level of activity by the suppliers across the four different measure types was broadly consistent across the three years. There was a slight fall in the share of insulation activity in the third year that was offset by an increase in lighting activity. Of the total energy efficiency activity that was achieved, 56% was in insulation and 24% was in lighting. Appliance activity, although involving a large number of measures, made up 11% of the total because the energy saving per appliances is relatively low. Heating measures accounted for the remaining 9% of the energy savings.

Figure 2.4: Proportion of total achieved energy savings from each of the four main measure types



	Proportion of overall achieved savings		
Measure	EEC Year 1	EEC Year 2	EEC Year 3
Appliances	3%	4%	4%
Heating	1%	3%	5%
Insulation	12%	20%	24%
Lighting	4%	8%	12%
Total	20%	35%	45%

3. Each supplier's activity during the three years of the EEC 2002 – 2005

3.1. This chapter documents the progress made by each obligated supplier during the three years of the EEC 2002 – 2005. For each supplier that was eligible for a target in January 2004, information is given on:

- the type of measures that the supplier proposed to deliver over the three years of the programme,
- the progress made towards its target during the third year of the programme,
- the activity towards the target over the three years of the programme, and
- the proportion of the energy savings that have been delivered to Priority Group households over the three years of the programme.

3.2. Figure 3.1 outlines the suppliers who were set a target in 2002, 2003 and 2004 and the changes in ownership that occurred at the beginning of the second and third years of the EEC 2002 –2005.

Figure 3.1: Suppliers who were set a target in 2002, 2003 and 2004

Suppliers set an initial target in 2002	Suppliers set a revised target in 2003	Suppliers set a final target in 2004
Amerada	-	-
-	Atlantic Electric and Gas	Atlantic Electric and Gas
British Gas	British Gas	British Gas
Cambridge Gas	Cambridge Gas	Cambridge Gas
Dee Valley Group	Dee Valley Group	Dee Valley Group
LE Group	LE Group (including the Seeboard Energy supply licence, rebranded to EDF Energy)	LE Group (including the Seeboard Energy supply licence, rebranded to EDF Energy)
npower	npower	npower
-	-	Opus Energy
Powergen	Powergen (including the Amerada supply licence)	Powergen (including the Amerada supply licence)
Scottish and Southern Energy	Scottish and Southern Energy	Scottish and Southern Energy
ScottishPower	ScottishPower	ScottishPower
Seeboard Energy	-	-
-	-	Telecom Plus
TXU	TXU	TXU

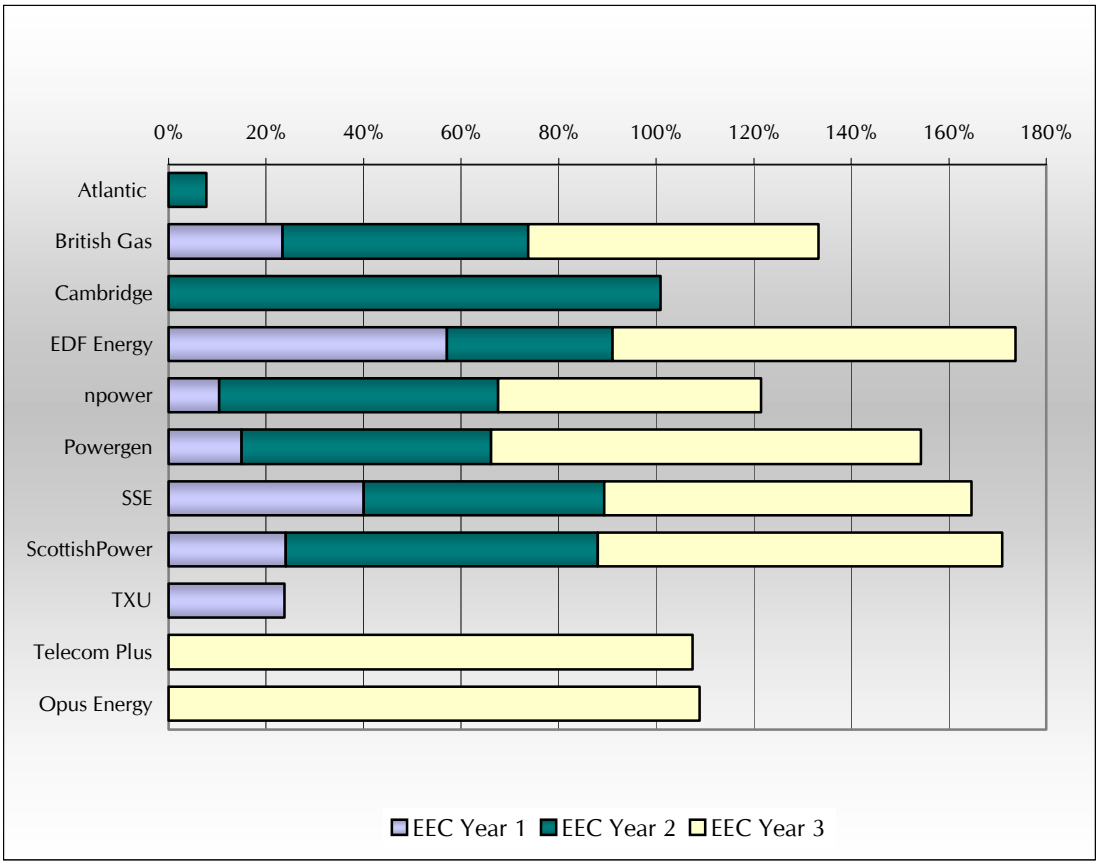
3.3. The information presented in this chapter is based upon suppliers' scheme proposals, which were accredited by Ofgem as capable of being qualifying action under the Order. The quarterly reports and scheme completion reports returned by the suppliers have been used to detail the actual delivery of the suppliers' schemes.

Targets

3.4. Each supplier is set a separate gas and electricity target, according to the number of consumers on each licence. For the purpose of this report these targets have been combined to show one target for each supplier group. Suppliers' indicative targets were set in January 2002. These targets were revised in 2003 and were finalised in January 2004, based on each supplier's average number of domestic consumers over the three years of the programme.

3.5. All supplier activity discussed in this chapter is compared against each supplier's final target as set in January 2004.

Figure 3.2: Each supplier's overall achieved activity as a percentage of its target



3.6. Figure 3.2 provides an overview of the energy savings achieved by each of the obligated suppliers and shows these energy savings as a percentage of each supplier's final target. The blue portion of each bar (on the left) indicates energy savings achieved during the first year of the EEC, the green portion (centred) relates to the second year and the yellow portion of the bar (on the right) indicates the savings from the third year.

3.7. This chapter fulfils Ofgem's reporting duties to the Secretary of State under the Electricity and Gas (Energy Efficiency Obligations) Order 2001[7].

[7] The Electricity and Gas (Energy Efficiency Obligations) Order 2001, December 2001, No 4011, HMSO.

Atlantic Electric and Gas

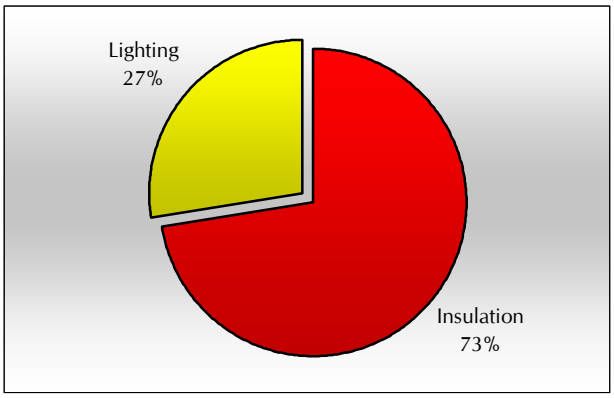
3.8. Atlantic Electric and Gas was a new entrant in the second year of the EEC and was active throughout this year. However, in April 2004 Atlantic Electric and Gas went into administrative receivership and ceased trading. Because the EEC target is a relevant requirement on each supplier's licence, Atlantic Electric and Gas' target remained.

3.9. At the time that Atlantic Electric and Gas went into administrative receivership it had achieved a small proportion of energy savings, however the administrators did not have access to the information that would allow them to report on the energy savings. As a result, the energy savings achieved by Atlantic Electric and Gas could not be determined as qualifying action. Consequently, Atlantic Electric and Gas has not complied with its target under the EEC. The Gas and Electricity Markets Authority (the Authority) in this case decided not to impose a financial penalty on Atlantic Electric and Gas because it would have served no practical purpose, there being no funds available to pay it.

Proposed activity

3.10. Figure 3.3 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the second and third years of the EEC.

Figure 3.3: Atlantic Electric and Gas proposed energy savings up to April 2004



	Proportion of proposed energy savings		
Measure		**Year 2**	**Year 3**
Insulation		51%	21%
Lighting		14%	14%
Appliances		0%	0%
Heating		0%	0%
Total		65%	35%

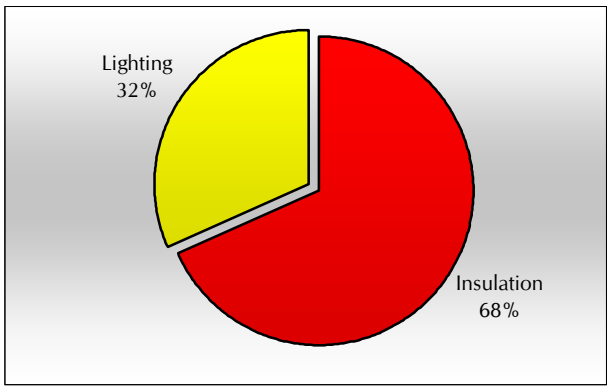
3.11. Atlantic Electric and Gas had two scheme proposals accredited by Ofgem in the third year of the EEC. These predominantly involved insulation measures, with no savings proposed for heating or appliances. The proposed lighting savings accounted for slightly more than a quarter of Atlantic Electric and Gas' target.

3.12. During 2003 and the start of 2004, Atlantic Electric and Gas had a total of seven scheme proposals accredited by Ofgem. These proposals accounted for 178% of its final target.

Delivery over the three years of the EEC

3.13. Figure 3.4 shows the proportion of Atlantic Electric and Gas' reported energy savings towards its target from the two types of measures it delivered. The accompanying table shows the reported energy savings for each year of the EEC.

Figure 3.4: Energy savings reported as achieved in the second year by Atlantic Electric and Gas split by measure type



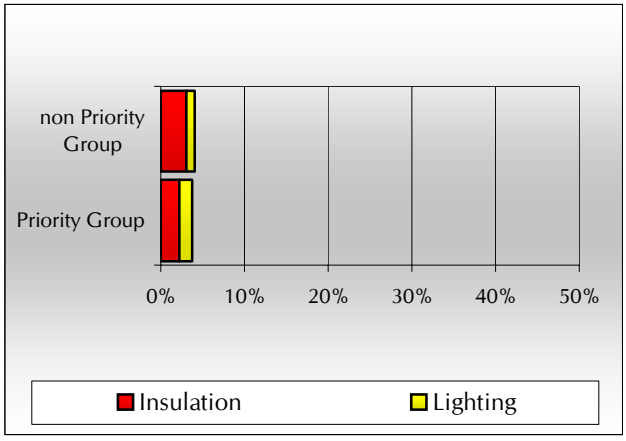
	Reported as achieved energy savings as a percentage of Atlantic Electric and Gas' target		Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year2	Year3	
Insulation	5%	0%	(0%)
Lighting	3%	0%	(0%)
Appliances	0%	0%	(0%)
Heating	0%	0%	(0%)

3.14. The overall achieved energy savings resembles the proposals. Nearly 70% was achieved with insulation measures and the remainder with lighting measures.

3.15. Atlantic achieved just under 8% of its target in the second year of the EEC as reported through their last submitted quarterly report in March 2004. Over five percentage points (pp) of the achieved savings were from insulation measures with the remainder resulting from the promotion of lighting (3pp).

3.16. Figure 3.5 shows a full breakdown of the reported energy savings, by measure type and customer type, as a percentage of the Atlantic Electric and Gas target.

Figure 3.5 Atlantic Electric and Gas' percentage energy savings to target by measure type



3.17. Just under half of the energy savings achieved were in the Priority Group. The majority of the energy savings in both the Priority and non-Priority Groups have come from insulation measures with the remainder coming from lighting.

3.18. All suppliers were required to monitor and formally report upon their achieved activity. Atlantic Electric and Gas did not submit any such completion reports. Consequently, Ofgem was unable to determine whether its energy savings could

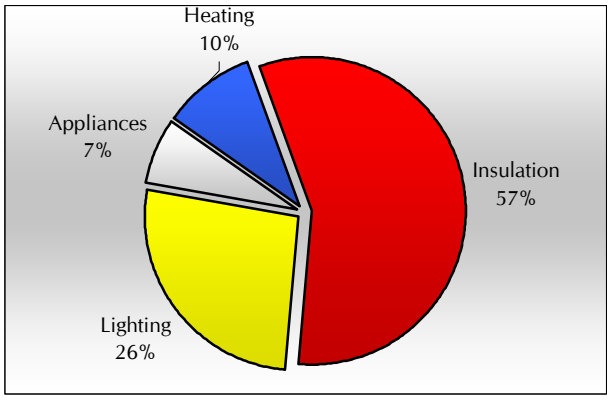
be considered qualifying action under the Order and these savings are not included in the achieved savings (across all suppliers) against the total EEC 2002 – 2005 target.

British Gas

Proposed activity

3.19. Figure 3.6 shows the total proposed energy savings for British Gas broken down by measure type. The accompanying table provides a breakdown of the proposed savings for each year of the EEC.

Figure 3.6: British Gas proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	41%	16%	0%
Lighting	11%	5%	10%
Appliances	5%	0%	2%
Heating	9%	1%	0%
Total	66%	22%	12%

3.20. British Gas proposed to achieve over half of its target by installing insulation measures. However, all the other measure types were represented with over a quarter of proposed savings attributed to lighting measures and 10% and 7% of the proposed activity in heating and appliance measures respectively.

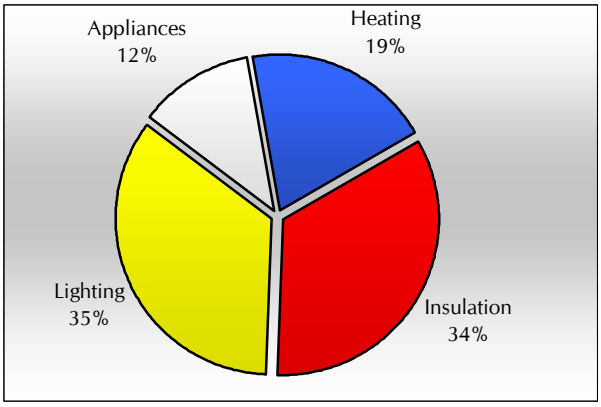
3.21. British Gas had six scheme proposals accredited by Ofgem in the third year of the EEC – which have brought the total number of schemes for achieving its EEC target to 28. The scheme proposals accredited in Year 3 accounted for a small share of the British Gas target. Combined with the accredited scheme proposals from Years 1 and 2, British Gas' proposed savings, equated to 187% of its final target.

