



Community Energy Saving Programme (CESP)

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Author: Chris Watson and Paul Bolton

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Social and General Statistics

This note outlines the Community Energy Saving Programme (CESP). The programme was a three-year obligation on major energy suppliers and generators to offer free or low cost energy efficiency measures in certain low income areas. It ended in December 2012.

Overall CESP was targeted on income-deprived homes in defined areas and concentrated on a community street-by-street approach led by the major energy suppliers/generators and local authorities. The scheme was better at incentivising suppliers to deal with hard-to-treat homes (especially with solid wall insulation) than the Carbon Emissions Reduction Target scheme (that concentrated on individual households).

Despite CESP being slower to implement than planned, (due to planning issues for energy companies and local authorities with large numbers of measures), it did drastically improve in the final year and achieved 84.7% of its overall carbon saving target.

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1 Introduction

On 11 September 2008, Gordon Brown announced the launch of a £1 billion Home Energy Saving Programme aimed at helping families to permanently cut their energy bills. A key part of the announcement was the creation of a new £350 million Community Energy Saving Programme (CESP).¹

The programme targeted households, across Great Britain, in given geographical areas to improve energy efficiency standards. It promoted a whole-house approach and was delivered through the development of community-based partnerships (involving local authorities) along with major energy suppliers and generators.

Partnership working was intended to allow CESP to be implemented in a localised and co-ordinated manner. It was expected that around 100 schemes would be funded, benefiting some 90,000 households, and delivering a lifetime saving of nearly 19 million tonnes of CO₂ (MTCO₂). By focusing on areas of deprivation, this increased the chance that households in fuel poverty would be targeted.²

CESP ended in December 2012 and has now been replaced by the Green Deal, a low cost loan for energy efficiency or micro-generation measures attached to a property. The Green Deal is underpinned by a new 'energy company obligation' (ECO) aimed at reducing CO₂ emissions from homes which focuses on vulnerable households, those in fuel poverty and those living in hard-to-treat properties – for example, solid-walled properties.

The [Green Deal](#) standard note has more background.

2 Outline of CESP

2.1 What were the aims of CESP?

The Electricity and Gas (Community Energy Saving Programme) Order 2009 (SI No. 1905) implemented the scheme which ran from 1 September 2009 to December 2012.³

The order placed a legal obligation on major energy suppliers and generators to reduce carbon emissions by offering energy efficiency measures free of charge or at a very low cost to households in communities defined as income deprived. Smaller energy suppliers with 250,000 customers or fewer were not obligated to participate in the programme. The energy companies were expected to partner with local authorities and other community organisations in the designated areas.

The cost of the obligation was passed on by the energy companies to all of their customers through their energy bills. The Department of Energy and Climate Change (DECC) has estimated that the cost of CESP in household energy bills was negligible. For 2011, the cost was £2 out of a typical £660 annual gas bill, £1 out of a £600 annual electricity bill and a total of £3 out of a combined £1,260 per household.⁴

CESP was community-based and thus differed from the CERT, which was aimed at individual households as explained by the DECC impact assessment:

¹ Announcement from No 10 Downing Street on [Home Energy Saving Programme 11 September 2008](#)

² Department for Communities and Local Government website, [Community Energy Saving Programme \(CESP\) consultation](#) [on 24 June 2010]

³ [The Electricity and Gas \(Community Energy Saving Programme\) Order 2009](#) No 1905

⁴ DECC [Estimated impacts of energy and climate change policies on energy prices and bills](#) on 23 November 2011. Annex D table D1 page 62

The CESP is based on the CERT legislative model, but is designed to deliver where CERT generally will not. CESP will use community partnerships to treat large numbers of homes within a given area, rather than focusing on the most cost efficient CO₂ reductions which are delivered under CERT. While CERT has a priority group to help target the most fuel poor, CESP will go further by focusing delivery in income deprived areas and often in —hard to treat homes.⁵

More information on CERT can be found in the [Library Standard Note](#).

