

**ESB RESPONSES TO TABULAR QUESTIONS IN EDRT Consultation Paper (8 Pages)**

**Question 1 – EDRT Programme Impact and Beneficiaries**

The objective of the EDRT programme is to promote energy end-use efficiency and services. A number of impacts and beneficiaries are discussed (see Chapter 1 of this consultation paper). **Please use the Table below for any comments you might have on the following impacts and beneficiaries.**

IMPACT	YOUR COMMENTS
<p>Create new employment through increased demand for energy efficient products and services</p>	<p><i>1(a) Please indicate here your thoughts on the potential of the EDRT programme to create new employment and, where possible, indicate the scale of same</i></p> <p>The programme contains scope to utilise currently redundant resources in the building sector. The EDRT programme target (8000 GWh PEE) represents a proportion of the current economically achievable technical potential. The programme, if structured correctly, could ensure this full potential is delivered. Assuming the following response options are adopted, the programme of itself will sustain jobs broken down on the basis:</p> <ul style="list-style-type: none"> <li>• Architecture, design, planning –</li> <li>• Materials, products, procurement, supply -</li> <li>• Construction, installation -</li> <li>• Financing –</li> <li>• Monitoring, reporting, verification -</li> <li>• Other</li> </ul>
<p>Improve energy affordability, and health and comfort levels, in vulnerable sections of society</p>	<p><i>1(b) Please indicate here your thoughts on the potential of the EDRT programme to improve the energy affordability for vulnerable sections of society and, where possible, indicate the scale of same</i></p>

	<p>An EDRT programme aimed at stimulating the uptake of energy efficiency measures and implemented either as a Levy (preferred option) or Supplier Obligation will constitute a cross-subsidisation from the totality of customers to those implementing efficiency improvement measures. Other jurisdictions have directed a significant proportion of this cross-subsidisation to support low-income and/or fuel poor households.</p> <p>It would appear reasonable that a significant proportion of the effort undertaken under the EDRT programme should target fuel poverty. Since the likely funding would be inadequate to address all fuel poor then a level of prioritisation is required. Selection criteria could include number of individuals benefiting per household and the period over which benefits accrue to those affected.</p> <p>As noted in our attached submission, local authority developments should not be eligible for funding under any EDRT scheme as they are separately required to act as exemplars under EU law (energy services Directive Art. 5) and national policy.</p>
<p>Contribute to the reduction of Ireland's GHG emissions in line with our Kyoto and 2020 targets</p>	<p><i>1(c) Please indicate here your thoughts on the potential of the EDRT programme to contribute to Ireland's GHG emissions targets and, where possible, indicate the scale of same</i></p> <p>The manner in which the EDRT programme is structured will determine the extent of influence on Ireland's GHG reduction. Post 2012 the electricity sector (and all other sectors covered by the ETS) no longer fall within the scope of the national target. This has implications of major significance for the EDRT programme.</p> <ul style="list-style-type: none"> <li>• Substituting less efficient primary (fossil fuel based ) energy sources with electricity, where this improves efficiency, will also result in a 100% reduction in emissions credited to the national target as these are transferred to the EU-wide ETS sector. The corollary is that a focus on improving the efficiency of existing electrical-based systems provides no contribution to Ireland's emissions targets post 2012.</li> </ul>
<p>Encourage innovation in energy efficiency products, leading to market transformation</p>	<p><i>1(d) Please indicate here your thoughts on the potential for the EDRT programme to encourage innovation and, where possible, refer to any international examples with which you are familiar</i></p> <p>The focus of an EDRT programme, whilst seeking to encourage innovation, might best be targeted initially on bringing to the Irish market those energy efficiency services and products that are already well</p>

