

British Gas

Facing the challenge of energy conservation,
energy efficiency, micro generation
and combating fuel poverty
in the next decade.

Andy Bray
11th June 2010

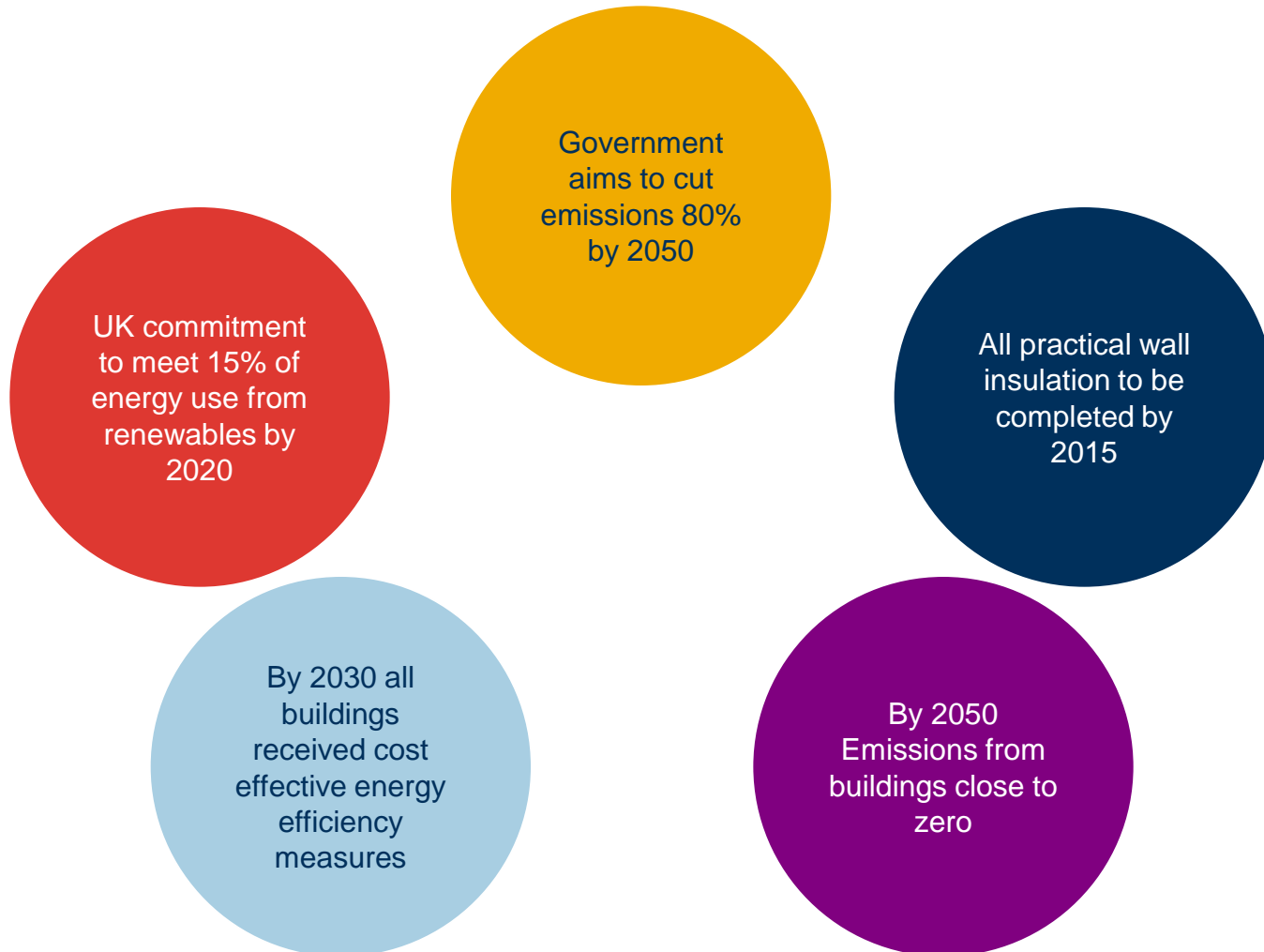


Outline

- Macro Economic factors
- The role of British Gas
- Energy Conservation
- Energy Efficiency
- Micro-Generation
- Fuel Poverty
- Key Conclusions