2.2 What was covered by CESP?

The Government estimated that up to 100 schemes would be funded, which would benefit around 90,000 homes across Great Britain, and deliver a saving of 19.25 MTCO₂ over their lifetime.⁶

CESP designated eligible geographic areas based on the lowest income areas identified by deprivation indices. In England this was based on the lowest 10% income areas and in Scotland and Wales the lowest 15%. In total there were around 4,500 designated CESP areas across Great Britain.⁷

Suppliers and generators could not claim for reductions in CO₂ under both CERT and CESP but they could trade their obligations under either, as many generators did.⁸

The community approach in the CESP had three main elements which are described below.

Partnership working: it is envisaged that suppliers and generators will work in partnership with local authorities and other community organisations where appropriate to promote measures, through a ‘community approach’. The scheme leaves maximum flexibility for different partnership structures and for a variety of bodies to participate. It is envisaged that the advantages of partnership working would essentially be to allow CESP to be implemented in the way best suited to conditions in individual areas and to help ensure coordination with existing programmes and initiatives, and with any other local regeneration initiatives that have (or plan to have) an energy efficiency element.

Whole house, intensive approach: suppliers and generators are encouraged to promote as many measures as possible (from a limited list see below), that would make the most significant reductions to fuel bills and CO₂ emissions, and that are needed in each targeted home - a ‘whole-house approach’. This will be done through the ‘scoring’ of measures to incentivise this way of working.⁹ This type of approach requires targeted domestic energy users (householders) to be offered a complete whole-house package of measures. The CESP incentivises more than just the less costly, possibly more cost-effective measures (as are currently delivered under CERT). The aim has been to promote the best combination of measures which are most likely to have the greatest effect in improving the energy efficiency, and/or lowering the energy consumption, of the whole property and thus reducing carbon emissions.

Low income targeting: Under this option it is proposed that CESP should target those

⁵ Department of Energy and Climate Change, [Impact Assessment for implementation of the Community Energy Saving Programme](#) February 2009

⁶ Department for Communities and Local Government website, [Community Energy Saving Programme \(CESP\) consultation](#) [on 24 June 2010] and [The Electricity and Gas \(Community Energy Saving Programme\) Order 2009](#) No 1905 Article 3

⁷ DECC [Communities: Areas of Low Income 2009](#)

⁸ DECC [Evaluation synthesis of energy supplier obligation policies](#) October 2011

⁹ [The Electricity and Gas \(Community Energy Saving Programme\) Order 2009](#) No 1905 articles 24 and 25

areas of the country that have significant levels of low income households. It is these areas that have the densest concentration of households in need of assistance, since energy efficiency improvements will result in permanent fuel bill reductions.¹⁰

Measures available under CESP included a wide range of energy efficiency and micro-generation measures and included linking properties to a district heating system and providing home energy advice:

- Solid Wall Insulation (external)
- Solid Wall Insulation (internal)
- Cavity Wall Insulation
- Virgin Loft Insulation (includes anything less than 60mm existing)
- Loft Insulation Top Up
- Under floor insulation
- Flat roof insulation
- Draught proofing
- High Efficiency glazing
- Fuel Switch (to gas)
- Replacement of old boilers (G rated)
- Connection to a district heating scheme
- District Heating System Upgrade
- District Heating Heat Meter for Individual House Billing
- Ground Source Heat Pumps
- Air Source Heat Pumps
- Micro-generation (PV, Solar Thermal, mCHP, biomass boiler, micro wind, micro hydro)
- Heating Controls with a new heating system
- Home Energy Advice¹¹

The incentive mechanisms in the Regulations meant that suppliers and generators installed more measures in each property than for example under the CERT scheme. Also, hard-to-treat houses (for example with solid walls) were tackled more often.¹²

3 CESP - progress and take up

CESP commenced on 1 October 2009 and continued until the end of December 2012. British Gas launched the first 'live' CESP scheme in Walsall in January 2010. In total 491 CESP schemes were set up.¹³

DECC estimated that the cost of the programme to October 2011 was about £200 million (in 2010-11 prices) or about £8 per household; compared with the planned cost over the lifetime of CESP of £350 million.¹⁴

