

ECO3: 2018 – 2022

Energy UK response

29 April 2018

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to BEIS's consultation on ECO3: 2018 – 2022. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with BEIS or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK welcomes the publication of this consultation on ECO3: 2018-2022 and is grateful for this opportunity to respond to the Government's proposals for the future ECO scheme.

Energy efficiency is an enduring solution that helps consumers reduce their energy consumption, their energy bills and can improve the comfort of their homes. It is also central to achieving the UK's commitment to reducing its greenhouse gas emissions by at least 80% by 2050, relative to 1990 levels as well as meeting its 2030 fuel poverty target. Energy suppliers have been delivering energy efficiency obligations in Great Britain for the last two decades, the latest programme being the Energy Companies Obligation (ECO).

Energy suppliers remain committed to achieving and delivering obligations set by government and will seek to do so in the most cost-effective manner to ensure they can manage the cost impact of such obligations on all consumers' bills, including those in or at risk of fuel poverty. As such, it is important that the policy design is deliverable in the given timescales and does not unnecessarily drive up costs.

We welcome that Government is consulting on a three-and-a-half-year scheme which will provide obligated suppliers with longer term certainty about the design of the scheme than has been the case for other phases of ECO. However, Energy UK is concerned about the time it has taken Government to reach the point of being in a position to consult on this scheme.

Energy UK notes, that we are now in a position where stakeholders have been given an incredibly tight deadline for responding to this consultation on the future scheme (19 working days) and where the ECO3 consultation will close just five months before the scheme is meant to commence. The process has been marred by delays and slipping timelines which from the perspective of currently obligated suppliers as well as those suppliers due to become obligated, is completely unacceptable. While we welcome BEIS's efforts to engage early with suppliers on policy design and its efforts to keep suppliers informed throughout the process, Energy UK considers that the lack of certainty this process has provided is incredibly problematic for the reasons set out below:

Risk of a hiatus:

Following the consultation deadline, Government will need to commence its legislative process. As a result of this process, Energy UK is concerned about the potential for a hiatus in delivery between ECO2t closing and ECO3 commencing. A hiatus in delivery risks having a detrimental impact on the supply chain due to the limited market for energy efficiency outside of ECO. Maintaining the viability of the supply chain is of critical importance and we welcome that BEIS is consulting on provisions for carry-over/under and early delivery. However, Energy UK considers that any use of the early delivery mechanism outside of the obligation is at the discretion of obligated suppliers. In the absence of certainty through regulation, suppliers will have to make a commercial decision on whether they are willing to fund measures as this carries some risk.

Wide-ranging changes to the scheme:

The changes the Government is proposing are wide-ranging as ECO makes the final shift to be refocused towards the fuel poor (a 100% Affordable Warmth scheme). The refocusing of the scheme will require changes to the way suppliers manage their obligations, changes to the way Ofgem administer the scheme and will have an impact on the supply chain. Timescales mean that Ofgem and suppliers will have very little lead-in time (or none, if regulations are not in place ahead of the Parliamentary summer recess) to make the required changes both to systems, administration as well as for the supply chain to gain any required accreditation.

Each Home Counts (EHC):

The timescales and delays in consulting on the future ECO scheme have also meant that there is a lot of pressure to get the Each Home Counts Quality Mark (QM) ready in time to include it in the ECO3 regulations. While Energy UK strongly supports the recommendations made in the EHC review and want to see improved quality and standards in the energy efficiency industry, we are concerned that there is a lack of certainty that the QM will indeed deliver that. In addition, even if a QM will be in existence by October 2018 for the start of ECO3, it is highly unlikely that the framework to underpin it will be ready, let alone for installers to have acquired the QM. Energy UK considers that it is crucial that a transition period is put in place that will allow a measured and considered process to take place and that Government in the interim clearly set out what will be expected of suppliers. The last thing Energy UK and our members want to see is the QM being introduced as an added layer of accreditation and ultimately costs for consumers without the improvement in standards.

In light of these concerns, Energy UK considers that it is of critical importance that Government ensures that the required regulations come into effect in time for ECO3 to commence in October 2018.

In regards to the specific policy proposals, Energy UK welcomes that Government has confirmed that ECO3 will be an obligation targeted at the fuel poor through the shift to a 100% Affordable Warmth obligation. Energy UK members¹ take their obligations to their customers, especially those in or at risk of fuel poverty, very seriously and continue to play an active role in helping to alleviate fuel poverty through supplier obligations. It is, however, worth noting that a 100% Affordable Warmth obligation is not without its challenges.

¹ Energy UK's retail members include: Bristol Energy, British Gas, Co-Operative Energy, Green Star Energy, Ørsted, Ecotricity, EDF Energy, Engie, E.ON, ESB Energy, Extra Energy, Flow Energy, Good Energy, Haven Power, Hudson Energy, npower, Octopus Energy, Opus Energy, OVO Energy, Scottish Power, Smartest Energy, Spark Energy, SSE, Utilita and Utility Warehouse.

The move to a 100% Affordable Warmth scheme will potentially make it more difficult for suppliers to deliver their obligation due to a narrowing of the eligibility criteria through the closedown of the CERO obligation. In addition, according to the proposals outlined in the consultation document, the obligation will include two separate sub-targets (Solid Wall minimum and rural delivery).

In principle, the majority of Energy UK members do not support sub-targets and consider that these increase the complexity of the obligation and raise costs. We are concerned that the proposals as outlined by Government will not encourage the delivery of the SWI-target as suppliers will be required to deliver SWI to Affordable Warmth households. We acknowledge that Government are consulting on an in-fill mechanism under the Affordable Warmth scheme. However, we consider that this mechanism will not be enough to ensure that suppliers are able to achieve economies of scale by delivering to households in the same area which would help to keep costs down. Energy UK are disappointed to not see this consideration reflected in an increase in cost assumptions in the Impact Assessment (IA).

We would further highlight that the rural sub-target as proposed will now be a much larger percentage of the overall scheme than what we have seen for ECO2t. The rural sub-obligation will increase from being 4.5% (i.e. of 15% of CERO which currently accounts for 30% of the scheme) to being 15% of the total obligation. This is a significant increase and will make the obligation more difficult to deliver. Experience from other obligations has shown that sub-targets tend to drive up the cost of delivery. Energy UK considers that this will almost certainly be the case with these proposals and would highlight that rules around the rural sub-target under CSCO in ECO1 had to be changed mid-flight because suppliers were unable to find eligible households. It is also worth noting that the sub-target under CSCO in ECO1 was a lot smaller as a percentage of the scheme than what the proposed sub-target will be. Once again, Energy UK are disappointed to note that these costs have not been acknowledged by Government in the IA.

Energy UK welcomes that Government has included proposals for innovation to form part of the obligation. If designed correctly, an innovation element as part of the ECO obligation would increase flexibility for suppliers in how they deliver the obligation and could have benefits not just to ECO but to the UK economy as well as the wider energy efficiency sector. While Energy UK widely welcomes the inclusion of an innovation element in ECO, it is of critical importance that innovation remains voluntary for suppliers and is designed in such a way that it, in line with other ECO delivery, allows for cost-effective delivery. We would further highlight that Government will need to provide a great deal more clarity on its proposals and how it seeks to incentivise suppliers to innovate.

Lastly, Energy UK recognises that Scotland through its newly devolved powers are able to determine how ECO is designed and implemented in Scotland. We understand that because of the tight timescales which Government has been working to, the Scottish Government has not consulted on making use of these powers. Energy UK considers that urgent clarity will be needed on any future arrangements in regards to delivery of the obligation in Scotland and further considers that there is a role for the UK Government in helping to provide that clarity.

Detailed responses to questions:

Chapter 1: Suppliers

1. Do you agree with the current supplier obligation threshold?

Energy UK members hold different views in this area and we anticipate that suppliers will respond individually to this question. However, as a general point, we would urge Government to consider what consequences changes in the retail market across a three-and-a-half-year scheme might have for costs both for suppliers and ultimately customers.

2. Do you agree that we should amend the taper mechanism to a supplier allowance approach?

Energy UK members hold different views in this area and we anticipate that suppliers will respond individually to this question. However, as a general point, we would urge Government to consider what consequences changes in the retail market across a three-and-a-half-year scheme might have for costs both for suppliers and ultimately customers.

3. Do you agree with our proposed obligation phases for the future scheme?

Energy UK agrees with Government's approach and would note that we support the six-month phase being at the start of the scheme rather than at the end as this will be more manageable for suppliers.

4. Do you agree that an unlimited amount of Affordable Warmth delivery (from 1st April 2017) and up to 20% CERO delivery should be allowed to be carried over to the future scheme (with the exception of oil and coal heating systems)?

Energy UK in principle considers that Government should include provisions for carry-over but notes that where rules for carry-over/under and early delivery are of real value to suppliers is where they have received early clarity from Government on the scheme design. Where such clarity has been provided and regulations are in place well ahead of scheme commencement, suppliers are able to plan and make early and strategic choices on how to manage both current and upcoming obligations. This has not been the case with the process surrounding ECO3. Nevertheless, the provisions for carry-over as outlined by Government in its consultation document are welcome and incredibly important in light of the risk of a hiatus and the potential impact on the supply chain as a result. However, Government should bear in mind that it will be at the discretion of individual suppliers whether they make use of the carry-over provision and to what extent.

5. Is carry-under necessary and do you agree with our planned approach?

Energy UK considers that carry-under is an important provision and in principle believe that it is vital that it is retained as an option for suppliers ahead of ECO3 commencing. It is worth noting that carry-under is of real value to suppliers as it allows them to make early choices on how to manage their obligations. The way Government has managed this consultation process has meant that suppliers have not had the option of making these early choices as Government are only consulting five months ahead of ECO3 commencement. It does, however, remain a valuable provision for suppliers and Energy UK would also encourage Government to explore options for setting out the carry-under rules now (in the statutory instruments) that would allow suppliers to make early choices in ECO3 for any potential ECO4 post 2022.

6. Do you agree with our planned approach to early delivery during a potential gap between schemes?

In light of the process surrounding this consultation and the timescales Government are currently working to, Energy UK welcomes that Government has included in its consultation, provisions for early delivery. These are important provisions that will allow suppliers the option of starting delivery in the event that there is a hiatus between schemes. However, Energy UK would urge Government to bear in mind that given the lack of certainty that has been provided by BEIS and the tight timescales that it is in no way certain that suppliers will have the risk appetite to proceed with delivery during any hiatus. Energy UK has previously flagged to Government the need to maintain a viable supply chain in the event of a hiatus. In light of the potential detrimental impact of a hiatus on the supply chain, Energy UK would have liked to see Government take further steps to further encourage suppliers to deliver in the absence of regulatory certainty. While Government has proposed that suppliers under the early delivery mechanism would receive ECO2t scores, the proposals will see the 30% uplift removed. If Government is serious about wanting to see delivery continue in an interim period between schemes, maintaining the uplift will be critical.

Chapter 2: Obligation Targets and Household Eligibility

7. Do you agree with the proposal to increase the Affordable Warmth obligation so that it represents 100% of the future scheme?

Energy UK notes that in order to minimise the regressive nature of supplier obligations, ECO3 should seek to be cost effective and deliverable. Energy UK welcomes that Government has confirmed that ECO3 will be an obligation targeted at the fuel poor through the shift to a 100% Affordable Warmth obligation. However, the move to a 100% Affordable Warmth obligation is not without its challenges.

We would urge Government to bear in mind that the proposals as they currently stand are akin to the Carbon Emissions Reduction Target (CERT) scheme Super Priority Group sub-obligation. Experience from the CERT SPG obligation was that costs rose significantly as suppliers struggled to find eligible customers upfront, including customers who were interested in taking measures. This experience should be borne in mind, reflected in the Impact Assessment and it will be critical that Government keeps a close eye on how the obligation progresses to ensure that costs do not rise beyond the ECO spending envelope.

We acknowledge that Government is consulting on widening the pool of eligible customers to 6.5 million through the inclusion of recipients of Child Benefit as well as Disability and War benefits. This is welcome but Energy UK considers that this does not detract from the fact that a 100% Affordable Warmth scheme will be challenging for suppliers to deliver due to a narrowing of the eligibility criteria through the closedown of the CERO obligation. It will be critical that in addition to a widening the pool of eligible customers that Government is clear that there will need to be sufficient remaining technical potential that will enable suppliers to deliver their obligation as cost-effectively as possible.

In addition, according to the proposals outlined in the consultation document, the obligation will include two separate sub-targets (Solid Wall minimum and rural delivery).

In principle, the majority of Energy UK members do not support sub-targets and considers that these increase the complexity of the obligation and raise costs. We do not consider that the proposals as outlined by Government will support the delivery of the SWI-target as suppliers will be required to deliver SWI to Affordable Warmth households. We acknowledge that Government are consulting on an in-fill mechanism under the Affordable Warmth scheme. However, we are concerned that this mechanism will not be enough to ensure that suppliers are able to achieve economies of scale by delivering to households in the same area which would help to keep costs down. Energy UK are disappointed to not see this consideration reflected in an increase in cost assumptions in the Impact Assessment (IA).

We would further highlight that the rural sub-target as proposed will now be a much larger percentage of the overall scheme than what we have seen for ECO2t. The rural sub-obligation will increase from being 4.5% (i.e. 15% of CERO which currently accounts for 30% of the scheme) to being 15% of the total obligation. This is a significant increase and will make the obligation more difficult to deliver. Experience from other obligations (including the Affordable Warmth sub-target of the old CSCO obligation under ECO1) has shown that sub-targets tend to drive up the cost of delivery. Once again, Energy UK are disappointed to note that these costs have not been acknowledged by Government in the IA.

Furthermore, under CERO, suppliers are able to deliver non-heat saving measures that still have a bill reduction impact. By refocusing the scheme, you will lose these measures which are of benefit to households. We urge Government to consider making the required changes to the legislation that will mean that non-heat saving energy efficiency measures will be eligible under the new obligation.

8. Do you agree with our proposal to include a rural sub-obligation representing 15% of the total obligation?

The majority of Energy UK members do not agree with this proposal and in principle, do not support the inclusion of obligation sub-targets. If Government are looking to ensure that rural homes receive measures, the majority of Energy UK members consider this should be done by incentivising suppliers through uplifts to deliver to these households. Sub-targets increase the complexity of the obligation and raise costs, and the majority of Energy UK members believe they should only be used if there is no other way of delivering the policy objectives.

