

**MARKET TRANSFORMATION PROGRAMME
LEAD CONTRACT REQUIREMENTS/SPECIFICATION**

This document is a reference document which sets out the current general specification for the Government's Market Transformation Programme (MTP) including a description of the operational and management arrangements.

This specification, the Programme of Work and other MTP documents are subject to review by DEFRA and DTI and to consultation with the Market Transformation Advisory Group.

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1. Introduction and Background

- 1.1 In 1998, the (then) DETR and DTI agreed a formal Market Transformation Approach and Strategy. Responding to calls for practical, joined-up policy mechanisms, this was to take a fresh approach to information-based strategy development, putting into practice the principles of openness, transparency and consensus-building. A core activity would be to construct, deliver and review scenario-based strategies and programmes of integrated environmental 'product' policy measures. The initial focus would be on improving the energy efficiency of domestic appliances, lighting and other equipment, but with a view to extending the approach to other product sectors and wider environmental issues.
- 1.2 A key feature of the market transformation approach is its inherently self-determining, issue-based nature. Referring to Government policy objectives and priorities (Climate Change, consumer environmental information etc), each consultative review process, project or initiative, seeks to explore and define the critical path to those objectives and to identify and address the policy and other practical issues which arise. Action Plans are developed in parallel with discussions on technological and market development. This ensures, as new information is made available and as a consensus view is formed, that the implications for policy are always clear. Action Plans provide a coherent agenda both for the timely development and delivery of the necessary policy measures and for further refinement of the underlying information, analysis and rationales – the Policy Knowledge Base.
- 1.3 This information-based approach is evolving into a defined, practical and efficient policy management process with a potential for wider application. By integrating policy research, analysis, consultation, development, delivery and monitoring processes, it is possible to apply simple tests and checks to assess the completeness and reliability of an overall strategy. A key test, for example, is to ask if the information and the identified policy actions are necessary and sufficient to describe the policy, to provide a reliable basis for policy decisions and to increase confidence in the outcome itself.
- 1.4 These 'reality checks' can be applied at all levels: to base information, intermediate rationales, high-level scenarios, action plans or projected outcomes. It is very important, for an informed debate, that all aspects of the analysis and policy rationale can be explained and illustrated in terms that stakeholders can understand. The intention is to provide access and invite public scrutiny and challenge to all levels of the policy thinking.
- 1.5 It is a requirement for many formal policy approval processes to be able to demonstrate that the expected policy impact has been properly assessed, has been tested against expert opinion and is both realistic and acceptable. In effect, the Market Transformation Approach enables much of that assessment process, including cost-effectiveness assessments, to be done in parallel with the policy development.

- 1.6 From the outset, it was decided that all MTP material would be placed in the public domain. The intention was to ensure clear policy signalling, a good level of public access, scrutiny, consultation and buy-in to the whole policy development process and, thereby, providing a sound basis for policy decisions by Government and its agencies.

2 The Market Transformation Programme

- 2.1 In 1999, DEFRA launched the **Market Transformation Programme (MTP)** to resource and to take forward the practical implementation of this approach. This new programme continued and built on a number of ongoing policy development and support activities which, previously, had been funded via the Energy Efficiency Best Practice Programme or done in-house.
- 2.2 The original general aim for programme was identified as being

'..... to encourage products which do less harm to the environment, using less energy, water and other resources'
- 2.3 In practice the bulk of MTP activity has been to support policy to improve the energy efficiency of appliances and other equipment. However, the programme now has an active area of work dealing with domestic water consumption and MTP provides strategic and technical support on wider environmental issues associated with consumer environmental product information, buyers guides and the Ecolabelling agenda.
- 2.4 Whilst there will remain a strong focus on 'end-use equipment', because of the nature of the available policy instruments, we recognise that the general strategy increasingly requires the consideration of basic consumer functional requirements and service provision (e.g.. washing, not washing machines; cooking, not ovens; lighting, not light bulbs; environment control, not boilers, fires and air-conditioning equipment). This has implications for the extent to which policy should drive product evolution and technology migration and points towards a more 'systems' and service based approach, taking into account the conditions of end-use and behavioural aspects.
- 2.5 Looking across at related policy areas, there are increasing linkages between MTP and housing policy, wider industrial policy and technical standards work. The close parallels with policy on buildings and vehicle efficiency labelling and standards may provide further opportunities for adopting a rationalised approach. And there would appear to be a potential for extending MTP's scenario-based consultative approach to address those broader areas of sustainable consumption, production and waste. That is especially relevant to longer-term policy including, for example, security of energy supply, and the delivery of a practical European Integrated Product Policy.
- 2.6 The intention now is to continue to evolve and extend the programme to address current policy priorities, whilst maintaining a strong focus on energy, and to explore the scope for the wider application of market transformation

strategy and open policy development processes. We envisage that will involve an increasing outreach activity, to promote and encourage similar information-based policy consultation and consensus-building processes, and increasing practical integration with EU and International policy development, monitoring and review activities.

