

**Centrica Submission
to the Royal Society of Edinburgh's
Inquiry into Energy Issues for Scotland
July 2005**

Background

Centrica plc was created in 1997 out of the demerger of British Gas plc. In the UK, it trades under its brand names – British Gas, Scottish Gas, Nwy Prydain and Onetel. It supplies around 12 million residential customers with gas and has built up an electricity business of 6 million customers since the market opened to competition. The company is also active in the industrial and commercial gas and electricity markets.

Like many energy suppliers, Centrica is reliant on the UK Continental Shelf (UKCS) and upstream producers for the supply of gas to its customers. In addition, Centrica owns both electricity and gas upstream production assets to support its supply businesses. In gas, the primary asset is the Morecambe Bay field which accounts for some 10% of marketable UK gas production. The company owns seven (six outright and 60% of Humber power station) combined cycle gas turbine power stations, off-takes from an eighth and owns one onshore wind farm in Scotland.

Scottish Gas supplies around 1 million gas customers and over half a million electricity customers. Scottish Gas' headquarters are in Edinburgh and Scottish Gas directly supports over 3,000 jobs in Scotland's economy, including over 800 engineers.

Centrica welcomes the Royal Society of Edinburgh's Inquiry into energy issues for Scotland which comes at a time when the UK energy market is rapidly changing.

1. How should Scotland provide for its energy needs over the next 5, 15, 30, 45 years, in the context of the likely UK, European and global energy environment?

- 1.1 Centrica believes that a market based approach is best suited to delivering the diversity and security of energy supply that Scotland needs. The market is successfully delivering the investment necessary to ensure new and diverse sources of gas flow to the UK. For example, Centrica has agreed long term gas supply deals worth approximately £8 billion with Gasunie and Statoil, which have helped underpin the development of two new pipeline projects to the UK. Most recently, it has also agreed a major £4 billion contract to import LNG to the UK which will help underpin the development of a new LNG terminal. Centrica is also planning to spend a further £4 billion on securing new sources of energy for our customers in the UK.
- 1.2 Although Centrica believes that the market should be allowed to operate, intervention may be necessary to bring about results that a purely free market may not deliver. For example, the market may not favour less carbon polluting forms of power generation and in cases such as these, market based mechanisms such as the Renewables Obligation and EU Emissions Trading should be used. The EU Emissions Trading Scheme, for example, helps the transition to a low carbon economy happen at least cost to consumers.
- 1.3 The energy environment in Scotland and the UK as a whole is rapidly changing. After decades of being self sufficient in gas, the UK became a net importer of gas in 2004 for the first time in many years. With the decline of the UKCS, the UK is becoming increasingly dependent on imported gas from Continental Europe, especially during winter periods. This is not a problem in itself – most other industrialised countries have been importing gas for years and indeed the UK has been a net gas importer in the past.
- 1.4 Since the construction of the Bacton-Zeebugge interconnector, the UK gas market has therefore effectively become part of a wider North-West European gas market, subject to influences from both the UK and Continental markets. It is now important to look at how the UK market might best integrate with a slowly converging European market.

2. Should Scotland aim to be self-sufficient in energy in general, and in electricity in particular, despite the trend towards interdependence within Europe?

- 2.1 Centrica believes that a Great Britain and Europe-wide market approach rather than self-sufficiency is the best approach to Scotland's future energy needs. The introduction of the British Electricity Trading and Transmission Arrangements (BETTA) in 2005 introduced new wholesale electricity trading arrangements in Britain, allowing Scottish

companies to compete in the wider electricity market. Centrica welcomed the introduction of BETTA and a competitive wholesale electricity market in England, Wales and Scotland.