The ECO3 obligation will already be a very complex obligation for suppliers to manage and with Government's proposals to move the rural sub-obligation from CERO into Affordable Warmth, the obligation will become more, not less, challenging for suppliers. The deliverability of this sub-obligation should also be seen in light of Government's proposals to remove oil boilers as an eligible measure

under ECO3 as well as the proposal to not allow the interaction between ECO and RHI funding which is likely to make delivery to rural households more difficult.

We note that, in its Impact Assessment, Government states that it does not anticipate costs will rise as a result of retaining the rural sub-obligation as part of a 100% Affordable Warmth obligation. This is because Government considers that suppliers will deliver 20% of the obligation to rural households. Energy UK would urge Government to provide greater detail on how it reached that conclusion as it has been the experience of suppliers that once Government introduces a sub-obligation costs rise as suppliers are compelled to ensure that they will be able to meet their target. An analysis of average lots offered on the ECO brokerage mechanism throughout ECO2t demonstrates that for all but one auction on the ECO brokerage mechanism the average price of CERO Rural lots was higher than that of CERO lots. In addition, Energy UK further notes that the IA does not seem to take into account that the rural sub-target under Affordable Warmth will be significantly bigger as a result of taking up a larger share of the obligation than was the case under CERO (rising from £28.8 million spend annually to £96 million annually). This is likely to drive up costs as a premium will be placed on not only finding eligible customers but also those that live in rural locations.

Lastly, we would highlight to Government that a rural sub-target existed under CSCO during ECO1. The industry as a whole found the first 15 months of the CSCO Rural element of ECO very challenging. Only 2% of this area-based obligation was delivered due to the complexity involved in only being able to provide assistance to those homes where a member of the Affordable Warmth Group (AWG) lived. Not only was it challenging in principle to deliver in rural areas but the additional identification restrictions made it difficult to do so in a way that was cost-effective and achievable. These design weaknesses in the original ECO prompted a mid-flight re-design. This experience must be taken into consideration in the design of ECO3.

9. Do you agree with the proposal to include the disability benefits noted in Table 2 (in the consultation document) within the eligibility criteria for private tenure households under ECO3?

Energy UK supports this proposal. In light of the refocusing of the obligation to move to a 100% Affordable Warmth scheme, it will be important that the pool of eligible customers is as large as possible to allow for cost-effective delivery.

10. Do you agree that Child Benefit subject to an equivalised income threshold should be included within the ECO3 eligibility criteria for private tenure households?

Yes, we agree.

11. Do you agree with the proposal to remove the income thresholds under the future ECO scheme for households in receipt of Universal Credit and Tax Credits?

Yes, we agree.

12. Do you agree with the proposal that self-declaration is used for proving eligibility under the income threshold requirement attached to Child Benefit and for the benefits administered by Veterans UK?

The inclusion of Child Benefit and benefits administered by Veterans UK into the pool of eligible customers is very welcome as Energy UK supports as broad a pool of eligible customers as possible. However, it will be important that Government clearly set out in both guidance and legislation that suppliers will not be required to take further action in terms of evidencing the income of potentially eligible customers.

The result of including the recipients of the benefits in question should be to simplify delivery for suppliers by providing a broader pool of eligible customers. It should not lead to an increase in the evidencing or administrative burden which is already significant under ECO. We also note that additional evidencing

is unlikely to be welcomed by the potential recipients of measures and may even dissuade some potential recipients from accepting ECO measures.

13. Do you agree with the proposal to retain eligibility for social tenure housing only for those properties with an EPC Band rating E, F or G?

We would also like to see this group extended to include 'D' rated properties. BEIS estimated there were only 500,000 E, F and G social housing properties at the start of ECO2. There will now be a much lower number due to ECO improvements and improvements carried out by the social housing providers outside ECO funding.

Including 'D' rated properties would open up opportunities for industry and customers to complete low cost insulation measures such as party wall insulation and cavity wall insulation in social housing that may otherwise be excluded, where ECO can be supported by social housing provider funding. Including 'D' rated social housing properties would also increase opportunities for Solid Wall Insulation and District Heating, reducing overall search/capture costs for measures that will likely prove expensive and challenging to deliver outside of the social housing sector. Social housing projects may also have an important role to play within innovation.

14. Please provide evidence on how the mapping tool described above could reduce the search costs of identifying eligible households, quantifying the cost reduction where possible.

Energy UK considers that others are better placed to respond with evidence. In principle though, we welcome the provision of any tool which might help reduce the cost of finding eligible homes.

15. Do you agree that, subject to supportive evidence being available, up to 25% of ECO can be delivered through flexible eligibility?

We agree with this proposal. Energy UK and our members supported the introduction of LA flex under ECO2t and at the time argued for LA flex to make up a larger share of the obligation than what was introduced by Government. The option for suppliers of delivering up to 25% of their obligation through flex is incredibly important. It takes time to mobilise LA Flex projects and whilst some of the ground work has been done under ECO2t, and Flex has the potential to make the obligation much more deliverable for suppliers, there is still much work to be done before LA Flex can deliver significant proportion of the obligation. Local authorities have the knowledge of their local areas and stakeholders to help identify fuel poor households who are not necessarily in receipt of benefits.

We would, however, stress to Government that it is important that increasing the share of the obligation that suppliers are able to deliver through LA flex should not result in additional evidencing burdens and should remain optional for suppliers.

Chapter 3: Eligible Energy Efficiency Measures

16. Do you agree with our proposal to exclude the installation or repair of oil and coal fuelled heating systems?

Yes, we agree with this proposal as this will help to support wider decarbonisation. However, Government should carefully consider how it can best ensure that it does not design policy so narrowly that there will only be a limited number of measures available to support fuel poor households who are limited in their choices for heating measures (i.e. off-gas grid households). Furthermore, we would urge Government to reconsider its proposals for not allowing the interaction of ECO and RHI funding as this will further restrict the type of heating measures available (in particular for off-gas grid households).

17. Do you agree with the broadening of the criteria for the installation of FTCH?

Energy UK agrees with the broadening of the criteria for the installation of FTCH. However, we do note that we would welcome further broadening of the definition with regards to types of replacement systems allowed.

18. Do you agree with our proposed approach to limit the replacement of all broken heating systems to the equivalent of 35,000 per year, (excluding the installation of FTCH, renewable and district heating systems, inefficient heating upgrades delivered alongside insulation and heating controls) and our proposals for limiting certain heating repairs?

We would more broadly note that the majority of Energy UK members believe that boilers and the replacement of broken heating systems remain an important support for fuel poor households. We note that, in the absence of other government-backed energy efficiency programmes, limiting the delivery of boiler and broken heating systems replacements via ECO potentially means depriving some fuel poor customers who will be in need of such support.

In its consultation document, Government has proposed a revision of the estimated lifetime for boilers, from 12 years to 15 years with a revised deemed score and subsequent uplift of 400%. Government has made this revision because evidence has shown that fuel poor households tend to replace a broken boiler three years later than what is seen for non-fuel poor households. Energy UK would argue that this is because they are unable to afford the replacement by themselves and we consider that it is important that provisions are in place to support these households.

19. Do you agree with our proposal to allow certain heating system upgrades where they are delivered alongside certain insulation measures?

Yes, Energy UK considers that heating system upgrades have an important role to play within the obligation and in principle support this proposal to allow heating systems upgrades as a secondary measure. However, if Government want to encourage delivery under these provisions it should work with Ofgem to ensure that the deemed score for heating system upgrades is attractive and cost effective. For clarity, Energy UK would also point out that in its consultation document BEIS refer to 150mm loft insulation. Having looked at the Ofgem deemed scores consultation, the deemed score refers to 100mm. We would urge Government to clarify which is right.

In addition, we would urge Government to bear in mind that the supply chains for heating upgrades and insulation measures are often different and it would therefore be difficult for suppliers to find installers who would be able to do both.

20. Do you agree with our proposal to include a requirement to treat a minimum number of solid walled homes? What technologies or combinations of technologies could cost-effectively deliver the same bill saving outcomes as SWI?

Energy UK members hold different views on whether there should be a SWI minimum. Should Government decide that a SWI minimum should be retained, Energy UK would make the following comments:

We acknowledge that Government are consulting on an alternative to the SWI-only minimum under this question which is welcome. However, Energy UK would question what package of measures would be available to reach the same bill saving outcomes as SWI. In addition, regardless of what approach is taken, it is important that any minimum requirement enables cost-effective delivery and that Impact Assessment is fully costed to reflect this.

It is also worth noting that Energy UK welcomes that Government are consulting on an in-fill mechanism under the Affordable Warmth scheme. However, we are concerned that this mechanism will not be enough to ensure that suppliers are able to achieve economies of scale by delivering to households in the same area which would help to keep costs down. We would encourage Government to lower the percentage of households that would need to be in fuel-poverty under the in-fill mechanism to align with the percentage under LA flex to mitigate this concern. Allowing not strictly adjacent buildings to be treated under the in-fill mechanism would also be helpful as this would allow suppliers to take a more area-based approach similar to what they are currently able to achieve under CERO. In addition, we would also encourage Government to open up SWI delivery on a wider scale by allowing delivery to social housing in EPC band D.

21. Alternatively, do you believe that an SWI-only minimum should be continued?

Energy UK members hold different views on whether there should be a SWI minimum and we anticipate that suppliers will respond individually to this question.

22. Do you agree that the minimum is set at the right level (17,000 homes treated per annum)?

Energy UK members hold different views on whether there should be a SWI minimum and indeed what level for this minimum should be. We, therefore, anticipate that suppliers will respond individually to this question.

23. Do you think a 66% minimum requirement of eligible households should be introduced under Affordable Warmth for Solid Wall insulation and District Heating?

Energy UK welcomes that Government are consulting on an in-fill mechanism under the Affordable Warmth obligation as this has the potential to aid delivery of both solid wall insulation as well as district heating. We would however question why Government is consulting on a different percentage minimum requirement of eligible households under this in-fill mechanism than what is the proposal for LA flex. Energy UK considers that the minimum requirement should be lowered to 50% in line with what is proposed under LA flex. This will to a greater extent support wider delivery of both solid wall and district heating. In addition, the eligibility should be opened up to social housing in EPC band D.

24. Do you think the in-fill mechanism should be implemented using the same area-based methodologies used for the current flexible eligibility in-fill mechanism? Please suggest an alternative preferred mechanism and supporting evidence where applicable.

Yes, but in line with our response to question 23, we consider that the 66% minimum requirement of eligible households should be lowered to 50% to align with the minimum requirement under LA flex. This will to a greater extent support wider delivery of both solid wall and district heating. In addition, the eligibility should be opened up to social housing in EPC band D and other insulation measures which require entire blocks or rows to be cost effective, such as Party-Wall Insulation.

It is also critical that Government set out what the evidencing requirements will be for this in-fill mechanism.

25. Do you agree that all eligible and in-fill measures should be notified together and within six months after the first measure was completed?

Energy UK agrees with this proposal as this simplifies notification for suppliers. However, we would urge Government to consider whether the proposal leads to any unintended consequences such as limiting suppliers to six-month projects and whether it could have the effect of delaying the completion of the first measure.

26. Do you agree that the proportion of homes in the same building, adjacent buildings or the same terrace that can receive solid wall insulation as 'in-fill' under ECO flexible eligibility should be limited to 50%?

Yes, we agree with this proposal but as mentioned in our response to questions 23 and 24, we consider that Government should align the two minimum requirements for in-fill under Affordable Warmth and LA flex.

27. Do you agree that any measures which receive the RHI should not be eligible for ECO?

No, Energy UK does not agree with this proposal. In line with the ambitions set out in the Clean Growth Strategy and the UK's need to decarbonize heating, ECO funding should be available to help fuel poor customers with the high upfront cost of renewable heating systems. Furthermore, this decision is particularly important for off-gas grid households who may be left with no access to heating system replacement/repairs as a result of the proposal as set out in question 16.

28. Do you agree with our approach for scoring ECO3 measures?

We continue to support deemed scores and will be responding to Ofgem's consultation on deemed scores in due course.

Chapter 4: ECO in Scotland

29. In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to:

- a) Apportion the cost envelope between England & Wales and Scotland using a methodology based on the total amount of gas and electricity supplied in each region, with an equal weighting for each fuel?**
- b) That the calculation is based on an average taken from the last three years of domestic gas and electricity consumption data published annually in December by BEIS?**

Energy UK recognises that Scotland through its newly devolved powers are able to determine how ECO is designed and implemented in Scotland. We understand that because of the tight timescales which Government has been working to, the Scottish Government has not consulted on making use of these powers. Energy UK considers that urgent clarity will be needed on any future arrangements in regards to delivery of the obligation in Scotland and further considers that there is a role for the UK Government in helping to provide that clarity.

On the specific question, Energy UK agrees with Government's approach but would encourage Government to explain its reasoning for basing the calculation on an average taken from the last three years of domestic gas and electricity consumption data. The current targets under ECO are based on one year's data.

30. In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to apportion an individual supplier's targets between Scotland and the rest of GB?

Energy UK supports a GB-wide ECO scheme that would allow continuous delivery of ECO measures in Scotland providing certainty for both suppliers and the supply chain and allowing uninterrupted delivery to Scottish households. Should the Scottish Government decide to proceed with a separate Scottish ECO scheme, the impact of this on suppliers and the supply chain would need to be considered. For example, a separate Scottish scheme would effectively require industry and the supply chain to set up and operate two distinct systems with their own targets and rules to comply with. This is likely to result in significant changes in some obligated supplier's locational delivery profile and require changes to delivery partners depending on how suppliers would be obligated in Scotland. This is likely to result in increased complexity for all involved and significantly higher operational costs for suppliers, the supply chain and ultimately consumers.

Chapter 5: Innovation

31. Do you agree that obligated suppliers should have the option of delivering a proportion of their obligation through innovative products, technologies and processes and, if so, whether the maximum allowed should sit between 10% and 20%?