2.7 This broader perspective is reflected in the modified current general aim:

'..... to bring forward products, systems and services which do less harm to the environment, using less energy, water and other resources'

The web site at www.mtprog.com provides further descriptions of the programme, and of the scope of the current work and examples of MTP outputs.

Annex A provides further background information on MTP activities and deliverables.

3. Lead Contractor - Summary of Requirements

(Note: throughout this document, 'the MTU' may be regarded as representing DEFRA or 'The Department', so far as contractual matters are concerned)

3.1 General Arrangements

- 3.1.1 The Department has appointed a Lead Contractor, from April 2002 for a period of five years, to support the Market Transformation Unit (MTU) in the promotion, delivery, implementation and development of the general market transformation strategy, via the Market Transformation Programme (MTP).
- 3.1.2 First and foremost, the Lead Contractor must be able to demonstrate their ability to take forward and promote, not just the technical or operational aspects of the programme, but the whole Market Transformation approach and the underlying Government policy objectives. That will require a good appreciation of the broader environmental, business, consumer and social policy context
- 3.1.3 The nature and the rising profile of the programme makes it essential that the Lead Contractor and subcontractors possess the appropriate skills, authority and general qualities which will enable them to represent and support the Department in consultations, discussions and other dealings with a wide spectrum of contacts. The Lead Contractor must be able to field individuals who can engage with and command the respect of technical and non-technical government, industry and academic principals, experts, generalists, industry and consumer representatives and members of the public. The work will involve frequent contacts with European and other international bodies, including government officials, advisors, committees etc.
- 3.1.4 The Lead Contractor shall be responsible for the day-to-day operation of all aspects of the programme, for pursuing the general programme aims and objectives and for the range of programme and contractual deliverables as outlined in Section 3.3.
- 3.1.5 The Lead Contract will operate within a general management structure broadly as represented in the organogram (Annex CB), or according to some other appropriate arrangement determined by the Department. The detailed management arrangements are set out in Section 5. In general, the Programme of Work, financial approvals, variations and all ad-hoc work must be agreed via the MTU.
- 3.1.6 A priority for the Lead Contractor shall be to propose and agree with the MTU a preliminary Programme of Work and other arrangements, to take forward current activities and Action Plans, to ensure the availability of practical support to the MTU and to the Customer Base and continuity to the programme.
- 3.1.7 The Lead Contractor shall provide private or bespoke advice, support and other services to the MTU and Customer Base, as required and as agreed with the MTU, although this should not normally exceed 20% of the value of

the Lead Contract; the main purpose of the programme being to provide information and support to public domain policy development, consultation and delivery processes.

- 3.1.8 It is envisaged that the initial annual budget for MTP core activities (i.e. funds for services and sub-contracts with third parties that are managed and paid via the Lead Contract) will be between £500,000 and £1 million for the financial year beginning April 2002 and may increase in subsequent years. For contract periods of less than one year the budget will be applied on a pro rata basis . Additional funding may be made available to the Lead Contractor during the year or the Department or the Customer Base may decide to take forward certain strategic actions via separate contracts but which the Lead Contractor might be required to co-ordinate, manage or otherwise integrate into MTP strategies.
- 3.1.9 It is inherent in the MTP approach that the Lead Contractor should seek to engage and involve a wide range of experts and sub-contractors in MTP work. The Lead Contractor will need to satisfy the MTAC that there is an appropriate balance between the contract value of work done in-house by the Lead Contractor and work done by third parties. The Department, at its discretion or acting on the advice of MTAC, may ask the Lead Contractor to arrange for certain work or specific projects to be put out to competitive tender. As a guide, the Lead Contractor should aim for at least 50% of the annual budget to be spent via sub-contracts with other organisations. By that route and by other means, the Lead Contractor should seek to achieve a wide interaction and involvement in the programme across a range of experts and expertise.
- 3.1.10 All the projects and activities carried out under the Lead Contract shall be fully documented and shall be designed to be deliverable to the Department by the Lead Contractor, routinely or on request, in a form which would enable the Department to take over and continue to manage those activities by other means should the need arise.

3.2 Research and other work commissioned by the Department

- 3.2.1 The Department may, at its discretion, commit MTP funds and commission or support supplementary projects including research (e.g.. shared-cost projects under the SAVE programme), information dissemination exercises, pilot market transformation initiatives etc as required in support of its market transformation strategy. The available MTP annual budget may be reduced accordingly. However, the Department may delegate responsibility for the negotiation, management and control of such contracts to the Lead Contractor to ensure, value for money to the Department and coherence with other MTP activities.
- 3.2.2 In such cases, the main project funding, excluding the management costs above, may be provided via the Lead Contract. That would require the Lead Contractor to take full responsibility for negotiating, letting and managing the necessary sub-contracts, and to seek reimbursement for that expenditure.