	established in other countries.
<b>BENEFICIARIES</b>	
Energy Companies	<p><i>1(e) Please indicate here your views on the benefits of the EDRT programme for energy companies</i></p> <p>A benefit will arise for an energy company only to the extent it can actively participate in the programme and thereby enhance its Brand with its customers.</p>
Energy Service Companies	<p><i>1(f) Please indicate here your views on the benefits of the EDRT programme for Energy Service Companies and if you think the EDRT can help develop the market for ESCOs?</i></p> <p>An EDRT programme provides an important stimulus to the development and sustainability of energy service companies. The very strong resistance of energy consumers to invest in energy saving measures (as confirmed in the SEI/McKinsey study on carbon abatement costs) currently militates against the provision of energy services, in particular in the residential and commercial sectors. Until the behaviour of those controlling expenditures (on energy and investments) in these sectors is changed then current short-term calculations will remain the norm. An effective EDRT programme offers the opportunity to change such behaviours. The emergence of competent energy services companies can then sustain these changes going forward.</p>
Energy Service Providers	<p><i>1(g) Please indicate here your views on the benefits of the EDRT programme for energy service providers</i></p> <p>As per 1(f) above.</p>
Energy Savings Product Retailers	<p><i>1(h) Please indicate here your views on the benefits of the EDRT programme for energy-saving product retailers</i></p> <p>As noted in response to 1(a) above, suppliers of energy-saving products will obviously increase their income under an EDRT programme, improving their profitability and creating additional employment.</p>
Others	<p><i>1(i) Please indicate here your views on any other benefits of the EDRT programme</i></p> <p>There will be a general benefit to the economy as the increase in domestic energy services activity will exceed the effect of reducing fossil fuel imports.</p> <p>A more energy secure economy will provide a greater incentive for foreign direct investment.</p>

## Question 2 – Programme Design and Delivery Options for Ireland

A number of international programmes are discussed (see Section 3.3 and Annex 1) and the relevant parameters for the EDRT programme in Ireland are described in 3.4 and 4.4. The three delivery options are discussed in Chapter 4. **Please use the Table below for your comments on the most appropriate scheme design for an EDRT programme in Ireland.**

PROGRAMME ATTRIBUTES	PROGRAMME OPTIONS	YOUR COMMENTS
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PROGRAMME ATTRIBUTES	PROGRAMME OPTIONS	YOUR COMMENTS
<b>DELIVERY OPTIONS</b>	<ol style="list-style-type: none"> <li>1. Voluntary agreement and/or</li> <li>2. Fund/levy programme and/or</li> <li>3. Market-oriented obligation scheme</li> </ol>	<p><i>2(a) Please indicate here your preferred delivery option and reasons why you think it is more appropriate than the other options</i></p> <p>Energy supply companies currently offer a range of “energy services” to certain categories of customers a part of their service offerings – in effect a voluntary agreement. Any new structure should ensure these arrangements are allowed continue. However, such offerings require that the customer has an appreciation of their energy use and costs. In most circumstances this applies only to industrial customers at present (landlord/tenant, time value of money etc. aspects apply to commercial/residential customers)</p> <p>For the wider economy, ESB considers a Levy to be the most effective delivery option for the reasons outlined in the attached submission. A Supplier Obligation creates excessive risk for supply companies. The scale of effort sought (8000 GWh) and the cost required to deliver this is far beyond that which a supply (or networks) company could sustain from its internal resources.</p> <p><i>2(b) Is there another approach that could realise similar benefits?</i></p> <p>As noted in ESB’s Submission, a Supplier Obligation incorporating a buy-out option, adjustable as experience and knowledge is gained, provides a degree of certainty for supply companies and their customers.</p> <p><i>2(c) Are there any barriers associated with any of the delivery options?</i></p> <ul style="list-style-type: none"> <li>• Economic circumstances impose a constraint on all options as their net effect is to increase energy costs to customers.</li> <li>• A Supplier Obligation imposes significant monitoring, verification and reporting obligations and related non-productive costs.</li> </ul>

PROGRAMME ATTRIBUTES	PROGRAMME OPTIONS	YOUR COMMENTS
<b>PROVIDERS</b>	<ol style="list-style-type: none"> <li>1. Network-connected distribution system operators and/or</li> <li>2. Network-connected energy supply companies and/or</li> <li>3. Non-network-connected energy supply companies</li> </ol>	<p><i>2(d) Indicate here which energy companies you consider should deliver the programme</i></p> <p>In a perfect system all energy supply companies should be subject to the programme. In practice however, ESB considers that an EDRT programme as proposed would best be directed towards the residential and business sectors (not transport / public sectors)</p> <p>Consequently, ESB is of the view that network connected companies and those supplying energy for heating/cooling purposes (not transport) should be included from the point of view of raising the fund through levies on fuel.</p> <p>ESB's preferred option is a Levy. The fund created from such a levy should have unrestricted access to any company interested in bidding to provide energy services to the market.</p>
<b>SAVINGS TARGETS</b>	2020 gap: 800GWh/annum	<p><i>2(e) With reference to the 8,000 GWh NEEAP and Table 3, include details here on the energy savings you think the EDRT programme can deliver and whether or not the programme should also include a GHG target</i></p> <p>The programme should endeavour to deliver the efficiency savings required utilising measures that also optimise delivery of national emissions targets for 2020 (see response to 1(c) above).</p>
<b>THRESHOLD</b>	Energy companies excluding: those that sell <75GWh energy per year, or employ fewer than 10 people, or whose turnover does not exceed €2 million per annum	<p><i>2(f) The ESD allows Member States to exclude from the application of the Directive those energy companies that sell &lt;75GWh energy per year, or employ fewer than 10 people, or whose turnover does not exceed €2 million per annum. Do you feel that it is appropriate for Ireland to do so?</i></p> <p>Under ESB's Levy proposal, delivery will be optional for all Suppliers and any company interested in bidding to provide energy services to the market will be free to do so.</p> <p>The levy should be raised on all non-transport fuels.</p> <p>A degree of caution is required in respect of the criteria regarding staff numbers given that, in the future, major supply companies may have their main operations located outside of the state with</p>