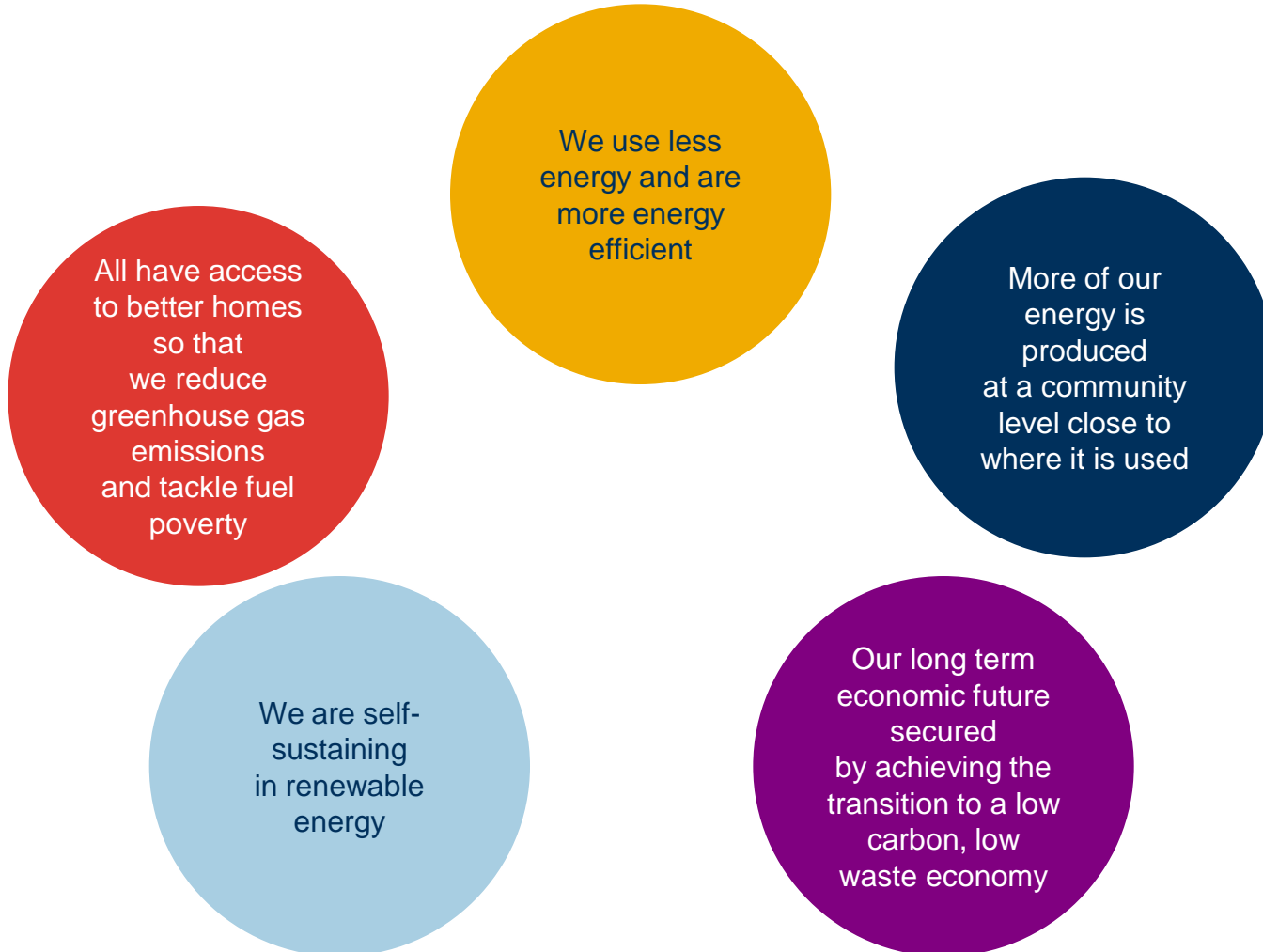
Challenging national targets have been set around carbon reduction