The energy and generator companies provided estimates to Ofgem of their progress towards meeting their obligations. Over the lifetime of CESP total estimated carbon savings were 16.31 million tonnes of CO₂ equivalent (MTCO₂) compared to the target of 19.25 MTCO₂, a shortfall of 15%. A total of almost 300,000 individual measures were installed under CESP in just over 150,000 properties in 1,954 low income areas across the country.¹⁵

¹⁰ *Impact Assessment for implementation of the Community Energy Saving Programme*, DECC, February 2009

¹¹ *The Electricity and Gas (Community Energy Saving Programme) Order 2009*, No 1905 Schedules 1 and 2

¹² *Evaluation synthesis of energy supplier obligation policies*, DECC, October 2011

¹³ *The final report of the Community Energy Saving Programme (CESP) 2009-2012*, Ofgem

¹⁴ HL Deb 25 October 2011 c126-7WA

¹⁵ *The final report of the Community Energy Saving Programme (CESP) 2009-2012*, Ofgem

The first table below summarises these measures by region:

Measures installed under CESP

	Properties treated	Measures installed	% of eligible low income areas with measures installed
North East	15,069	28,897	51%
North West	32,299	67,866	49%
Yorkshire & the Humber	15,120	30,349	47%
West Midlands	16,749	30,145	47%
East Midlands	16,210	27,276	72%
East of England	2,094	3,594	34%
London	12,408	20,704	24%
South East	2,635	5,760	29%
South West	1,931	3,585	30%
England	114,515	218,176	42%
Scotland	23,388	45,504	38%
Wales	16,461	30,242	73%
Great Britain	154,364	293,922	43%

Source: The final report of the Community Energy Saving Programme (CESP) 2009-2012, Ofgem

The next table breaks down the measures installed by type. The most common types were solid wall insulation, new heating controls and new boilers. There are no data on the combination of different measures in properties.

CESP measures by type

	Number	% of total
External solid wall insulation	75,255	26%
Heating controls	60,016	20%
Replacement boiler	42,898	15%
Loft insulation	23,505	8%
Glazing	21,779	7%
Draught-proofing	13,010	4%
Solar PV	11,546	4%
District heating upgrade	11,247	4%
Fuel switching	11,066	4%
District heating connection	6,459	2%
District heating metering	6,026	2%
Internal solid wall insulation	5,002	2%
Cavity wall insulation	3,000	1%
Flat roof insulation	1,791	1%
Heat pumps	594	0%
Solar thermal	485	0%
Under floor insulation	151	0%
Home energy advice	94	0%

Source: The final report of the Community Energy Saving Programme (CESP) 2009-2012, Ofgem

4 Was CESP a success?

Ofgem published a 'Final report of the Community Energy Saving Programme' in May 2013. Its conclusions were as follows:

Overall conclusions

- Of the overall CESP carbon saving target which was 19.25 million lifetime tonnes of carbon dioxide, 84.7% was achieved.
- Of the ten energy companies obligated under CESP, only four met all of their obligations, (E.ON, EDF Energy, RWE npower and Eggborough Power).
- The main activity took place in 2012, particularly in the final six months of the programme. Despite strong efforts, this late surge in activity was not sufficient for the majority of energy companies to meet their obligations.

Effectiveness

- The bonus structure of CESP was designed to incentivise the installation of certain measures using a house by house, street by street approach. The bonuses can clearly be seen to have driven the activity and approaches of the energy companies, with 71.7% of all savings achieved coming from such bonuses.
- CESP was particularly effective in incentivising the treatment of properties of solid wall and non-traditional construction (which can be of poor quality and energy performance).
- The substantial costs involved in improving such homes and the (often property-specific) technical complexities involved in their treatment meant that such properties were often not targeted under previous energy efficiency programmes. CESP, through its bonus structure, was effective in addressing this issue.
- The structure of CESP also provided effective incentives for the installation of district heating measures. The number of measures far exceeded those in other government energy efficiency programmes.
- The area bonus, intended to promote high penetration in areas of low income, does not appear to have delivered the desired patterns of activity. The bonus was only triggered in 15.2% of eligible low income areas, much lower than intended.
- However, this did encompass 52.0% of all dwellings treated and 69.2% of all carbon savings were achieved in areas where the area bonus was triggered.
- The energy companies who met their obligations tended to use the 'individual measure adjustment' (bonuses for specific measures) to a greater extent than the other six companies. By targeting such measures, these companies achieved a significant increase to the calculated carbon savings through a 'bonus point' adjustment.

