

Joint UKBCSE and ERA submission to the consultation on the new Community Energy Saving Programme

Introduction

The UK Business Council for Sustainable Energy (UKBCSE) brings together the major companies ^[1] in the energy sector to develop an effective dialogue with Government that can help strengthen the UK's strategic agenda for sustainable energy.

The Energy Retail Association (ERA) represents domestic energy suppliers in Great Britain with membership encompassing all the main electricity and gas retailers.

The UKBCSE and ERA welcome the opportunity to provide a joint response to the Government's consultation on the new Community Energy Saving Programme (CESP). This submission outlines the views shared by these organisations and energy companies, most of whom will also present their own views in more detail in individual responses to the consultation.

Energy companies have considerable experience of community energy schemes, in particular working with community partners such as Local Authorities and the third sector, for example through Warm Zones, Community Warmth and Green Streets. Energy Companies believe the new programme will play an important role in developing existing community based approaches and considering how hard to treat properties can best be tackled.

Key points

- We agree that the programme should include a broad range of measures, including energy efficiency advice, district heating and solid wall insulation.
- We believe that the scoring system should be simplified and should support the objectives of CESP.
- Measures need to be accurately costed and some adjustments made to the scoring system, to give confidence that the programme will not cost significantly more than £350m.
- We support a flexible approach to partnerships, and companies believe this will enable the development of more innovative projects.

^[1] Members of the Council include Centrica, EDF Energy, E.ON UK, National Grid, RWE npower, Scottish and Southern Energy, and Scottish Power.

- Companies support the opportunity to trade between the companies obligated under CESP, and believe it should be possible to trade all of an obligation to other obligated parties.

Measures

We believe that the CESP needs to be comprehensive in its delivery, and are concerned that the selection of measures chosen for inclusion is incomplete. The limited selection of measures that is proposed somewhat contradicts the concept of a whole-house approach, as the most appropriate measure for a household may not be available. We believe there should be potential for a wide variety of measures within the programme including, for example, draught-proofing.

The consultation model suggests a combination of measures and costs that would deliver around 3.9m tonnes of CO₂ savings, at a cost of £350 million. Initial analysis of the illustrative mix suggests that delivering these savings will cost considerably more than this. Indeed, companies have suggested that the cost could be almost double, if 90,000 - 100,000 homes are to be treated, in accordance with the aspirations set out in the consultation. Companies believe that some of the costs for measures have been underestimated. It is clear that the uncertainties over the costs of solid wall insulation and of the potential to meet the objectives of a whole house and area based approach, makes costing this programme highly uncertain.

Advice

We strongly support the inclusion of effective home energy advice within the programme. This is thought to be useful in stimulating behavioural change and encouraging householders to undertake actions which are appropriate to their property and circumstances.

Home energy advice is a particularly important aspect of the CESP programme, as a high level of engagement with the householder is essential if they are to welcome multiple-measures in their home. It is thought that home energy advice will play an important role in encouraging householders to accept physical measures, particularly those which are less familiar and more intrusive, such as solid wall insulation.

It is felt that home energy advice under CESP should receive the same or comparable scores as under CERT, as this is based on the best evidence currently available.

Heating

We support the inclusion of district heating and Combined Heat and Power (CHP) schemes under CESP. However, we feel that it will be challenging to deliver such schemes within the timescales for the programme. To address this we suggest that district heating and CHP schemes are provided credits at the end of the programme to reflect the stage of development reached. If a

project is finished after the end of CESP then some credits can be claimed in future phases of the programme, or of a similar programme.

We also support the proposal to include boiler replacements.

Solid wall insulation

We feel it is important to have a degree of realism about the potential for measures such as solid wall insulation. Barriers to uptake are not solely financial, and include disruption to the householder, changed aesthetics of the property, and immaturity of supply chains. Household are likely to be more willing to put in internal solid wall insulation when they are already undertaking major renovations or moving properties, so the most cost effective roll out on a street-by-street basis may be more difficult with this measure. Solid wall insulation may generally be more appropriate for social housing, as it requires greater co-ordination to deliver to multiple households.

Experience of treating hard to treat homes suggests that it may be appropriate to install internal, external and possibly even cavity wall insulation in one property, depending on the structure. For example, in a conservation area, internal insulation may be appropriate at the front of the property, and external insulation at the back. To reflect this, a value based on the average of these measures should be awarded.

The report compiled by Purple Market Research Ltd provides the following cost estimate for external solid wall insulation¹:

Estimated cost of external wall installation

	Cost of EWI material and installation	Extra costs required for installation	Total costs
EWI - multiple properties 100+	£4,800-6,000 Average £5,500	£1,500-4,000 Average £3,000	£6,300-10,000 Average £8,500
EWI . multiple properties under 100	£5,600-8,500 Average £6,500	£2,000-5,000 Average £3,500	£7,600-13,500 Average £10,000
EWI . single property	£7,600	£3,000-7,000 Mid-point £5,000	£10,600-14,600 Mid-point £12,600

In addition, the report estimates costs for internal wall insulation at between £3,700 and £8,500. These estimates are higher than those assumed by DECC.