Delivery over the three years of the EEC

3.22. British Gas achieved energy savings equating to 133% of its EEC 2002 – 2005 target; 73% of British Gas' target had been achieved by the end of the second year of the EEC. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.23. Figure 3.7 shows the proportion of British Gas' achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC as a percentage of the British Gas target, as well as the percentage of the target carried over to EEC 2005 - 2008.

Figure 3.7: Energy savings to target achieved by British Gas split by measure type



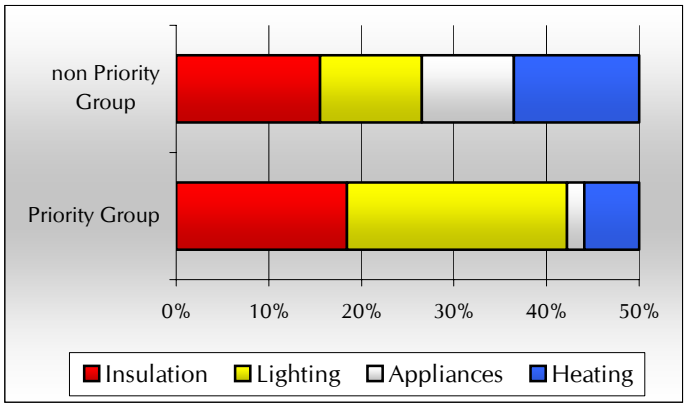
	Achieved energy savings as a percentage of British Gas' target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year 2	Year 3	
Insulation	11%	25%	31%	(33%)
Lighting	4%	13%	17%	(0%)
Appliances	4%	5%	3%	(0%)
Heating	4%	7%	8%	(0%)

3.24. Although British Gas proposed that the majority of its energy savings would be achieved with insulation measures, insulation and lighting each contributed one-third of the total achieved savings against its target. The remainder of the achieved savings were split between appliances and heating at 12% and 9% respectively.

3.25. British Gas exceeded its target by 33%. Almost all of the measures carried over were insulation, some of which were delivered as energy services. The other measures carried forward to the EEC 2005 – 2008 were at quantities too small to show on the above table.

3.26. Figure 3.8 shows British Gas' percentage breakdown of the achieved energy savings to target, by measure type and customer type.

Figure 3.8: British Gas' percentage energy savings to target by measure type



3.27. Lighting measures contributed almost half of the energy savings achieved against the Priority Group target. This was closely followed by insulation. The energy savings from heating measures and appliances contributed 6 pp and 2 pp respectively.

3.28. An almost even split of the energy savings to target were delivered through each of the measure types to the non-Priority Group with insulation being the largest proportion at 16% of the British Gas target.

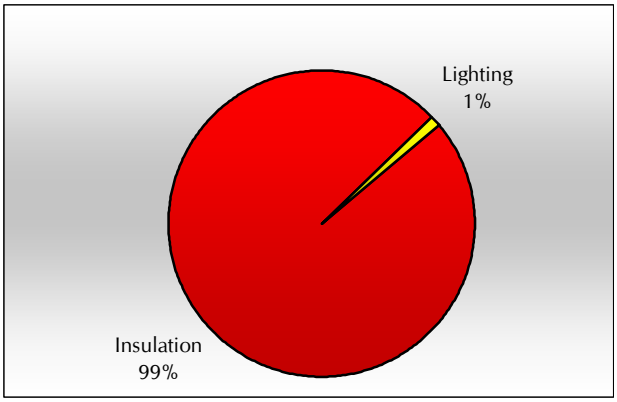
Cambridge Gas

Proposed activity

3.29. In 2002, Cambridge Gas sold its domestic consumers but retained its supply licence. One scheme proposal was accredited by Ofgem in the second year of the EEC. Cambridge Gas ensured compliance with its target with this one single scheme.

3.30. Figure 3.9 shows the total energy savings proposed by Cambridge Gas, broken down by measure type. The accompanying table provides a breakdown of the proposed savings for each year of the EEC.

Figure 3.9 Cambridge Gas proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	0%	99%	0%
Lighting	0%	1%	0%
Appliances	0%	0%	0%
Heating	0%	0%	0%
Total	0%	100%	0%

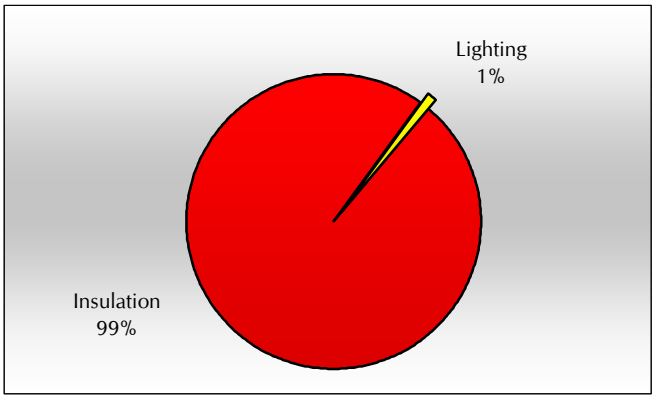
3.31. Cambridge Gas proposed one scheme to predominantly deliver insulation measures and a small amount of lighting to meet its target.

Delivery over the three years of the EEC

3.32. Cambridge Gas achieved energy savings equating to 100% of its EEC 2002 – 2005 target. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with over 50% of the qualifying action being in relation to the Priority Group.

3.33. Figure 3.10 shows the proportion of Cambridge Gas' achieved energy savings by measure type. The accompanying table shows the achieved energy savings for each year of the EEC as a percentage of the Cambridge Gas target.

Figure 3.10: Energy savings achieved by Cambridge Gas split by measure type

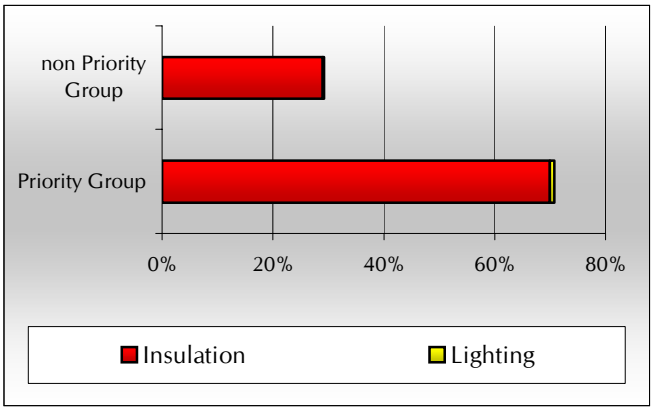


	Achieved energy savings as a percentage of Cambridge Gas' target		
	Year 1	Year 2	Year 3
Insulation	0%	99%	0%
Lighting	0%	1%	0%
Appliances	0%	0%	0%
Heating	0%	0%	0%

3.34. Cambridge Gas is the only supplier whose proposals exactly matched its actual delivery. 99% of the achieved energy savings came from insulation measures and the remainder was met by energy efficient lighting. Cambridge Gas has now exited the supply market so no carry-over of measures was considered.

3.35. Figure 3.11 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the Cambridge Gas target.

Figure 3.11: Cambridge Gas' percentage energy savings to target by measure type



3.36. To ensure compliance with its EEC target, Cambridge Gas achieved more than 70% of its energy savings in relation to the Priority Group. Of the energy savings achieved for the Priority Group almost all were from installing insulation. The energy savings from lighting made up only a small fraction of both the Priority and non-Priority Group's achieved savings.

Dee Valley Group

3.37. Under the EEC 2002 –2005, suppliers had the option to trade their targets and obligations to another supplier. In 2004, to comply with its obligation, Dee Valley traded its entire target with EDF Energy. EDF Energy's target increased.

EDF Energy

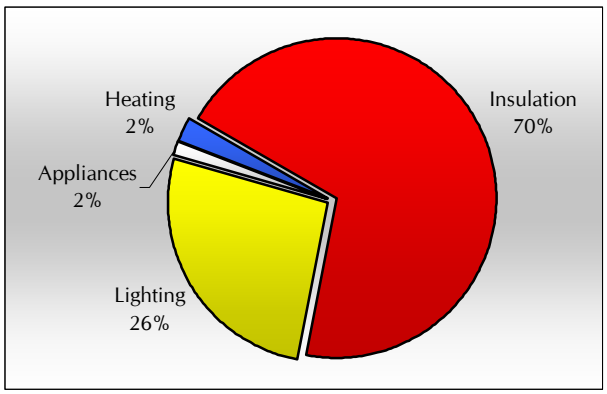
3.38. At the start of the EEC, separate targets were set for LE Group and Seeboard Energy. In 2002, LE Group purchased Seeboard Energy's supply licence and consumers. During the second year of the EEC, the company rebranded as EDF Energy. The EDF Energy target incorporates the targets set for LE Group and

Seeboard Energy in January 2004. Additionally, as referred to above, EDF Energy's final target included the obligation traded by Dee Valley Group.

Proposed activity

3.39. Figure 3.12 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.12: EDF Energy proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	63%	0%	7%
Lighting	25%	1%	1%
Appliances	1%	0%	0%
Heating	2%	0%	0%
Total	91%	1%	8%

3.40. EDF Energy had eight scheme proposals accredited by Ofgem in the third year of the EEC, which brought the total number of schemes for achieving its EEC target to 40, including 10 Seeboard Energy schemes. Combined with the accredited scheme proposals from Years 1 and 2 of the EEC, EDF Energy proposed savings which equated to more than double its actual target.

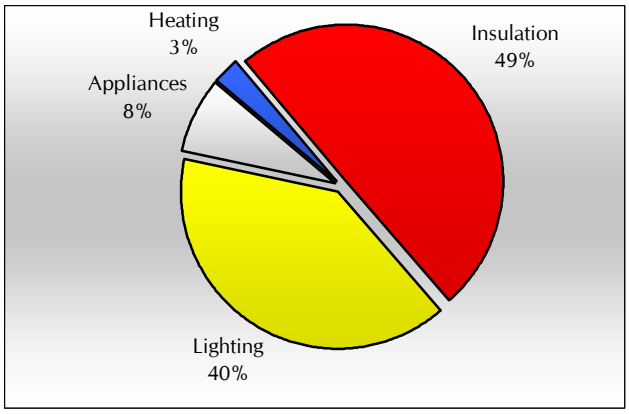
3.41. 70% of the total proposed energy savings were expected to be the result of insulation measures. The remainder largely consisted of lighting measures at over a quarter of the proposed savings, with small amounts from heating and appliances.

Delivery over the three years of the EEC

3.42. EDF Energy achieved energy savings equating to 174% of its EEC 2002 – 2005 target; 91% of EDF Energy's target had been achieved by the end of the second year of the EEC. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.43. Figure 3.13 shows the proportion of EDF Energy's achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.13: Energy savings to target achieved by EDF Energy split by measure type



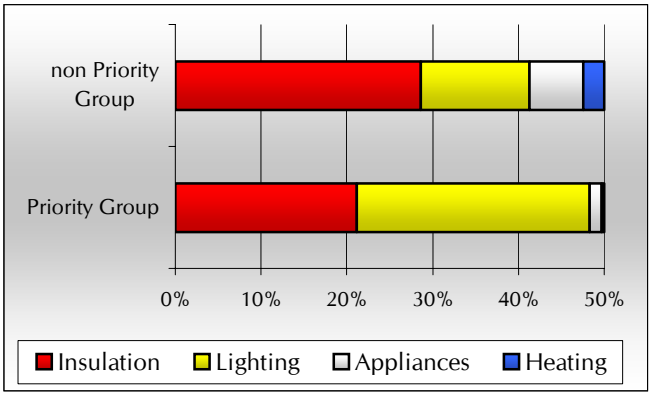
	Achieved energy savings as a percentage of EDF Energy's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	33%	34%	56%	(74%)
Lighting	12%	9%	18%	(0%)
Appliances	1%	1%	6%	(0%)
Heating	0%	0%	2%	(0%)

3.44. As stated in its scheme proposals, most of EDF Energy's savings were achieved with insulation measures. Lighting measures made up 40% of the savings

attributed to it target. 8% of the total achieved savings came from appliance measures, this was higher than anticipated in the scheme proposals. The smallest proportion of achieved energy savings came from the installation of heating measures. EDF exceeded its target by 74%, all of the measures carried forward were insulation.

3.45. Figure 3.14 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the EDF Energy target.

Figure 3.14: EDF Energy's percentage energy savings to target by measure type



3.46. The majority of energy savings to target delivered to the Priority Group have been achieved with lighting measures (27% of the target) closely followed by insulation (21% of the target). The energy savings from heating measures and appliances contributed a combined percentage of less than 2% of the target.

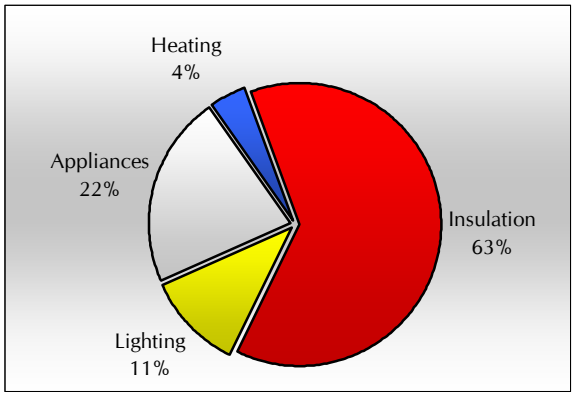
3.47. Almost a third of the EDF Energy target was delivered with insulation to the non Priority Group. EDF Energy's appliance activity for non-Priority Group customers was more than double that for those in the Priority Group. Activity achieved with heating measures was at a low level.

npower

Proposed activity

3.48. Figure 3.15 shows the total proposed savings broken down by the four measure types. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.15: npower proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	45%	3%	14%
Lighting	11%	0%	0%
Appliances	2%	10%	11%
Heating	3%	1%	0%
Total	61%	14%	25%

3.49. npower had thirteen scheme proposals accredited by Ofgem in the third year of the EEC, which brought the total number of schemes for achieving its target to 33. Combined with the accredited scheme proposals from Years 1 and 2 of the EEC, npower proposed savings equal to 172% of its target.