Challenges

- Given that CESP was designed to promote the installation of specific measures in hard-to-treat properties, it was inevitable that some technical difficulties would arise. However, the number and complexity of technical issues encountered was unanticipated.

- Ofgem, DECC and the energy companies worked closely together to tackle the technical issues encountered and to try to reach robust and agreeable solutions. A Technical Working Group was set up by Ofgem in 2011.
- This partly reflects why energy companies were able to accelerate progress in the final six months.

CESP Achievements

- Although energy companies did not meet the overall CESP target, the shortfall of 15.3% was less than may have been predicted in June 2012, when only 31.6% of the overall target had been met.
- The measures installed by energy companies delivered real carbon savings to 154,364 dwellings in low income areas.
- CESP was an innovative programme which trialled a number of policy features, such as the bonus system and the focus on certain deprived areas. The relative effectiveness of these policies and lessons learned, influenced the design of the successor programme to CESP, the Energy Companies Obligation (ECO).¹⁶

4.1 Previous assessments

In October 2011, DECC had published an evaluation by CAG Consultants, Ipsos MORI and the Building Research Establishment of the progress and implementation of CESP schemes. It was concluded that progress in developing schemes had been slow and there was no estimate of absolute money savings on heating costs or evidence on improvements in energy efficiency of buildings. However, the scheme for 'second' measures proved to be a strong incentive to include usually hard-to-treat houses with solid wall insulation (SWI).¹⁷

National Energy Action in its evaluation of CESP for the Joseph Rowntree Trust (27 October 2011) acknowledged that the area-targeted approach of CESP was an improvement on the individual approach of CERT particularly for vulnerable social groups:

CESP, [] has a sharper social focus [than CERT]. The programme requires energy suppliers and generators to deliver programmes of energy-saving interventions to around 90,000 low-income households across the UK. As such, CESP can make a significant contribution towards addressing fuel poverty among some of the most financially disadvantaged communities in the UK.

However it did criticise the programme in the following terms:

Whilst the programme does target some of the most financially disadvantaged communities, it is less effective in identifying and assisting more discrete pockets of deprivation in other areas e.g. rural communities. Low-income rural dwellers are also more likely to live in hard-to-treat properties, the very dwellings that could benefit most from measures available through CESP such as solid wall insulation and micro-generation.¹⁸

¹⁶ Ofgem report: [The final report of the Community Energy Saving Programme \(CESP\) 2009-2012](#); May 2013

¹⁷ Consultants report: [Evaluation of the Community Energy Saving Programme](#); October 2011

¹⁸ Joseph Rowntree Trust [Time to reconsider UK energy and fuel poverty policies?](#) 26 October 2011

The Select Committee on Energy and Climate Change in its 2010 report on Fuel Poverty generally commended the community-based approach to tackling energy efficiency particularly for income deprived groups.¹⁹

5 Summary

Overall the Community Energy Saving Programme:

- Achieved 84.7% of its carbon saving target;
- Saw only four of the 10 obligated energy companies meet their obligations;
- Was slow to be implemented at the beginning with the main activity taking place in 2012;
- Was better at incentivising suppliers to deal with hard-to-treat homes (especially with solid wall insulation) than CERT, this despite encountering more technical difficulties than first expected;
- Had a bonus structure which proved successful, driving the activity of the energy companies;
- Was more targeted on income-deprived homes in defined areas and has concentrated on a community street-by-street approach led by the major energy suppliers/generators and local authorities than the larger CERT programme aimed at the general population.

¹⁹ Select Committee on Energy and Climate Change *Fuel Poverty* 30 March 2010 HC 424i