There are some challenging targets both at a National level



Welsh Assembly Specific Targets

The One Wales: One Planet sets-out some specific outcomes



The role of Local Authorities in energy efficiency- Warm Homes, Greener Homes

Our ambition in the longer term is that all authorities will **take on responsibility** for saving carbon from energy use in the homes in their area.



We propose a new partnership approach to delivery with local authorities playing a key role in **coordinating action** at a local level

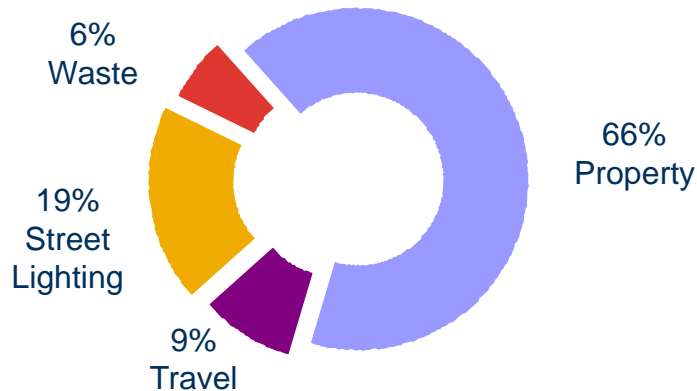
Those local authorities leading the way will be best placed to **share best practice** with other local authorities

There is a real opportunity to use social housing to **stimulate the development** of the industry needed to make the change

Why These Carbon Reduction targets are important to us

We are in a position to positively influence the greatest sources of emissions...

Local Authority Emissions by source*



...and we have the funding in place to ensure every pound spent is stretched

- CERT- Our total spend to date in Wales is over £10m
- CESP- A total of £70m worth of funding has been predicted to come from us by HMG.
- FiT- Currently working with a number of potential partners to deliver some of the largest FiT roll-outs in the UK.
- Fuel Poverty- from 2008 to 2011 we will have spent £375m supporting our fuel poor customers; £250m more than our government required amount.

The role of British Gas

- Centrica's business is “***Energy for a low carbon world***”
- British Gas' commitment is to “***lead the transition to low carbon homes and communities***”
- British Gas is rapidly transforming from an energy company to an energy services company
- We recognise the central role that Local Authorities play in the future delivery of energy efficiency measures in both public and private sectors
- We are already partnering with Local Authorities, Social Housing providers, Cities and Regional Governments across
7 Wales

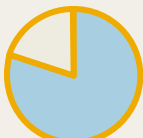
Background Statistics



On the Welsh index of multiple deprivation almost 1/3 of the HOVs is among the most deprived areas of Wales.



HOV qualifies for Objective One EU funding for those regions that require structural adjustment and has an average wage of less than 75% EU average.



Life expectancy for men in Merthyr Tydfil and Blaenau Gwent is 5 years less than Ceredigion and average earnings are 20% less than the rest of South East Wales.



19% of the employable people in HOV are economically inactive compared with 13% for Wales.

HOV 2020 Strategy....Regeneration

- A vibrant economic landscape offering new opportunities for individuals and businesses.
- Goals for 2020:

i) The Heads of the Valleys region will be viewed as a nationally competitive business and investment location