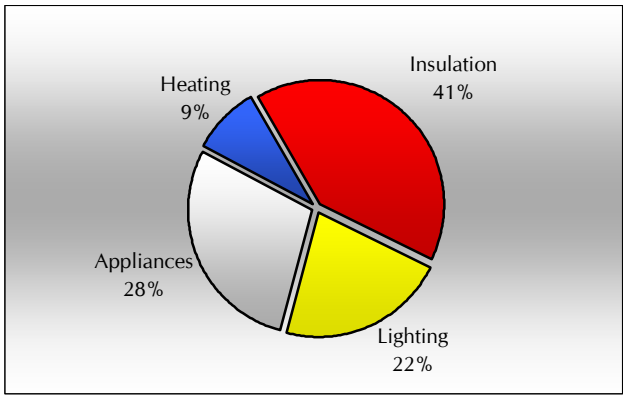
3.50. 63% of npower's total proposed energy savings were expected to be achieved with insulation measures. The remainder was dominated by appliances at 22% of the proposed energy savings, with lighting and heating measures contributing 11% and 4% respectively.

Delivery over the three years of the EEC

3.51. npower achieved energy savings equating to 122% of its EEC 2002 – 2005 target; 68% of npower's target had been achieved by the end of the second year of the EEC. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.52. Figure 3.16 shows the proportion of npower's achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.16: Energy savings to target achieved by npower split by measure type

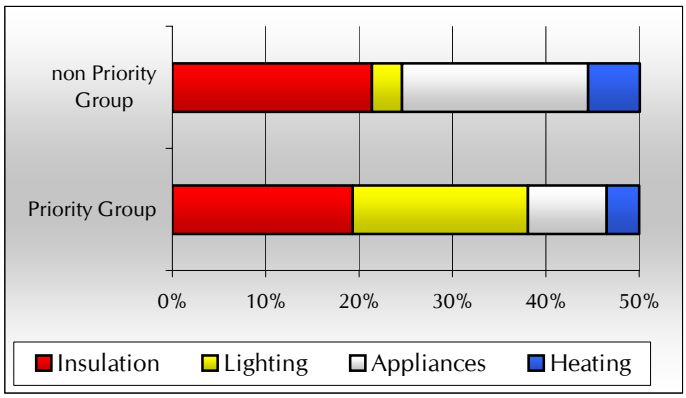


	Achieved energy savings as a percentage of npower's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	4%	33%	25%	(22%)
Lighting	6%	9%	8%	(0%)
Appliances	0%	12%	17%	(0%)
Heating	0%	4%	4%	(0%)

3.53. The pattern of npower's achieved savings against its target follows its scheme proposals with the energy savings from insulation dominating with 41% of the total. 28% of npower's target was achieved with appliance measures. This is high in comparison with other suppliers. Just under a quarter of the total savings were achieved with lighting measures and heating provided 9% of the energy savings.

3.54. Figure 3.17 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the npower target.

Figure 3.17: npower's percentage energy savings to target by measure type



3.55. The proportion of energy savings to target delivered to the Priority Group achieved with insulation measures equals the amount achieved with lighting, nearly 20%. The energy savings from Priority Group appliances and heating measures contributed 8% and 4% of the target respectively.

3.56. The sale of appliances to non-Priority Group consumers has contributed 20% of npower's achieved savings to target. This was only slightly less than the proportion of non-Priority Group insulation measures.

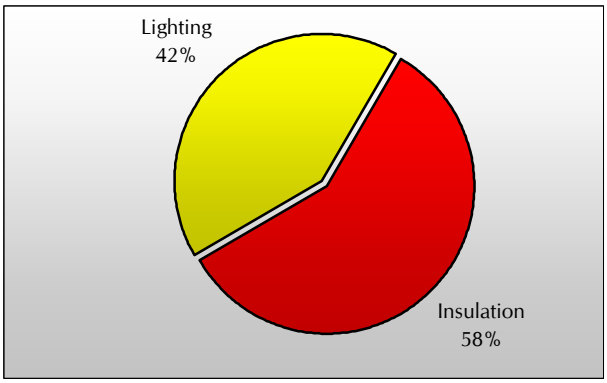
Opus Energy

3.57. Opus Energy became an obligated supplier in the third year of the EEC.

Proposed activity

3.58. Figure 3.18 shows the total proposed savings broken down by measure. The accompanying table provides a breakdown of the proposed savings for the third year of the EEC.

Figure 3.18: Opus Energy proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings
Measure	**Year 3**
Insulation	58%
Lighting	42%
Appliances	0%
Heating	0%
Total	100%

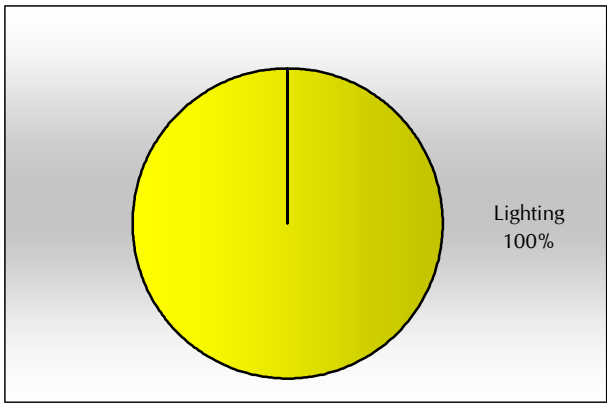
3.59. Ofgem accredited two schemes for Opus Energy. These schemes were equal to 266% of Opus Energy's target. Over half of the proposed savings were expected to be derived from insulation measures with the remaining 42% from lighting measures.

Delivery over the three years of the EEC

3.60. Opus Energy achieved energy savings equating to 109% of its EEC 2002 – 2005 target. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with over 50% of the qualifying action being in relation to the Priority Group.

3.61. Figure 3.19 shows Opus Energy achieved its entire target from delivering lighting measures. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.19: Energy savings achieved by Opus Energy split by measure type

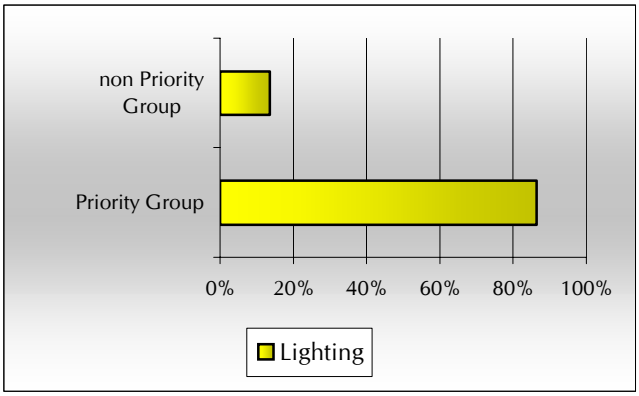


	Achieved energy savings as a percentage of Opus Energy's target	Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year3	
Insulation	0%	(0%)
Lighting	109%	(0%)
Appliances	0%	(0%)
Heating	0%	(0%)

3.62. Though Opus Energy originally proposed to meet half of its target with insulation measures, the insulation scheme was withdrawn and Opus Energy's lighting scheme was extended to meet its entire target.

3.63. Figure 3.20 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the Opus Energy target.

Figure 3.20: Opus Energy's percentage energy savings to target by measure type



3.64. To ensure compliance with its EEC target, Opus Energy achieved 86% of its energy savings in relation to the Priority Group through the provision of CFLs. Opus Energy and Telecom Plus worked together under the EEC 2002 – 2005 and met their targets through this one joint lighting scheme.

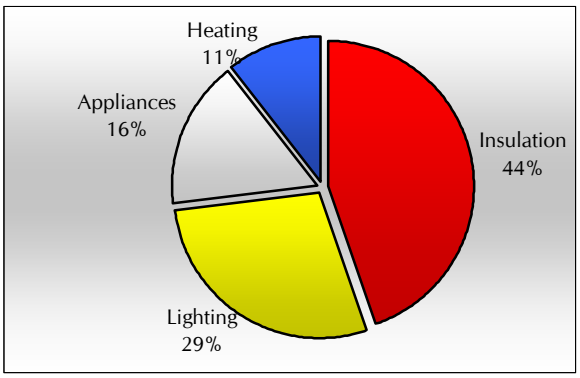
Powergen

3.65. In 2002, Powergen purchased TXU Energi's customers, but not its licences. The purchase included Amerada's licences and customers, which had previously been acquired by TXU Energi. Powergen was not legally obliged to meet TXU's target as it did not hold the licence. It volunteered to achieve TXU Energi's target but not to meet the requirement that at least half of the savings should be in relation to the Priority Group.

Proposed activity

3.66. Figure 3.21 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.21: Powergen proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	36%	0%	8%
Lighting	13%	11%	5%
Appliances	0%	16%	0%
Heating	5%	6%	0%
Total	54%	33%	13%

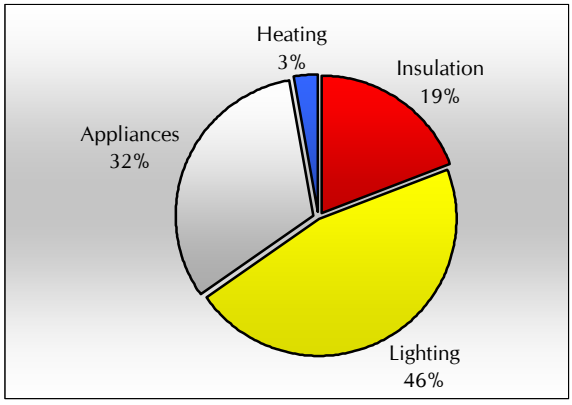
3.67. Powergen had nineteen schemes accredited by Ofgem during the third year of the EEC, bringing its total number of schemes to 37. These schemes equated to double Powergen's target. Almost half of the total proposed energy savings were expected to be from insulation measures with over a quarter from lighting. The remainder consisted of appliances and heating.

Delivery over the three years of the EEC

3.68. Powergen achieved energy savings equating to 154% of its EEC 2002 – 2005 target; 65% of Powergen's target had been achieved by the end of the second year of the EEC. Ofgem determined that it achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.69. Figure 3.22 shows the proportion of Powergen's achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.22: Energy savings to target achieved by Powergen split by measure type

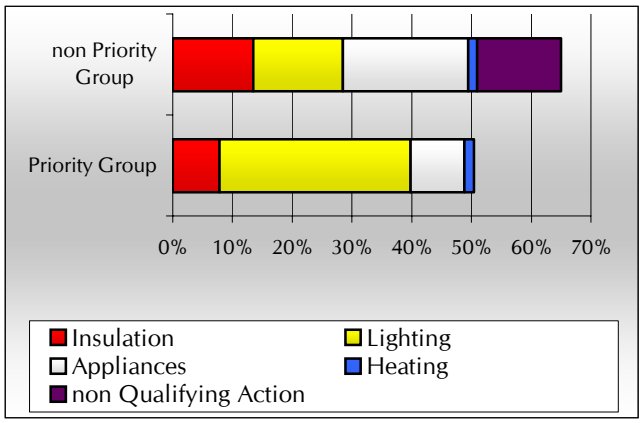


	Achieved energy savings as a percentage of Powergen's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	11%	26%	24%	(38%)
Lighting	4%	10%	40%	(0%)
Appliances	0%	14%	23%	(0%)
Heating	0%	0%	3%	(0%)

3.70. Nearly half of Powergen's energy savings achieved against its target were met with lighting measures. At a third of the Powergen target, appliances provided more energy savings towards the target than insulation measures. Powergen exceeded its target by 54% and carried over 38 percentage points of this to the EEC 2005 - 2008. Almost all of the measures carried over were insulation. The other measures carried forward to the EEC 2005 – 2008 were at quantities too small to show on the above table.

3.71. Figure 3.23 shows a full breakdown of the achieved energy savings to target, by measure type and customer type, as a percentage of the final Powergen target.

Figure 3.23: Powergen's percentage energy savings to target by measure type



3.72. The majority of the energy savings to target in the Priority Group resulted from lighting measures. Appliance and insulation measures contributed equal amounts to Priority Group consumers. This is a relatively small amount of Priority Group insulation compared with other suppliers. A large proportion of non Priority Group savings were delivered through the sale of appliances, double the amount delivered to Priority Group households. There was an even split of achieved savings between insulation and lighting measures delivered to non-Priority Group customers. The smallest proportion of energy savings delivered to the Priority Group has resulted from heating measures.

3.73. Powergen volunteered to exceed its EEC target to make up the shortfall in TXU Energi's target. This additional amount has been achieved by Powergen, as non Priority Group savings. Ofgem is unable to determine these savings as qualifying action in the EEC as at least 50% of it has not been achieved in the Priority Group. However, these measures have been installed and are saving energy for

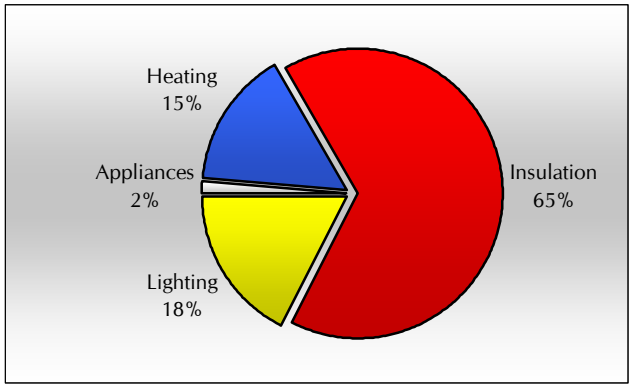
domestic consumers. The excess non Priority Savings that were achieved equal 14% of Powergen's target which it could otherwise have carried over.

ScottishPower

Proposed activity

3.74. Figure 3.24 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.24: ScottishPower proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	38%	8%	19%
Lighting	18%	0%	0%
Appliances	0%	1%	1%
Heating	12%	1%	3%
Total	68%	9%	23%

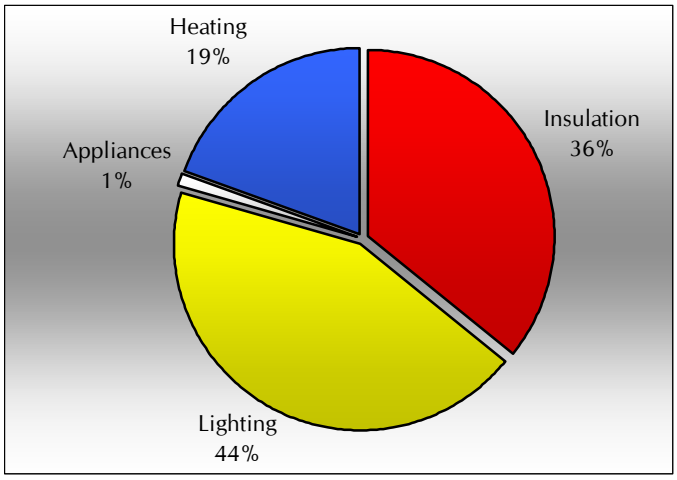
3.75. ScottishPower had eight scheme proposals accredited in the third year of the EEC, bringing its total number of schemes to 17. Consistent with most of the other suppliers, over 60% of the proposed activity was expected to come from insulation measures with 18% resulting from lighting measures. A further 15% of the energy savings was expected from heating measures, higher than average, with the remaining 2% expected from appliances.