Alternatively, the Department may require the Lead Contractor to negotiate and manage the external contract as a service to the Department, while the contract itself would be with DEFRA, another Government Department or a member of the Customer Base who would pay the project contractor directly.

3.3 Duties and Responsibilities

The Lead Contractor shall:

General

- 3.3 pursue the general aims and objectives of the Market Transformation Programme as set out in the published descriptions and policy statements as revised or amended from time to time by the MTU.
- 3.4 seek to achieve DEFRA's strategic management targets which may be assigned to MTP and revised from time to time. For example, these would include demonstrating the contribution to quantified energy saving targets, as part of the Government's overall climate change strategy.
- 3.5 be responsible for the day-to-day management of the Market Transformation Programme including proposing, developing and progressing a portfolio of strategies, projects and initiatives and other actions and services which form the **Programme of Work** as agreed with the MTU and as revised and amended in accordance with the management arrangements in Section 5.
- 3.6 be responsible for advising the MTU and the broader Customer Base on strategic issues, for recommending, commissioning, co-ordinating and managing subcontracted research, pilot initiatives, workshops, conferences and for other practical activities, as appropriate, to take forward priority actions.
- 3.7 be responsible for obtaining any financial and other approvals which may be necessary to deliver MTP strategic objectives and programme deliverables as defined in the Annual Plan, the Programme Report and Programme of Work, according to the management arrangements outlined in Section 5.

Strategy

- 3.7.1 pursue the strategic aims and objectives for the Market Transformation Programme, following the existing general principles and practical approaches outlined in Annex A, adapting and developing these as necessary and as agreed with the MTU.
- 3.7.2 **establish, extend, monitor and review MTP scenarios** in order to demonstrate the maximum potential resource savings, the policy measures and other activities that could deliver those savings, the priorities and practical actions that would be required to achieve agreed policy objectives and the effectiveness of existing policy.

- 3.7.3 establish and maintain a validated **UK Reference Policy Knowledge Base** (UK RPKB). The RPKB is the conceptual information store which contains all of the core data, studies, reports, analysis, numerical, textual and other information currently held by MTP and which is used to construct market transformation projections, Policy Briefs, Briefing Notes, presentational and discussion material, reports and other programme deliverables. The Lead Contractor shall take over and incorporate into the RPKB the existing information held by MTP.
- 3.7.4 Take over and maintain the MTP **Asset Register**. All root data sets, studies, reports and other information and material which is acquired and held by MTP must be recorded in the MTP Asset Register and made available to bone fide enquirers, subject to a consideration of the sensitivity of the material (e.g. commercial confidentiality). In case of doubt, the Department will issue the necessary instructions.
- 3.7.5 Establish and maintain a fully documented, **Information Management System (IMS)** capable of holding, managing, manipulating and presenting, as required, the information (both numerical and textual) contained in the RPKB. The Lead Contractor shall, as appropriate, take over and incorporate into the IMS the existing MTP information management systems and software. The IMS should have sufficient flexibility to provide the main policy 'modelling' facility and for information presentation. The design of the IMS should anticipate the likely volume and diversity of information that it might need to handle as the programme evolves and expands. Due consideration should be given to providing user-friendly interfaces which would ensure ease of access to the information by both internal and external users. The IMS should therefore include such things as data matrices, document templates, formats and other formal information specifications which are necessary to ensure presentational consistency and document control. The IMS must provide the facility to perform sensitivity analysis or 'what if' tests at any level in the information hierarchy, off-line, within limited areas of the model. Most importantly, the IMS must provide a rigorous information referencing and control mechanism to enable efficient updates and additions to the RPKB whilst ensuring the integrity of the model as a whole and of the published and other presentational material which is derived from it. The IMS may also provide the Asset Register function.
- 3.7.6 according to the priorities and budgets identified in the Annual Plan or as updated by the Programme Report and following the detailed activity schedules set out in the current Programme of Work, **research, develop, produce, promulgate, and maintain a comprehensive set of issue-based presentational material and formal public consultation documents** (e.g.. Policy Briefs, Briefing Notes, material for the MTP Internet site, articles, slides presentations for meetings, conference papers etc.) as necessary to achieve the programme objectives. It is essential that all published material is current and up-to-date, and that any limitations to the validity (e.g. that certain aspects are likely to be amended or revised) is apparent to readers. The Department reserves the right to clear or edit all published documents and material prior to publication;