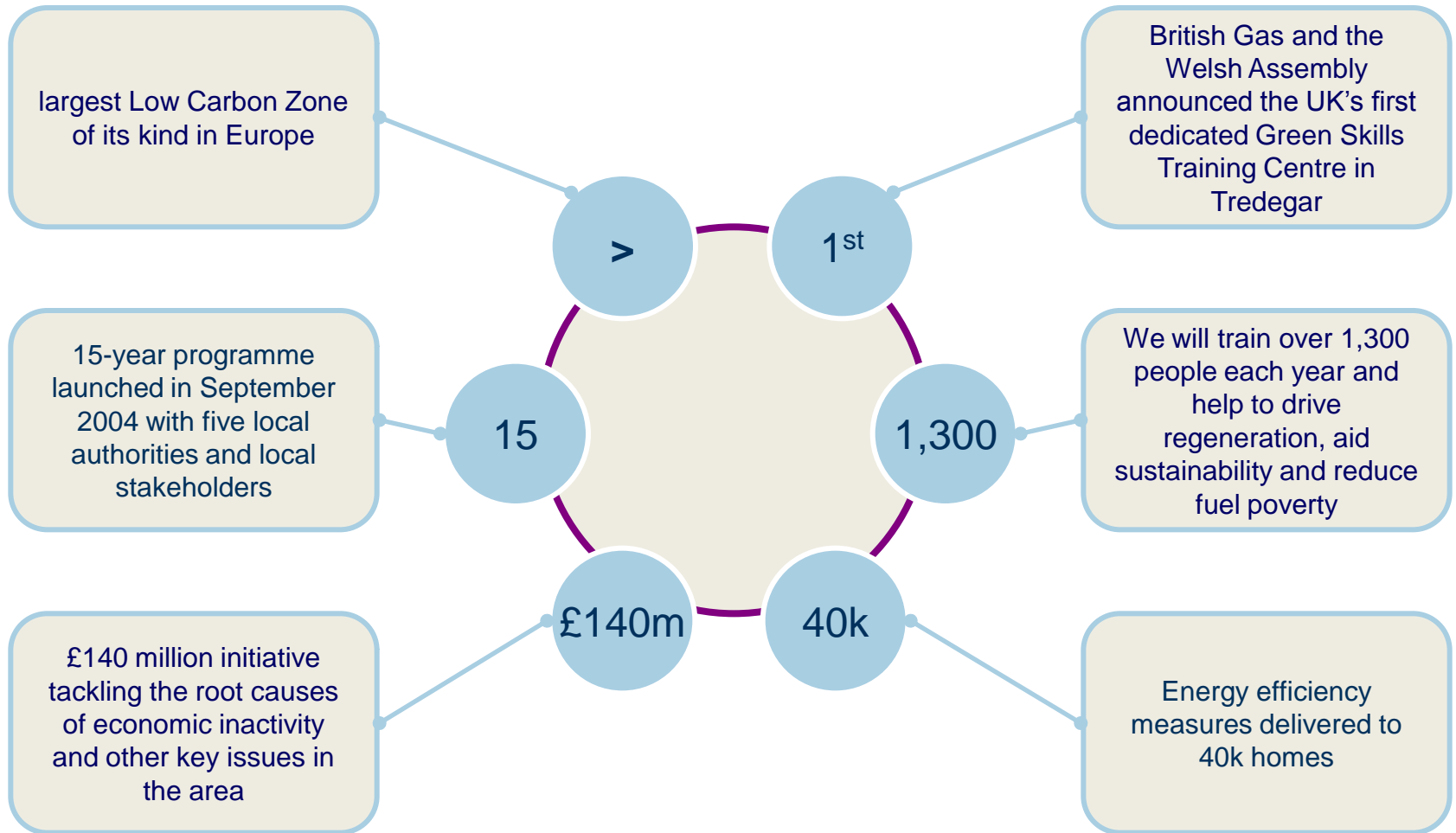
ii) The majority of residents will be in work and contributing to the Welsh economy

iii) There will be an accessible and better integrated transport system, with strong North-South and cross-Valleys connections

iv) Residents will have access to a more diverse range of business and employment opportunities.

v) Higher levels of innovation, entrepreneurship and essential support services will be more readily available.

Finding the right answer – Heads of the Valleys Regeneration Programme in numbers



HOV – Great programme with positive side-effects

With the right approach a threefold benefit can be delivered through an effective carbon reduction focussed programme

(1) Carbon Reduction

The 'whole house' approach of the scheme means that the most efficient measures are put into each property maximising the savings made.