Delivery over the three years of the EEC

3.76. ScottishPower achieved energy savings equating to 171% of its EEC 2002 – 2005 target; 88% of ScottishPower's target had been achieved by the end of the second year of the EEC. Ofgem has determined that ScottishPower achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.77. Figure 3.25 shows the proportion of ScottishPower's achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.25: Energy savings to target achieved by ScottishPower split by measure type



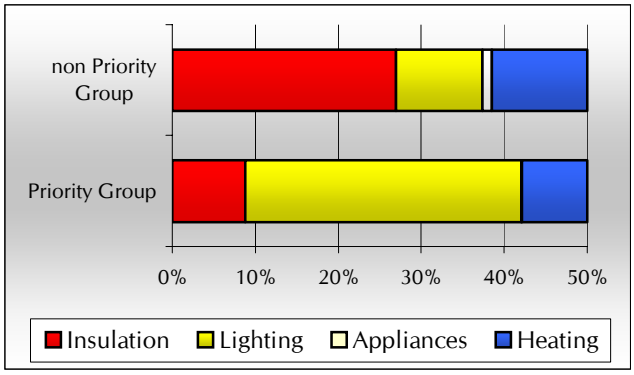
	Achieved energy savings as a percentage of ScottishPower's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	18%	36%	52%	(71%)
Lighting	4%	23%	16%	(0%)
Appliances	0%	1%	1%	(0%)
Heating	1%	4%	14%	(0%)

3.78. Though ScottishPower achieved the majority of its energy savings through insulation measures, the dominant measure against its target was actually lighting, achieving 44% of the overall savings. Insulation measures provided a lesser proportion of the target than proposed with 36% of the total achieved energy savings. Almost a quarter of the savings were achieved with heating

measures, relatively high in comparison to the other suppliers. As expected, appliances have provided the smallest proportion of the total achieved energy savings, 1% of the total.

3.79. Figure 3.26 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the ScottishPower target.

Figure 3.26: ScottishPower's percentage energy savings to target by measure type



3.80. Lighting measures make up the majority of the activity to target in the Priority Group while insulation makes up the majority in the non Priority Group. The energy savings from heating measures were focused towards non-Priority Group households.

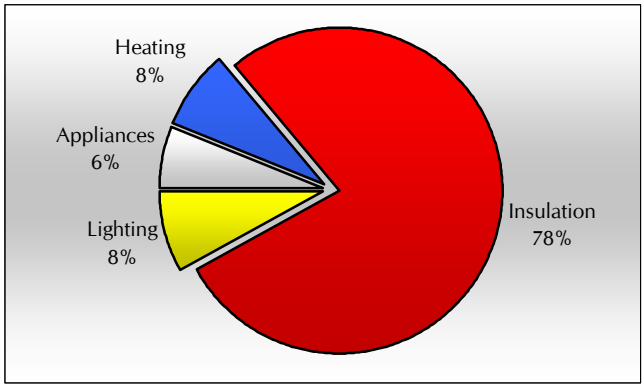
3.81. In the non Priority Group, the insulation measures contributed 27% to the target with 12% of the target being achieved through heating measures. Appliances schemes were offered to non-Priority Group consumers only.

Scottish and Southern Energy

Proposed activity

3.82. Figure 3.27 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.27: Scottish and Southern Energy proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	61%	4%	13%
Lighting	7%	0%	1%
Appliances	5%	0%	1%
Heating	8%	0%	0%
Total	81%	4%	15%

3.83. Scottish and Southern Energy had six scheme proposals approved by Ofgem in the third year of the EEC. These proposals brought its total number of schemes to 21. Very little activity was proposed in lighting, appliances and heating, especially in second and third years of the programme. The scheme proposals accounted for 194% of Scottish and Southern Energy's target.

3.84. Scottish and Southern Energy proposed to achieve over three quarters of its energy savings by installing insulation measures - high in comparison to the other suppliers. Heating and lighting measures were proposed to contribute 8% apiece and the smallest proportion of energy savings was expected to be delivered through appliances.

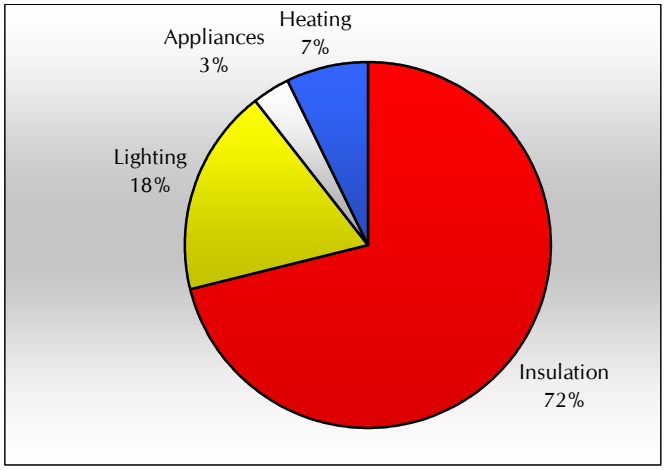
Delivery over the three years of the EEC

3.85. Scottish and Southern Energy achieved energy savings equating to 165% of its EEC 2002 – 2005 target; 89% of Scottish and Southern Energy's target had been achieved by the end of the second year of the EEC. Ofgem determined that it

achieved sufficient qualifying action to comply with its target, with 50% of the qualifying action being in relation to the Priority Group.

3.86. Figure 3.28 shows the proportion of Scottish and Southern Energy's achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.28: Energy savings to target achieved by Scottish and Southern Energy split by measure type

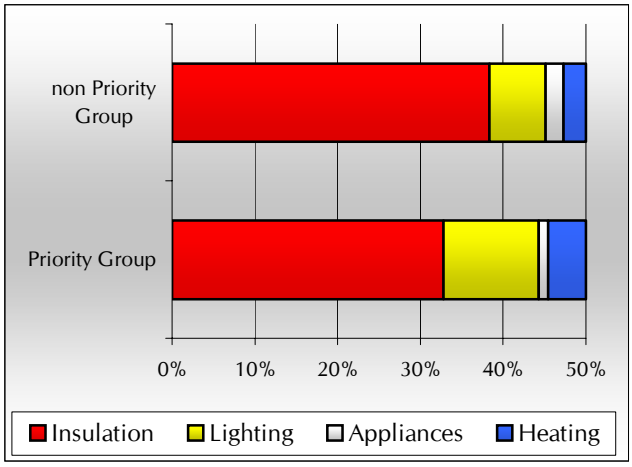


	Achieved energy savings as a percentage of Scottish and Southern Energy's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	31%	41%	64%	(65%)
Lighting	7%	8%	3%	(0%)
Appliances	2%	0%	1%	(0%)
Heating	0%	0%	7%	(0%)

3.87. As proposed, almost three quarters of Scottish and Southern Energy's total energy savings were achieved with insulation measures. Lighting followed with 18% of the achieved energy savings and the remaining 10% was split between heating measures and appliances.

3.88. Figure 3.29 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the Scottish and Southern Energy target.

Figure 3.29: Scottish and Southern Energy's percentage energy savings to target by measure type



3.89. The savings achieved in the Priority Group were heavily dominated by insulation measures, whereas most of the other suppliers' activity was more evenly split. One quarter of the Priority Group savings were achieved with lighting measures and the remainder comprised heating measures and a small amount of appliances.

3.90. Over a third of the Scottish and Southern Energy target was achieved with non-Priority Group insulation measures. The remaining non- Priority Group savings were predominantly from lighting measures with small but equal amounts of heating and appliances making up the remainder.

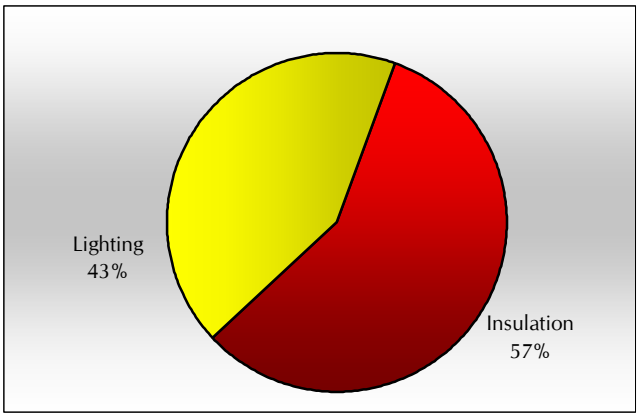
Telecom Plus

3.91. Telecom Plus became an obligated supplier in the third year of the EEC.

Proposed activity

3.92. Figure 3.30 shows the total proposed savings broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the third year of the EEC.

Figure 3.30: Telecom Plus proposed energy savings up to 31 March 2005



	Proportion of proposed energy savings
Measure	**Year 3**
Insulation	57%
Lighting	43%
Appliances	0%
Heating	0%
Total	100%

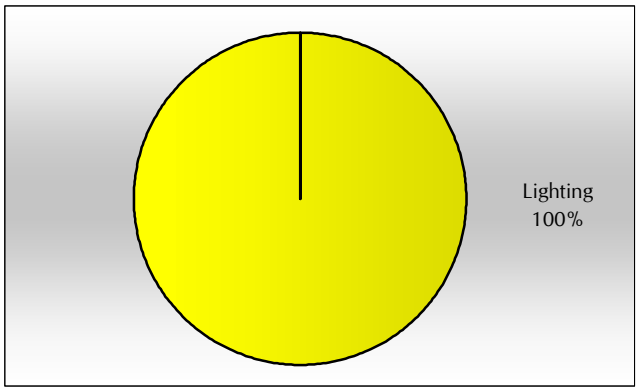
3.93. Telecom Plus had two schemes accredited by Ofgem. These schemes were equal to 265% of Telecom Plus' target. Over half of the proposed savings were expected to be delivered with insulation measures with the remaining 43% of proposed energy savings from lighting measures.

Delivery over the three years of the EEC

3.94. Telecom Plus achieved energy savings equating to 107% of its EEC 2002 – 2005 target. Ofgem has determined that Telecom Plus achieved sufficient qualifying action to comply with its target, with over 50% of the qualifying action being in relation to the Priority Group.

3.95. Figure 3.31 shows the proportion of Telecom Plus' achieved energy savings towards its target from each of the four main measure types. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.31: Energy savings achieved by Telecom Plus split by measure type

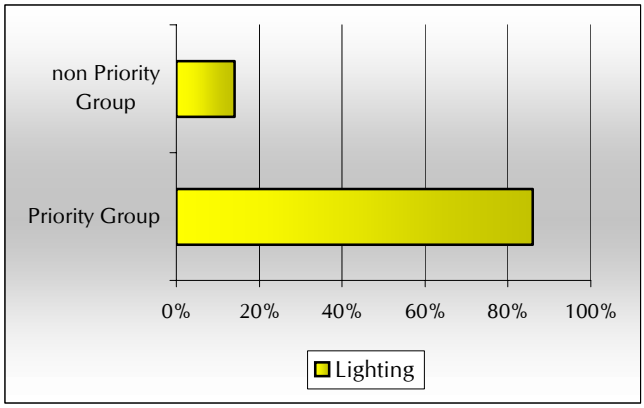


	Achieved energy savings as a percentage of Telecom Plus' target	Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year3	
Insulation	0%	(0%)
Lighting	107%	(0%)
Appliances	0%	(0%)
Heating	0%	(0%)

3.96. Though Telecom Plus originally proposed to meet half of its target with insulation measures, the insulation scheme was withdrawn and Telecom Plus' lighting scheme was extended to meet its target in full.

3.97. Figure 3.32 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the Telecom Plus target.

Figure 3.32: Telecom Plus' percentage energy savings to target by measure type



3.98. To ensure compliance with its EEC target, Telecom Plus achieved just less than 86% of energy savings in relation to the Priority Group, through distributing CFLs. Telecom Plus and Opus Energy worked together under the EEC 2002 – 2005 and met their targets through this one joint lighting scheme.

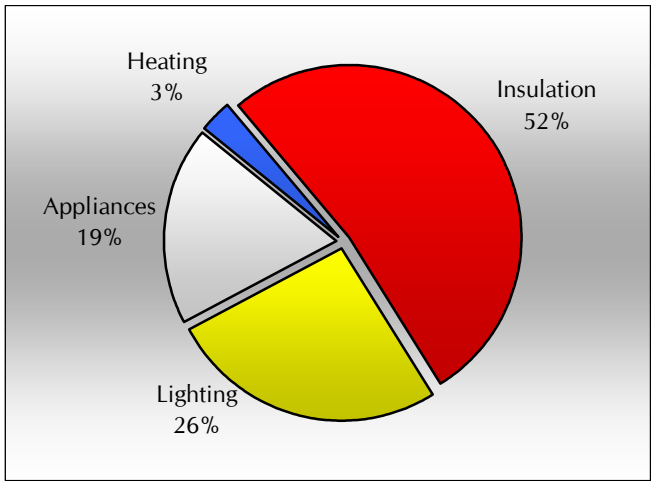
TXU Energi

3.99. Powergen purchased TXU Energi's customers in October 2002 but not the TXU licences. TXU Energi was put into administration soon after and the company ceased trading. Powergen volunteered to deliver sufficient measures to achieve TXU Energi's target but not to meet the requirement that at least half of the savings be in relation to the Priority Group. As a consequence TXU Energi has a shortfall in qualifying action against its EEC target and has not complied with its obligation. The Authority in this case decided not to impose a financial penalty as it would have served no practical purpose.

Proposed activity

3.100. Figure 3.33 shows the total energy savings proposed by TXU Energi broken down by measure type. The accompanying table provides a breakdown of the proposed savings for the three years of the EEC.

Figure 3.33: TXU Energi proposed energy savings up to October 2002



	Proportion of proposed energy savings		
Measure	**Year 1**	**Year 2**	**Year 3**
Insulation	52%	0%	0%
Lighting	26%	0%	0%
Appliances	19%	0%	0%
Heating	3%	0%	0%
Total	100%	0%	0%

3.101. Ofgem accredited eight TXU scheme proposals in the first year of the EEC before it went into administration. All suppliers' targets are based on the average of its numbers for the three years of the EEC. As TXU Energi was not supplying any domestic consumers in the second and third years of the EEC, its target decreased significantly. Therefore, the schemes proposed during the first year account for 226% of TXU Energi's final target.