- 2.2 Centrica believes that fully competitive energy markets rather than self-sufficiency will deliver a more efficient market structure. Competition brings benefits such as customer choice and better customer service and can result in downward pressure on prices and considerable savings for end-users. Great Britain is an excellent example of the benefits that competition can bring. Since the introduction of competition, the average domestic gas bill in Great Britain has fallen by 18% in real terms, whilst the average Great Britain domestic electricity bill has reduced by 11%. It is also worth noting that self-sufficiency in energy is not an issue for the world's largest and most advanced economies. Out of the G7 countries, only Canada is self-sufficient in energy.
- 2.3 The Scottish Executive has set ambitious targets for renewable energy. By 2010 18% of Scotland's electricity should come from renewable sources, and by 2020, 40%. Centrica recognises the potential of renewable energy sources within Scotland, particularly wind, wave and tidal generation. These will play an important part in ensuring the Government's wider Kyoto targets are met.
- 2.4 Centrica's first green power from its own assets was generated from the Glens of Foudland Wind Farm in Aberdeenshire in May. The 20 turbine site, which will supply the equivalent annual power needs of more than 13,000 homes, is expected to be fully commissioned during July. While other assets planned are offshore, in the East Irish Sea or North Sea, it is possible that Centrica will acquire equity in further onshore developments in Scotland as it continues to monitor the renewables market and its own customer demand from Scottish Gas and British Gas customers.
- 2.5 Scotland does source a higher percentage of its electricity from renewable sources at 14% than in England which sourced 3.58% in 2004, largely as a result of its hydro legacy. Although Scotland is currently "self-sufficient" in electricity and exports power to the grid, Centrica believes this should not be an end in itself, particularly if it involved distortion in the market structure and creates inefficiencies which would increase the cost of energy to consumers.
- 2.6 Gas fired generation still accounts for 40% of Great Britain electricity supplies. With the UKCS declining, Scotland and the UK market will have to find substitute sources of gas from overseas in order to make up this shortfall.
- 2.7 Even if Scotland was able to meet more of its power needs to make up this potential shortfall through expansion of renewable energy then it would still need imported gas to meet home heating and industrial gas needs.

2.8 Self-sufficiency does not also necessarily ensure security of energy supply. Electricity generation in the UK is currently made up of a mix of fuel sources and to become over-reliant on any one fuel source such as renewable energy would have serious implications for wholesale prices and security of supply. It is also worth noting that all recent interruptions and outages to electricity supply in Great Britain to date have been as a result of indigenous problems: for example the coal miners' strikes in the 70's and 80's, the oil drivers strike in 2000 and NGT's network failures which resulted in power cuts in the South East and West Midlands in 2003. In contrast, despite political and economic instability, energy supplies from Russia and Eastern Europe have been very reliable.

2.9 60% of the world's gas resources are within transportation distance of the EU. Therefore, rather than concentrate on the goal of self-sufficiency, Centrica believes that a priority should be to ensure diversity of gas supply from gas exporting nations as well as a variety of delivery mechanisms such as LNG terminals and pipelines in order to ensure security of supply.

3. ***What are the possible implications and consequences for Scotland, and the UK, of becoming increasingly reliant on imported oil and gas for their energy needs?***

3.1 The increasing reliance of Scotland and the UK on imported oil and gas cannot be avoided, indeed it is already occurring. It is worth remembering that prior to the discovery of North Sea reserves of oil and gas, the UK had been a net importer of gas and oil.

3.2 As the UK is now a net importer of gas, it is essential that there are no restrictions on gas flowing across continental Europe to the UK and that we are able to buy this gas in a liberalised EU market. If not, UK security of supply could be put in jeopardy and UK consumers could end up paying more for their energy. The DTI recently commissioned a report by 'Global Insight' which examined the workings of the UK forward market for gas. Amongst its key recommendations, the report highlighted that the UK gas market was too small to support a viable forward gas market, and to prevent higher than necessary price rises, a wider European gas market must be created.

3.3 Progress in delivering a competitive energy market in the rest of Europe has so far been painfully slow and patchy and Centrica continues to be frustrated by the slow pace of change.

3.4 We have seen asymmetric market opening taking place in Europe with dominant incumbents using their monopoly position in their home market to fund external acquisitions. For example, there are 20 million domestic customer accounts supplied by French and German companies in the UK. However, there is not a single household - and precious few small businesses - in Germany or France that can choose a new supplier of choice. This asymmetry in competitive and

regulatory frameworks is not sustainable and without significant and sustained action we are unlikely to see the benefits of competition across Europe until well into the next decade.

3.5 It is therefore vital that pressure is put on member states to enshrine the relevant energy directives into law and that they deliver competitive energy markets that are transparent and independently regulated, with unbundled network operators offering equal access to all market participants.

4. *What are the feasibility, availability, reliability, sustainability, efficiency, capacity and risks of the different energy generation technologies?*

4.1 Centrica is a technology neutral company. In terms of security of supply, we think that the market will best deliver secure sources of supply through a variety of fuels including gas, coal and new renewable developments.