- 3.7.7 **establish, develop and maintain MTP-supported Internet sites**, as required, including www.mtprog.com, www.ukepic.com, www.mtpif.com and related extra-net sites.
- 3.7.8 stimulate, facilitate and manage a structured **consultation and review process** to ensure awareness, to stimulate and support an informed debate, to construct, or revise elements of the RPKB, Policy Briefs, Briefing Notes and other MTP material. This review process may involve conferences, workshops, seminars, open meetings, bilaterals, intranet or other forms of correspondence and discussions as necessary to pursue MTP aims and objectives. Now that the programme profile is rising, it will become increasingly important to ensure that consumers and wider stakeholders are engaged as well as business representatives, technical experts and policy makers.
- 3.7.9 **build and maintain a broad consensus on all MTP published material**; achieve and demonstrate an acceptable level of public awareness, understanding, scrutiny and consultation.
- 3.7.10 **identify and propose new projects and costed activities** to be adopted into the MTP programme of work as required to support the review process, to resolve outstanding issues and to take forward priority actions identified in current MTP Action Plans;
- 3.7.11 **achieve buy-in and commitment** by the Customer Base and by other stakeholders to the specific actions which constitute the MTP Action Plans.
- 3.7.12 **demonstrate** that the Action Plans and, in particular, the current programme of Government-supported policies and measures represented in the Policy Briefs will return **cost-effective benefits**, taking into account public and private resource costs and wider costs and benefits; contribute to the production of formal Regulatory Impact Assessments where required;
- 3.7.13 **assess, develop, support, monitor and evaluate the effectiveness and impact of specific policies and measures**, as required – including UK and European Union Common and Co-ordinated Policy Measures e.g., consumer information (labelling, product lists, consumer advisory systems, etc), promotional initiatives, minimum requirements, agreements with business, and measures to encourage the development of improved and technically advanced products;

Policy Delivery and Support Services

- 3.7.14 **support and progress** the delivery of policy measures, initiatives and other actions as required by the MTU and the wider Customer Base and as formally agreed by the relevant Government policy divisions.
- 3.7.15 in particular, **provide detailed advice, information and practical support to the Department**, as required, in connection with development and implementation of the Department's Market Transformation Strategy; support

the development, implementation and evaluation of a programme of unilateral, common and co-ordinated initiatives at national, EU and international level including, currently, for example, research studies, technical methodologies, mandatory energy labelling, negotiated agreements with business, mandatory minimum requirements (standards) and procurement initiatives; and

- 3.7.16 provide technical support to the UK **Ecolabelling** Competent Body (currently DEFRA itself) as required and as outlined in Annex D but aiming to integrate this work into the main programme structure; develop and draw on public domain information and other MTP material wherever possible, following MTP principles of openness and transparency and thus minimising the direct 'service' element of the contract.
- 3.7.17 **represent the Department**, where authorised, in discussions with other bodies (e.g., with the European Commission, IEA, BSI, EST, CT); in particular, the Lead Contractor shall maintain a reference set of the relevant technical standards, shall alert and provide advice to the Department on progress on the development of such standards and shall represent the Department in dealings with relevant BSI Committees, where that is necessary to pursue MTP interests.
- 3.7.18 **Support and progress defined initiatives and projects** as required including, in particular, the **UKEPIC** initiative; scheme and agenda as described at in Annex [X] and at www.ukepic.com

Programme Development and Outreach

- 3.7.19 **promote the market transformation policy** approach, via outreach activities, to consumers, business, NGOs experts, policy makers and to the public at large; to ensure the transparency of market transformation strategy, awareness of current and proposed policy programme options, projected outcomes and the acceptance of the roles of the key players. Outreach activities may include liaison and networking with contacts in relevant UK, EU and International organisations – and the presentation of MTP to conferences and at other events.
- 3.7.20 In particular, support the **MTPIF** initiative, as described at in Annex [X] and at www.mtpif.com, and MTP interests in **IEA activities** (e.g. the Demand Side Management Agreement, Market Transformation Annex) as required.
- 3.7.21 **provide a primary contact point** to deal with technical and other enquiries relating to published MTP material and to the management of the programme elements for which the Lead Contractor has responsibility; where appropriate, enquirers should be directed onwards to the authors of source information and to other authorities;

5. Management

- 5.1 The Lead Contractor shall have sufficient flexibility to respond to changes in the Department's policy direction and priorities. The contract will be managed

by the MTU on behalf of the Department and the wider Customer Base. The required flexibility will be achieved via a combination of written or verbal instructions, formal amendments to a detailed current **Programme of Work** and by annual re-negotiation of the scope, indicative priorities and budgets as represented in the **Annual Plan**, as updated from time to time in the **Programme Report**.

5.3 In particular, the Lead Contractor shall:

5.3.1 in consultation with the Department, produce and present to MTAC an **Annual Plan**, containing recommendations for programme development, priorities, outline activities, outline programme Action Plan and deliverables for the year ahead and including budget spend options for consideration by the Department; This may be an amplification and extension of the Programme Report.

