

Energy Companies Obligation (ECO) 2012 - 2015: Guidance for Suppliers

Consultation

Reference: [156/12](#)
Publication date: 23 November 2012
Response deadline: 25 January 2013

Contact: Niki Sharp, Policy Development Manager
Team: New Schemes Development
Email: eco.consultation@ofgem.gov.uk

Overview:

This consultation seeks views on our draft guidance document - *Energy Companies Obligation (ECO) 2012-2015: Guidance for Suppliers*.

ECO is a new energy efficiency scheme for Great Britain. ECO operates alongside the Green Deal and places obligations on larger energy suppliers to deliver energy efficiency measures to domestic energy users.

Until March 2015, Ofgem E-Serve (on behalf of the Gas and Electricity Markets Authority) will be the administrator for ECO. This document sets out how we will discharge administrative functions under the Electricity and Gas (Energy Companies Obligation) Order 2012 ('the Order').

It is the responsibility of each supplier to understand the provisions of the Order and how those provisions apply to them. This Guidance is not intended to be a definitive guide to these provisions.

Context

Energy efficiency is a key area through which the government seeks to implement policies designed to achieve a reduction in the United Kingdom's greenhouse gas emissions. These policies contribute to the government's wider commitment to achieve a reduction of at least 34 percent in greenhouse gas emissions by 2020 and at least 80 percent by 2050¹.

The Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) are two energy efficiency schemes which were established, in part, to assist the UK in meeting targets surrounding the reduction of greenhouse gases. Both of these schemes draw to a close on 31 December 2012.

The Energy Act 2011 and associated legislation establishes a new framework for energy efficiency, through the introduction of the Green Deal. The Green Deal is a market-led framework designed to assist individuals and businesses to make energy efficiency improvements to buildings at no upfront cost. Costs will be recouped through energy bills and with the assistance of new Green Deal finance mechanisms.

ECO will place obligations on certain larger domestic energy suppliers. These obligations must be achieved through the promotion of energy efficiency measures to domestic energy users in Great Britain. ECO is intended to work alongside the Green Deal to provide additional support in the domestic sector, with a particular focus on vulnerable consumer groups and hard-to-treat homes. The Government anticipates that ECO will assist to reduce carbon emissions, maintain security of energy supply, and reduce drivers of fuel poverty².

This document provides guidance on how we will administer the scheme in line with the requirements of the Order. We have no role in the administration of the Green Deal or the ECO Brokerage mechanism and this document does not address the requirements of either of these.

¹ The Carbon Plan: Delivering our low carbon future, December 2011. See: http://www.decc.gov.uk/en/content/cms/emissions/carbon_budgets/carbon_budgets.aspx

² The Green Deal and Energy Company Obligation Consultation, Reference number 11D/886 http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

Associated Documents

Legislation

The Energy Act 2011

http://www.legislation.gov.uk/ukpga/2011/16/pdfs/ukpga_20110016_en.pdf

The Electricity and Gas (Energy Companies Obligation) Order 2012

http://www.legislation.gov.uk/ukdsi/2012/9780111530276/pdfs/ukdsi_9780111530276_en.pdf

Interim Positions

Open Letters / List of eligible measures and additional information

<http://www.ofgem.gov.uk/Sustainability/Environment/ECO/guidance/Pages/index.aspx>

Documents relevant to standards

PAS 2030:2012 Improving the energy efficiency of existing buildings. Specification for installation process, process management and service provision: this is available for purchase from the BSI website

(<http://shop.bsigroup.com/en/ProductDetail/?pid=000000000030248249>)

Building Regulations 2010

http://www.legislation.gov.uk/uksi/2010/2214/pdfs/uksi_20102214_en.pdf

Reduced Data Standard Assessment Procedure for Energy Rating of Dwellings (2009 Edition, incorporating SAP 2009) is available at:

http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009_9-90.pdf

Standard Assessment Procedure for Energy Rating of Dwellings (2009 Edition) is available at: http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009_9-90.pdf

Documents relevant to CSCO:

Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas, available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/5536-carbon-saving-community-obligation-rural-and-low-.pdf>

Energy Company Obligation: Carbon Saving Community Obligation – Guidance, available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/6968-energy-company-obligation-carbon-saving-community.pdf>

Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex' (release date 28 September 2011), available at: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-230902>

SMID Datazone Lookup (version 3 published on 6 March 2012), available at: <http://www.scotland.gov.uk/Topics/Statistics/SIMD/SIMDQuickLookup>

Documents relevant to previous obligations

Carbon Emissions Reduction Target (CERT) Supplier Guidance – Version 3
<http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ENERGYEFF/INFPROJMN/GRS/Pages/InfProMnqrs.aspx>

Community Energy Saving Programme (CESP) Generator and Supplier Guidance
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/cesp/Pages/cesp.aspx>

Table of Contents

Executive Summary	7
Introduction to this Consultation	9
1. Background to ECO	11
Introduction	11
Date of effect for the guidance	12
Summary of ECO	13
Our role as Administrator of ECO	14
Role of obligated suppliers under ECO	16
Information gathering powers	16
Relationship between the Green Deal and ECO	17
ECO Brokerage Mechanism	17
Queries	18
2. Who is Obligated Under ECO: Definition of 'Supplier'	19
Introduction	19
When is a licence-holder a 'supplier'?	19
Applying the threshold to different categories of licence-holder	20
Group of companies	21
3. Notification of Domestic Customer Numbers and Supply: Setting Obligations	23
Introduction	23
The overall obligation period for a supplier; the period for achieving obligations	23
When suppliers must notify	25
What suppliers must notify	26
Form of notification	27
Setting supplier obligations	28
4. Achieving Obligations: General Information Relating to All Obligations	31
Introduction	31
Promotion of a qualifying action	32
Domestic energy user, and domestic premises	33
Recommended measure	33
Standards relating to installation of a measure	35
District heating systems	37
5. Carbon Emissions Reduction Obligation	39
Introduction	39
Qualifying actions under CERO	40
Solid Wall Insulation under CERO	44
6. Carbon Saving Community Obligation	46
Introduction	46
Qualifying actions under CSCO	50
7. Home Heating Cost Reduction Obligation	52
Introduction	52
Householder	53
Affordable Warmth Group	56

Measures that result in a heating saving	63
Boiler repair and replacement	63
8. Calculating Savings	65
Introduction	65
Calculating both cost and carbon savings	66
SAP and RdSAP	66
Approach to calculating savings using SAP or RdSAP	67
Calculating a carbon or cost saving using SAP or RdSAP	68
Demonstrating the accuracy of calculations	79
9. Monthly Notification of Completed Measures	80
Introduction	80
When a supplier must notify us of completed measures	80
Information suppliers must include as part of notification	82
Applications for an extension to the notification deadline	85
Monthly report to the Secretary of State	86
10. Transfers of Qualifying Action	88
Introduction	88
Making an application to transfer	88
11. Excess Actions	93
Introduction	93
What is an excess action?	93
Content of an application	99
12. End of the Overall Obligation Period	102
Introduction	102
The end of the overall obligation period	102
Final determination	103
Our final report to the Secretary of State	103
Re-election of obligations	104
13. Audit and Technical Monitoring	108
Introduction	108
Audit	109
Technical monitoring	109
Base Level – First Three Quarters	112
Level 1 technical monitoring	113
Level 2 technical monitoring	113
Level 3 technical monitoring	114
Fraud prevention	115
De-duplication	116
Appendices	117
Appendix A - Consultation Response and Questions	118
Appendix 1 – Documents and Data to be Made Available on Request	122
Appendix 2 - Qualifying Boiler Information Pack	132
Appendix 3 – Glossary of Terms	141
Appendix 4 - Feedback Questionnaire	148

Executive Summary

This document provides guidance to suppliers on the requirements of ECO, as set out in the Order (and laid in Parliament on 30 October 2012). Once the final version is published, it will supersede information provided in our series of Open Letters, published in November 2012. This Guidance does not address the requirements of the Green Deal or the proposed 'ECO Brokerage mechanism'.