4.2 Our analysis of the generating costs, availability, reliability and efficiency of coal, nuclear, Gas CCGT, offshore and onshore wind and wave and tidal can be found below. The data shown are estimates only, and the performance of individual sites may vary outside of the indicated data, but it is representative of each industry.
[Error! Not a valid link.](#)

5. *What are the likely trends, and uncertainties, in the availability and cost of energy sources over the next 20/45 years?*

5.1 The International Monetary Fund has indicated that oil prices are likely to remain volatile through to 2030, with its forecasts putting oil prices in a range of \$67-\$96 a barrel up to 2030.

5.2 Oil prices still impact on UK wholesale gas prices as a result of continental gas prices being primarily oil indexed and the failure to fully liberalise European energy markets. These high gas prices also filters through the physical pipeline linkage between Zeebrugge in Belgium and Bacton in the UK. These factors have contributed to the volatility we have seen in wholesale gas prices since autumn 2003. Without full liberalisation of European energy markets, forward prices are likely to remain volatile given the likely ongoing movements in oil and therefore gas prices.

5.3 Significant investment is needed in new infrastructure projects, including pipelines and LNG terminals to ship gas from around the world to the UK. A recent report by OXERA, commissioned by British Gas, estimated that the cost of investment in new infrastructure to meet the UK's future energy needs was in the region of £10-£18 billion, a cost that to a large degree will have to be met by the consumer.

6. What are the economic issues of capital investment in the supply and distribution of energy that need to be considered?

6.1 In addition to investing in new sources of gas for its customers, Centrica is looking to diversify and expand its power generation in order to protect its customers against volatility in the wholesale gas market. However before any new build of power generation is considered, there are substantial risks that have to be assessed. These include any changes to the demand/supply ratio, the shape of the second phase of the EU Emissions Trading Scheme, the impact of the Large Combustion Plants Directive, the mothballing of current nuclear plant, sparkspread, the future shape of the renewable obligation, new nuclear build and new sources of gas. It is important that where there is political or regulatory uncertainty that the Government can help clarify regarding the future energy policy environment.

6.2 The EU Emissions Trading Scheme

6.2.1 Centrica are firmly committed to the EU Emissions Trading Scheme as an important tool for achieving the Government's environmental goals through market mechanisms. In the first compliance year, Centrica had traded 10 million tonnes of carbon which is equivalent to 19% of the total carbon allowances traded through at Europe.

6.2.2 We do, however, consider free allocation of allowances to the power sector under the first phase, to be the trading scheme's fundamental flaw. The decision to allocate allowances free of charge was made in order to maintain the EU's global competitiveness. The Commission believed that placing an additional cost on EU industries, which are in competition with businesses outside the EU, would have an adverse impact on the EU's competitiveness. However, the power sector is very different. Unlike the other sectors covered by the trading scheme, it is subject to very little competition from companies outside the EU. The absence of such competition means that EU generators have been able to build the market value of their carbon allowances into the wholesale price of power without fear of being undercut. This has led to an increase in the wholesale price of power, with virtually no corresponding increase in costs for those generators. Given that the majority of their allowances have been allocated free of charge, the generators are therefore in effect receiving a windfall gain, increasing their profitability.

6.2.3 Phase II will present tougher CO2 reduction targets, greater price risk and an increased need for new power generation build to ensure security of supply. Going forward, the aim must be to minimise and ultimately eliminate free allocation. Government can help alleviate investor uncertainty by giving early consideration to the treatment of new entrants and assurances

that new entrants will continue to receive free allowances on an equitable basis with incumbents.

- 6.2.4 If new entrants are to enter the market, they must be capable of competing with incumbents. If new entrants are required to purchase their allowances whilst their incumbent competitors receive them at no cost, new entrants are faced with an additional price risk. This additional cost also increases the level at which it becomes economic for that new entrant to enter the market. In the power sector, where the increased price represents a windfall, increasing the level at which new entrants can feasibly enter, grants incumbents greater scope to increase their windfall and deters new entrants at a time when new generation is needed.

The Renewables Obligation

- 6.3 As a major supplier of electricity, Centrica has a significant Renewables Obligation which we plan to meet by developing our own renewable assets, negotiating purchase contracts with renewable generators and participating in the ROC market. Centrica is the only supplier that has met its ROC target for both of the first two compliance periods (April 2002-March 2003 and April 2003 - March 2004) entirely using ROCs, without having to resort to the buy-out option. However it must be recognised that the Renewables Obligation and the Renewables Obligation Scotland are still in their infancy and it is therefore essential that there is no “tweaking” of the obligation in favour of one technology over another, if investor confidence is to be maintained.