5.3.2 propose and agree with the Department and thereafter maintain a current **Programme of Work (PW)**. The PW shall set out a schedule of activities and deliverables for the period of the contract in sufficient detail to permit progress to be properly monitored and controlled. The PW shall also include a forward look, including outline financial projections for at least 12 months into the future, which could be used by the Department for planning purposes. The PW should closely correlate with the issue-based structure of the programme and may therefore comprise a number of sub-programmes of work (e.g. a PW for each product area); each activity in the PW should relate directly to items in published MTP strategic Action Plans.

5.3.3 produce, maintain and update quarterly a **Programme Report (PR)**, incorporating and updating the summarised content of the Annual Plan, in a form suitable for publication on the Internet. The PR shall provide a complete overview and detailed statement of the programme including a programme description and an overview of progress against current programme aims and objectives. Referring to the detailed Programme of Work, the Programme Report will report general progress and outcomes against each area of activity. The Programme Report will aim to integrate with and refer to other MTP communication channels, reports on general issues and other information which provides context with the aim of generally expanding on and improving awareness and understanding of programme activities and progress.

5.3.4 in addition to day-to-day liaison and discussions with the Department on specific issues, produce and present for discussion at a meeting with the MTU a **Quarterly Progress Report (QPR)**. That report shall include and refer to the updated Programme Report and shall contain sufficient additional information (e.g.. financial reports and budget projections) to allow the Department to monitor and control the technical, financial and management aspects of this contract and to generally review progress; The QPR shall include proposals and recommendations for changes to the current programme of work to re-balance the programme, responding to priorities and to take forward actions which are identified in MTP Action Plans;

5.3.5 provide full assessments and **submit project proposals for financial approval** in relation to new areas of activity, and projects involving third parties, where identified in the current Programme of Work or where asked to do so by the Department. Where these items involve significant expenditure or are of special interest (e.g.. EU SAVE programme project funding), the Lead Contractor may be required to present their proposals to MTAG for their views; and

5.3.6 negotiate, arrange and manage suitable contracts for third-party projects as required by the Department.

ANNEX A: MTP Current Activity, Scope and Deliverables

- 1) This note provides a general description and amplification of the current approach, activities, scope and deliverables of the Market Transformation Programme as they have evolved, and are still evolving. The practical current outputs can be seen via www.mtprog.com
- 2) The current approach and activity MTP activity splits into three broad categories: **Strategy Development, Policy Delivery and Programme Development** including outreach activities:

Strategy Development

- 3) A basic tenet of the Market Transformation Approach is to establish public domain, commonly-held, fully documented, explained and illustrated information-based strategies and Action Plans. That requires explicit information and policy rationales, to encourage and enable scrutiny and review, and that all such information can be traced to quantifiable policy outcomes and effects. This is a practical pre-requisite for building an informed consensus on priorities and policy options. As such, the information building activity should not be considered as a self-justifying academic research exercise but, rather, as an integral part of any consensus-based policy development process. That enables the whole activity can be structured, prioritised and balanced according to defined policy needs - that is, proportionate and as necessary to ensure policy reliability.
- 4) Therefore, a core practical activity for the programme is to construct, establish and maintain fully documented, public domain strategies addressing all the issues and covering all the sectors which are within the scope of the programme. The approach is to illustrate and present the policy thinking via a set of standard scenarios (currently Zero, Reference, Economic and Technical Potential, Policy 1 and Policy 2). The depth and reliability of the information on which these are based, in principle, is dependent on what is needed to support related policy decisions.
- 5) The essential practical development process may be described as:
 - i. identify, define and characterise the issue to be addressed (e.g. energy consumption for household lighting.)
 - ii. establish and thereafter seek to maintain an estimate of the maximum, cost-effective potential for beneficial change (as represented by, say, the difference between Ref and ETP scenarios, 10 years into the future)
 - iii. propose a Policy scenario (P1) which would deliver the maximum cost-effective improvement at the earliest time via a plausible, but ambitious, programme of practical actions – the Action Plan.
 - iv. get buy-in and commitment to take forward elements of the Action Plan which, if delivered, would be represented by Policy scenario P2