(3) Job Creation

The purpose built Green Skills Academy will 1,300 individuals each year. This will include specialist provision to help enable local long term unemployed people to find work in the emerging green economies annually.



(2) Fuel Poverty Improvements

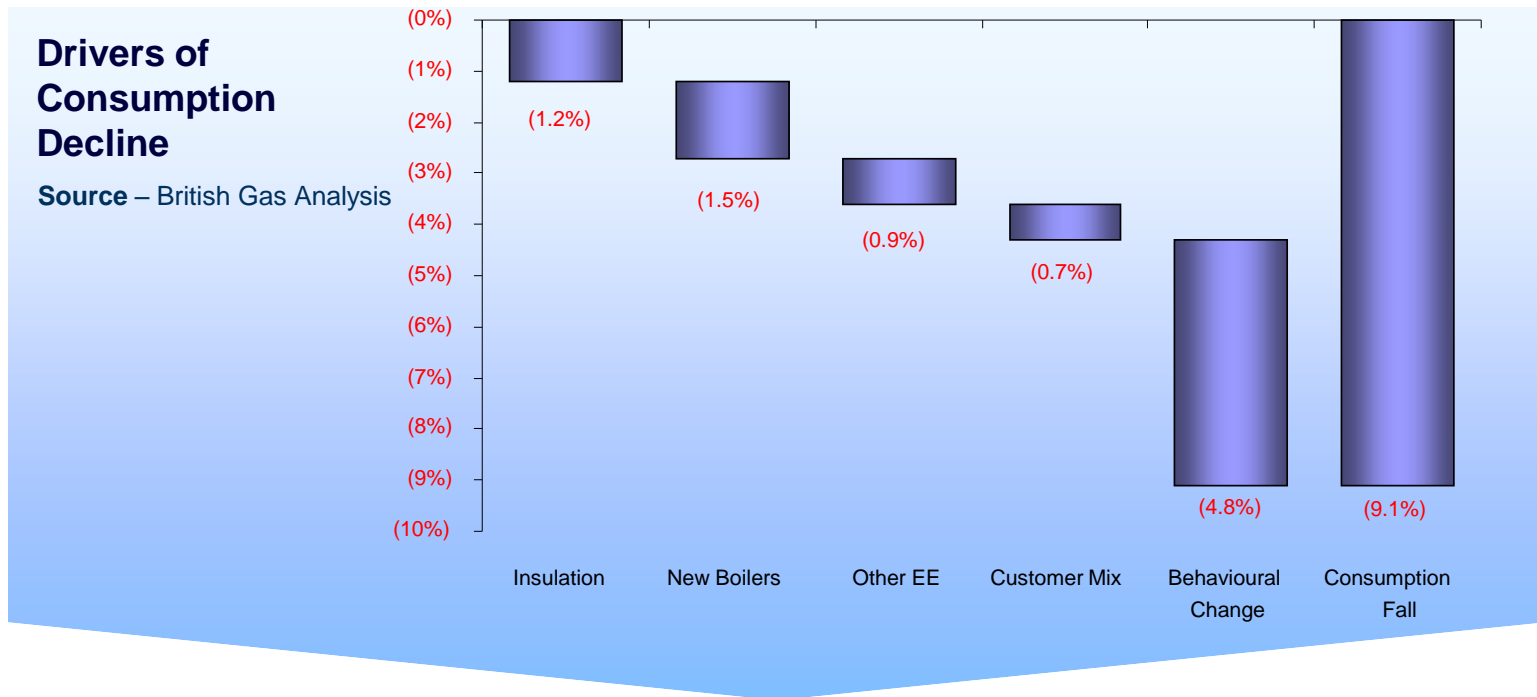
The targeted approach of the programme means that it is bringing reduced fuel costs to the residents that are most likely to benefit.