7. *What are the key issues surrounding the development of Scotland’s bulk electricity transmission and local distribution systems?*

- 7.1 Scotland’s bulk electricity transmission and distribution system is characterised by relatively high costs and greater vulnerability to weather related interruptions than elsewhere in Great Britain. This is particularly the case in the north of Scotland area, the ‘Scottish Hydro’ area’. This situation largely arises as a consequence of the low population density and geographical landscape. Moreover, Scotland has relatively high levels of generation as compared to the localised levels of demand. Consequently, Scotland exports electricity to England and Wales.
- 7.2 In line with elsewhere in GB, network charges were until recently characterised by significant reductions in response to greater company efficiencies flowing from the Ofgem imposed price controls, the so called ‘RPI-X’ framework. However, these reductions appear to be at an end, costs may even rise in the future. The increased cost

pressures arise from the need to renew ageing networks, as well as the significant investments required to transmission networks to facilitate renewable generation and distribution networks to facilitate distributed generation.

7.3 **Scottish electricity transmission charges**

As noted above Scotland has relatively high levels of generation as compared to the localised levels of demand. Consequently, Scotland exports electricity to England and Wales. Since the recent introduction of GB wide transmission charges, these characteristics have resulted in lower transmission demand charges but higher transmission generation charges than elsewhere in GB.

8. ***What will the impact of energy availability and price be on the demand for energy by commerce and industry in Scotland?***

8.1 British Gas Business Services and Centrica Energy supply both SME and Industrial and Commercial (I&C) customers with wholesale gas and electricity. Prices to SME and I&C customers are more closely aligned with patterns of wholesale prices of gas and electricity and consequently, these customers benefit at times when wholesale prices are low but are adversely impacted when prices are high.

8.2 Historically, I&C customers have benefited from low prices, however, the current volatility and extent of wholesale gas and electricity price movements during 2004 make it difficult to generalise the impact on commerce and industry as their individual customer experiences will vary depending, for example, on the nature of their energy contract and its duration.

9. ***What are the likely trends in the domestic demand for energy for space heating and other purposes? What would need to be done to achieve major savings? What are the investment costs?***

9.1 As the focus shifts towards the reduction of carbon emissions in order to meet the UK's Kyoto targets, environmental policy is now a key driver of energy policy. However, despite the Government's stringent targets, historical trends show an increase in both domestic demand for energy and CO2 emissions. Current policy initiatives and institutions are unlikely to be able to deliver the scale of savings and the step change in energy demand that would make a major impact on emissions.

9.2 Centrica would like to see much greater co-ordination of the range of "green" programmes such as CCL, supplier EEC schemes and emission trading develop. This flexibility would encourage the lowest cost solutions to emerge and encourage acceptability of otherwise challenging targets.

9.3 The Energy Efficiency Commitment is seen as one of the key mechanisms for delivering the Government's energy efficiency targets

and energy suppliers have shown their commitment to the EEC programme delivering substantial energy savings. There is, however, little incentive or motivation for customers to invest in energy efficiency. Consideration should be given to how fiscal incentives, such as stamp duty and council tax rebates in the domestic sector, and capital allowances for the upgrading of existing commercial premises, can be introduced to encourage the take-up of energy efficiency products.

- 9.4 British Gas and a number of local authorities have been trialling a green council tax rebate. Under the incentive, householders who install £175 of wall cavity insulation receive a £100 reduction off their annual council tax bill. The “green home package” also provides a Home Energy Audit as well as energy efficient light bulbs to the value of £20. Initial response has been very encouraging. This demonstrates that there is appetite for energy efficiency home improvements that are linked to council tax payments.

11. *What are the environmental concerns that need to be taken into account, in terms of the impact on ecological and other natural resources, as well as waste management and impacts on the landscape?*

- 11.1 The environmental contribution of Centrica’s renewable investment in offshore and onshore windfarm developments is clear. However, as with the construction of all other energy assets, it is important that whatever developments take place that their potential impact on their immediate environment is carefully considered on an individual site basis. As a responsible developer, Centrica is fully committed to meeting the range of environmental planning and consent conditions that are associated with wind farms and to engaging in dialogue with all relevant stakeholders. Environmental impact assessments will be carried out as part of the consent process for all of Centrica’s proposals and the details made public in an environmental statement.