- v. deliver or support delivery of the practical actions which are identified in P2, at which point the projected outcomes can be adopted into the Reference scenario
 - vi. monitor and review the Reference and other scenarios, looking at observable outcomes and other progress indicators, to check the reliability of the policy and, implicitly, the reliability of the information and assumptions on which that policy is based.
 - vii. Refine the scenarios and the underlying policy knowledge base
- 6) The main strategic activity currently focuses on the research, negotiation and delivery and review of a series of **Policy Briefs (PB)**. Policy Briefs are public domain, consultation documents and may be incorporated, without modification, into Ministerial advice. These summarise and present for scrutiny and challenge the essential current information, analysis, scenarios, targets and **Action Plans**. Policy Briefs demonstrate the current level of consensus on the issues, priorities, policy options, required actions and outcomes and, therefore, can be relied on to inform Government decisions.
 - 7) The MTP **Reference Policy Knowledge Base (RPKB)**, underpins the Policy Briefs. The Knowledge Base contains all the information which has been acquired, validated and adopted by MTP. That is, all the current quantified and qualitative information and references to information on technology, market and consumer trends together with any other information, working assumptions, rationales and methodologies, analysis and other detailed policy modelling elements which are used to construct and underpin the Policy Briefs.
 - 8) The **Information Management System (IMS)** is the heart of the MTP and enables the review process. It is the conceptual or real mechanism which ensures the integrity of all of the presentational material held and maintained by MTP. Functionally, it provides the means to access, modify and output information held in the Reference Policy Knowledge Base. In practice, all defined graphs, charts, numerical and textual information which is used in MTP published documents should be generated and managed via this system. The IMS could be implemented via any efficient combination of data-bases and other software elements and quality control or management systems, but integration into a single, numerically integrated system (i.e. a computer-based model-cum-information store) is likely to be the preferred practical solution.
 - 9) **Briefing Notes (BN)** are general purpose documents. They are important, visible components of the programme and can take a variety of forms. Their purpose, essentially, is to illustrate, present and invite scrutiny of the information, analysis and other information contained in the Knowledge Base – the building blocks on which the Policy Briefs are based.
 - 10) Uses of Briefing Notes may include:
 - a) Simple lists of definitions and terminology
 - b) Technical methodologies and their rationale

- c) Descriptions of equipment and products, or statements of working assumptions on, say, technological development
 - d) Data and simple analysis, describing how that analysis was done and commenting on its reliability, and how the information should be used.
 - e) Intermediate analysis, including working assumptions, where firm information is weak, referencing both source data and where else that analysis or conclusions are used.
 - f) Scenario definitions, setting out how the numerical projection has been constructed, including cross-references to other BNs where they provide the input data and rationales; providing an interpretation of features where that is helpful and generally commenting on the reliability and meaning.
 - g) Policy descriptions – general statements of policy principles and what their relevance is, or how they have been applied or treated by MTP.
 - h) Descriptions of specific policy measures e.g.. minimum energy efficiency requirements, EST product endorsement scheme, the Energy Efficiency Commitment, Enhanced Capital Allowances, public procurement etc. stating the mode of operation, how they have been treated or interpreted within MTP models together with any other cross-references which are important to understanding and to ensuring consistency – e.g.. Regulatory Impact Assessments and any cost-benefit analysis that may be derived from MTP information and assessment methodologies
 - i) Negotiating briefs, which may also double as formal public consultation documents on policy proposals – aiming to deliver elements of MTP policy scenarios – and which, therefore, whose detail (implementation dates, outcomes) should provide the basis for the quantified projections.
 - j) Statements of strategy – similarly, to provide clear negotiating guidance on the principles that underpin MTP policy scenarios e.g.. the need for voluntary or mandatory measures to address a particular issue.
 - k) Descriptions of self-contained projects and initiatives such as UKEPIC, including comprehensive Action Plans for those initiatives.
- 11) Some issues, identified in the Policy Brief Action Plan, might require substantial research and analysis of one kind or another in order to achieve or to maintain consensus on the strategy. Depending on priorities and resources, such work may be carried out, funded, supported or co-ordinated via MTP. That work could range from the simple purchase and routine verification and analysis of market survey data to more extensive projects and collaborative work with industry or other experts to resolve complex issues.
- 12) The nature of the funding mechanisms together with the principles of openness and transparency determine that most of the root data, including surveys material, research data, reports and other material acquired via MTP should be placed in the public domain and should be accessible to bona fide researchers. The MTP **Asset Register** provides a complete list of such information.

Policy Delivery

- 13) Where Government is committed to take forward specific policy measures and programmes, which are identified in the Action Plans, these may be supported or

even delivered via MTP. Monitoring and review of those measures and programmes is inherent in the open, consultative, information-based processes that MTP promotes, but there is an increasing need to ensure that is done systematically and efficiently, as part of the ongoing MTP activity. The aim is to ensure our assessments of the cost-effectiveness of various policy options are reliable and consistent.

- 14) In particular, MTP supports EU policy measures such as energy labelling directives, minimum efficiency standards, and voluntary agreements. That support includes providing a sound strategic context for such policy measures – Policy Briefs and other information on priorities, critical policy delivery timings and targets etc. MTP may also provide information and support on specific, highly detailed and technical issues such as drafting suggestions for directives or specifications for performance measurement methodologies and indicators on which the effectiveness of such policy measures depend.
- 15) MTP supports UKEPIC, an umbrella initiative that aims to ensure reliable public domain product information, including indicative procurement specifications, for a variety of policy applications. The UKEPIC Action Plan may include policy delivery and support actions ranging from energy label compliance testing and surveys to detailed work on performance-based methodologies, indicators and European technical Standards. The development of Information Applications such as Buyers Guides and indicative Procurement Specifications may form part of UKEPIC's Action Plan or be supported, separately via MTP or other programmes.
- 16) In addition to providing off-the-shelf background information, MTP implicitly supports other Government programmes and may also support related EU and UK policy programmes and initiatives, for example, those of the Energy Saving Trust and the Carbon Trust.
- 17) A important way in which MTP supports wider policy is by the basic act of ensuring there is a clear and concise technical statement of how those policies are expected to operate (the policy rationale), how they interact within the context of other policy measures (the scenario) and of the dis-aggregated, quantified effects and outcomes .