Energy Conservation - Some key findings

- Energy efficiency measures employed by British Gas make significant savings for our customers
- Average savings correlate well with EST figures, but very wide range
- High consumers show the largest consumption reduction
- Consumption decline is not correlated to price changes but to economic changes
- Review of consumption drop by socio-demographics / income bands show only modest trends
- Pay As You Go customers reduce less than credit pay customers
- Customers paying by cash / cheque have reduced the same as those on direct debit

Drivers of energy savings



By analysing the measures taken statistically, our research has enabled us to unpick the key drivers of reduced consumption

- **Insulation** – Cavity wall and loft insulation are driving significant demand reduction
- **Boiler Installs** – 1.6m new, more efficient boilers installed annually industry-wide
- **Other Energy Efficiency** - These cover double glazing, tank jackets, pipe insulation, radiator panels etc.
- **Customer Mix** – Newly acquired customers in this period were lower consuming than customers lost
- **Behavioural Change** – Reduction relating to greater energy awareness, higher energy prices and economic downturn (including 2.4m Energy Savers Reports completed)

Energy Savers Reports

- We analysed consumption patterns for 21k customers who completed an Energy Savers Report in 2008:
 - The average consumption drop was 9.5%
 - This equates to savings of £48 per customer
- Across 2.4m ESRs, this is £115m of savings
- Savings are a combination of behaviour change and physical measures
- This analysis is based on gas consumption and analysis of electricity customers may reveal further impact

Energy Efficiency – an opportunity for us all to achieve full engagement in communities through CESP.

A key component of CESP is **community partnership**.

- Suppliers and generators will work with community partners and local authorities to deliver measures.
- The scheme is designed to be complementary to existing schemes with focus on hard to treat measures.

The 'community' approach in practice.....