Suppliers have significant experience of innovating under supplier obligations. Under the Carbon Emission Reduction Target (CERT) scheme, the provision for innovation led to a number of innovative products coming through which are still in use today. We consider CERT to be a good example of how an innovation element could be designed under a supplier obligation.

For this reason, Energy UK and our members support the inclusion of an optional innovation element under ECO3 and would like to see the innovation maximum set at 20%. We consider that innovation under ECO could provide suppliers with a greater degree of flexibility in how to deliver their obligation and could have wider benefits to both energy efficiency sector as well as the UK economy as a whole.

Energy UK does, however, have some concerns about including a provision for innovation in a fuel poverty scheme and for this reason would encourage Government to consider opening up innovation to households who are not necessarily fuel poor.

32. Do you agree with the proposed routes through which ECO can support innovation? Please provide reasons, and if applicable, any alternative preferred proposals.

Although Energy UK supports innovation, the proposals as set out in the consultation document are not as clear as Energy UK and obligated suppliers would have hoped. Of the three options, demonstration actions and the innovation score uplifts are the most welcome although significantly more detail will need to be provided about how scoring under these provisions would work as well as what the quality and standards framework would be to underpin innovation. We would also note that the proposals, as they currently stand, allow for risk in innovation but do not encourage it.

33. Are there other ways in which suppliers can meet their targets more cost effectively, in order to maximise energy bill savings achieved through the scheme, while also ensuring that work is done to the right standards?

Energy UK considers that in addition to the proposals as outlined in the consultation document that innovation should also include provisions for innovative ways to better target and deliver to the Affordable Warmth Group.

Energy UK has previously raised with Government a proposal for a 'Supplier Flex' model to be included under ECO3. This proposal would allow suppliers to make use of the data they hold to support targeting of ECO to fuel poor households. Through making use of this data suppliers would be able to minimise costs of delivering the obligation and could potentially also support better targeting of fuel poor households who may not necessarily be eligible as result of not being in receipt of a benefit. Energy UK and suppliers would be keen to see such a provision adopted under ECO3.

Lastly, although Energy UK supports the inclusion of an innovation element under ECO, it does add complexity to the scheme and Government will have to strike the right balance of ensuring that the way innovation is designed is incentivised and deliverable.

Chapter 6: Delivery and Administration

34. Do you think the one month reporting period should be extended? Please provide reasons, including alternative preferred proposals, and supporting evidence where applicable?

No, we do not think the one month reporting period should be extended. Energy UK members consider that the current process has worked well and for this reason would like to see the current requirements remain, with Government and Ofgem instead working to simplify reporting requirements.

35. If the one month reporting period was extended, do you think the 5% extensions provision could be removed?

As outlined in our response to question 35, we do not think the one month reporting period should be extended and so consequently do not want to see the 5% extensions provision removed.

36. Do you agree with the proposal to retain the mechanism for the trading of obligations?

Energy UK agrees with the proposal to retain the mechanism for trading of the obligations. This is an important mechanism for suppliers as it provides them with flexibility in how to deliver their obligation. It is particularly important for newly obligated suppliers for whom becoming obligated can be challenging. The provisions that allow for the transfer of obligation are of equal importance and should also be retained.

In addition, Energy UK considers that ECO Brokerage should be retained as a provision within the scheme. Brokerage will also provide BEIS of an early warning of escalating market rates, should, as is feared, the target prove difficult to deliver.

Chapter 7: Quality and Standards

Energy UK will not be responding individually to questions 37 and 38. We do, however, have some overall points to make regarding the Each Home Counts (EHC) review and the quality mark's inclusion in ECO3.

For over two decades, energy companies have been at the forefront of installing energy efficiency measures as a result of successive supplier obligations. This has meant that suppliers have significant experience of working with installers and certification bodies. In ECO, obligated suppliers are required to carry out technical monitoring on the quality of installations. This requirement was introduced by Ofgem who saw a need to assure itself in regards to quality and standards of installations. This has resulted in suppliers and Ofgem effectively having to police the insulation industry which is not welcome from a supplier perspective and increases delivery costs for suppliers and ultimately the cost of bills for consumers.

The concerns that led Ofgem to introduce technical monitoring have also been recognised by Government. In 2015, the Government commissioned Peter Bonfield to carry out an independent review of consumer advice, protection, standards and enforcement for energy efficiency and renewable energy. The report was commissioned because Government and wider stakeholders clearly identified the need for an improved and robust quality framework recognising that the existing framework was not delivering the right protection and outcomes for consumers.

Energy UK strongly supports the recommendations made in the Each Home Counts Review and would like to see the recommendations implemented in full. We recognise that the Government is playing a role in driving these recommendations forward given its commitment to including the EHC Quality Mark (QM) in its consultation proposals. We appreciate that outside of ECO the market for energy efficiency is limited and so it will be important that ECO plays its role in helping to drive the uptake of the QM which we are hoping will lead to improved standards for all.

While Energy UK in principle supports the EHC Review, we have significant concerns about the escalated pace at which the process is being undertaken to establish the QM to allow for its inclusion in ECO. While Government has been clear that a QM will exist by October 2018, it is widely expected that the framework that will underpin it, will not be ready. In addition, Energy UK considers that it is highly problematic that Government are pushing ahead to include the QM in ECO3 without any certainty about what the underlying framework will look like. Without this certainty, Energy UK finds it difficult to have confidence that the QM will succeed in driving up standards and dealing with the issues around compliance and enforcement in the insulation industry that led the review to be commissioned in the first place. Furthermore, the last thing Energy UK and our members want to see, is an empty QM that installers will have to acquire in order to be able to deliver under ECO and for which suppliers will have to evidence that installers have been working in accordance with. This would only add yet another level of complexity and accreditation to the ECO scheme which will lead to higher delivery costs for suppliers and ultimately consumers.

Energy UK is also concerned the introduction of the QM will result in two distinct quality standards for the retrofit of energy efficiency measures. A high QM standard that meets ECO requirements but inevitably will be more expensive and complex to deliver and a much lower standard for measures that are not receiving ECO funding. We are very concerned this will drive some installers to operate outside the ECO supply chain, which will reduce installer capacity and drive up market rates.

Should Government decide to push ahead and include the QM in ECO3, Energy UK has been clear with Government that it needs to think very carefully about how it goes about doing so. Energy UK has previously raised with Government the importance of the regulations clearly including provisions for a transition period to allow both UKAS time to accredit certification bodies, certification bodies time to certify installers and for installers to demonstrate that they qualify for the QM. The onus will also be on Government to clearly set out what would be expected of installers and suppliers in the absence of a fully operational QM.

37. Once the quality mark requirements are fully established, functional and enforced, do you agree that in order for installers to deliver ECO measures, under the quality mark, they should be quality mark approved and compliant with quality mark requirements?

See overall comments on EHC.

38. Do you agree that once the quality mark is established and functional, and where we are satisfied with the guarantee principles enforced through the quality mark, all solid wall, cavity wall, park home and room in roof insulation delivered under the scheme should be accompanied by a quality mark approved guarantee in order to receive the standard applicable lifetime?

See overall comments on EHC.

39. Do you agree that all ECO measures referenced in PAS 2030 and PAS 2035 should be installed in accordance with PAS 2035 and the latest version of the PAS 2030?

Energy UK agrees that all ECO measures referenced in PAS 2030 and PAS 2035 should be designed and installed in accordance with PAS 2035 and the latest version of the PAS 2030. We further consider that energy suppliers should be able to rely on PAS to ensure that measures are installed to the required standards and should not be burdened with further evidencing requirements.

40. Do you agree that installers delivering measures referenced in PAS 2030 and PAS 2035 should be certified against PAS 2035 and the latest version of PAS 2030?

In principle, Energy UK agrees with this proposal. We would however highlight to Government, that the BSI are currently undertaking a revision of PAS 2030 and are in the process of developing PAS 2035, the results of which will not be ready in time for ECO3, a transition period will need to be put in place to onboard both the accreditation body, certification bodies and installers.

The last time PAS 2030 was revised (PAS 2030: 2017) and required for ECO2t, there was significant confusion both amongst suppliers and in the supply chain about exactly what the requirements were and when installers needed to be certified. In order to avoid a similar situation occurring for ECO3, we would urge Government to be realistic about how long this process will take and to coordinate with Ofgem to clearly set out what this process will look like and what will be required under which timescales.

Furthermore, Government should bear in mind that the QM framework process will also need a transition period for UKAS, certification bodies and installers to manage the process. There will be two different standards (QM and PAS) that will both require similar transition periods. Energy UK does not currently consider that resources will be such that both processes can be undertaken at the same time.

41. Do you consider that heat networks installed under ECO, or connections to heat networks should require specific consumer protection standards?

Energy UK considers that it is important that there are specific consumer protection standards in place for installations of and connections to heat networks. We further note that this already exists with the Heat Trust and consider that this standard or an equivalent, should be required under ECO.

42. The Government invites views on the general requirements set out in this consultation and the illustrative draft of the ECO Order.

Energy UK has previously raised with Government a proposal for a 'Supplier Flex' model to be included under ECO3. This proposal would allow suppliers to make use of the data they hold to support targeting of ECO to fuel poor households. We would urge Government to consider the inclusion of such a model under ECO3.

In addition, we note with interest that in its Clean Growth Strategy, Government committed to extending support for home energy efficiency to 2028 at least at the current level of ECO funding. In light of the process that has surrounded ECO3, and prior to that the introduction of ECO2t, we would urge Government to start policy development at the earliest opportunity for what this support for home energy efficiency will look like and would be keen to engage with Government on this.

Energy UK would also reiterate our position that the fairest and most progressive method of funding energy efficiency programmes is through general taxation. Supplier obligations (such as ECO) are financially regressive as the costs are distributed among energy consumers regardless of their ability to pay.

Energy UK believes Government should help kick-start a sustainable able-to-pay energy efficiency market via a combination of incentives and funding mechanisms to engage with different consumer groups. These incentives should be supported appropriately by regulation to trigger demand in the market and be underpinned by a long-term holistic Government strategy and consumer education campaign to promote demand.

For further information or to discuss our response in more detail please contact Cecilie Ingversen on 020 7747 2969 or at cecilie.ingversen@energy-uk.org.uk.

Annexes

Annex A: Comments on the Impact Assessment

Energy UK noted the publication of the Impact Assessment (IA) with the ECO3: 2018-2022 consultation. We would like to make the following comments on the IA:

Firstly, we would like to highlight that the IA does not include any details on scoring which makes it a challenge for suppliers to gain an overview of measure pricing. The IA also does not consider how costs will change over the length of the obligation which is important given that suppliers will be dealing with a three-and-a-half-year scheme.

We note that the IA makes no assessment of the impacts of both the existing LA flex as well as the introduction of innovation into the new obligation. Given that the two elements combined could amount to up to 45% of the scheme, Energy UK considers that it would have been helpful for Government to carry out a full assessment of its impacts especially in relation to scoring and wider costs.

In addition, in its consultation, Government makes reference to Each Home Counts and the Quality Mark (QM) that is currently in the process of being established. There is a lack of clarity in regards to what will be required of both installers and suppliers when it comes to demonstrating compliance with the standards referenced in the Regulations. Given Government's commitment to including the quality mark in ECO3 and the general lack of clarity that exists in this area, Energy UK would have liked to have seen Government carry out a cost/benefit analysis on introducing the Each Home Counts QM and see this reflected in the IA.

In regards to the rural sub-obligation, we note that the IA assumes that, under a 100% Affordable Warmth scheme, suppliers will deliver 20% of their obligation to rural households and that this will not result in a cost increase. We would highlight to Government that a rural sub-target existed under CSCO during ECO1. The industry as a whole found the first 15 months of the CSCO Rural element of ECO very challenging. Only 2% of this area-based obligation was delivered due to the complexity involved in only being able to provide assistance to those homes where a member of the Affordable Warmth Group (AWG) lived. Not only was it challenging, in principle, to deliver in rural areas but the additional identification restrictions made it difficult to do so in a way that was cost-effective. These design weaknesses in the original ECO prompted a mid-flight re-design. The proposed rural sub-obligation for ECO3 is considerably bigger than the sub-obligation under CSCO in ECO1 and over 10% higher than the current rural sub-obligation under CERO in ECO2t (which does not have any wider eligibility criteria). Energy UK are disappointed that these points are not reflected in the IA in terms of an assessment of the target's deliverability or the costs associated with this.

Finally, Energy UK would like to raise concerns regarding the calculation of search and administration costs, which could in reality be significantly higher than in the consultation due to some of the areas highlighted above.

[Annex B: Comments on Draft Regulations](#)

Illustrative draft Order to accompany the consultation on the Energy Company Obligation Scheme 2018 to 2022.

DRAFT STATUTORY INSTRUMENTS

2018 No. 0000

ELECTRICITY

GAS

**The Electricity and Gas (Energy Company Obligation) Order
2018**

Made - - - - - *****

Coming into force in accordance with article 1

The Secretary of State makes this Order in exercise of the powers conferred by sections 33BC and 33BD of the Gas Act 1986, sections 41A and 41B of the Electricity Act 1989, sections 103 and 103A of the Utilities Act 2000 and section 2(2) of the European Communities Act 1972, with the agreement of the Scottish Ministers.

The Secretary of State is a Minister designated for the purpose of section 2(2) of the European Communities Act 1972 in relation to energy and energy sources.

The Secretary of State has consulted the Gas and Electricity Markets Authority, Citizens Advice, Citizens Advice Scotland, electricity generators, electricity distributors, electricity suppliers, gas transporters, gas suppliers and such other persons as the Secretary of State considers appropriate.

A draft of this instrument has been approved by a resolution of each House of Parliament pursuant to sections 33BC(12) and 33BD(4) of the Gas Act 1986, sections 41A(12) and 41B(4) of the Electricity Act 1989, sections 103(5) and 103A(6) of the Utilities Act 2000 and paragraph 2(2) of Schedule 2 to the European Communities Act 1972.

PART 1

Introduction

Citation and commencement

1. This Order may be cited as the Electricity and Gas (Energy Company Obligation) Order 2018 and comes into force on the 21st day after the day on which this Order is made.