Delivery over the three years of the EEC

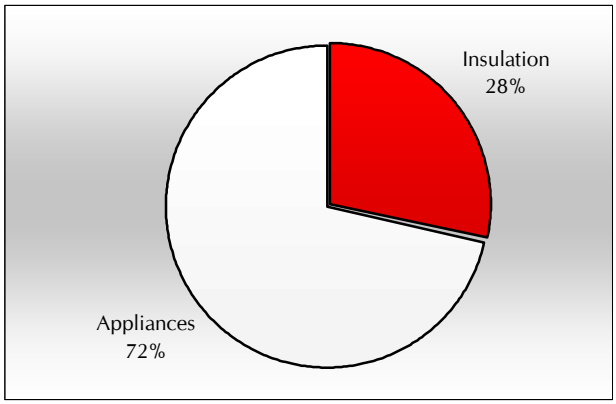
3.102. Powergen completed some of the schemes set up by TXU Energi and reported the achieved savings to Ofgem. From this data, 13% of TXU Energi's final target was determined as qualifying action. Powergen additionally volunteered to exceed its EEC target with the intention of making up the shortfall from TXU Energi's target. However, these savings did not meet the requirement that at least 50% were in the Priority Group so they could not be determined as qualifying action.

3.103. Powergen also reported the excess savings that TXU Energi had achieved under the EESoP 3 programme. Suppliers were able to carry these measures into the EEC. Again, all of the EESoP 3 excess measures had been provided to non Priority Group consumers and so could not be considered qualifying action as there is not a corresponding amount of Priority Group activity. Additionally, the level of this activity breached the 10% threshold on carry over activity between EESoP 3 and the EEC[8]. This activity would have made up more than 20% of TXU energi's energy saving target.

[8] The Order limited the amount of excess activity that could be transferred from the 2000-02 programme to 10% of each supplier's obligation.

3.104. Figure 3.34 shows the proportion of TXU Energi's achieved energy savings towards its target from both of the measure types delivered. The accompanying table shows the achieved energy savings for each year of the EEC.

Figure 3.34: Energy savings achieved by TXU Energi split by measure type

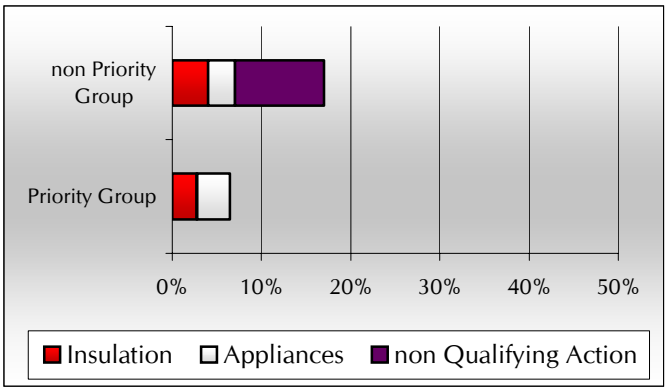


	Achieved energy savings as a percentage of TXU Energi's target			Proportion of EEC 2002-2005 target carried over to EEC 2005-2008
	Year 1	Year2	Year3	
Insulation	7%	0%	0%	(0%)
Lighting	0%	0%	0%	(0%)
Appliances	17%	0%	0%	(0%)
Heating	0%	0%	0%	(0%)

3.105. Though TXU Energi's scheme proposals anticipated energy savings to be achieved with a mix of all the measure types, TXU Energi's change in circumstances meant that completed activity was only reported for insulation measures and appliances.

3.106. Figure 3.35 shows a full breakdown of the achieved energy savings, by measure type and customer type, as a percentage of the final TXU Energi target.

Figure 3.35: TXU Energi's percentage energy savings to target by measure type



3.107. TXU Energi achieved a quarter of its EEC target. The Priority Group savings contributed 6.5% of savings towards the target; therefore 13% of the target has been determined as qualifying action. These savings determined as qualifying action have been counted toward the overall achievement of the EEC.

3.108. Across both the non Priority Group and the Priority Group, the qualifying action was evenly split between insulation measures and appliances.

4. Measures delivered during the three years

4.1. This chapter provides information on the types of measures that have been delivered over the last three years and how they have been promoted and delivered to consumers.

Measures installed

4.2. Insulation measures have dominated supplier activity, accounting for 56% of the total savings achieved. One quarter of the total energy savings have come from the installation of lighting measures, predominantly CFLs (compact fluorescent lamps). The promotion of A rated appliances has contributed 11% to the overall savings achieved under the programme. The remainder of the savings, 9%, was met through heating measures. Figure 4.1 details the total number of measures installed throughout the three years.

Figure 4.1: The number of measures installed and their energy savings

Measure	Number of measures installed		Energy savings (GWh)
	Priority Group	non-Priority Group	
Cavity wall insulation	441,213	350,311	25,069.271
Loft insulation (top up)	343,467	185,029	4,138.786
Loft insulation (virgin)	142,361	83,884	9,696.905
DIY loft insulation (m^2)	1,999,548	13,979,819	8,101.492
Draught stripping	15,516	7,227	38.561
Tank insulation	98,650	97,182	433.501
Radiator panels (m^2)	27,574	11,304	13.392
Solid wall insulation	17,352	6,378	972.597
Other insulation	617	2,008	21.145
Energy efficient cold appliances	589,357	2,366,727	7,381.189
Energy efficient wet appliances	671,693	2,880,044	2,260.324
Other appliances	19,932	73,905	42.496
A and B rated boilers	104,364	174,627	2,361.905
A and B rated boilers with heating controls	22,769	64,728	1,233.475
Heating controls upgrade	631,711	1,734,417	1,220.49
Fuel switching	20,432	20,645	2,763.325
CHP/Communal heating*	403	212	39.037
Other heating	126	76	4.663
CFLs	24,203,630	15,533,940	20,976.794

*Number of properties served by the heating system.

Insulation

4.3. The majority of insulation measures have been installed in Priority Group households providing benefits to these consumers in terms of lower bills and increased thermal comfort. The two exceptions are DIY loft insulation, of which 85% of the measures were purchased by non-Priority consumers; and other insulation measures.

4.4. Cavity wall insulation has been the most popular insulation measure throughout the three years of the programme. Suppliers fitted cavity wall insulation in nearly 800,000 households, equating to almost 30% of the total energy savings achieved.

4.5. Loft insulation has generally been promoted alongside cavity wall insulation with over 750,000 households benefiting from a professional installation. Almost 30% of the households receiving loft insulation had no previous insulation. Two thirds of these properties were in the Priority Group. The remaining properties received a top-up to a total depth of between 200mm and 270mm. DIY loft insulation has been a popular delivery route for consumers with almost 16 million square metres of loft insulation being sold through retailers. Based upon an average of 40m^2 installed in a typical property, this equated to around 400,000 households. DIY and professional installations of loft insulation contributed 25% to the total energy savings achieved.

4.6. Other insulation measures were also delivered by suppliers, contributing less than 2% to the total savings achieved. These measures were provided as part of a broader programme of insulation work, as they are not as cost-effective to deliver alone. Draught proofing and hot water tank jackets have been provided as part of some major insulation schemes. Hot water tank jackets are an established measure so there is increasingly limited opportunity to fit them. Internal and external solid wall insulation was installed in over 20,000 households, predominantly in the social sector. The 'other insulation' category details some small schemes, which were set up to insulate valves and flanges in community heating systems.

4.7. Radiator panels fit behind radiators on external walls to help retain heat within a room. Some were professionally installed and others sold for DIY installation.

Almost 39,000m^2 of radiator panels were installed. Assuming an average radiator size of 0.8m^2, this equates to over 48,000 radiators being fitted with panels.

Lighting

4.8. Nearly 40 million CFLs have been distributed over the last three years. CFL schemes are relatively straightforward to set up and deliver so suppliers' initial activity under the EEC concentrated on these measures. Likewise, during the last six months of the programme, the delivery of CFLs to the Priority Group was increased to ensure that suppliers had a more even balance between their Priority and non Priority Group activity. 60% of all CFLs distributed were provided to Priority consumers.

4.9. The majority of CFLs were given out for free, predominantly to Priority Group households. When delivering measures for free, suppliers were limited to delivering no more than four CFLs to each household. If each of the Priority Group CFL recipients were provided with the maximum number permissible, four bulbs, then 6 million households would have benefited. Defra estimated that there were approximately 8.8 million households in the Priority Group.

4.10. When suppliers offered CFLs direct and at a cost to their consumers the measures were capped at six CFLs per household. These limits were put in place to ensure that consumers did not take more CFLs than they required and therefore the measures led to improvements in energy efficiency. CFLs sold through retailers were not capped and over 3.7 million CFLs were sold through this route. Retail partnerships were also used to sell over 400,000 luminaires to consumers.

Appliances

4.11. Suppliers delivered nearly 3 million cold appliances (fridges, freezers and fridge-freezers) during the EEC. These measures were all A rated under the European Energy Labelling scheme. This accounts for over one quarter of the total sales of cold appliances in Great Britain over the three years, equating to 60% of the total sales of A rated fridges and freezers during this period.

4.12. With regard to wet appliances (dishwashers and washing machines) 3.5 million were sold under the EEC. This accounts for one third of total sales of wet

appliances, or 50% of all A rated wet appliances sold between 2002 and 2005. Throughout the EEC, supplier activity led the transformation in the market for appliances. This transformation may continue due to the introduction of A+ and A++ ratings for cold appliances in July 2004.

4.13. When devising the target-setting model for the EEC, Defra included an uplift of 1.6 for the energy savings from appliances which made them more cost-effective for the suppliers. The uplift has been removed for the EEC 2005 – 2008. Having an uplift in the energy savings from a measure has implications for the actual carbon saved by the programme. This is detailed in Chapter 5.

4.14. Less than 20% of the total number of appliances sold were provided to Priority Group consumers. Two suppliers set up fridgesavers schemes which allow Priority Group consumers to trade in a working yet faulty fridge or freezer for a heavily-subsidised energy-efficient equivalent. The energy savings attributable are slightly higher than conventional trade-in schemes for appliances as the faulty appliance is taken out of use and destroyed. Around 36,000 old, inefficient appliances were destroyed and replaced.

4.15. Suppliers have also been working to identify other types of energy efficient appliances to promote to consumers. One supplier ran a small scheme for Priority Group consumers and pensioners to trade in traditional kettles for jug kettles with a scale. Other suppliers set up schemes to deliver consumer electronics in partnership with retailers. One such example was the 'intelligent mains panel', a plug system that reduces the stand-by consumption from computer peripherals when the computer is itself in stand-by mode.

Heating

4.16. The majority of heating measures were delivered to non-Priority Group, or able-to-pay consumers. SEDBUK [9] A or B rated boilers have been installed in over 300,000 households through the EEC. Suppliers were accredited with the difference in energy savings between the legal requirement under the Building Regulations (a D rated boiler) and the efficiency actually installed.

[9] Seasonal Efficiency Database of Boilers in the United Kingdom.

4.17. Suppliers also promoted a range of 'other heating' measures to consumers, as shown in Figure 4.1. Fuel switching was conducted in over 40,000 households, evenly split between Priority and non-Priority Group consumers. This generally involved subsidising the upgrade of an electric or coal fired heating system to a gas-fired system. One supplier installed forty ground source heat pumps. Another supplier installed a small number of mechanical ventilation and heat recovery units as part of one its social housing schemes.

4.18. There was some interest in solar water heating at the start of the EEC. However, following the introduction of the DTI's Clear Skies programme[10] in 2003, suppliers were unable to compete with the level of funding provided by the Government programme. As a consequence the proposed solar water heating schemes did not go ahead.

4.19. Around twenty schemes for community heating and CHP installations were proposed to Ofgem, with only eleven being completed to the benefit of over 600 domestic properties. The remainder of the schemes were withdrawn by the suppliers for a number of reasons such as the timescales involved or the cost effectiveness of the scheme.

Delivering schemes

4.20. Suppliers have promoted their schemes through numerous routes and have partnered with different organisations to deliver measures to consumers. Suppliers were not limited to assisting only their own customers and were able to target any domestic consumer in Great Britain. The main routes for suppliers to promote measures to consumers has involved them:

- offering measures direct to consumers,
- partnering with other organisations such as SHPs and charities,
- partnering with retailers and manufacturers, and
- linking in with other Government programmes.

[10] The DTI's Clear Skies programme offered grants for a number of different renewable technologies.

4.21. Appendix 1 details the numbers of measures, which have been delivered through retail partnerships, SHP schemes, interaction with other Government programmes and other delivery routes.

Carry over from EESoP 3

4.22. Suppliers had the option to carry over measures installed under the EESoP 3 programme, which exceeded their EESoP 3 targets. This carry over was limited to 10% of the supplier's EEC target. Measures equating to almost 3,000 GWh, or nearly 5% of the EEC target, were carried forward into the EEC. Two suppliers were able to carry over the maximum amount, equating to 10% of their targets. The other four suppliers who previously had EESoP targets carried over measures equating to between 2% and 7% of their EEC targets.

Offering measures direct to consumers

4.23. Most of the suppliers offered the four main measure types directly to their customers through different schemes. These offers were used to retain existing customers or attract new customers to the supplier. Suppliers have used a number of routes to market these schemes, such as targeted mailing, bill inserts, the web and customer magazines.

4.24. CFLs sold to consumers in this way were limited to six per household. Suppliers were required to cross check their records of recipients to ensure that this limit was adhered to for each household. The suppliers distributed around 12 million CFLs directly to non-Priority Group consumers. This figure excludes the suppliers' retail partnerships. Suppliers also sent CFLs direct to consumers for free. The Priority Group was the main beneficiary of this route. Suppliers identified Priority Group customers from their records or schemes and sent them up to four CFLs for free.

4.25. Nearly half of all the heating measures provided to consumers under the EEC were offered direct to consumers by the suppliers, with the consumer paying a contribution towards the cost of the measures. The suppliers' direct offers also account for one quarter of all the insulation fitted in domestic premises under the EEC. Again, these measures were generally promoted to able-to-pay consumers, offering cavity wall insulation, loft insulation and hot water tank jackets.

Energy services

4.26. An energy service package in the EEC was defined as an activity that included:

- two measures, one of which had to be insulation to the loft or the walls or an improvement to the primary heating system such as a boiler or CHP,
- an assessment of the premises,
- relevant advice to the consumer, and
- an offer to the consumer for the option of deferring payment for the measures.