12. *Can the objectives of environmental improvement and economic growth both be met without a major increase in energy costs? What steps should be taken to enable an informed debate on the issue?*

- 12.1 As an upstream producer and a downstream supplier of energy, Centrica has a number of environmental obligations to fulfil, the costs of which have already contributed to increases in end-use gas and electricity prices.
- 12.2 For example, as the Energy Efficiency Commitment obligation increases the costs will ultimately be borne by consumers. According to DEFRA figures, under EEC1 the customer contribution was £3.60. Under the second phase of EEC (2005-2008), the customer contribution is projected to be £8.97, which is equivalent to a 2.5% increase on an average fuel bill.

12.3 Currently around 5% of the electricity British Gas supplies comes from renewable sources. This will increase year by year in line with the Renewables Obligation. The chart below outlines the projected costs to the consumer of the Renewables Obligation to British Gas' customers. The figures below are based on the buy-out price of the Renewables Obligation and include a percentage increase in the Retail Price Index which is based on Bank of England figures. Although the annual cost to the consumer is currently very small at £7.47, as generators are obliged to supply progressively higher levels of renewable energy over time, the cost to the consumer will also increase. By 2025 when 15.4% of electricity generated has to come from a renewable source, the projected cost to the consumer could be £34.39.

Year	RPI All items	RPI Inflation	ROC Buy out Price	RO Percentage	Cost of RO (£/MWh)	Annual cost for average BGR Consumer
1997	157.49					
1998	162.88	3.42%				
1999	165.41	1.56%				
2000	170.25	2.93%				
2001	173.35	1.82%				
2002	176.18	1.63%	£30.00	3.0%	£0.90	£3.78
2003	181.29	2.90%	£30.51	4.3%	£1.31	£5.51
2004	186.40	2.82%	£31.39	4.9%	£1.54	£6.46
2005	191.49	2.73%	£32.33	5.5%	£1.78	£7.47
2006	196.41	2.57%	£33.21	6.7%	£2.23	£9.35
2007	201.45	2.57%	£34.07	7.9%	£2.69	£11.30
2008	206.49	2.50%	£34.94	9.1%	£3.18	£13.35
2009	211.65	2.50%	£35.81	9.7%	£3.47	£14.59
2010	216.94	2.50%	£36.71	10.4%	£3.82	£16.03
2011	222.36	2.50%	£37.63	11.4%	£4.29	£18.02
2012	227.92	2.50%	£38.57	12.4%	£4.78	£20.09
2013	233.62	2.50%	£39.53	13.4%	£5.30	£22.25
2014	239.46	2.50%	£40.52	14.4%	£5.83	£24.51
2015	245.45	2.50%	£41.53	15.4%	£6.40	£26.86
2016	251.58	2.50%	£42.57	15.4%	£6.56	£27.54
2017	257.87	2.50%	£43.64	15.4%	£6.72	£28.22
2018	264.32	2.50%	£44.73	15.4%	£6.89	£28.93
2019	270.93	2.50%	£45.85	15.4%	£7.06	£29.65
2020	277.70	2.50%	£46.99	15.4%	£7.24	£30.39
2021	284.64	2.50%	£48.17	15.4%	£7.42	£31.15
2022	291.76	2.50%	£49.37	15.4%	£7.60	£31.93
2023	299.05	2.50%	£50.60	15.4%	£7.79	£32.73
2024	306.53	2.50%	£51.87	15.4%	£7.99	£33.55
2025	314.19	2.50%	£53.17	15.4%	£8.19	£34.39

12.4 The introduction of the EU Emissions Trading Scheme has also seen an increase in wholesale power prices for 2005 by 10%, which in turn would increase retail prices for domestic customers by 4%.

12.5 It is therefore important that there is increasing transparency and awareness amongst consumers about the increased costs they will incur. Government and other organisations such as the Royal Society of Edinburgh can help facilitate this education process. Energy efficiency must also start to work to negate the impact of these price increases.

13.0 *What are the social values and consequences of energy generation and distribution on employment opportunities, health and energy affordability?*

13.1 The growth in renewables projects development in the UK may provide opportunities at a national level and in areas local to where they are built. While the key players are not currently UK based, there are opportunities to be pursued in the areas of fabrication, installation and support services such as in assisting to provide operation and maintenance support and other general services. As a key investor in renewables, Centrica is taking steps to facilitate meetings between local businesses and those contractors chosen to develop its wind farms, in order to maximise the chance of businesses to win work. This helps them to understand the skill sets and qualifications required if they are to bid for contracts. Centrica would welcome initiatives which would support the development of support industries in the UK.