Programme Development

- 18) Insofar as the MTP consultative process, in exploring scenarios, will tend to expose wider issues, whether these concern environmental policy or more general policy, there will always be a potential to extend the review process and Knowledge Base to address those issues. Whether or not it is convenient or efficient to do that in practice is a matter for the Customer Base which is generally represented via MTAG.
- 19) So one of MTP's roles, often in pursuance of issues arising in the course of consultations on the Policy Briefs, is to identify, maintain and present a programme development agenda for consideration by the existing Customer Base. Where issues arise which are outside of the remit of the existing Customer

Base, that may prompt an 'Outreach' activity, to encourage wider buy-in to MTP, if that is an efficient or pragmatic option.

20) Certain Actions may call for DEFRA-sponsored policy measures and initiatives such as in the development of EU Directives, UKEPIC and MTPIF

Market Transformation Programme – Scope

21) In principle MTP has a very broad scope and must have the capability to deal with a wide range of technical and policy issues. Current areas addressed by MTP include the environmental, consumer and business implications of the following topics:

Sustainable production and consumption

Integrated Product Policy

Life Cycle Assessment

Consumption of energy by appliances, equipment and components and systems

Consumption of water

Consumption of other resources which are identified in Life Cycle Assessments as being important to environmental policy objectives

Domestic and non-domestic:

1. Lighting
2. Environmental conditioning (heating, ventilation and cooling etc. and including novel technologies such as micro-CHP and Photo-Voltaics)
3. Hot and cold water services
4. Refrigeration
5. Laundry
6. Cooking
7. Information, communication and entertainment
8. Industrial plant and equipment (e.g.. motors, drives, pumps, fans, compressors etc)
9. Buildings and their components

Whilst there is no current activity, future policy areas might include or relate to the implications for resource efficiency of:

Waste

Traded goods in general (e.g. vehicles, alternative heating and power generation equipment – e.g. micro-CHP, Photo-Voltaics etc.)

ANNEX B: MTP Operational and Management Structure

- 1 The programme is managed via a nominal **Market Transformation Unit (MTU)** which currently operates within the DEFRA Environment, Business and Consumers Division (EBC). The MTU provides strategic policy advice and practical support to an extended **Customer Base** of Government Policy Divisions and agencies including the Energy Saving Trust and the Carbon Trust.
- 2 The MTU, acting within the Environment, Business and Consumers Policy Division, has lead responsibility within the Department for certain associated policy areas. These include, in particular, EU policy on energy efficient appliances and equipment such as: **Energy Labelling Directives, Minimum Energy Efficiency Requirements for End-Use Products** (voluntary agreements and regulations), **Energy Star** Regulation, **UKEPIC** – a product information initiative, **MTPIF** – and other outreach activities, and also supports related wider environmental product policy e.g. Integrated Product Policy, Ecolabelling and product operation guides, eco-innovation, Procurement policy and fiscal incentives.
- 3 The MTU has direct access to funds, principally via DEFRA's Market Transformation Programme budget. The programme as a whole may be supported via other Government budgets, at the discretion of those budget managers. MTP Lead Contractors are responsible for the day-to-day operation of the programme and for the programme deliverables as defined in the Programme of Work and in other contractual documents, and for providing policy advice and support to the MTU.
- 4 The MTU has a role to stimulate co-ordinated activity with other stakeholders and draws on external resources (e.g.. EU programme funding) where possible. To date, EBC has provided the core resources for both the MTU and the MTP but the Department is exploring the scope and practical mechanisms for other Government policy divisions, and non-government organisations to provide resources to support activities under this strategy. The organogram (Annex C) outlines the proposed management structure.
- 5 Under current arrangements, the MTU is advised on the direction and operation of the MTP, on programme priorities and on particular proposals for funding, by the **Market Transformation Advisory Group (MTAG)**. MTAG includes representatives of the **DEFRA and DTI, acting as co-sponsors**, together with knowledgeable independent members, drawn from non-Government organisations, acting in an individual capacity. The intention now is to expand the role of MTAG to encourage more direct involvement in the direction, management and resourcing of this strategy by its effective '**Customer Base**'.
- 6 MTAG includes representatives of other Government policy divisions and certain non-government organisations (e.g. the Energy Saving Trust, the Carbon Trust, The Environment Agency etc.) who rely on or which have a direct interest in the activities and deliverables of the MTU and of the MTP. Knowledgeable independent members are invited, or co-opted to provide balance and a degree of external input.