Interpretation

2.—(1) In this Order—

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“2014 Order” means the Electricity and Gas (Energy Company Obligation) Order 2014;

“certified installer” means—

- (a) in relation to a measure completed on or before [], a person who is certified as compliant with those parts of the Publicly Available Specification that apply to the measure by a certification body or organisation accredited to EN ISO/IEC 17065:2012;
- (b) in relation to a measure completed on or after [], a person who is—
 - (i) certified as compliant with those parts of the Publicly Available Specification that apply to the measure by a certification body or organisation accredited to EN ISO/IEC 17065:2012; and
 - (ii) licensed to use the Each Home Counts quality mark in relation to the installation of that measure;

“commencement date” means the date on which this Order comes into force;

“cost saving” means, in relation to a measure—

- (a) the money that would be saved by that measure over its expected lifetime in heating domestic premises to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas; and
- (b) where the measure also results in savings in the cost of heating water, the money that would be saved by the measure over its expected lifetime in heating water in that domestic premises;

“central heating system” means a system which—

- (a) provides heat for the purpose of space heating through a boiler or other heat source connected to one or more separate heat emitters; and
- (b) does not include a district heating connection;

“demonstration action” has the meaning given in article 25;

“deployment action” has the meaning given in article 27;

“district heating connection” means a connection of domestic premises to a district heating system;

“district heating system” means a system that delivers heat through pipes or conduits to at least—

- (a) two domestic premises in separate buildings; or
- (b) three domestic premises situated in a single building, provided that those premises are not all situated within one house in multiple occupation, and for the purpose of this definition “house in multiple occupation”—
 - (i) in England and Wales, has the meaning given by sections 254 to 259 of the Housing Act 2004;
 - (ii) in Scotland, means “HMO” as defined in section 125 of the Housing (Scotland) Act 2006;

“domestic customer” means a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes;

“domestic premises” includes a mobile home;

“dual licence-holder” means a person holding a licence under section 6(1)(d) of the Electricity Act 1989 and a licence under section 7A of the Gas Act 1986;

“early action” has the meaning given in article 17;

“ECO2 CERO target” means a total carbon emissions reduction obligation within the meaning of the 2014 Order;

“ECO2 HHCRO target” means a total home heating cost reduction obligation within the meaning of the 2014 Order;

“efficient repairable electric storage heater” means an electric storage heater which—

Commented [C1]: Energy UK would urge Government to be clear on what the requirements are under the EHC QM, clearly set out a transition period and avoid an additional layer of accreditation.

Commented [C2]: The language should be simplified and perhaps changed to “bill saving”. This would allow for non-heat saving measures as per Energy UK’s response to question 7 in the ECO consultation.

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- (a) has a responsiveness rating of more than 0.2 when assessed against the Standard Assessment Procedure; and
- (b) has not broken down or, if it has broken down, can be economically repaired;
- “electricity licence-holder” means a person holding a licence under section 6(1)(d) of the Electricity Act 1989 who does not also hold a licence under section 7A of the Gas Act 1986;
- “exempt supply” means the supply to domestic customers of 400 gigawatt hours of electricity or 2000 gigawatt hours of gas;
- “first time central heating” means—
- (a) the installation of a central heating system at domestic premises—
- (i) which at no point prior to the installation were heated by a central heating system or a district heating system; and
- (ii) which immediately prior to the installation do not contain an efficient repairable electric storage heater; or
- (b) the installation of a connection of domestic premises to a district heating system where the premises—
- (i) have not been heated by a central heating system or a district heating system at any point prior to the installation; and
- (ii) immediately prior to the installation do not contain an efficient repairable electric storage heater;
- “gas licence-holder” means a person holding a licence under section 7A of the Gas Act 1986 who does not also hold a licence under section 6(1)(d) of the Electricity Act 1989;
- “group” means a group of companies that includes at least two licence-holders, and for the purpose of this definition, “group of companies” means a holding company and the wholly-owned subsidiaries of that holding company where “holding company” and “wholly-owned subsidiary” have the same meaning as in section 1159 of the Companies Act 2006;
- “innovation measure” means a demonstration action, a deployment action or a performance action;
- “licence-holder” means an electricity licence-holder, a gas licence-holder or a dual licence-holder;
- “mobile home” means home which is—
- (a) a caravan within the meaning of Part 1 of the Caravan Sites and Control of Development Act 1960 (disregarding the amendment made by section 13(2) of the Caravan Sites Act 1968); and
- (b) used as a dwelling for the purposes of—
- (i) Part 1 of the Local Government Finance Act 1992 if it is situated in England or Wales;
- (ii) Part 2 of the Local Government Finance Act 1992 if it is situated in Scotland;
- “notification period” means—
- (a) 1st January 2017 to 31st December 2017 for phase 1;
- (b) 1st January 2018 to 31st December 2018 for phase 2;
- (c) 1st January 2019 to 31st December 2019 for phase 3; and
- (d) 1st January 2020 to 31st December 2020 for phase 4,
- and a reference in this Order, in relation to a phase, to the relevant notification period is to the notification period for that phase;
- “performance action” has the meaning given in article 26;
- “phase”, except in article 10(5), means one of the four phases as follows—
- (a) the period starting on the commencement date and ending with 31st March 2019 (“phase 1”);

Commented [C13]: Energy UK would note that this data is based on 2011 numbers and that the average consumption levels have changed significantly in the time since. Government should consider impact on exemption thresholds.

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- (b) the twelve months ending with 31st March 2020 (“phase 2”);
 - (c) the twelve months ending with 31st March 2021 (“phase 3”);
 - (d) the twelve months ending with 31st March 2022 (“phase 4”);
- “pre-existing building” means a building erected before 1st April 2017;
- “private domestic premises” means domestic premises other than premises described in Schedule [2];
- “Publicly Available Specification” means—
- (a) in relation to a measure completed on or before [], Publicly Available Specification 2030:2017;
 - (b) in relation to a measure completed between [] and [], Publicly Available Specification 2030:2017 or Publicly Available Specification 2030:2018;
 - (c) in relation to a measure completed between [] and [], Publicly Available Specification 2030:2018;
 - (d) in relation to a measure completed on or after [], Publicly Available Specification 2030:2018 and Publicly Available Specification 2035:2018;
- “qualifying action” has the meaning given in article 13;
- “Reduced Data Standard Assessment Procedure” means the Government’s Reduced Data Standard Assessment Procedure for energy ratings of dwellings (2012 Edition, version 9.92);
- “renewable heating measure” means a measure for the generation of heat by means of a source of energy or technology mentioned in section 100(4) of the Energy Act 2008;
- “rural area” means—
- (a) in relation to an area in England and Wales, an area classified as rural in the “2011 rural-urban classification of output areas” published by the Office for National Statistics in August 2013;
 - (b) in relation to an area in Scotland, an area classified as rural in the “Scottish Government Urban Rural Classification 2013-2014” published by the Scottish Government in November 2014;
- “rural minimum requirement”, except in the definition of “ECO2 rural requirement” in article 19(3), has the meaning given in article 19(1) and (2);
- “score” means the contribution that a qualifying action makes towards a supplier’s total home-heating cost reduction obligation;
- “solid wall” includes a metal or timber frame wall or a wall of pre-fabricated concrete construction;
- “solid wall insulation” means internal or external insulation of a solid wall, but does not include insulation of a mobile home;
- “solid wall minimum requirement”, except in the definition of “ECO2 solid wall requirement” in article [20(3)/21(3)], has the meaning given in article [20(1) and (2)/21(1) and (2)];
- “Standard Assessment Procedure” means the Government’s Standard Assessment Procedure for energy rating of dwellings (2012 Edition, version 9.92);
- “supplier” has the meaning given in article 3(1) and (2);
- “surplus action” has the meaning given in article 18(3);
- “total home-heating cost reduction obligation” means, in respect of a supplier, and subject to articles 10 and 33, the sum of home-heating cost reduction obligations which have been determined for the supplier under article 6;
- “wall insulation” means—
- (a) insulation of a cavity wall;
 - (b) solid wall insulation.

Annex B: Comments on Draft Regulations

Definition of a supplier

3.—(1) A licence-holder is a supplier where—

- (a) the licence-holder supplies or, for a member of a group, the group supplies, more than—
 - (i) 250,000 domestic customers at the end of 31st December of any relevant year; and
 - (ii) an exempt supply in the year ending on that date; or
- (b) an ECO2 HHCRO target was imposed on the licence-holder under the 2014 Order.

(2) Where a dual licence-holder satisfies paragraph (1) in respect of the supply of electricity or gas that licence-holder is a separate supplier in respect of each supply.

(3) For the purposes of determining the number of domestic customers of a licence-holder under this Order, a domestic customer who receives electricity and gas from a dual licence-holder is a separate domestic customer under each licence.

(4) For the purposes of this article—

- (a) where a licence-holder (“L”) is a member of a group—
 - (i) the supplies made by the group are to be determined by reference to the type of supply in respect of which L is a licence-holder;
 - (ii) the amount of electricity or, as applicable, gas supplied by the group in the year ending on the date referred to in paragraph (1)(a), is the amount supplied by all licence-holders in the group during that year, whether or not they were members of the group throughout that year; and
- (b) whether or not a licence-holder is a member of a group is to be determined according to whether the licence-holder was a member of a group on the date referred to in paragraph (1)(a).

(5) In this article, “relevant year” means 2017, 2018, 2019 or 2020.

PART 2

Overall home-heating cost reduction target

Overall home-heating cost reduction target

4. For the period from the commencement date to 31st March 2022 the overall home-heating cost reduction target is £[7.735] billion.

PART 3

Determining home-heating cost reduction obligations

Notification by suppliers of domestic customers and energy supplied

5.—(1) A person who is a supplier at the end of a notification period must notify the Administrator by the notification date for that period of the number of that supplier’s domestic customers at the end of that period.

(2) That supplier must also notify the Administrator by the notification date for the notification period of—

- (a) where it supplied electricity to domestic customers in that period, the amount of electricity it so supplied; or
- (b) where it supplied gas to domestic customers in that period, the amount of gas it so supplied.

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(3) Where a supplier (“S”) is a member of a group at the end of a notification period, S must also notify the Administrator by the notification date for that period of—

- (a) where S supplied electricity to domestic customers in that period—
 - (i) the name and company registration number of any other supplier in the group that supplied electricity to domestic customers in that period; and
 - (ii) the amount of electricity supplied to domestic customers by the group in that period;or
- (b) where S supplied gas to domestic customers in that period—
 - (i) the name and company registration number of any other supplier in the group that supplied gas to domestic customers in that period; and
 - (ii) the amount of gas supplied to domestic customers by the group in that period.

(4) Where under paragraph (3) a supplier is a member of a group with another supplier, the amount of electricity or, as applicable, gas supplied by the group in a notification period is the amount supplied by those suppliers during that notification period whether or not they were members of the group throughout that notification period.

(5) Where a supplier fails to provide the information in paragraphs (1) to (3), or the Administrator considers any of the information notified by the supplier under those paragraphs is inaccurate, the Administrator may for the purposes of those paragraphs determine the matters to which that information relates.

(6) Anything determined by the Administrator under paragraph (5) is to be treated as if it were notified by the supplier.

(7) In this article, “notification date” means, in relation to the notification period for—

- (a) phase 1, the date falling 7 days after the commencement date;
- (b) phase 2, 1st February 2019;
- (c) phase 3, 1st February 2020;
- (d) phase 4, 1st February 2021.

Determining a supplier’s home-heating cost reduction obligation

6.—(1) The Administrator must determine a supplier’s home-heating cost reduction obligation for each phase.

(2) For the purposes of paragraph (1), the Administrator must—

- (a) in the case of a supplier which is not a member of a group with another supplier at the end of 31st December immediately before the commencement of the phase to which the determination relates, make the determination in accordance with article 7;
- (b) in any other case, make the determination in accordance with article 8.

(3) The Administrator must notify a supplier of its home-heating cost reduction obligation—

- (a) for phase 1, by no later than 28 days after the commencement date;
- (b) for phases 2, 3 and 4, by no later than the last day of February prior to the commencement of the phase.

Determining the home-heating cost reduction obligation for a supplier who is not a member of a group

7.—(1) Where this article applies—

- (a) if the supplier has notified under article 5(2) a supply of electricity or gas for the relevant notification period which does not exceed an exempt supply, the supplier’s home-heating cost reduction obligation for the phase is zero;
- (b) in any other case, the supplier’s home-heating cost reduction obligation for the phase is —

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$(A \times Tx)/T$

(2) In this article—

- (a) “A” is—
 - (i) for phase 1, £[0.553] billion;
 - (ii) for phase 2, £[1.105] billion;
 - (iii) for phase 3, £[1.105] billion;
 - (iv) for phase 4, £[1.105] billion;
- (b) “Tx” is the amount of electricity or gas supplied in the relevant notification period by the supplier as determined in accordance with article 9(1);
- (c) “T” is the total amount of electricity or gas, as applicable, supplied in the relevant notification period by all suppliers as determined in accordance with article 9(3).

Determining the home-heating cost reduction obligation for a supplier who is a member of a group

8.—(1) Where this article applies—

- (a) if the supplier has notified under article 5(3) a supply of electricity or gas for the group for the relevant notification period which does not exceed an exempt supply, the supplier’s home-heating cost reduction obligation for the phase is zero;
- (b) in any other case, the supplier’s home-heating cost reduction obligation for the phase is

—
 $J \times (H/K)$

(2) In paragraph (1)(b)—

- (a) “J” is the amount produced by applying the formula set out in article 7(1)(b) where—
 - (i) A and T have the same meaning as in that article;
 - (ii) Tx is the amount of electricity or gas, as applicable, supplied in the relevant notification period by the group to which the supplier belongs as determined in accordance with article 9(2);
- (b) “H” is the amount of electricity or gas notified by the supplier under article 5(2) for the relevant notification period;
- (c) “K” is the amount of electricity or gas notified by the supplier under article 5(3) as supplied in the relevant notification period by the group to which the supplier belongs.

Determining supply

9.—(1) For the purpose of article 7(2)(b), the amount of electricity or gas supplied by a supplier in the relevant notification period is the amount of electricity or gas notified by the supplier under article 5(2) for the relevant notification period, but deducting—

- (a) in the case of electricity, 400 gigawatt hours; or
- (b) in the case of gas, 2000 gigawatt hours.