The Order places obligations on licensed gas and electricity suppliers (including groups of companies) that have 250,000 domestic customers or more, and supply more than 400 gigawatt hours of electricity or 2,000 gigawatt hours of gas to domestic customers, in any relevant year. Obligated suppliers must achieve carbon and cost savings in respect of three distinct obligations –20.9 MtCO₂ savings under the carbon emissions reduction obligation (CERO), 6.8 MtCO₂ savings under the carbon saving community obligation (CSCO) and £4.2 billion under the home heating cost reduction obligation (HHCRO). The obligations split between obligated suppliers according to their market share, and must be achieved by 31 March 2015.

The Guidance explains the circumstances in which a gas or electricity licence-holder will be obligated under ECO and the obligation setting process. This is followed by a description of the activity that suppliers may carry out in order to achieve their obligations, the specific methods to calculate savings achieved, how suppliers may notify us of completed activity under ECO and what evidence is required to support that activity. It also includes an explanation of excess actions from CERT and CESP and transfers of activity within ECO.

In order to provide certainty and a clear operational framework for the delivery and administration of the ECO, the Guidance also details our role as Administrator of ECO, our approach to fraud and audit and technical monitoring, and our reporting of suppliers' progress towards achieving their obligations.

The above content is organised as set out in the Table of Contents. Following our **Introduction to Consultation**, which sets out the key facts relating to consultation on this document, **Chapter 1** begins with a background to ECO and key aspects of the scheme, including the relationship between ECO and the Green Deal. This is followed in **Chapters 2 and 3** by the conditions in which licence-holders are obligated under ECO, how we set obligations and the information we require in order to set those obligations.

Chapter 4 provides general information on achieving obligations that is relevant to two or all of the obligations. **Chapters 5, 6 and 7** provide requirements specific to each of the obligations (CERO, CSCO and HHCRO, respectively). These Chapters are supported by **Appendix 1** which details evidentiary requirements and **Appendix 2** which provides specific information on qualifying boilers under ECO.

Following on from this, **Chapter 8** sets out the specific methods suppliers can use to calculate the carbon or cost savings associated with a measure, including the use of appropriate methodologies.

Activity delivered under ECO must be notified to us and **Chapter 9** provides information on the required notification.

Specific to transfers of savings between suppliers and carryover of excess actions from CERT and CESP, **Chapters 10 and 11** cover these two respectively.

Chapter 12 provides information on the end of the overall obligation period including our final determination and subsequent reports to suppliers and the Secretary of State for Energy and Climate Change ('Secretary of State'). It also sets out how suppliers may re-elect measures to different obligations.

Finally, **Chapter 13** describes our approach to fraud and audit, and technical monitoring in ECO. As noted above, further details on evidentiary requirements relevant to audit are also included in **Appendix 1** to this Guidance.

Supporting each of the Chapters is **Appendix 3**, which contains a glossary of terms used throughout this document.

Consultation questions are included at the beginning of each Chapter. For ease of reference, **Appendix A** collates together all of the consultation questions. **Appendix 4** contains a feedback questionnaire.

Introduction to this Consultation

This consultation seeks views on our draft guidance document - *Energy Companies Obligation (ECO) 2012-2015: Guidance for Suppliers*.

The Guidance outlines our proposed policies and processes for administering ECO. These policies and procedures are based on the Order as laid in parliament. As at the time of publication of this consultation the Order has not been made or come into force.

Once the Order is made, it will be the responsibility of each supplier to understand the provisions of the Order and how those provisions apply to them. This Guidance is not intended to be a definitive guide to those provisions, rather it is intended to provide suppliers with information on Ofgem's administration and how we intend to discharge our legislative duties.

Consultation questions on specific issues are included at the beginning of the relevant Chapter and collated in Appendix A. Responses will be most useful if framed in response to the consultation questions, though comments on any aspect of the Guidance are welcome.

Responses should be submitted to: eco.consultation@ofgem.gov.uk, or ECO Team, Ofgem, 9 Millbank, London, SW1P 3GE.

Responses should be received **by Friday 25 January 2013**. Any responses received after this date will only be considered in exceptional circumstances.

All consultation responses will be published to the website. If you prefer your response to be treated as confidential, please state so clearly (in writing) when you submit your response. It would be helpful if you could include an explanation of why you regard the information you provided as confidential.

Following consultation, this document will be amended to reflect responses received and then published to our website as our Guidance on ECO. We will also publish a 'response to consultation' document. This will summarise the key issues raised during consultation and explain where and how this has informed the published Guidance.