¹ Report prepared by Purple Market Research Ltd on the Solid Wall Insulation Sector, for the Energy Saving Trust and the Energy Efficiency Partnership for Homes. All research was conducted in February and March 2009. www.purplemr.co.uk

Scoring

The proposed scoring system is complicated, and there is a possibility that a narrow range of attractive measures will dominate the programme, conflicting with the CESP objective of providing a wide range of whole house energy efficiency improvements.

To reduce the potential for overemphasis on particular measures, the Government has suggested a cap on measures. There is concern that this could mean that suppliers would not be able to provide the most suitable measures for some properties, and it would further complicate the scheme.

Companies believe that the complex approach of a series of additional bonuses also introduces significant commercial risk for them, as these bonuses depend on individual customers' responses to offers over the duration of a programme. This means that energy supply businesses will not know the price of carbon or the cost of delivery from the outset and may introduce uncertainty for delivery partners, such as Local Authorities.

We believe that the scoring system could better support the goals set out in the CESP consultation by promoting a wider range of measures. Given the broader objectives of CESP, it is logical that, whilst the points score of a particular measure, or combination of measures, has to be related to carbon, it should not necessarily have to strictly reflect its lifetime CO₂ savings. However, carbon delivered will, of course, remain a key consideration.

The UKBCSE, the ERA and the companies are happy to work with Government to ensure that the scoring system is effective and explore an alternative scoring approach.

Of the options outlined in the consultation document, the revised bonus structure with incremental bonus steps, as set out in the recent revisions from DECC, is preferred to the previous proposals. This approach promotes reducing the step size between bonuses significantly, and employs a more linear approach. However, the concerns outlined above still apply to this approach.

Targeting

The original concept of CESP was that it should be a comprehensive programme designed to lift whole communities out of fuel poverty. There is concern that the approach that has been taken will lead to an undue emphasis on particular housing types in urban areas, hence frustrating the original intention of CESP. There is potential that rural communities and private sector households will be under-represented.

We assume that the super output areas that fall within CESP will be fixed at the start of the programme so that they will not fall out over the duration of the scheme, and that there will be flexibility to adopt new areas should data changes indicate their potential.

Fuel poverty

While the CESP programme is targeted at low income households, it is apparent that the restrictions of the statutory framework mean that it will not achieve the original intention, which was to lift whole communities out of fuel poverty. It is clear that opportunities to tackle fuel poverty through this scheme will potentially be missed.

To deliver benefits to the fuel poor, CESP should integrate effectively with the scheme to extend the gas distribution network to non-gas fuel poor, which Ofgem has devised as a mechanism to provide access to gas for fuel poor households in the UK.

Partnerships

Energy companies already have considerable experience in partnership development and delivery and we do not believe that partnerships should be mandated by legislation. However, we do believe that CLG and the Homes and Communities Agency have an important role to play in alerting local authorities and others to the value of such delivery partnerships, and where appropriate, supporting the local delivery of CESP.

Obligation

Companies strongly support the opportunity to transfer credits and trade all (or part) of an obligation to other obligated parties.

It has been proposed that once a generator crosses the 10TWh threshold its volume should count in each year, and the initial target should be set using a three year average.

Reporting

The reporting system should reflect the existing system for the Carbon Emissions Reduction Target. There will be an additional requirement for area based reporting and this should also be consistent with company commitments to fuller reporting under CERT.

Due to the complexity of the scoring system, it will probably only be possible to provide full scores at the end of the programme, although companies would welcome the opportunity for the banking of projects.

Timing

In order to ensure that projects can be successfully completed we would advocate a minimum time period for the programme of 3 years, and would welcome the opportunity for companies to undertake early action.

So as to avoid delaying investment and to allow continuity between schemes, we recommend that the government should set out a robust timeframe for providing early clarity on arrangements for post 2012 and particular carry over.

Other policies initiatives

It is also important to ensure that this programme fits together with other policy initiatives, including the Carbon Emissions Reduction Target, Renewable Heat Incentive, Decent Homes, Warm Front, the Feed in Tariff and any future fuel poverty strategy.

Conclusion

We welcome the opportunity to provide input to the Government's consultation on the new Community Energy Saving Programme (CESP), and agree that a more holistic approach to energy efficiency delivery is important to ensure that the UK meets its ambitious targets for improving the existing housing stock.

The Council, the ERA and energy companies will continue to work with Government to support their work in this area.

Energy Retail Association and the UK Business Council for Sustainable Energy
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