(2) For the purpose of article 8(2)(a)(ii), the amount of electricity or gas supplied by a group in the relevant notification period is the amount of electricity or gas notified by the supplier under article 5(3) as supplied in the relevant notification period by the group to which the supplier belongs, but deducting—

- (a) in the case of electricity, 400 gigawatt hours; or
- (b) in the case of gas, 2000 gigawatt hours.

(3) For the purpose of article 7(2)(c), the total amount of electricity or gas supplied in the relevant notification period by all suppliers is the sum of—

Annex B: Comments on Draft Regulations

- (a) all the electricity or gas supplied by suppliers that are not members of a group, as determined in accordance with paragraph (1); and
 - (b) all the electricity or gas supplied by groups, as determined in accordance with paragraph (2).
- (4) In paragraph (3)—
- (a) in sub-paragraph (a), the reference to “suppliers” does not include those suppliers for whom an obligation of zero applies under article 7(1)(a);
 - (b) in sub-paragraph (b), the reference to “groups” does not include those groups where the amount of electricity or gas, as applicable, notified under article 5(3) as supplied by the group in the relevant notification period does not exceed an exempt supply.

Increasing a supplier’s home-heating cost reduction obligation as a result of the supplier’s failure to achieve its ECO2 targets

10.—(1) This article applies where a supplier does not achieve its ECO2 CERO target or ECO2 HHCRO target by the end of September 2018.

(2) Where this article applies and a supplier has not achieved its ECO2 CERO target, the supplier’s home-heating cost reduction obligation for phase 1, determined under article 6, is to be increased by the lesser of—

- (a) $A \times B \times 1.1$; or
- (b) $C \times B \times 1.1$

where—

“A” is the number of MtCO₂ by which the supplier failed to achieve its ECO2 CERO target;

“B” is £[136] million;

“C” is the number of MtCO₂ equalling 3.7% of the supplier’s ECO2 CERO target.

(3) Where this article applies and a supplier has not achieved its ECO2 HHCRO target, the supplier’s home-heating cost reduction obligation for phase 1, determined under article 6 and if applicable, as increased by paragraph (2), is to be increased by the lesser of—

- (a) $D \times 1.1$; or
- (b) $E \times 1.1$

where—

“D” is the amount by which the supplier failed to achieve its ECO2 HHCRO target;

“E” is the amount equalling 4.3% of the supplier’s ECO2 HHCRO target.

(4) The Administrator must notify the supplier by no later than 31st March 2019 of its revised home-heating cost reduction obligation for phase 1 resulting from the calculations in this article.

(5) In this article, “MtCO₂” has the meaning given in the 2014 Order.

PART 4

Achievement of obligations

Achievement of home-heating cost reduction obligation

11.—(1) A supplier must achieve its total home-heating cost reduction obligation by no later than 31st March 2022.

(2) Subject to article 12, a supplier must achieve its total home-heating cost reduction obligation by promoting qualifying actions, and in meeting its total home-heating cost reduction obligation—

- (a) promote measures at domestic premises situated in a rural area so that the supplier achieves at least its rural minimum requirement; and

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- (b) promote the installation of [solid wall insulation/relevant measures in solid wall premises] so that the supplier achieves at least its solid wall minimum requirement.

Caps on certain types of qualifying actions

12.—(1) No more than 5% of a supplier’s total home-heating cost reduction obligation may be achieved by the repair of a boiler.

(2) No more than 5% of a supplier’s total home-heating cost reduction obligation may be achieved by the repair of an electric storage heater.

(3) No more than [25]% of a supplier’s total home-heating cost reduction obligation may be achieved by measures which are qualifying actions by virtue of meeting the condition in article 16.

(4) No more than [10-20]% of a supplier’s total home-heating cost reduction obligation may be achieved by innovation measures.

(5) Except where paragraph (6) applies, no more than [33]% of a supplier’s total home-heating cost reduction obligation may be achieved by capped broken heating system measures.

(6) Where a supplier has not achieved its ECO2 home heating minimum requirement, no more than Z% of a supplier’s total home-heating cost reduction obligation may be achieved by capped broken heating system measures, where “Z” is the greater of—

- (a) [the max cut in the cap based on max 10% carry-under];
- (b) [the conversion rule].

(7) In this article—

“capped broken heating system measure” means a measure—

- (a) installed at domestic premises with—
 - (i) a central heating system or district heating connection which is broken down and cannot be economically repaired; or
 - (ii) one or more electric storage heaters, at least 50% of which are broken down and cannot be economically repaired; and
- (b) which is not—
 - (i) a measure installed to improve the insulating properties of domestic premises;
 - (ii) first time central heating;
 - (iii) a heating and insulation combination measure;
 - (iv) heating controls;
 - (v) an innovation measure;
 - (vi) the installation of a district heating connection; or
 - (vii) a renewable heating measure;

“ECO2 home heating minimum requirement means a supplier’s home heating minimum requirement within the meaning of article 2 of the 2014 Order;

“heating and insulation combination measure” means a measure which—

- (a) is not installed to improve the insulating properties of domestic premises;
- (b) is installed at the same domestic premises where a primary insulation measure has been installed (“the related primary measure”);
- (c) is completed on the same date as, or no more than six months after, the date on which the related primary measure is completed; and
- (d) is promoted by the same supplier who promoted the related primary measure;

“primary insulation measure” means a qualifying action which is the installation at domestic premises of—

- (a) flat roof insulation, loft insulation, rafter insulation or room-in-roof insulation—
 - (i) to at least 50% of the roof area of the premises; and

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- (ii) in the case of loft insulation, in a loft which has no more than 150mm of insulation before the installation takes place and which results in the loft being insulated to a depth of no less than 250mm;
- (b) insulation of at least 50% of the floor area of the lowest storey of the premises containing a habitable room;
- (c) insulation of a cavity wall which divides the premises from other premises under different occupation;
- (d) wall insulation applied to at least 50% of the walls of the premises which are exterior facing; or
- (e) insulation applied to at least 50% of the ceiling, floor and walls of a mobile home.

Qualifying actions

13.—(1) A qualifying action is a measure which—

- (a) is installed at domestic premises;
- (b) results in the reduction in the cost of heating those premises to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas, or in the case of an innovation measure is reasonably expected to result in such a reduction in the cost of heating those premises;
- (c) is completed on or after the commencement date;
- (d) meets a condition in articles 14 to 16;
- (e) is notified to the Administrator in accordance with article 22;
- (f) except in the case of a repair, is installed at a pre-existing building or installed at premises which were first occupied as domestic premises before the installation was completed;
- (g) is not the installation or the repair of equipment for the generation of heat from oil or coal;
- (h) is not the installation of equipment that is, or has been at any time—
 - (i) an accredited domestic plant within the meaning of the Domestic Renewable Heat Incentive Scheme Regulations 2014; or
 - (ii) an accredited RHI installation within the meaning of regulation 2 of the Renewable Heat Incentive Scheme Regulations 2011;
- (i) in the case of a measure installed at premises with an efficient repairable heating system, is—
 - (i) installed to improve the insulating properties of the premises;
 - (ii) a repair;
 - (iii) the installation of heating controls;
 - (iv) the installation of a district heating connection; or
 - (v) the installation of a renewable heating measure;
- (j) in the case of a measure installed at premises with an inefficient repairable heating system, is—
 - (i) installed to improve the insulating properties of the premises;
 - (ii) a repair;
 - (iii) first time central heating;
 - (iv) a heating and insulation combination measure;
 - (v) the installation of heating controls,
 - (vi) the installation of a district heating connection; or
 - (vii) the installation of a renewable heating measure;

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- (k) where the measure is referred to in the Publicly Available Specification, is installed in accordance with the Publicly Available Specification and by, or under the responsibility of, a certified installer;
 - (l) where the measure is not referred to in the Publicly Available Specification, is installed by a person of appropriate skill and experience;
 - (m) where the measure is the repair of a boiler or an electric storage heater, is accompanied by a warranty for at least one year;
 - (n) where the measure is the installation of a boiler, is accompanied by a warranty that meets the requirements set out in Schedule [1]; and
 - (o) where the measure is the installation of an electric storage heater, is accompanied by a warranty for at least one year.
- (2) A qualifying action is also a measure which is an early action or is recognised by the Administrator as a surplus action.
- (3) In this article—
- “efficient repairable heating system” means a central heating system, district heating connection or electric storage heater which—
- (a) is not broken down or, if it is broken down, can be economically repaired; and
 - (b) is not an inefficient repairable heating system;
- “electric heating system” means a central heating system or district heating connection which provides heat generated wholly or mainly from electricity;
- “heating and insulation combination measure” has the same meaning as in article 12;
- “inefficient repairable heating system” means a central heating system, district heating connection or electric storage heater which—
- (a) is not broken down or, if it is broken down, can be economically repaired;
 - (b) in the case of a central heating system other than an electric heating system—
 - (i) includes a non-condensing boiler; or
 - (ii) has a manufactured energy efficiency that is no better than a central heating system falling within sub-paragraph (i);
 - (c) in the case of a district heating connection other than an electric heating system, is a connection to a district heating system that—
 - (i) includes a non-condensing boiler; or
 - (ii) has a manufactured energy efficiency that is no better than a central heating system falling within paragraph (b)(i); and
 - (d) in the case of an electric heating system or an electric storage heater, has a responsiveness rating equal to or less than 0.2 when assessed against the Standard Assessment Procedure.

Measures installed at private domestic premises

- 14.**—(1) A measure meets the condition in this article if the measure is installed at private domestic premises which are occupied by a member of the help to heat group.
- (2) A measure also meets the condition in this article if the measure (“the in-fill measure”)—
- (a) is installed at private domestic premises;
 - (b) is the installation of solid wall insulation or a district heating connection; and
 - (c) is linked with at least two other qualifying actions (“the primary actions”) which—
 - (i) are also the installation of solid wall insulation or district heating connections, as the case may be;
 - (ii) are promoted by the same supplier as promoted the in-fill measure;

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- (iii) are installed at private domestic premises occupied by a member of the help to heat group or at domestic premises described in Schedule [4];
- (iv) are installed in the same area as the in-fill measure; and
- (v) are completed within the same 6 month period as the in-fill measure.

(3) For the purposes of paragraph (2), an in-fill measure is linked with a primary action if—

- (a) the in-fill measure is notified under article 22 after, or on the same day as, the notification of the primary action under that article;
- (b) when notifying the in-fill measure under that article, the supplier includes information sufficient to enable the Administrator to identify the primary action with which it is to be linked; and
- (c) the primary action is not already linked with another in-fill measure.

(4) For the purposes of paragraph (2)(c)(iv), measures are installed in the same area if the domestic premises at which they are installed are situated in the same building, in immediately adjacent buildings or in the same terrace.

(5) In this article, “help to heat group” means a group of persons where each person in the group is awarded at least one of the benefits set out in paragraph 1 of Schedule [3] and meets any condition in relation to that benefit which is specified in that Schedule.

Measures installed at E, F or G social housing

15.—(1) A measure meets the condition in this article if the measure is installed at domestic premises described in Schedule [4] and the measure is—

- (a) installed to improve the insulating properties of those premises;
- (b) the installation of a central heating system at domestic premises—
 - (i) which at no point prior to the installation were heated by a central heating system or a district heating system; and
 - (ii) which immediately prior to the installation do not contain an efficient repairable electric storage heater; or
- (c) the installation of a relevant district heating connection to domestic premises—
 - (i) which at no point prior to the installation were heated by a central heating system or a district heating system; and
 - (ii) which immediately prior to the installation do not contain an efficient repairable electric storage heater.

(2) In this article, “relevant district heating connection” means a connection of domestic premises to a district heating system where the premises—

- (a) have flat roof, loft, rafter, room-in-roof or wall insulation; or
- (b) do not include the top floor of the building in which they are located and all of the external walls of the building are insulated, except for a wall which has—
 - (i) one or more parts which are of solid wall construction; or
 - (ii) a cavity which cannot be insulated.

Measures accompanied by a statement from a local authority

16.—(1) A measure meets the condition in this article if—

- (a) the measure is installed at private domestic premises;
- (b) a local authority has published a statement of intent and been consulted on the installation of a qualifying action at the premises; and
- (c) on or after publication of its statement of intent, the local authority has—

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- (i) made a statement in writing that, in the opinion of the local authority, the premises are occupied by a household living in fuel poverty; or
 - (ii) made a statement in writing that, in the opinion of the local authority, the premises are occupied by a household living on a low income and vulnerable to the effects of living in a cold home.
- (2) A measure also meets the condition in this article if—
- (a) it is solid wall insulation installed at private domestic premises;
 - (b) a local authority has published a statement of intent and been consulted on the installation of the solid wall insulation at the premises;
 - (c) the premises are included in a list of premises which—
 - (i) has been created by the local authority on or after publication of its statement of intent;
 - (ii) identified any premises on the list which in the opinion of the local authority are occupied by a household living in fuel poverty; and
 - (iii) identified any other premises on the list which in the opinion of the local authority are occupied by a household living on a low income and vulnerable to the effects of living in a cold home; and
 - (d) the local authority has made a statement in writing that—
 - (i) to the best of the local authority’s knowledge and belief, all of the premises included in the list referred to in sub-paragraph (c) are private domestic premises;
 - (ii) all of the premises included in that list are situated in the same building, in immediately adjacent buildings or in the same terrace; and
 - (iii) in the opinion of the local authority, at least 50% of the premises included in that list are occupied by households living in fuel poverty or by households living on a low income and vulnerable to the effects of living in a cold home.
- (3) In this article—
- “local authority” means—
- (a) a county council;
 - (b) a combined authority established under section 103 of the Local Democracy, Economic Development and Construction Act 2009;
 - (c) a district council;
 - (d) a London Borough Council;
 - (e) the Greater London Authority;
 - (f) the Common Council of the City of London;
 - (g) the Council of the Isles of Scilly;
 - (h) a county borough council;
 - (i) a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994;
- “statement of intent” means a description of how the local authority intends to identify households that may benefit from a qualifying action and are living—
- (j) in fuel poverty; or
 - (k) on a low income and are vulnerable to the effects of living in a cold home.