4.27. Three suppliers offered an energy service package direct to consumers. The major measures installed were loft and/or cavity wall insulation and the secondary measure tended to be a hot water tank jacket, draught proofing or CFLs. Suppliers were incentivised to deliver measures as part of an energy service package. Energy services accounting for up to 10% of a supplier's target received a 50% increase in the energy savings achieved.

4.28. Only one supplier delivered more than 10% of its target through energy services, taking full advantage of the incentive and also continuing to deliver energy services without the uplift. This supplier achieved 15% of its target through energy services, including the uplift. Energy services for the other two suppliers contributed 1% and 8% to their individual targets, including the uplift. The energy services schemes achieved over 4TWh, including the uplift. Suppliers had the potential to deliver up to 6TWh as energy services qualifying for the uplift, leading to a total potential saving of just over 9TWh.

Partnering with SHPs and charities

4.29. Partnerships with SHPs have been key to the suppliers meeting their targets. The suppliers were able to expand the SHPs programme of works, lever in additional funding and target the Priority Group effectively. Through these partnerships, suppliers have offered insulation, heating and CFLs. The community heating schemes set up under the EEC have all been in partnership with SHPs. One supplier partnered with a SHP to promote its fridgesavers scheme to Priority Group consumers.

4.30. The majority of insulation measures (nearly 60%) have been delivered in partnerships with SHPs. Over 50% of all the dwellings receiving cavity wall insulation under the EEC were social housing. 80% of all the loft top-up activity has been through partnerships with SHPs, showing that top-up installations are cost effective when a package of measures are being installed. For the same reason, smaller insulation measures have also been installed in greater numbers under SHP schemes. The majority of tank insulation and radiator panels were fitted through this delivery route. The 23,000 households receiving solid wall insulation were all social housing properties. A third of all heating activity was part funded and delivered with SHPs. 60% of fuel switching, 25,000 households, benefited from supplier and SHP partnerships.

4.31. Suppliers partnered with hundreds of SHPs, charities and community groups who delivered CFLs to their tenants or members. Up to four bulbs were provided for free to each household, predominantly to the Priority Group. Around 24 million CFLs were delivered to Priority Group consumers, and up to 16 million of these were distributed through such partnerships.

4.32. Some suppliers have also partnered with charities to provide other goods and services with their energy efficiency schemes such as safety devices. This has broadened the benefits of the suppliers' schemes and has been used as a tool to attract SHP partners.

Partnerships with housing developers

4.33. Certain suppliers have partnered with housing developers and SHPs to fund the installation of measures in new build houses. The suppliers have claimed energy savings where they have provided funding to enable the developer to exceed the requirements of the Building Regulations, predominantly through installing luminaires and upgrading the efficiency of the boiler.

Partnering with retailers and manufacturers

4.34. Suppliers have partnered with a number of retailers over the last three years, including supermarkets, department stores, appliance retailers and DIY stores. As well as partnering with high street chains, suppliers also worked with some independent appliance and lighting retailers.

4.35. Retailers were required to provide electronic point of sale (EPoS) data at the end of supplier's schemes to confirm the number of measures sold to consumers. For CFLs and DIY insulation, suppliers had to use the EPoS data to prove that they had increased the sales of the product by 20% compared with the previous year. Some suppliers found this difficult with some CFL schemes due to the competition from cheap, shorter life bulbs. The success of these schemes has been dependent upon the retailers promoting measures and subsidising the price. There appears to be little consumer demand without a supplier's support. Over 3.7 million CFLs were sold through retailers under the EEC. This equates to 9% of all the CFLs delivered under the EEC.

4.36. All consumer electronics and appliances (with the exception of kettles and some fridgesavers) were sold in partnership with retailers and manufacturers. The suppliers used their funding to subsidise and promote the appliances and to train sales staff in energy efficiency. The two main routes were incentivising consumers to purchase an A rated appliance when shopping for a new model and encouraging consumers to trade-in their existing (and working) appliance for an A rated model. In the latter scenario, higher energy savings were awarded to recognise that the consumer's old, inefficient, appliance was being removed from circulation and destroyed. One of the fridgesavers schemes involved the supplier promoting the service and determining who was eligible. The consumer was then given a voucher to claim their new appliance at a national retailer.

4.37. Partnerships with manufacturers involved CFLs, luminaires, appliances and boilers. Suppliers provided a subsidy to the manufacturer to promote and discount the product, with the manufacturer monitoring sales through their retail partners. Partnerships with boiler manufacturers enabled the boiler merchants to sell condensing boilers at the same price as a standard boiler under the Building Regulations.

4.38. Partnerships with manufacturers also enabled suppliers to fund improvements to consumer electronics to help get more efficient models to the market.

Linking with other Government programmes

4.39. Suppliers have partnered with a number of other Government programmes: Warm Front and its devolved equivalents, Community Energy and Clear Skies.

4.40. Six suppliers chose to interact with the fuel poverty programmes Warm Front, Welsh HEES and Warm Deal, contributing 16% of all insulation measures installed under the EEC. The suppliers were able to purchase measures installed under the Warm Front programme and the managing agents, Eaga and Powergen Warm Front, were required to spend that money on similar measures. All of the recipients were in the Priority Group. The insulation measures purchased from Warm Front made an important contribution to the EEC, accounting for 16% of all the professional insulation measures installed. This activity was dominated by cavity wall insulation and loft insulation. Over 100,000 properties received loft insulation under Warm Front and which was sold to suppliers; of this, 80,000 properties had virgin lofts. This shows that the suppliers were able to purchase the most cost effective measures installed by Warm Front. One supplier purchased a small number of boiler replacements and heating controls also.

4.41. Eaga partnered with seven suppliers to deliver almost eight million CFLs through the Warm Front programme. This equates to one fifth of all CFLs distributed under the EEC. Up to four CFLs were provided to almost two million households who were recipients of Warm Front or who contacted the Warm Front helpline.

4.42. One supplier partnered with the Community Energy Programme to part-fund a CHP installation in Scotland. The supplier's project partners confirmed that the scheme could not have gone ahead without its funding. The energy savings were accredited in proportion to the supplier's cost contribution to the plant, the remainder of the energy and carbon saving have been attributable to the Community Energy Programme.

4.43. The DTI's Clear Skies programme provided grants directly to domestic consumers who installed measures such as solar water heating and ground source heat pumps. One supplier partnered with a SHP who also used Clear Skies to part-fund the installation of heat pumps in social housing. The SHP produced a declaration to prove that the measures would not have been installed without the additional funding from the supplier.

5. Monitoring the outcomes of the EEC

5.1. This chapter details the results of the customer satisfaction monitoring and quality monitoring conducted by suppliers. For schemes involving DIY loft insulation and direct CFLs, recipients were monitored to learn how the measures were utilised. A summary of the results of this monitoring is provided below. The proportion of energy savings achieved in England, Scotland and Wales is detailed in this chapter along with the different fuels saved under the EEC 2002 – 2005. Finally, the effect of the appliance and energy services uplifts on the total EEC energy savings and carbon savings is detailed.

5.2. In order to demonstrate compliance with their targets, suppliers were required to monitor their schemes. A proportion of recipients from all schemes had to be monitored to ensure customer satisfaction and that the necessary quality standards had been met. For schemes involving DIY loft insulation and direct CFLs, recipients were monitored to learn how the measures were utilised.

Monitoring the schemes

5.3. A proportion of recipients from all schemes had to be monitored to ensure satisfaction with the measures and service provided. Customer satisfaction was also used to help track whether, and how, consumers were using certain measures, namely CFLs and DIY loft insulation. The results of the CFL and DIY loft insulation monitoring are set out below.

5.4. Where insulation and heating measures were installed quality monitoring had to be conducted on at least 5% of the properties. For professional installations, this involved a contractor, independent of the actual installer, surveying properties. The suppliers had to show that any problems identified were rectified before the scheme was completed. For retail partnerships offering boiler and DIY insulation, suppliers had to contact a sample of recipients to ensure that the measures had been installed to the correct standards. This involved telephone monitoring and some home visits. All the monitoring results were submitted to Ofgem with the supplier's completion reports for scrutiny before approval.

Auditing

5.5. Ofgem conducted two phases of auditing, one in the summer of 2003 and the second in early 2005. An independent auditor, the Building Research Establishment, was selected to conduct the site visits. A selection of each supplier's schemes were audited to check that the necessary contracts were in place with the relevant project partners such as manufacturers, installers, retailers and SHPs. The auditing process helped to provide a guarantee that the suppliers were delivering their schemes as proposed. One issue that did arise was in relation to technical monitoring. The approach to monitoring, and the questions asked, varied between suppliers and contractors. Ofgem therefore devised a standard set of monitoring questions for the EEC 2005 - 2008 for all contractors to use.

Monitoring the utilisation of CFLs

5.6. The suppliers agreed to ask specific questions when monitoring a sample of recipients of CFLs to determine whether they had installed, or planned to utilise the bulbs. The results show that 75% of consumers had installed their CFLs at the time of survey. 23% of householders were storing their CFLs for use when other bulbs failed and the remainder, 2%, responded that their CFLs were not required.

5.7. Over 50% of respondents were already using CFLs, mainly having between 1 and 3 already fitted. Most of the CFLs were installed in consumers' living rooms, followed by the hallways and bedrooms. This corresponds to the energy saving awarded to CFLs under the EEC which assumed the measures would be installed in high and medium use fittings within the home.

Monitoring the utilisation of DIY insulation

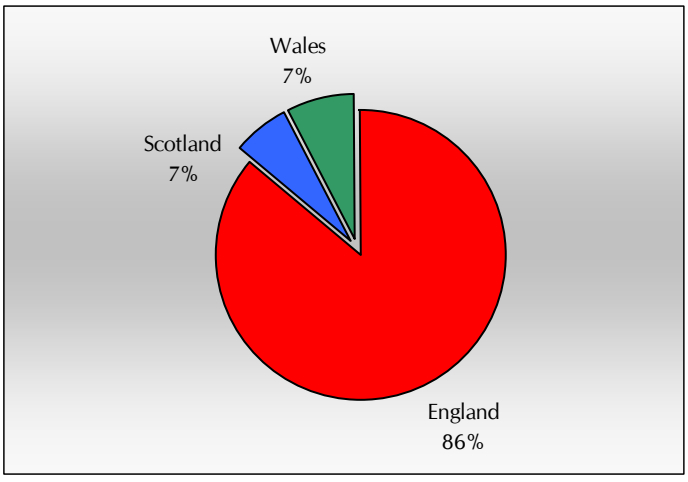
5.8. Five schemes were set up to promote DIY loft insulation, four of which were in partnership with retailers. 90% of the overall sample of recipients had 100mm or less previously installed in their loft and over 15% of the total respondents had no insulation in their loft beforehand. 87% of the respondents had actually fitted the loft insulation they had purchased, the remainder had yet to install it.

5.9. The monitoring also surveyed where and how the loft insulation was used. 7% of the loft insulation installed was not installed in the household's loft; instead it was fitted in places such as the walls, floor or a garage. Some of this was also used to insulate extensions, as required under the Building Regulations. To account for the fact that not all insulation is installed, and that some installations are for the purpose of meeting the Building Regulations, Defra included an adjustment factor in their EEC 2005 - 2008 target setting model. The energy savings attributed to sales of DIY loft insulation are consequently reduced by 10%.

England, Scotland and Wales

5.10. In Defra's consultation on the EEC 2002 – 2005 it asked Ofgem to monitor the delivery of the suppliers' schemes across England, Scotland and Wales. In the completion reports for each of their schemes, suppliers detailed the percentage of energy savings delivered in each of the three countries. The completion report shows that 86% of the energy savings were achieved in England, with equal savings delivered in Scotland and Wales.

Figure 5.1: The percentage of the overall energy savings, which have been achieved in England, Scotland and Wales



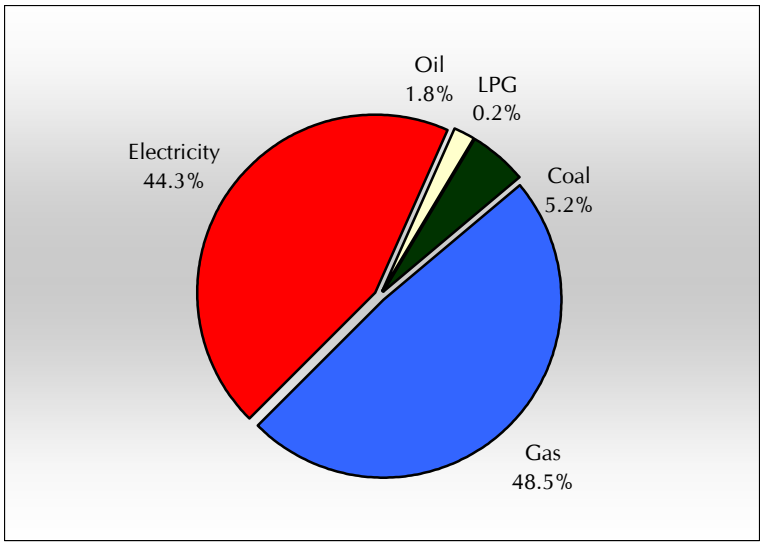
5.11. Figures from the Office of National Statistics shows that 86% of the households in Great Britain are in England, matching the suppliers' delivery. The remainder of the household distribution is 9% in Scotland and 5% in Wales, whereas the two countries benefited equally in terms of energy savings.

5.12. Partnerships with retailers were an important route for suppliers, however consumers in rural parts of Scotland and Wales may have less opportunity to visit such national retailers. Unlike Warm Front in England the Warm Deal and Welsh HEES eligibility criteria included consumers in social housing. This gave suppliers less opportunity to add value to social housing insulation schemes. The Scottish Executive has implemented the Scottish Central Heating Programme. It is available to all households in the private sector who lack central heating and where the householder is aged 60 or over and to those aged 80 or over who had partial or inefficient central heating systems. The availability of the Warm Deal and the Central Heating Programme may explain why Scotland has received a relatively lower share of EEC assistance.

Fuels saved

5.13. The use of fuel standardisation factors, based on the carbon content of the fuels, in setting the overall EEC target, gave the suppliers an incentive to target consumers' homes that use the more carbon intensive fuels. For instance, the cost of insulating an electrically-heated home is broadly similar with that of a gas-heated home with cavity wall insulation. However, the energy savings accredited to the electrically-heated property are almost twice as large. This has encouraged suppliers to target homes that use the more carbon intensive fuels. Figure 5.2 shows the anticipated energy expected breakdown by fuel type.