PROGRAMME ATTRIBUTES	PROGRAMME OPTIONS	YOUR COMMENTS
<b>ELIGIBLE SECTORS</b>	<ul style="list-style-type: none"> <li>• Residential</li> <li>• Business</li> <li>• Public</li> <li>• Transport</li> </ul>	<p><i>2(g) Please indicate the sectors that should benefit from the EDRT programme.</i></p> <p>ESB considers that the EDRT programme should encompass the residential and business sectors and that alternative programmes be introduced in respect of the non-included sectors.</p> <p><i>2(h) Do you think that funds should be ring-fenced for the fuel poverty sector? If so what is an appropriate percentage?</i></p> <p>Yes. A proportion of the funds (perhaps 20%?) should be ring-fenced for this purpose. However, funding should not be provided in respect of local authority developments as these are required independently to demonstrate exemplary behaviour.</p>
<b>ELIGIBLE TECHNOLOGIES</b>	List of measures (Table 5 and Annex 1)	<i>2(i) Comment on the list of potential measures and include any others that you feel are appropriate</i>
<b>MONITORING AND VERIFICATION</b>	<p>Ex-ante: Based on assumptions about savings from each measure;</p> <p>Ex-post: Direct measurement of actual saving;</p>	<p><i>2(j) Which method of monitoring and verification is most appropriate to Ireland and why?</i></p> <p>In the first instance the programme should establish whether it is evaluating annual savings or lifetime savings. In this context, ESB considers lifetime savings to be the more appropriate measure.</p> <p>Ex ante presents the least costly mechanism in administrative terms to monitor savings. However, this should be supplemented by an ex-post audit to confirm that the savings being credited reflect those delivered in practice.</p>
<b>ADDITIONALITY</b>	Targets assume all measures are additional. Any measures considered not to be additional will be removed from target.	<p><i>2(k) Comment here on the potential the EDRT programme has to offer additional savings over and above those already included in the NEEAP</i></p> <p>While an indicative target of 8,000GWh PEE has been set out, there is an absence of detail around how this might be achieved and if so whether the cost is prohibitive or not.</p>

PROGRAMME ATTRIBUTES	PROGRAMME OPTIONS	YOUR COMMENTS
<p><b>SCHEME FINANCING</b></p>	<p>A percentage of the programme providers' turnover/revenue streams</p> <p>Final customers (e.g. in the form of a general levy/kWh charge on all customers or individual bill-based repayment options based on the energy service provided to a particular address)</p> <p>Third-party contribution (e.g. energy service providers, energy saving product retailers, local authorities etc.)</p> <p>Funds made available by the Exchequer</p>	<p><i>2(l) Give details on how you think the EDRT programme should be financed, bearing in mind that the list here is not exhaustive and that funds for the programme may be provided by a number of sources (see 3.4.8)</i></p> <p>Irrespective of which primary funding solution is selected, it is ultimately the totality of customers that will pay. In a competitive market the only alternative to customer payment is direct exchequer funding as the competitive pressure on supply companies effectively eliminates any discretionary spending. Given this situation ESB considers a Levy to be the most cost effective and efficient mechanism to deliver the EDRT programme.</p> <p>Notwithstanding this, the EDRT can only be an interim programme to stimulate the energy services market as it entails cross subsidisation by the generality of customers to a limited number of beneficiaries. The design of the programme should encourage engagement by third party investors so as to allow a timely transition to an independent and self-financing energy services market.</p> <p><i>2(m) If you think that a levy fund is the best option, please indicate what you feel is an appropriate charge on each sector</i></p> <p>As identified above, ESB considers the EDRT programme should relate only to the residential and business sectors. All providers of (non-transport) energy to these sectors should be subject to a levy. This amount should be reviewed annually in light of pertaining economic circumstances.</p>