Early actions

- 17.—**(1) An early action is a measure which—
- (a) was completed no earlier than 1st October 2018 and before the commencement date;
 - (b) is a carbon qualifying action within the meaning of article 12 of the 2014 Order or a heating qualifying action within the meaning of article 16 of the 2014 Order; and

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- (c) is not the installation or the repair of equipment for the generation of heat from oil or coal; and
 - (d) is notified to the Administrator in accordance with paragraph (2).
- (2) A measure is notified to the Administrator in accordance with this article if the notification—
- (a) is in writing;
 - (b) is received by the Administrator no more than two months after the commencement date;
 - (c) includes a calculation of the score for the measure; and
 - (d) includes such other information in relation to the measure as the Administrator may require.

Surplus actions

18.—(1) Not later than 30th November 2019 a supplier may apply to the Administrator in writing for a measure to be recognised as a surplus action.

(2) An application under paragraph (1) must give details of the measure which the supplier considers constitutes a surplus action.

(3) A surplus action is a measure which—

- (a) is an ECO2 carbon qualifying action or an ECO2 heating qualifying action which was achieved by the applicant supplier;
- (b) is not required by the supplier to meet its obligations under the 2014 Order;
- (c) in the case of an ECO2 heating qualifying action, was completed on or after 1st April 2017; and
- (d) is not the installation or the repair of equipment for the generation of heat from oil or coal.

(4) The Administrator must recognise a measure as a surplus action if, following an application under paragraph (1), the Administrator is satisfied that—

- (a) the measure to which the application relates is a surplus action; and
- (b) in the case of an ECO2 carbon qualifying action, recognition of the measure as a surplus action would not cause the total carbon saving attributable to all of the ECO2 carbon qualifying actions achieved by the applicant supplier and recognised by the Administrator as surplus actions to exceed 20% of the applicant supplier's ECO2 CERO target.

(5) For the purposes of paragraph (4)(b), the carbon saving attributable to an ECO2 carbon qualifying action is the carbon saving attributed to it by the Administrator in accordance with article 25 of the 2014 Order.

(6) In this article—

“ECO2 carbon qualifying action” means a carbon qualifying action within the meaning of article 12 of the 2014 Order and which was notified to the Administrator under article 17 of the 2014 Order;

“ECO2 heating qualifying action” means a heating qualifying action within the meaning of article 16 of the 2014 Order and which was notified to the Administrator under article 17 of the 2014 Order.

Rural minimum requirement

19.—(1) Except where paragraph (2) applies, a supplier's rural minimum requirement is a requirement to achieve at least 15% of its total home-heating cost reduction obligation by promoting qualifying actions that are installed at domestic premises situated in a rural area.

(2) Where a supplier has not achieved its ECO2 rural requirement, a supplier's rural minimum requirement is a requirement to achieve at least Z% of its total home-heating cost reduction

Commented [C14]: Government should clarify CERO carryover and how the carryover will be allocated between all of CERO or split between sub-targets, e.g. rural, SWI, etc.

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obligation by promoting qualifying actions that are installed at domestic premises situated in a rural area, where “Z” is the lessor of—

- (a) [the max increase in the rural min based on max 10% carry-under];
- (b) [the conversion rule].

(3) In this article, “ECO2 rural requirement” means a supplier’s rural minimum requirement within the meaning of article 2 of the 2014 Order.

Commented [C15]: Government should clarify what this means and set out what the conversion rules will be where suppliers have not achieved their ECO2 rural requirement.

Solid wall minimum requirement [alternative 1]

20.—(1) Except where paragraph (2) applies, a supplier’s solid wall minimum requirement is a requirement to install relevant measures at X or more solid wall premises, where X is the result of the following formula—

[formula for calculating the supplier’s share of the 60,000 solid wall premises to be treated].

(2) Where a supplier has not achieved its ECO2 solid wall requirement, a supplier’s solid wall minimum requirement is a requirement to install relevant measures at Z or more solid wall premises, where Z is the result of the following formula—

$X+Y$

(3) In paragraph (2)—

- (a) “X” has the same meaning as in paragraph (1); and
- (b) “Y” is the lessor of—
 - (i) [the max increase in solid wall min based on max 2.6% carry-under];
 - (ii) [the conversion rule].

(4) In this article—

“ECO2 solid wall requirement” means a supplier’s solid wall minimum requirement within the meaning of articles 2 and 13 of the 2014 Order;

“relevant measures” means measures that are—

- (a) the installation of solid wall insulation to at least 50% of the walls of a solid wall premises that are exterior facing; or
- (b) the installation of a measure not referred to in paragraph (a) at a solid wall premises that achieves at least the same amount of cost savings as would have been achieved by the installation of the measure referred to in paragraph (a) at the premises;

“solid wall premises” means premises with one or more exterior facing walls, at least 50% of which are solid walls.

Solid wall minimum requirement [alternative 2]

21.—(1) Except where paragraph (2) applies, a supplier’s solid wall minimum requirement is a requirement to achieve at least [9.2]% of its total home-heating cost reduction obligation by promoting the installation of solid wall insulation.

(2) Where a supplier has not achieved its ECO2 solid wall requirement, a supplier’s solid wall minimum requirement is a requirement to achieve at least Z% of its total home-heating cost reduction obligation by promoting the installation of solid wall insulation, where “Z” is the lessor of—

- (a) [the max increase in solid wall min based on max 2.6% carry-under];
- (b) [the conversion rule].

(3) In this article, “ECO2 solid wall requirement” means a supplier’s solid wall minimum requirement within the meaning of article 2 of the 2014 Order.

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Notifications of measures

22.—(1) A measure is notified to the Administrator in accordance with this article if the notification—

- (a) is in writing by the supplier that promoted the measure;
- (b) includes a calculation of the score for the measure;
- (c) includes such other information in relation to the measure as the Administrator may require; and
- (d) is made—
 - (i) before the end of the first calendar month immediately following the calendar month in which the measure was completed (“the original deadline”);
 - (ii) following an application under paragraph (4) which has been accepted by the Administrator, by the date specified by the Administrator under paragraph (6); or
 - (iii) in the case of a measure falling within the 5% notification threshold for the supplier (“the notifying supplier”), before the earlier of—
 - (aa) the end of the fourth calendar month after the calendar month in which the measure was completed; or
 - (bb) the end of June 2022.

(2) For the purposes of paragraph (1)(d)(iii), a measure falls within the 5% notification threshold for the notifying supplier if—

- (a) the measure is notified to the Administrator after the original deadline; and
- (b) at the time the measure is notified, the result of the following formula is less than or equal to 0.05—
$$A \cdot B / C$$

(3) In paragraph (2)—

“A” is the number of measures (also counting the measure being notified) which are—

- (a) completed in the same calendar month as the measure being notified; and
- (b) notified after the original deadline by—
 - (i) the notifying supplier; or
 - (ii) by any other supplier that is a member of the same group as the notifying supplier;

“B” is the number of measures which are—

- (a) completed in the same calendar month as the measure being notified;
- (b) the subject of an application under paragraph (4) which is accepted by the Administrator;
- (c) notified after the original deadline and by the date specified by the Administrator under paragraph (6); and
- (d) notified by—

- (i) the notifying supplier; or
- (ii) any other supplier that is a member of the same group as the notifying supplier; and

“C” is the greater of one or the number of measures which are—

- (a) completed in the same calendar month as the measure being notified; and
- (b) notified within the original deadline by—
 - (i) the notifying supplier; or
 - (ii) any other supplier that is a member of the same group as the notifying supplier.

(4) A supplier may apply at any time to the Administrator for a measure to be notified after the original deadline.

(5) An application under paragraph (4) must include—

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- (a) details of why the supplier is seeking an extension of time to notify the measure; and
 - (b) such other information as the Administrator may require.
- (6) Following receipt of an application under paragraph (4), the Administrator must—
- (a) accept the application and specify a date, as it thinks fit but falling after the original deadline, for the notification of the measure; or
 - (b) reject the application.
- (7) For the purposes of this Order, a measure is completed when its installation is completed.

PART 5

Scores

Attributing the score to a qualifying action

23.—(1) To determine whether a supplier has achieved its total home-heating cost reduction obligation, the Administrator must attribute a score to each qualifying action.

- (2) In the case of a qualifying action notified by a supplier under articles 17 or 22—
- (a) where the Administrator is satisfied that the score notified by the supplier under those articles is correctly calculated, the Administrator must attribute that score to the qualifying action; or
 - (b) where the Administrator is not satisfied that the score notified by the supplier under those articles is correctly calculated, the Administrator must attribute the score which the Administrator considers would have been determined for the action had it been correctly calculated.
- (3) In the case of a qualifying action that is a surplus action, the Administrator must attribute the score which is determined by the Administrator in accordance with article 30.
- (4) The Administrator must notify a supplier of the score it has attributed to—
- (a) a qualifying action notified by the supplier under articles 17 or 22; or
 - (b) a qualifying action that is recognised as a surplus action following an application by the supplier under article 18.

Determining the score for district heating connections

24.—(1) This article applies for the purpose of calculating the score of a qualifying action which—

- (a) is the installation of a district heating connection; and
 - (b) is not an innovation measure or a surplus action.
- (2) Where this article applies, the score is calculated by determining the cost saving for the qualifying action in accordance with—
- (a) the Standard Assessment Procedure;
 - (b) the Reduced Data Standard Assessment Procedure; or
 - (c) following an application under paragraph (3) in respect of the installation to which the qualifying action relates, an alternative methodology approved by the Administrator under paragraphs (5) or (6).
- (3) For the purposes of determining the cost saving achieved by the installation of a district heating connection (“the proposed connection”), a supplier may apply to the Administrator to approve a methodology not referred to in paragraph (2)(a) or (b) (“an alternative methodology”).
- (4) An application under paragraph (3) must be made before the proposed connection is installed.

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(5) The Administrator may approve an alternative methodology if it is satisfied that neither the Standard Assessment Procedure nor the Reduced Data Standard Assessment Procedure contain an appropriate methodology for determining the cost savings achieved by the proposed connection.

(6) The Administrator may also approve an alternative methodology if the methodology is published by, or on behalf of, the Department for Business, Energy and Industrial Strategy as a replacement for the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure.

(7) The Administrator must notify the supplier of its decision on an application under paragraph (3).

Determining the score for demonstration actions

25.—(1) This article applies for the purpose of calculating the score of a qualifying action which is a demonstration action.

(2) A measure which a supplier intends to be a demonstration action must be notified to the Administrator in writing before ~~the~~ measure is installed.

(3) A notification under paragraph (2) must include—

(a) the following information—

- (i) how the measure is expected to achieve cost savings;
- (ii) the arrangements for monitoring whether the measure achieves cost savings;
- (iii) how the supplier will assess the effectiveness of the measure at achieving cost savings;
- (iv) a justification for ~~the~~ number of domestic premises at which the supplier is proposing to promote the installation of the measure;
- (v) the estimated cost in pounds sterling to be incurred by the supplier in promoting and monitoring the measure (“the estimated cost”);
- (vi) a breakdown of the estimated cost; and
- (vii) such other information as the Administrator may require; and

(b) consent to the publication of information, other than personal data, provided to the Administrator in relation to the monitoring and assessment of the measure.

(4) A demonstration action is a measure which is approved by the Administrator following a notification made in accordance with this article.

(5) The Administrator must not approve a measure as a demonstration action unless it is satisfied that—

- (a) the information provided under paragraph (3)(a) is reasonable;
- (b) the measure is not part of a combination of measures that has been approved as a performance action;
- (c) it has not approved a bonus under article 27 that would apply to the measure;
- (d) the measure is significantly different from the measures promoted by suppliers to meet their obligations under previous energy efficiency schemes and from any measures notified under articles 17 or 22 before the date of the notification made in respect of the measure under this article;
- (e) the measure is at technology readiness level 8 (system complete and qualified) or technology readiness level 9 (actual system proven in operational environment); and
- (f) installation of the measure at domestic premises is necessary in order to demonstrate whether the measure does achieve cost savings and, if so, the effectiveness of the measure at achieving cost savings.

(6) At the same time as notifying a demonstration action under article 22, a supplier must provide the following information to the Administrator—

Commented [C16]: Include the word “first” so: ... a demonstration action must be notified to the Administrator in writing before the *first* measure is installed.

Commented [C17]: Include the word “estimated” so: a justification for the *estimated* number of domestic premises...

Commented [C18]: Government should consider re-wording. Reasonable is quite ambiguous. Perhaps the word “accurate” would be better.

Commented [C19]: Energy UK would urge Government to allow a measure under both options. Demonstration actions and performance actions could surely complement each other.

Commented [C110]: This word should be removed as it is open to interpretation and could thus lead to unintended consequences.

Commented [C111]: Technology readiness level 7 specifically references technology demonstration in the home following lab testing. Energy UK would therefore urge Government to include level 7 here.

Commented [C112]: Is this clause needed. Surely a measure would not qualify if it had not been installed at domestic premises?

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- (a) the total cost in pounds sterling incurred by the supplier in promoting and monitoring the demonstration action (“the actual cost”);
- (b) a breakdown of the actual cost;
- (c) the information obtained by the supplier on whether the demonstration action is achieving cost savings; and
- (d) the supplier's assessment of the effectiveness of the demonstration action at achieving cost savings.

(7) The score of a qualifying action which is a demonstration action is the lowest of the results of the following amounts or calculations—

- (a) £[max allowed spend by each supplier/group on demonstration actions, e.g. £1 million];
- (b) [the result of a conversion formula using the estimated cost in relation to the demonstration action]; or
- (c) [the result of a conversion formula using so much of the actual cost in relation to the demonstration action as the Administrator is satisfied is reasonable].

(8) Information provided by a supplier under paragraph (6), other than any personal data, must be published by the Administrator in such form as it thinks fit.

(9) In this article—

“personal data” means information relating to an identified or identifiable living individual;

“previous energy efficiency schemes” means—

- (a) the Electricity and Gas (Carbon Emissions Reduction) Order 2008;
- (b) the Electricity and Gas (Community Energy Saving Programme) Order 2009;
- (c) the Electricity and Gas (Energy Companies Obligation) Order 2012; and
- (d) the 2014 Order;

“technology readiness level” followed by a number has the same meaning as “TRL” followed by that number in General Annex G to the Horizon 2020 Work Programme 2018-2020 adopted by Commission Decision C(2017)7124 of 27th October 2017.