13.2 As a consequence of the changing UK energy environment and the UK becoming a net importer of gas, the era of cheap energy is passing. Fuel price increases have implications for all consumers but particularly for the fuel poor. Low energy prices have been a key contributor in reducing the numbers of fuel poor households in Scotland which have dropped from 738,000 (35% in 1996 to 286,000 (13%) in 2002 ("Fuel Poverty in Scotland", Communities Scotland, April 2004) However, fuel poverty is a complex interaction of income, housing quality, energy prices and consumption. Reductions in the number of fuel poor can not be sustained by energy prices alone.

13.3 Centrica is conscious of the effect that higher fuel prices may have on its vulnerable customers and has introduced a number of measures to mitigate the impact.

13.4 These include a £10 million energy trust fund to help people in debt. British Gas customers can seek financial help not only for their energy bill debt but also for other household essential services such as water or telephone. The Fund, which is approved by the Charity Commission, is administered by independent Trustees and began awarding its first grants in November 2004.

- 13.5 British Gas has also introduced an initiative offering a 3 year price cap for pensioners in receipt of pension credit, which it launched in September 2004 in conjunction with its long term partner, Help the Aged. The “Price Promise” also includes a free benefits health check, as well as the installation of energy efficiency measures where these are needed. This is in addition to a £150 million programme, “here to HELP” which aims to alleviate household poverty by targeting 1,000,000 homes with a range of benefits including free energy efficiency measures and charity support. Originally, “here to HELP” was targeted only at people in social housing, but British Gas has extended the programme’s reach by opening it up to people in the private owned and rented housing sector.
- 13.6 Increases in income make an important contribution to lifting people out of fuel poverty. As part of our fuel poverty programmes, British Gas carry out an assessment of benefit entitlement. This has revealed that where people are under-claiming the amount due is around £1,300 per annum.
- 13.7 Centrica believes there are a number of initiatives which need to be taken by Government to limit the impact of high prices. These include:

13.7.1 Inclusion of benefits assessments on all fuel poverty programmes

- One of the most effective ways of removing customers from fuel poverty is to increase their disposable income. Benefits assessments have a proven track record. In all its programmes, British Gas has identified nearly £20 million in unclaimed benefits.
- All households identified as potentially fuel poor should receive a free benefits assessment.
- Currently, there is no requirement on energy suppliers to offer benefits assessments for their fuel poverty programmes.
- By making the benefits assessment a compulsory element of these programmes, thousands of households could be helped.

13.7.2 Extension of Fuel Direct:

- Current qualifying criteria for Fuel Direct are just Income Support and Job Seekers’ allowance. British Gas proposes that the qualifying criteria be relaxed to include other benefits such as pension credit.
- Qualifying criteria should include benefits that are not means tested. This would allow the promotion of Fuel Direct as an alternative to disconnection for the more vulnerable.
- Remove the rule that the customer needs to have a debt of more than £50 before they can qualify.
- The Department of Work and Pensions should promote Fuel Direct as a payment option rather than a method of last resort.

13.7.3 Improved data sharing and targeting of fuel poor customers

- The targeting of fuel poor customers is extremely difficult. Government agencies, such as the Department of Work and Pensions have direct access to those who may be fuel poor.
- British Gas therefore proposes that Government agencies should be encouraged to promote fuel poverty programmes offered by all energy suppliers.
- The health sector is also key to targeting the fuel poor. Health Trusts should be made aware of programmes and actively encouraged to educate their health sector workers on fuel poor scheme referrals.

13.6.4 **Include heating systems for fuel poor customers in the Government's Energy Efficiency Commitment scheme**

- Without wider, more effective tools such as heating systems and benefits assessments being included in the Government's Energy Efficiency Commitment scheme, energy suppliers will not be able to maximize the potential to move households out of fuel poverty.
- The installation of a heating system is in many cases essential to remove customers from fuel poverty.
- To allow suppliers to tackle fuel poverty in the most effective way and to help the Government meet its fuel poverty targets, the EEC obligation should be changed to allow the inclusion of heating systems. Suppliers could then offer fuel poverty packages in the same manner as Warm Front.