Figure 5.2 Chart showing the proportion of the overall savings, which have been saved in each of the five fuel types



5.14. Around 44% of the total energy savings have been achieved in electricity savings mainly from installing insulation in electrically heated properties, CFLs, and appliances. The majority of the savings have been in gas through the installation of insulation and condensing boilers. Measures installed in homes heated by coal, oil and LPG provide a small contribution. Houses heated by coal will have benefited from fuel switching as well as insulation measures. The potential for benefits in homes heated by LPG are limited and account for less that 1% of the total savings.

The effect of the uplifts for appliances and energy services

5.15. Under the EEC suppliers were incentivised to provide energy services packages to consumers. Energy services, equating up to 10% of a supplier's target, received a 50% increase in the energy savings attributable. For A rated cold and wet white goods, Defra applied a factor of 1.6 to uplift the energy savings.

5.16. Defra designed the EEC with a view to saving carbon from households. The uplift in energy savings from energy services or appliances has implications for the actual lifetime carbon and energy savings achieved under the EEC programme. Figure 5.3 shows the total energy savings counting towards the target, the uplifted energy savings and the actual energy savings achieved by the EEC. The final column shows the lifetime carbon savings achieved by the EEC.

Figure 5.3. The effect of the energy services and appliances uplift on the energy and carbon savings

Energy savings (TWh)				Lifetime carbon savings (MtC)
Total savings against the target	Energy Services Uplift	Appliances Uplift	Total achieved minus Uplift	Total achieved minus Uplift
61.202	0.845	3.613	56.744	15.544

5.17. Those suppliers with successful energy services schemes decided to carry over insulation activity from these schemes to their EEC 2005 – 2008 targets. Consequently, the energy services actually counting towards the EEC 2002 –

2005 target, and the subsequent uplift in savings, is lower than the actual level of energy service achieved, 4TWh. The suppliers chose to carry over A+ rated appliances to the EEC post 2005, as they may be considered 'innovative' under the new programme and so attract an uplift[11]. All other cold and wet appliances have been counted towards the EEC 2002 – 2005 targets so that they can receive the uplift in energy savings.

5.18. Figure 5.3 shows that the actual energy saving achieved by the EEC, minus the uplifted savings, is 56.7 TWh. This equates to a lifetime carbon saving of over 15 MtC. The lifetime of the carbon savings depends upon the lifetime of the measures installed and will be up to 40 years for insulation measures. Defra's target-setting model included business as usual sales for certain measures. These sales were expected even without the supplier's input and were consequently not attributed with a carbon saving. The overall carbon saving of 15 MtC includes business as usual activity.

5.19. Of the savings counting towards the target, 4.5 TWh is not an actual energy saving. If there had been no uplift for energy services and appliances, suppliers would have had to have saved a further 4.5 TWh through installing additional measures. It is difficult to predict which measures the suppliers would have delivered to achieve this additional energy saving and consequently we cannot predict the carbon saving that would have resulted. Defra predicted that the EEC would save 0.4 MtC each year. The uplifted energy savings equate to 7.3% of the total energy savings achieved. Therefore, it could be argued that the carbon saving from the EEC has been reduced by 7.3% as a result of the uplifts.

[11] The 2004 Order provides an incentive for suppliers to promote 'innovative action'.

6. The transition from the EEC 2002 – 2005 to the EEC 2005 – 2008

6.1. This chapter assesses the activity the suppliers have carried out in excess of what was required under the EEC 2002 - 2005 and has been carried forward and approved as carried over savings under the EEC 2005 - 2008. The EEC places a regulatory requirement on each obligated supplier to meet an energy saving target in domestic premises. Throughout the second half of the EEC 2002 - 2005 suppliers knew that their targets would increase after 2005 and that they would be able to carry over any excess energy savings. This influenced the level of supplier activity and allowed them to design long-term strategies. This Chapter discusses the amount and type of activity the suppliers carried over and the implications this has for the EEC 2005 - 2008.

Background

6.2. The level of supplier energy efficiency activity over the three years of 2002 to 2005 was not only influenced by the obligation put on them for this period, but was also heavily influenced by the Government's announcements on how it intended to develop the EEC. In April 2003 the Government, in its Energy White Paper[12], announced that it intended to double the scale of the EEC for a further six years, but said that this would be taken forward in two three-year tranches. This message was reinforced in the Government's Energy Efficiency Plan for Action[13]. In addition to this clear commitment to increase the scale of the programme Defra committed to the companies being allowed to carry over unlimited energy efficiency activity from EEC 2002-2005 to EEC 2005-2008. This provided regulatory certainty for the companies as they knew that they could bring forward activity for their targets for the period 2005 to 2008. Given the scale of the increase in the activity required by the EEC 2005 - 2008 the suppliers did bring forward a large amount of activity to smooth out the transition and to ensure that there would not be a step change required between the two programmes. This was clearly beneficial for the companies as it gave

[12] Our Energy Future – Creating a Low Carbon Economy, 2003, DTI.
[13] Energy Efficiency: The Government's Plan for Action, 2004, Defra.

them a longer period in which to comply with their obligations and it meant that there would be a gradual increase in activity.

Factors that influenced supplier carry over activity

6.3. Throughout the development of the EESoP and EEC energy efficiency programmes the data used to determine the energy savings has evolved to reflect the latest research, changes in the legal minimum standards and changes in the products sold on the market. These changes in accreditation influence supplier activity as it encourages them to take advantage of a measure type in the current scheme which might not be so favourable in the future.

6.4. Towards the end of the EEC 2002-2005 suppliers accelerated their energy efficiency activity. The increase in activity occurred in all measure types although suppliers particularly concentrated on the delivery of CFLs. This reflected the short lead times required to set up these types of schemes and the fact that the energy savings accredited to CFLs fell considerably between the two programmes. This reduction was a consequence of new monitoring data that suggested the energy savings attributed to lighting measures in the EEC 2002-2005 was higher than that achieved. In addition, the fact that the heat replacement effect, which makes an allowance for the heat gain from electrical goods, had been included in the target setting process meant that it had to be included in Ofgem's accreditation for the first time. These factors encouraged the suppliers to bring forward as much lighting activity as possible at the end of the EEC 2002 – 2005 and not to carry these measures over.

6.5. It was not only lighting measures that were affected by the changes in accreditation. Changes to the Building Regulations from the 1 April 2005 have led to the minimum standard for a boiler installation being B-rated. This reduced the difference in efficiency between the standard boiler installation and the A-rated boilers promoted by the suppliers in their EEC activity and as a consequence meant that the energy savings attributable under the EEC have fallen. This has made the installation of boilers in the programme less attractive. The suppliers' schemes promoting A-rated appliances in the period 2002-2005 were very successful and consequently the market average appliance being installed by consumers has improved. The difference in energy consumption between the market average appliance and the appliances that the suppliers

promote has narrowed and therefore the energy savings that can be accredited to the suppliers is less than was previously available. Additionally, Defra removed the 1.6 uplift factor that was applied to the energy saving from appliance measures in the EEC 2002 - 2005 in the EEC 2005 - 2008 and also applied the heat replacement effect.

6.6. The energy savings attributed to insulation measures increased for the EEC 2005-2008, primarily as a result of a change in the assumption of the standard heating pattern used by householders. These changes directly influenced measures that the suppliers carried over between the programmes and encouraged the suppliers to take forward insulation measures to the EEC 2005 - 2008 more than any other type of measure.

6.7. A full explanation of the changes to the assumptions used to accredit energy efficiency measures is available on Defra's website: http://www.defra.gov.uk/environment/energy/eec/pdf/measuremix.pdf .

Activity counting towards the target

6.8. Chapter 4 highlighted the numbers of measures that the suppliers had carried out over the course of the three years from 2002 to 2005. The table below highlights those measures that have been counted towards the target and those that have been carried over to EEC 2005-2008. Of all the cavity wall insulation measures that were installed 53% were carried over, in professional loft insulation a similar pattern emerges with the slightly higher percentage of 70% being carried over. With respect to lighting measures all were accredited against the EEC 2002 - 2005 obligation. Of the other measures only the more innovative were carried forward to the EEC 2005 – 2008. This reflects suppliers looking to take advantage of the incentive that has been introduced for innovative action. Suppliers have also carried over their energy service action to take advantage of the incentive that has been maintained in the new programme. The chart below shows the measure breakdown of all supplier activity to target.

Figure 6.1: Energy saving by measure type counting towards the EEC 2002-2005 target

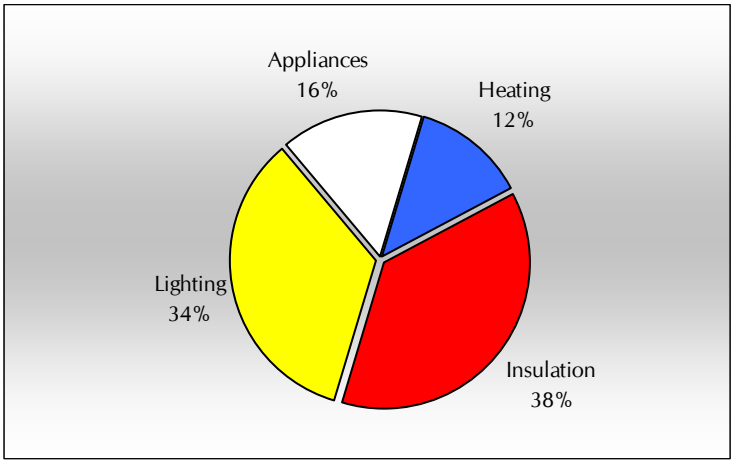


Figure 6.2: Measures that were counted towards EEC 2002-2005, measures carried over and overall measures installed between 2002 and 2005

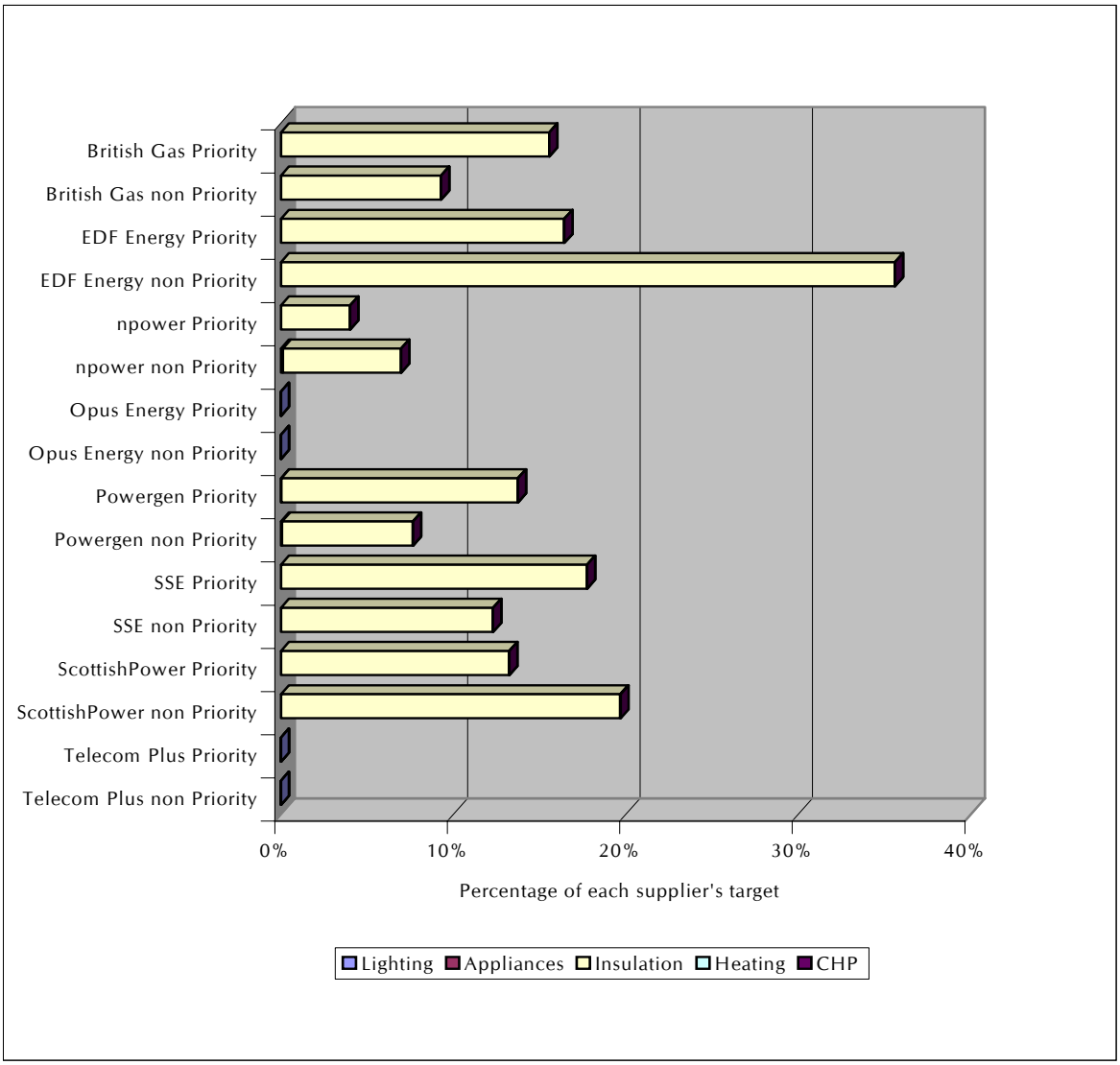
Measure	EEC 2002-	Carry over	Total
Cavity wall insulation	367,070	424,454	791,524
Loft insulation (top up)	173,521	354,975	528,496
Loft insulation (virgin)	51,000	175,245	226,245
DIY loft insulation (m^2)	13,210,946	2,768,421	15,979,367
Draught stripping	15,863	6,880	22,743
Tank insulation	122,933	72,899	195,832
Radiator panels (m^2)	34,587	4,291	38,878
Solid wall insulation	17,689	6,041	23,730
Other insulation	961	1,664	2,625
Energy efficient cold/ wet appliances	6,501,213	6,608	6,507,821
Other appliances	14,306	79,531	93,887
A and B rated boilers	278,899	92	278,991
A and B rated boilers with heating controls	87,497	0	87,497
Heating controls upgrade	2,366,128	0	2,366,128
Fuel switching	41,077	0	41,077
CHP/Communal heating	327	288	615
Other heating	162	40	202
CFLs	39,737,570	0	39,737,570

Activity that has been carried over overall

6.9. As reflected in the table above, almost all the activity that was carried over by the suppliers was insulation. This reflects the increased energy savings that are available for insulation measures and the fact that it was only worth suppliers considering carrying over other measures to take advantage of the innovative action incentive. The changes in the accreditation of measures have meant that although the energy saving of the measures in EEC 2002 - 2005 was around 25 TWh, in the methodology for accrediting measures in the EEC 2005 - 2008 this equates to nearly 35 TWh, more than 25% of the overall target for the period 2005 - 2008.Activity that has been carried over by supplier.