Determining the score for performance actions (referred to in the consultation document as “in-situ performance measurement)

26.—(1) This article applies for the purpose of calculating the score of a qualifying action which is a performance action.

(2) A combination of measures which a supplier intends to be a performance action must be notified to the Administrator in writing before the combination of measures is installed.

(3) A notification under paragraph (2) must include—

- (a) an explanation of how the installation of the combination of measures at domestic premises is expected to achieve cost savings; and
- (b) such other information as the Administrator may require.

(4) A performance action is a combination of measures which is approved by the Administrator following a notification made in accordance with this article.

(5) The Administrator must not approve a combination of measures as a performance action unless it is satisfied that—

- (a) none of the measures have been approved as a demonstration action;
- (b) it has not approved a bonus under article 27 that would apply to any of the measures;
- (c) at least one of the measures in the combination of measures is both—
 - (i) a primary insulation measure; and
 - (ii) significantly different from the measures promoted by suppliers to meet their obligations under previous energy efficiency schemes and from any measures

Commented [CI13]: Energy UK would urge Government to change this to: “a number of measures that can be delivered together in various combinations”

Commented [CI14]: Energy UK would urge Government to allow a measure under both options. Demonstration actions and performance actions could surely complement each other.

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notified under articles 17 or 22 before the date of the notification made in respect of the combination of measures under this article;

- (d) at least one other measure in the combination of measures is also significantly different from the measures promoted by suppliers to meet their obligations under previous energy efficiency schemes and from any measures notified under articles 17 or 22 before the date of the notification made in respect of the combination of measures under this article;
- (e) all of the measures are at technology readiness level 8 (system complete and qualified) or technology readiness level 9 (actual system proven in operational environment); and
- (f) calculating the cost savings for each measure in the combination of measures using the existing methodologies is likely to underestimate the cost savings from installing the combination of measures.

(6) The score of a qualifying action which is a performance action is calculated in accordance with the following formula—

$$A \times [1.1]$$

where “A” is the sum of the cost savings for each measure in the combination of measures calculated in accordance with—

- (a) in the case of a measure which is the installation of a district heating connection, article 24(2);
- (b) in any other case, article 31(2).

(7) Performance actions must be installed in at least 200 premises in order to get the 10% uplift referred to in paragraph (6).

(8) No more than [2.5% to 5%] of a supplier’s total home-heating cost reduction obligation may be achieved by performance actions.

(9) In this article—

“existing methodologies” means—

- (a) in the case of a measure which is the installation of a district heating connection—
 - (i) the Standard Assessment Procedure;
 - (ii) the Reduced Data Standard Assessment Procedure; or
 - (iii) an alternative methodology approved by the Administrator under article 24(5) or (6);
- (b) in any other case, a methodology published by the Administrator under article 31(3);

“previous energy efficiency schemes” has the same meaning as in article 25;

“primary insulation measure” means—

- (a) flat roof insulation;
- (b) loft insulation;
- (c) rafter insulation;
- (d) room-in-roof insulation;
- (e) floor insulation;
- (f) wall insulation; or
- (g) insulation applied to the ceiling, floor and walls of a mobile home.

“technology readiness level” has the same meaning as in article 25.

Determining the score for deployment actions (referred to in the consultation document as “innovation score uplifts”)

27.—(1) This article applies for the purpose of calculating the score of a qualifying action which is a deployment action.

Commented [C115]: Energy UK would encourage Government to explain why is has decided on 200 premises. Perhaps statistically valid would be more useful?

Commented [C116]: Energy UK would encourage Government to explain why this provision has been included. This is essentially a cap with a cap and we note that this is not something Government has consulted on.

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(2) For the purpose of determining the cost saving achieved by a measure which the supplier intends to promote, a supplier may apply to the Administrator for the determination of a percentage figure by which the cost saving for the measure would be increased in accordance with this article (“a bonus”).

(3) An application under paragraph (2) must include—

- (a) a description of the characteristics of the measures to which the bonus is to apply;
- (b) an explanation of how those measures are a **significant** improvement on the measures that would otherwise be promoted by the supplier; and
- (c) such other information as the Administrator may require.

Commented [CI17]: This word should be removed as it is open to interpretation and could thus lead to unintended consequences.

(4) The Administrator must not determine a bonus unless it is satisfied that—

- (a) the application for determination of the bonus includes all the information required by paragraph (3);
- (b) no measures to which the bonus is to apply have been approved as a demonstration action or are part of a combination of measures that has been approved as a performance action;
- (c) no other bonus has been approved by the Administrator in relation to the measures to which the bonus is to apply;
- (d) the measures to which the bonus is to apply are **significantly** different from the measures promoted by suppliers to meet their obligations under previous energy efficiency schemes and from any measures notified under articles 17 or 22 before the date of the application for the determination of the bonus under this article;
- (e) the measures to which the bonus is to apply are at technology readiness level 8 (system complete and qualified) or technology readiness level 9 (actual system proven in operational environment);
- (f) the measures to which the bonus is to apply are a **significant** improvement on the measures that would otherwise be promoted by suppliers.

Commented [CI18]: This word should be removed as it is open to interpretation and could thus lead to unintended consequences.

Commented [CI19]: This word should be removed as it is open to interpretation and could thus lead to unintended consequences.

(5) When considering whether a measure is a **significant** improvement on any other measure, the Administrator may have regard, in particular, to any one or more of the following—

- (a) cost of manufacture or installation;
- (b) impact on the occupants of the domestic premises at which the measure is installed;
- (c) impact on the environment;
- (d) cost savings.

Commented [CI20]: This word should be removed as it is open to interpretation and could thus lead to unintended consequences.

(6) If the Administrator determines a bonus, it must—

- (a) **determine a percentage figure, between 10% and 50%, by which the cost saving of the measures to which the bonus applies should be increased in order to encourage promotion of the measure by suppliers, having regard, in particular, to—**
 - (i) the current level of deployment of the measures in Great Britain;
 - (ii) the level of support needed in order for the measures to achieve commercialisation;
 - (iii) the novelty of installation method, production method, materials used or technology use;
 - (iv) the significance of the improvement compared to the measures that would otherwise be promoted by suppliers; and
- (b) publish—
 - (i) the bonus;
 - (ii) the description of the characteristics of the measures to which the bonus applies; and
 - (iii) the date on which the bonus was determined.

Commented [CI21]: This clause is not workable for both suppliers and Ofgem. Energy UK considers that Government should decide on the percentage and not allow a range. We believe the bonus should be 50%.

(7) A deployment action is a measure which—

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- (a) falls within the description of measures to which a bonus applies;
- (b) is completed after the date on which that bonus is determined by the Administrator; and
- (c) is completed within 2 years of that date.

(8) The score of a qualifying action which is a deployment action is calculated in accordance with the following formula—

$$A \times B \times C$$

where—

- (a) “A” is the cost savings for the measure calculated in accordance with—
 - (i) in the case of a measure which is the installation of a district heating connection, article 24(2);
 - (ii) in any other case, article 31(2).
- (b) “B” is the bonus applying to the measure;
- (c) “C” is—
 - (i) if the measure is completed within 1 year of the date on which the bonus applying to that measure was determined by the Administrator, 1;
 - (ii) in any other case, 0.5.

(9) No more than [1.5% to 3%] of a supplier’s total home-heating cost reduction obligation may be achieved by deployment actions falling within the same description of measures to which a bonus applies.

(10) In this article—

- “previous energy efficiency schemes” has the same meaning as in article 25;
- “technology readiness level” has the same meaning as in article 25.

Innovation measures: common provisions

28.—(1) This article applies for the purpose of articles 25 to 27.

(2) A measure is not significantly different from another measure merely because it is installed at a different domestic premises.

(3) When considering whether a measure is significantly different from another measure, the Administrator may have regard, in particular, to any one or more of the following—

- (a) the production method;
- (b) the installation method;
- (c) the materials used;
- (d) the technology used;
- (e) the expected costs of promoting the measure;
- (f) the expected cost savings.

Determining the score for early actions

29.—(1) This article applies for the purpose of calculating the score of a qualifying action which—

- (a) is an early action; and
- (b) is not the installation of a district heating connection.

(2) The score of a qualifying action which is an early action is calculated in accordance with the following formula—

$$A \times 0.77$$

where “A” is the cost score calculated in accordance with article 19 and 23 of the 2014 Order.

Commented [C122]: This is unclear.

Commented [C123]: Energy UK would once again note, that this amounts to a target within a target which we do not support. We also note that this is not something Government has consulted on.

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(3) In this article, “cost score” has the meaning given in article 2 of the 2014 Order.

Determining the score for surplus actions

30.—(1) This article applies for the purpose of calculating the score of a qualifying action which is a surplus action.

(2) Where this article applies and a cost score was attributed to the qualifying action by the Administrator under article 25 of the 2014 Order, the score is the cost score so attributed.

(3) Where this article applies and a cost score was not attributed to the qualifying action under article 25 of the 2014 Order, the score is the cost score calculated in accordance with articles 19 and 23 of the 2014 Order.

(4) In this article, “cost score” has the meaning given in article 2 of the 2014 Order.

Determining the score for all other qualifying actions

31.—(1) This article applies for the purpose of calculating the score of a qualifying action which is not—

- (a) the installation of a district heating connection;
- (b) an innovation measure;
- (c) an early action or a surplus action.

(2) Where this article applies, the score is calculated by determining the cost saving for the qualifying action in accordance with the following formula—

$$A \times B$$

where—

- (a) “A” is the cost saving for the qualifying action calculated in accordance with a methodology published by the Administrator under paragraph (3);
- (b) “B” is—
 - (i) in the case of a qualifying action which is installed to improve the insulating properties of non-gas fuelled premises, 1.35;
 - (ii) in the case of a qualifying action which is the replacement of a broken boiler with another boiler, 4;
 - (iii) in all other cases, 1.

(3) The Administrator must publish a methodology for the purpose of determining the cost saving of a qualifying action under this article.

(4) Under the methodology published by the Administrator in accordance with paragraph (3), the calculation of the cost saving must be based on—

- (a) in the case of a qualifying action which is the repair of a boiler or electric storage heater and which is accompanied with—
 - (i) a warranty for less than two years, an expected lifetime for the qualifying action of one year;
 - (ii) a warranty for two years or more, an expected lifetime for the qualifying action of two years;
- (b) in the case of a qualifying action which is the replacement of a broken boiler with another boiler, an expected lifetime for the qualifying action of 3 years;
- (c) in the case of a qualifying action which is the replacement of a broken electric storage heater with another electric storage heater, an expected lifetime for the qualifying action of 5 years;
- (d) in the case of a qualifying action which is the installation of cavity wall insulation and which is accompanied by an appropriate warranty, an expected lifetime for the qualifying action of 42 years;

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- (e) in the case of a qualifying action which is the installation of insulation applied to the ceiling, floor and walls of a mobile home and which is accompanied by an appropriate warranty, an expected lifetime for the qualifying action of 30 years;
 - (f) in the case of a qualifying action which is the installation of solid wall insulation and which is accompanied by an appropriate warranty, an expected lifetime for the qualifying action of 36 years.
- (5) Before publishing a methodology under paragraph (3), the Administrator must have regard to—
- (a) the Standard Assessment Procedure and the Reduced Data Standard Assessment Procedure, or to any methodology published by, or on behalf of, the Department for Business, Energy and Industrial Strategy as a replacement for the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure; and
 - (b) the desirability of the methodology being easy to use.
- (6) ~~In this article—~~
- ~~“appropriate warranty” means a EHC warranty or a warranty which the Administrator is satisfied—~~
- (a) is supported by a mechanism that gives assurance that—
 - (i) funds will be available to honour the warranty; and
 - (ii) the installation of the insulation and products used in the insulation comply with a quality assurance framework;
 - (b) is for 25 years or more; and
 - (c) provides for repair, or replacement where appropriate, of the insulation, covering the cost of remedial and replacement works and materials;
- ~~“broken boiler” means a boiler which has broken down and cannot be economically repaired;~~
- ~~“broken electric storage heater” means an electric storage heater which has broken down and cannot be economically repaired;~~
- ~~“EHC warranty” means a warranty which the Administrator is satisfied is approved by, or on behalf of, the owners of the Each Home Counts quality mark to accompany the installation of solid wall insulation;~~
- ~~“non-gas fuelled premises” means domestic premises where, both before and after the installation of the qualifying action, the main space heating system for the premises is not—~~
- (a) fuelled by mains gas; or
 - (b) a district heating system.

Commented [C124]: It is unclear what this looks like. Government should specify which warranties that are currently available and would meet the required standards.

PART 6

Transfers

Transfers of qualifying actions

- 32.—**(1) A qualifying action promoted by a supplier (“A”) may be regarded as promoted by another supplier (“B”) (“a transfer”) if that transfer is approved by the Administrator.
- (2) A and B must—
- (a) apply for approval in writing to the Administrator by no later than 30th June 2022; and
 - (b) provide to the Administrator such information as the Administrator may reasonably require.
- (3) The Administrator must not approve a transfer—
- (a) if the qualifying action is a heating and insulation combination primary measure, unless the Administrator has approved the transfer to B of the related primary measure;

Commented [C125]: Energy UK would query why this section is not called trading and transfers. In principle, both should be listed.

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- (b) if the qualifying action is an in-fill measure, unless the Administrator has approved the transfer to B of all of the primary actions with which the in-fill measure is linked.
- (4) In paragraph (3)—
 - (a) “heating and insulation combination measure” and “related primary measure” have the same meaning as in article 12;
 - (b) “in-fill measure” and “primary actions” have the same meaning as in article 14(3).
- (5) If the Administrator decides not to approve a transfer it must notify A and B of the reasons for that decision.
- (6) If a transfer is approved, the qualifying action is treated as promoted by B and not A.