- 7 The intention now is to continue to evolve this management structure, seeking to increase the level of policy integration and buy-in by stakeholders at UK, EU and International levels, whilst still retaining to Government the co-ordinating role and an objective, rigorous, scenario-based approach.

Funding

- 8 **Core Funding** is provided by DEFRA (Environment Business and Consumers Division). MTP is formally a policy research and development programme with strong information promulgation, scrutiny and review elements. The bulk of the outputs and benefits arising from this expenditure are in public domain information. A minor part of this budget is used to provide direct advice and support to the Department. In practice, much of the advice and support required by the Department will be drawn from the MTP published material and so the deemed 'private' service element can be kept relatively small.
- 9 The annual spend for MTP currently stands at a little under m£1 of which about half is used to support the consultative review process, to produce presentational material (including maintenance of material held on the Department's Web site) and to provide practical support to the Department in connection with policy measures for which it is directly responsible (e.g. EU Common and Co-ordinated Policy Measures such as mandatory energy labelling). The remainder of the budget is used to support third party collaborative policy research, pilot initiatives and other associated activities that contribute to the achievement of the programme's strategic objectives. The MTP is not primarily intended to fund major initiatives such as consumer awareness campaigns or product promotions but may be used to help develop, support, monitor or review such initiatives.

10 *The breakdown of this budget by Customer is:*

CORE FUNDING

EBC6 (MTU): k£550 + k£xxx

EBC5 (Consumer Products):

EBC7 (Ecolabelling Competent Body) k£70

Associated Collaborative Projects which implement MTP strategic Action Plans; data purchases etc which can be regarded as MTP 'Assets'

DTI

WRD

etc

ANNEX C – Organogram

ANNEX D – Provision of technical support services to the UK Competent Body for the EU Ecolabelling Scheme

The Lead Contractor shall be responsible for :

1. Planning and monitoring with DEFRA Attend quarterly progress meetings with DEFRA to discuss priorities and lines for forthcoming EUEB and Regulatory Committee meetings, and update on product group issues, according to the agendas; and to agree the contractor's priorities for next quarter.

2. Attending Commission's EUEB and Regulatory Committee meetings The contract to provide for the contractor to attend all scheduled EUEB and RC meetings in Brussels. Plan for and provide DEFRA with technical support, according to agendas (see above). The contract also provides for the contractor to attend Management Group meetings in Brussels as requested by DEFRA; and the twice-yearly presidential meetings outside Brussels

3. Steering prioritisation study

Note: the study itself is funded by the Commission, ~~if specifically requested by DEFRA.~~

4 Carrying out Commission-funded criteria studies, and other ecolabelling studies, for the Competent Body Where invited by DEFRA, prepare bids for Commission-funded studies into criteria for new or revised product groups or into aspects of the European ecolabelling scheme. Where bids are successful, carry out work to meet the study specifications.

Note: funding in such cases would be provided via DEFRA from the European Commission.

5. Steering UK-led criteria On these product groups (including ~~light bulbs and dishwashers washing machines and refrigerators~~), provide firm steer to ensure that key UK issues are addressed. Provide a short summary and voting recommendation on the final proposals.

6. Reactive issues – criteria Analysis of proposals as these emerge, circulation of proposals and consultation with industry and other relevant stakeholders, attending Ad Hoc Working Group meetings where appropriate, advice to DEFRA on whether proposal are realistic and in best interests of scheme and the UK, and input to sponsoring Member States and Commission, and provision of a short summary and voting recommendation on the final proposals: the amount of effort to reflect group's priority as agreed with DEFRA. Ad hoc support on related enquiries etc as required.

Notes: at its own discretion, the contractor may attend relevant Ad Hoc Working Group meetings in Brussels without reference to DEFRA, if these are on adjacent dates to EUEB and RC meetings, or feed in written comments instead, or as well.

If product group meetings are freestanding and the contractor considers there is good reason to attend, it will first discuss and agree this with DEFRA (a maximum of four a year are covered by the contract).

7. Reactive issues – substances Monitor and advise on issues relating to substances (eg flame retardants, phosphates, interpretation of life cycle data and the precautionary principle). Liaise with DTI, Commission, CBs, stakeholders etc as appropriate. The contractor to advise DEFRA on issues as these feature in discussions on product groups.

8. Reactive issues – application packs Edit technical parts of UK's application packs in liaison with DEFRA as each product group is developed or revised.

9. Technical advice on applications As requested by DEFRA – up to 5 days a year to be covered by the contract.

10. Compliance monitoring of applicants' and licensees' products As requested by DEFRA – up to 5 days a year to be covered by the contract.

11. Other ad-hoc support As requested by DEFRA – up to 10 days a year to be covered by the contract.