First Community Energy Saving Programme scheme went live in Walsall in late 2009

Before

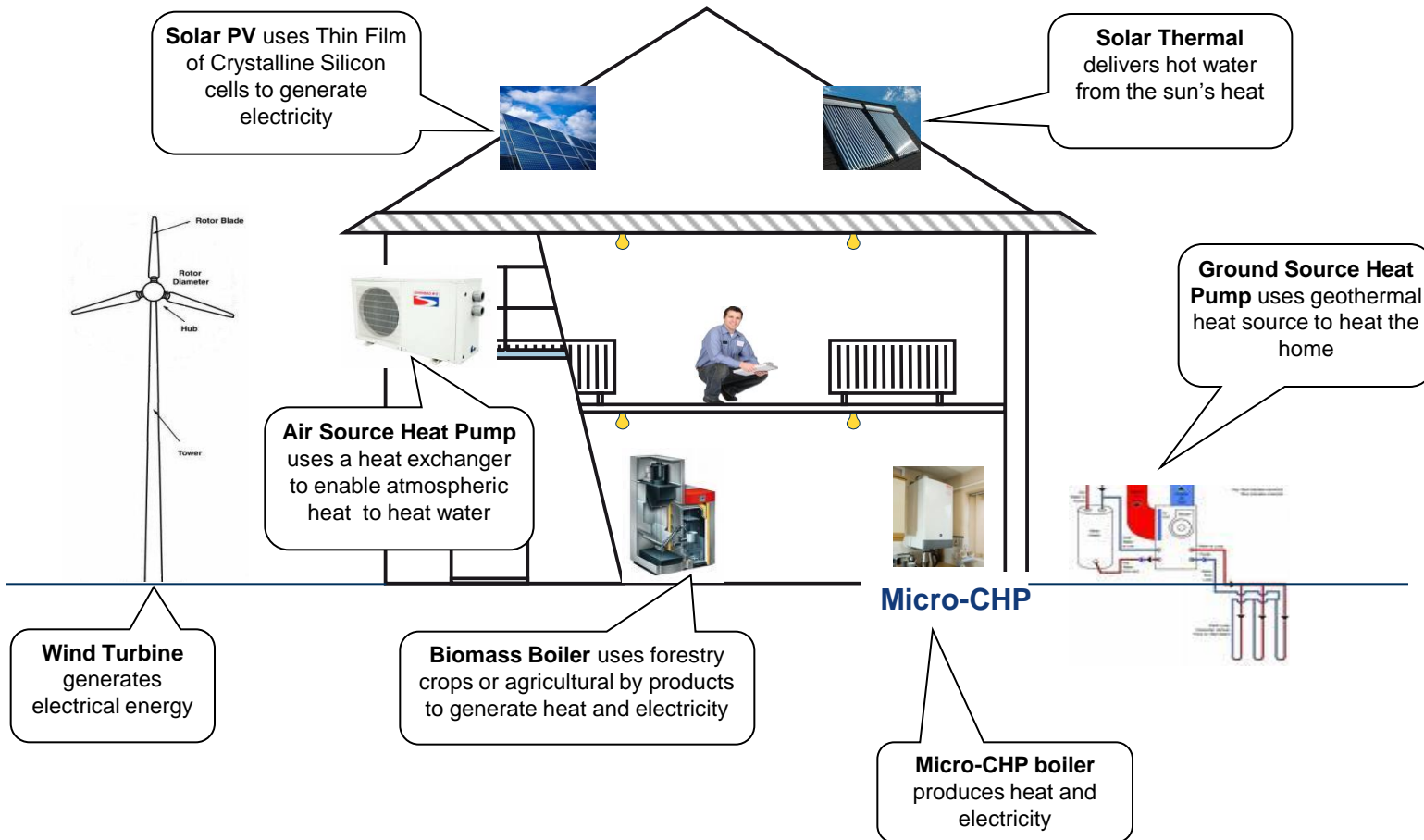


After



- 136 houses initially contracted to receive the following measures:
 - New Heating (installing Worcester Bosch)
 - New External Wall Insulation (Rock Wool)
 - Loft Top Up
 - Home Energy Advice Packs
- Walsall CESP project extremely positively received across govt, community engagement strong and growing as properties completed increases
- First Open day completed, additional 20 households to be added to scheme after community engagement
- Total project value £1.2m

Microgeneration options – Whole House Solutions



Case study - The Meadows Community ESCO

- Inner city estate in Nottingham. Residents of its 4,000 properties spend £4 million a year on energy
- British Gas working closely with the Meadows community to turn the area into Britain's first zero-carbon energy zone
- Important first step is creation of a community ESCO, which places local residents at the heart of this initiative.
- Large wind turbine will be erected on a local site producing income for the ESCO. This will feed through to lower energy bills for residents.
- Installing solar PV panels on households under LCCC. Insulation and energy efficiency under CERT/CESP programmes.



Through this strategy, we have led the industry with innovative social programmes

Essentials	<ul style="list-style-type: none"> • Dedicated helpline with >100 highly skilled specialists • Protected customers from price increases in 2008 • 320k customers, saving on average £264 for dual fuel in 2009
Here to Help Scheme	<ul style="list-style-type: none"> • Over 600k Homes insulated and 60k charity referrals • 30k benefits assessments – £18m unclaimed benefits identified • Since 2006 invested >£21m in debt advice and grants
Community Partnerships	<ul style="list-style-type: none"> • 7 Charity Partners to help target assistance • Winter Campaigns with Help the Aged / Age Concern • Supported Save the Children by providing £150k of grants
Debt	<ul style="list-style-type: none"> • NEA Fuel Debt Advice Training for Advisors and Charities • BGET – commit £3.3m per year to provide grants to 5k customers • 3k Call Centre agents trained in debt management

	2008/09	2009/10	2010/11
Fuel Poverty Voluntary Agreement	£100m	£125m	£150m
British Gas share	£34m	£42m	£49m
British Gas actual spend	£82m	£70m (est.)	TBD

Applying the lessons and approach to Local Authorities' housing stock

- 1 Engagement and involvement of key agencies is critical
- 2 Having clear objectives at the outset makes it far easier to deliver
- 3 Integrating technology, funding and delivery is complex – pick the right partner/s