Transfer of obligations

- 33.**—(1) All or part of a supplier’s obligation may be transferred from that supplier (“A”) to another supplier (“B”) (“a transfer”) if the transfer is approved by the Administrator.
- (2) A and B must—
 - (a) apply for approval in writing to the Administrator by no later than 31st December 2021; and
 - (b) provide to the Administrator such information as the Administrator may reasonably require.
 - (3) An application under this article must identify the amount of its total home-heating cost reduction obligation that A intends to transfer to B (“the proposed transfer amount”).
 - (4) The Administrator must not approve the transfer if—
 - (a) having regard to section 300 of the Gas Act 1986 and section 270 of the Electricity Act 1989 (maximum amount of penalty or compensation), the Administrator considers that, if the transfer were approved, there is a significant risk that it would adversely affect the Administrator’s ability to enforce the requirements placed on B under this Order; or
 - (b) where A and B are not members of the same group, the Administrator considers that, if the transfer were approved, there is a significant risk that B will be unable to achieve its total home-heating cost reduction obligation.
 - (5) If a transfer is approved—
 - (a) A’s total home-heating cost reduction obligation is to be treated as reduced by the actual transfer amount and B’s total home-heating cost reduction obligation is to be treated as increased by the actual transfer amount; and
 - (b) the Administrator must notify A and B of their revised total home-heating cost reduction obligation.
 - (6) In paragraph (5)(a), “actual transfer amount” means—
 - (a) if the proposed transfer amount is equal to or less than A’s total home-heating cost reduction obligation immediately prior to the approval of the transfer, the proposed transfer amount;
 - (b) in any other case, the amount of A’s total home-heating cost reduction obligation immediately prior to the approval of the transfer.
 - (7) If the Administrator decides not to approve a transfer it must—
 - (a) notify A of any reasons for that decision relating to A; and
 - (b) notify B of any reasons for that decision relating to B.

PART 7 Enforcement

Final determination and reporting

34.—(1) The Administrator must determine whether a supplier has achieved its total home-heating cost reduction obligation.

(2) The Administrator must notify the supplier of its determination under paragraph (1) by no later than 30th September 2022.

(3) The Administrator must submit to the Secretary of State a report each month setting out the progress which suppliers have made towards meeting their obligations under this Order.

(4) The first report under paragraph (3) is to be submitted in the calendar month following the calendar month in which the commencement date occurs.

(5) The final report under paragraph (3) is to be submitted in April 2022.

(6) Not later than 30th September 2022 the Administrator must submit to the Secretary of State a report setting out whether suppliers achieved the overall home-heating cost reduction target.

Information from suppliers

35.—(1) The Administrator may require a supplier—

- (a) to provide it with specified information, or information of a specified nature, about a supplier's proposals for complying with any requirement under this Order;
- (b) to produce to it evidence of a specified kind demonstrating it is complying with, or that it has complied with, any requirement under this Order.

(2) A supplier must provide to the Administrator such information as the Administrator may require relating to the cost to the supplier of achieving its obligations under this Order.

Publication of energy savings achieved by suppliers and provision of information to the Secretary of State by suppliers

36.—(1) Once a year in 2019 to 2022 the Secretary of State must publish the energy savings achieved—

- (a) by each supplier by qualifying actions which—
 - (i) have been promoted by the supplier; and
 - (ii) are not surplus actions; and
- (b) by all qualifying actions other than surplus actions.

(2) The Secretary of State may require a supplier to provide, no more than once a year—

- (a) aggregated statistical information on its final customers (identifying significant changes to previously submitted information); and
- (b) current information on final customers' consumption, including, where applicable, load profiles, customer segmentation and geographical location of customers.

(3) In this article—

- (a) "energy savings" and "final customer" have the meaning given by article 2 of the Energy Efficiency Directive;
- (b) "aggregated statistical information", "customer segmentation" and "load profiles" have the same meaning as in the Energy Efficiency Directive; and
- (c) "the Energy Efficiency Directive" means Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency.

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Enforcement

37. A requirement placed on a supplier under this Order is a relevant requirement for the purpose of Part 1 of the Electricity Act 1989 and Part 1 of the Gas Act 1986.

PART 8

Amendment of the 2014 Order

Amendment of the Electricity and Gas (Energy Company Obligation) Order 2014

38. For article 34 (enforcement) of the 2014 Order substitute—

“Enforcement

34.—(1) Subject to paragraph (2), a requirement placed on a supplier under this Order is a relevant requirement for the purpose of Part 1 of the Electricity Act 1989 and Part 1 of the Gas Act 1986.

(2) It is not a relevant requirement for the purpose of those Acts for a supplier by the end of September 2018 to have achieved more than—

- (a) 96.3% of its total carbon emission reduction obligation;
- (b) 97.4% of its solid wall minimum requirement;
- (c) 90% of its rural minimum requirement;
- (d) 95.7% of its total home heating cost reduction obligation;
- (e) 90% of its home heating minimum requirement.”.

SCHEDULE 1

Ref

Requirements for warranties for boiler installations

1. The requirements referred to in article 13(1)(n) for a warranty are as follows.
2. Subject to paragraphs 3 and 4, the warranty must provide for the rectification, without any charge to a consumer, of all problems which affect the functioning of the boiler or the heating system it serves and which—
 - (a) relate to its installation or design; and
 - (b) are notified to the person providing the warranty within 1 year of the boiler being installed.
3. The warranty is not required to provide for the rectification of a problem which—
 - (a) is covered by a warranty provided by the manufacturer of the boiler; or
 - (b) arises after the boiler is installed where that problem arises from one or more of—
 - (i) negligence;
 - (ii) accident;
 - (iii) misuse of the boiler;
 - (iv) repair of the boiler;by a person other than a person described in paragraph 4.
4. The following persons are referred to in paragraph 3(b)—
 - (a) the person who installed the boiler;
 - (b) the person providing the warranty;

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(c) a person acting on behalf of a person in sub-paragraph (a) or (b).

5. The warranty must be accompanied by a declaration from the occupier of the domestic premises that, in that person's knowledge, no consumer has been charged for the warranty.

Commented [CI26]: Energy UK would query why this should be required. Adds administrative burden.

6. In paragraph 2(a), "design", in relation to a boiler, means the suitability of the boiler for the heating system it is intended to serve.

SCHEDULE 2

Ref

Domestic premises which are not private domestic premises

1. Domestic premises in England and Wales are not "private domestic premises" if the premises are let below the market rate and—

- (a) the relevant interest in those premises is registered as belonging to a social landlord; or
- (b) if no relevant interest in the premises has been registered, the premises are let by a social landlord other than under a lease granted pursuant to Part 5 of the Housing Act 1985.

2. Domestic premises in Scotland are not "private domestic premises" if the premises are let below the market rate and—

- (a) the relevant interest in the premises is registered as belonging to a social landlord; or
- (b) if no relevant interest in the premises has been registered, the premises are let by a social landlord other than under a lease granted pursuant to sections 61 to 84 of the Housing (Scotland) Act 1987, as modified by section 84A of that Act.

3. For the purposes of this Schedule—

- (a) in respect of premises in England and Wales, a relevant interest is registered if it is registered in the register of title maintained by Her Majesty's Land Registry;
- (b) in respect of premises in Scotland, a relevant interest is registered if it is—
 - (i) registered in the Land Register of Scotland; or
 - (ii) recorded in the Register of Sasines.

4. In this Schedule—

"owner" includes any person who under the Land Clauses Acts would be enabled to sell and convey land to promoters of an undertaking;

"relevant interest" means—

- (a) in respect of premises in England and Wales—
 - (i) the freehold estate, unless the whole of the premises have been let under a registered lease; or
 - (ii) the leasehold estate, unless the whole of the premises have been further let under a registered lease;
- (b) in respect of premises in Scotland—
 - (i) the owner's interest or right, unless the whole of the premises have been further let under a registered lease; or
 - (ii) the lessee's interest under a lease, unless the whole of the premises have been further let under a registered lease;

"social landlord" means—

- (a) in respect of premises in England—
 - (i) a local housing authority, within the meaning of section 1 of the Housing Act 1985;
 - (ii) a housing association, within the meaning of section 5 of the Housing Act 1985;
 - (iii) a housing trust, within the meaning of section 6 of the Housing Act 1985; or

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- (iv) a charity, within the meaning of section 1 of the Charities Act 2011;
- (b) in respect of premises in Scotland, a person so described in section 165 of the Housing (Scotland) Act 2010; and
- (c) in respect of premises in Wales—
 - (i) a local housing authority, within the meaning of section 1 of the Housing Act 1985;
 - (ii) a housing association, within the meaning of section 5 of the Housing Act 1985;
 - (iii) a housing trust, within the meaning of section 6 of the Housing Act 1985;
 - (iv) a charity, within the meaning of section 1 of the Charities Act 2011;
 - (v) a person listed in section 80(1) of the Housing Act 1985; or
 - (vi) a body registered as a social landlord under Chapter 1 of Part 1 of the Housing Act 1996.

SCHEDULE 3

Ref

Help to heat group eligibility

1. The benefits referred to in the definition of “help to heat group” in article 14 are—
- (a) armed forces independence payment under a scheme established under section 1 of the Armed Forces (Pensions and Compensation) Act 2004;
 - (b) attendance allowance under Part 3 of the 1992 Act(a);
 - (c) carer’s allowance under Part 3 of the 1992 Act(b);
 - (d) child benefit under Part 9 of the 1992 Act;
 - (e) child tax credit under section 8 of the Tax Credits Act 2002;
 - (f) constant attendance allowance under—
 - (i) article 14 of the Personal Injuries (Civilians) Scheme 1983(c), or
 - (ii) article 8 of the Naval, Military and Air Forces etc (Disablement and Death) Service Pensions Order 2006(d);
 - (g) disability living allowance under Part 3 of the 1992 Act(e);
 - (h) guarantee credit (and for this purpose “guarantee credit” is to be construed in accordance with sections 1 and 2 of the State Pension Credit Act 2002);
 - (i) income-related employment and support allowance within the meaning of section 1 of the Welfare Reform Act 2007;
 - (j) income-based jobseeker’s allowance within the meaning of section 1 of the Jobseekers Act 1995;
 - (k) income support under Part 7 of the 1992 Act;
 - (l) industrial injuries disablement benefit under Part 5 of the 1992 Act;
 - (m) personal independence payment under Part 4 of the Welfare Reform Act 2012;
 - (n) severe disablement allowance under Part 3 of the 1992 Act(f);
 - (o) universal credit under Part 1 of the Welfare Reform Act 2012;
 - (p) war pensions mobility supplement;
 - (q) working tax credit under section 10 of the Tax Credits Act 2002.

(a) See section 64 of the 1992 Act.

(b) See section 70 of the 1992 Act.

(c) S.I. 1983/686.

(d) S.I. 2006/606.

(e) See section 71 of the 1992 Act.

(f) See section 68 of the 1992 Act.

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- 2. The condition as to income in paragraph 3 is specified in relation to child benefit.
- 3. Where the person claiming child benefit is—
 - (a) a single claimant, the condition as to income is that the claimant’s annual income from all sources does not exceed the amount set out in the first row of Table 1 in the column corresponding to the number of children or qualifying young persons for whom the claimant is responsible;
 - (b) a member of a couple, the condition as to income is that the couple’s combined annual income from all sources does not exceed the amount set out in the second row of Table 1 in the column corresponding to the number of children or qualifying young persons for whom at least one member of the couple is responsible.

Table 1

Child benefit

Type of claimant	Number of children or qualifying young persons			
	1	2	3	4 or more
Single claimant	£18,500	£23,000	£27,500	£32,000
Member of a couple	£25,500	£30,000	£34,500	£39,000

- 4. For the purposes of paragraph 3, whether a person is responsible for a child or qualifying young person is to be determined in accordance with Part 9 of the 1992 Act.
- 5. In this Schedule—
 - “1992 Act” means the Social Security Contributions and Benefits Act 1992;
 - “child” and “qualifying young person” have the same meaning as in Part 9 of the 1992 Act;
 - “couple” means—
 - (a) two people who are married to, or civil partners of, each other and are members of the same household; or
 - (b) two people who are not married to, or civil partners of, each other but are living together as a married couple;
 - “single claimant” means a person who is not a member of a couple;
 - “war pensions mobility supplement” means a supplement awarded in respect of disablement which affects a person’s ability to walk and for which the person is in receipt of war disablement pension within the meaning of Part 10 of the 1992 Act.

Commented [CI27]: It is important that Government are clear that for the purposes of the Regulations, self-declaration is all that will be required as evidencing.

SCHEDULE 4

Ref

Domestic premises which are E, F or G social housing

Commented [CI28]: As per Energy UK’s response to the ECO consultation, we consider that “D” rated properties should be eligible.

- 1. A measure is installed at domestic premises which are “E, F or G social housing” if—
 - (a) the premises are domestic premises described in Schedule [2]; and
 - (b) the condition in paragraph 2 or 3 is met.
- 2. The condition in this paragraph is that a post-installation EPC expresses the energy performance rating of the premises as band E, F or G.
- 3. The condition in this paragraph is that—
 - (a) a pre-installation EPC expresses the energy performance rating of the premises as band E, F or G; and
 - (b) the social landlord in respect of the premises has confirmed in writing that, to the best of its knowledge and belief, no changes were made to the premises, after the pre-installation

Annex B: Comments on Draft Regulations

EPC was issued and before the measure was installed, which would increase the energy performance rating of the premises to band A, B, C or D.

4. In this Schedule—

“energy performance certificate”—

- (a) in relation to premises in England and Wales, has the meaning given in the Energy Performance of Buildings (England and Wales) Regulations 2012;
- (b) in relation to premises in Scotland, has the meaning given in the Energy Performance of Buildings (Scotland) Regulations 2008;

“energy performance rating”—

- (a) in relation to premises in England and Wales, has the meaning given in regulation 11 of the Energy Performance of Buildings (England and Wales) Regulations 2012;
- (b) in relation to premises in Scotland, has the same meaning as “energy performance indicator” in the Energy Performance of Buildings (Scotland) Regulations 2008;

“post-installation EPC” in relation to premises where a measure is installed, means an energy performance certificate for the premises that was issued after the measure was installed;

“pre-installation EPC” in relation to premises where a measure is installed, means an energy performance certificate for the premises that is the most recent of any energy performance certificate for the premises issued before the measure was installed; and

“social landlord” has the same meaning as in paragraph 4 of Schedule [2].