6.10. The chart below shows the activity that has been carried over per supplier as a proportion of their EEC 2005 - 2008 targets. The amount carried over by each supplier varies considerably from those that have just met their EEC 2002-005 targets to those that have managed to carry over measures that equate to around half of their new targets. Those suppliers that have not carried over savings are those that were new entrants in the third year of the EEC 2002 - 2005. The larger suppliers, however, have all carried over savings and this will clearly have implications for the amount of work that these suppliers will have to do in the period 2005 to 2008. The supplier that has carried forward the most has already achieved more than half of its obligation for the period 2005 - 2008, although 35 percentage points of this is in the non-Priority Group. In this case the supplier is required to achieve fewer energy savings in the next three years than it delivered in the period 2002 to 2005.

Figure 6.3: Energy savings carried over from the EEC 2002 - 2005 to the EEC 2005 - 2008 by supplier as a percentage of each supplier's EEC 2005 – 2008 target



Implications for the EEC 2005-2008

6.11. The clear Government signal about the increase in the size of the EEC 2005 - 2008 encouraged suppliers to bring forward a large amount of energy efficiency activity. Even making an allowance for the changes to the way measures are accredited it would appear that if the suppliers maintain the levels of activity achieved over the final year of the EEC 2002 - 2005 they would be able to meet their obligations under the EEC 2005 - 2008. Changes to the accreditation of

certain measures will encourage the suppliers to focus more on the delivery of insulation measures in their initial work in the EEC 2005-2008.

6.12. The level of carry-over that the suppliers have achieved has moderated the level of activity required in the period 2005 to 2008. However, the carry-over that the suppliers achieved will have eased the transition to a higher level of activity rather than reduce the overall level of activity that is required from them. Although the level of activity the suppliers will have to achieve in the period 2005 to 2008 is less than what the overall target is, it is important to note this does not undermine the contribution the EEC 2005 - 2008 will make towards the Government's climate change objectives, assuming the suppliers comply with their obligations: the overall target remains at 130TWh, the energy efficiency activity that the suppliers carried over means that this target will have been achieved over a longer period of time.

7. Emerging Issues

Supplier compliance

7.1. All the solvent companies complied with their obligation to achieve their energy savings target, including at least 50% of their target in the Priority Group. Throughout the course of the programme suppliers accelerated their levels of energy efficiency activity such that by the end of the programme the suppliers had achieved 86.7 TWh of energy savings, nearly 25 TWh more than the overall target set by Defra. The overwhelming majority of the excess energy savings has been carried forward to the EEC 2005 - 2008.

7.2. During the course of the EEC one company went into administration and one into administrative receivership and both did not comply with their obligations. The Authority found these companies in breach of their obligation but, given the circumstances, did not impose a financial penalty. The Authority also noted that, in the absence of similar circumstances, it could be expected to impose a severe penalty in future.

7.3. As a consequence of these two companies' circumstances, despite the solvent suppliers overachieving against their targets, there is a slight shortfall against the overall target of 62 TWh. However, it is important to note that one of these companies had met part of its target and another supplier volunteered to make up the company's shortfall in energy savings, but without any regard to the Priority Group; this has considerably reduced the shortfall against the overall target. In the other company's case, it had reported activity on its quarterly reports but had not completed any of its activity and therefore these energy savings could not count towards the target. Given the legislative framework in which the EEC 2005 - 2008 has been set up, in similar circumstances in the future it would seem likely that there would be a shortfall against the target.

Achieving the target

7.4. Of the overall activity nearly 60% was achieved in insulation with another quarter being achieved in lighting. The remainder was split between heating and appliance measures. Throughout the course of the EEC 2002 - 2005

suppliers tried a number of different approaches to deliver energy efficiency measures to consumers. However, the majority of the delivery mechanisms involved 'market push' as opposed to 'consumer pull' or involved partnering with project partners where measures were delivered for free. So while the EEC has reached its objective of making the consumption on energy in domestic properties more efficient it would appear to have done little to encourage consumers to consider their energy demand and their effect on the environment.

7.5. The structure of the EEC 2005 - 2008, in terms of the way it encourages suppliers to promote energy efficiency, has seen little change. It would therefore seem likely that this trend will continue.

Supplier targeting of the Priority Group

7.6. The solvent suppliers were successful in reaching at least 50% of their energy saving target in the Priority Group. This was achieved through a number of different delivery routes, although the three most popular were by providing free CFLs through a number of different project partners, working with SHPs to insulate homes and working with the Government's and the Devolved Administration's fuel poverty programmes. When working with the fuel poverty schemes the suppliers had to purchase measures from the managing agents at cost. Research carried out for Ofgem during the course of the EEC 2002 - 2005 suggested that there is still cavity wall and loft insulation activity to be carried out in the social housing sector. It would therefore seem likely that the suppliers will continue to promote energy efficiency activity through social housing providers and the Government's and the Devolved Administrations' fuel poverty programmes in the EEC 2005 - 2008; although in the latter case the suppliers will have to consider different reporting arrangements as there is now a slight difference in the qualifying criteria between the Warm Front programme and the Priority Group. However, given the scale of the overall target it would seem likely that the suppliers will have to consider a more direct approach to working with consumers to reach their Priority Group targets in the period 2005 to 2008.

Changes in the accreditation of measures

7.7. Throughout the course of all the energy efficiency programmes that have been run since the beginning of the first EESoP 1 programme in 1994 the energy

savings attributed to measures have been updated. This is a result of more information becoming available on the way the different measures are used by consumers, the legal minimum standards being changed and due to the way markets have evolved over time. These three factors have greatly reduced the amount of energy savings that are available from lighting, heating and appliance measures in the EEC 2005 - 2008.

7.8. During the course of the EEC the suppliers' delivery of their targets was based on balancing a portfolio of measures. Changes to the accreditation of measures for the EEC 2005-2008 means that the cost-effectiveness of the different measures will be considerably different between the two EEC programmes. These changes are likely to push the suppliers to focus their activity even more towards the delivery of insulation measures. It would therefore seem likely that the insulation industry would see an increase in demand throughout the EEC 2005 - 2008 and this has been reflected in the anecdotal evidence from the suppliers and insulation contractors. What has also come through is that there is less interest in the delivery of CFLs particularly compared to the acceleration in activity seen in the last six months of the EEC 2002 - 2005. However, the suppliers are considering different ways to promote energy efficiency measures in their new schemes and it seems likely that their EEC 2005 - 2008 activity will continue to be made up of range of measures.

Carry over to the EEC 2005-2008

7.9. The energy savings that the supply companies have carried over from the EEC 2002 - 2005 to the EEC 2005 - 2008 are considerable. This resulted from the clear and early signal from the Government that it intended to increase the scale of the programme in the future and that the suppliers would be able to carry forward an unlimited amount of activity. However, the amount of the energy savings carried forward does have implications for the amount of activity the suppliers will have to carry out if they are to comply with their EEC 2005-2008 targets. On completion of their EEC 2002 - 2005 activity suppliers had already achieved roughly 30% of their EEC 2005-2008 targets, moderating the increase in activity required between the two programmes and suggesting that the levels of activity achieved in the final year of the EEC 2002 - 2005, if maintained for the three years 2005 - 2008, would be enough to reach the EEC 2005 - 2008

target. For the period 2005 to 2008 suppliers will have to achieve roughly 95 TWh of energy savings, as opposed to the 130 TWh set in the 2004 Order[14].

7.10. Suppliers were also mindful of the changes in the legislation when considering their carry-over. A number of suppliers carried out innovative measures in the EEC 2002 - 2005, but to ensure that they could achieve the maximum benefit from these measures, they decided to carry them forward to the EEC 2005 - 2008 to take advantage of the incentive that has been introduced. In addition, suppliers have also taken advantage of the fact that the incentive for energy service action has been maintained. This has led them to carry forward the majority of the energy service action that was achieved in the EEC 2002-2005.

Other issues

7.11. This report details the energy efficiency activity that suppliers engage in under the EEC programme. Almost all the cavity wall insulation and professionally installed loft insulation activity in Great Britain is installed either through the EEC or the Government and Devolved Administrations' fuel poverty schemes. However, as reported last year, this is not the case with respect to the numbers of A-rated boilers that were installed. Evidence from the EST suggests that a large number of condensing gas boilers continued to be installed outside the EEC. This was likely to be a response by the independent installers to the anticipated change in the Building Regulations that came into effect in April 2005, which made installing a condensing gas boiler mandatory.

7.12. In addition, the data from the EST also suggests that although the suppliers managed to promote nearly 6 million white appliances over the course of the EEC 2002 - 2005, this was only half of the total A-rated appliances sold. The reason for this is not clear, although it could have been a result of the retailers not involved in EEC activity ensuring that their product range was of the same quality as those of their competitors.

7.13. This is the final annual report for the EEC 2002 – 2005. Ofgem will continue to publish an annual report on the EEC 2005 – 2008 each July. Over the coming year Ofgem will work with the suppliers on setting up their schemes for the EEC

[14] The Electricity and Gas (Energy Efficiency Obligations) Order 2004

2005 - 2008 and ensure that they can demonstrate compliance with the legislation and will continue to carry out audits of their activity. Ofgem will also continue to use its experience in administering the EEC to help inform the Government on the development of future energy efficiency policy and to use our experience to inform the way we continue to administer the EEC. Ofgem remains committed to working closely with Defra on the review of the EEC post 2008 which is due to be completed in 2007.

Appendix 1 The numbers of measures installed by delivery route

1.1 The following table details the total number of measures which have been delivered under the EEC through each of the three main delivery routes, retail, SHP partnerships and with other Government programmes. The final columns show the number of measures which have been promoted through other delivery routes such as direct offerings by suppliers, partnerships with charities or installer incentives.

		Retail		SHP		Other Government programmes		Other delivery routes	
Measure type	Overall total	Total	% of overall total	Total	% of overall total	Total	% of overall total	Total	% of overall total
Cavity wall insulation	791,524	0	0.0	441,152	55.7	119,117	15.0	231,255	29.2
Loft insulation (top up)	528,496	0	0.0	422,804	80.0	22,441	4.2	83,251	15.8
Loft insulation (virgin)	226,245	0	0.0	76,706	33.9	86,922	38.4	62,617	27.7
DIY loft insulation (m^2)	15,979,367	15,979,367	100.0	0	0.0	0	0.0	0	0.0
Draught stripping	22,743	0	0.0	19,926	87.6	4	0.0	2,813	12.4
Tank insulation	195,832	37,101	18.9	32,621	16.7	61,777	31.5	64,333	32.9
Radiator panels (m^2)	38,878	0	0.0	34,587	89.0	0	0.0	4,291	11.0
Solid wall insulation	23730			23,730	100.0	0	0.0	0	0.0
Other insulation	2,625	0	0.0	2,625	100.0	0	0.0	0	0.0
Cold / wet appliances	6,507,821	6,489,533	99.7	18,288	0.3		0.0	0	0.0
Other appliances	93,837	79,531	84.8	0	0.0	0	0.0	14,306	15.2
Replacement boilers	278,991	12,312	4.4	139,964	50.2	13,561	4.9	113,154	40.6
Replacement boilers & heating controls	87,497	0	0.0	38,259	43.7	8,869	10.1	40,369	46.1
Heating controls upgrade only	2,366,128	550,548	23.3	608,217	25.7	45,716	1.9	1,161,647	49.1
Fuel switching	41,077	0	0.0	25,154	61.2	0	0.0	15,923	38.8
Other heating	202	0	0.0	162	80.2	0	0.0	40	19.8
CHP/ Community heating (number of households)	615	0	0.0	327	53.2	288	46.8	0	0.0
CFLs	39,737,570	4,174,515	10.5	10,682,834	26.9	7,922,034	19.9	16,958,187	42.7

Appendix 2 Glossary of terms

2.1 Accreditation – the determination of the energy savings attributable to measures under the EEC.

2.2 BREDEM - Building Research Establishment Domestic Energy Model.

2.3 CFLs - Compact fluorescent lamps (energy efficient light bulbs).

2.4 CHP - Combined Heat and Power.

2.5 dCHP - Domestic Combined Heat and Power.

2.6 Defra - Department for Environment, Food and Rural Affairs.

2.7 DIY – Do-it-yourself

2.8 DTI – Department of Trade and Industry

2.9 EEC - Energy Efficiency Commitment, 1 April 2002 – 31 March 2005.

2.10 EEC 2005 – 2008 - Energy Efficiency Commitment, 1 April 2005 – 31 March 2008.

2.11 EESoP – Energy Efficiency Standards of Performance

2.12 EESoP 3 – Energy Efficiency Standards of Performance 1 April 2000 – 31 March 2002

2.13 EST – Energy Saving Trust

2.14 Fuel-standardised energy savings – energy savings that have been adjusted according to the carbon concentration of each fuel. These coefficients are set out in the EEC Order and are as follows: coal 0.56, electricity 0.80, gas 0.35, LPG 0.43 and oil 0.46.

2.15 GWh - Giga watt hour (1 million kilo watt hours).

2.16 HEES – Home Energy Efficiency Scheme

2.17 HRE – the Heat Replacement Effect

2.18 Lifetime discounted – the projected energy savings for measures (as set out in Defra's target setting model) were discounted over the lifetime of the measure by the standard Treasury rate of 6% per year.

2.19 LPG - Liquid petroleum gas.

2.20 MtC – million tonnes of carbon

2.21 The Order - The Electricity and Gas (Energy Efficiency Obligations) Order 2001 Statutory Instrument number 4011.

2.22 The 2004 Order - The Electricity and Gas (Energy Efficiency Obligations) Order 2004 Statutory Instrument number 3392.

2.23 Priority Group - defined in the EEC Order as those household receiving one of the follow benefits: council tax benefit, housing benefit; income support; an income-based jobseeker's allowance, an attendance allowance, a disability living allowance, a war disablement pension together with a mobility supplement or a payment under constant attendance allowance; industrial injuries disablement benefit where it includes constant attendance allowance and state pension credit. Child tax credit and working tax credit are included where the household's relevant income is less than £14,200.

2.24 SEDBUK – Seasonal efficiency database of boilers in the UK.

2.25 SHP - Social Housing Provider, a Local Authority or a Registered Social Landlord.

2.26 Supplier activity - energy efficiency work undertaken by suppliers to meet their energy efficiency targets.

2.27 Target setting model - Defra's assumptions and the calculations used in setting the overall EEC target, as set out on their website: www.defra.gov.uk.

2.28 TWh - Tera Watt hours (1,000 GWh).