Consultation on Methodologies for Calculating Amount of Supply

Separate to this consultation, we are also consulting on the methodologies to be used by obligated suppliers to calculate the number of domestic customers and amount of electricity and gas supplied to domestic customers. This information will be used to set obligations for Phase Two and Three of the scheme (1 April 2013 to 31

March 2014). This is a four-week consultation, which will close on **21 December 2012**.

We have chosen to consult on this issue separately as the consultation period for the Guidance would not allow suppliers sufficient time to react to any change to our approach.

Respondents wishing to respond on this issue should refer to our website at: www.ofgem.gov.uk.

1. Background to ECO

Chapter Summary

Provides a brief overview of ECO, the background to the scheme and key features, including its relationship to the Green Deal.

Question box

Question 1: Do you agree with our proposed 'date of effect' of the final guidance? If not, please suggest a different approach and explain your reasons for this?

Question 2: Whilst ECO brokerage is not currently mandated what, if any, areas of additional detail should be considered to avoid complications for the Brokerage mechanism?

Introduction

- 1.1. ECO is a government energy efficiency scheme for Great Britain. It sits alongside the Green Deal and places obligations on larger domestic energy suppliers to deliver energy efficiency measures to domestic households, with a focus on vulnerable consumer groups and hard-to-treat homes.
- 1.2. This document provides guidance to suppliers on the requirements of ECO. It builds on and supersedes information already provided in a series of Open Letters published by Ofgem ('we', 'our' and 'us' in this document). This guidance does not address the requirements of the Green Deal or the proposed ECO Brokerage.

Open Letters providing information on ECO

- 1.3. In November 2012, we published five Open Letters providing information on key aspects of ECO. These are:
 - a. *Notice of new scheme, notice to obligated suppliers of duty to notify customer numbers and amount of supply;*
 - b. *Information on applications for Excess Actions;*

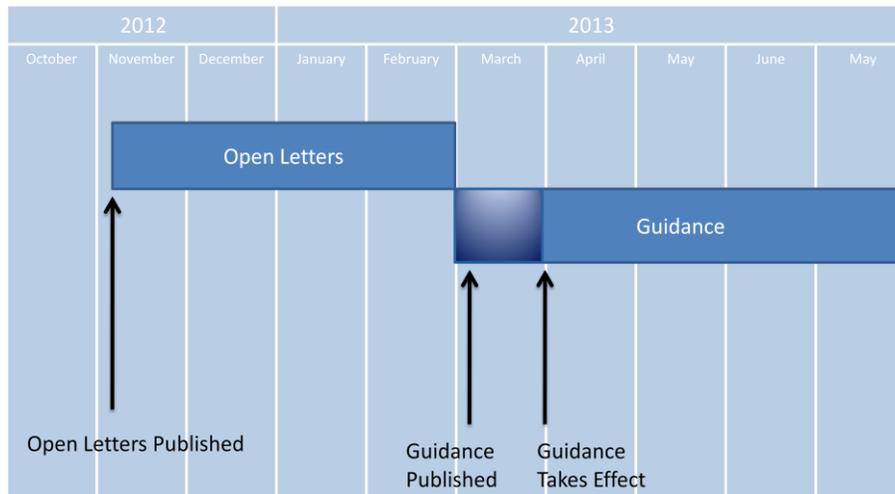
- c. *Information on determining savings for qualifying actions;*
 - d. *Documents and data to be made available on request, general information about some legislative provisions of ECO; and*
 - e. *Notification of completed measures.*
- 1.4. Each of the above letters is available on our website³.
- 1.5. Policies or processes set out in the Open Letters are superseded by this Guidance from and including the date of its effect. This Guidance will not operate retrospectively to override a policy or process set out in an Open Letter.
- 1.6. Therefore, activity undertaken before the final guidance is published should use the information set out in our Open Letters. Activity undertaken after the guidance is published and come into effect should use the information set out in the Guidance.

Date of effect for the guidance

- 1.7. Depending on the consultation responses received, we anticipate that the final guidance will be published by March 2013. In order to align with the monthly notification cycle and to ensure a smooth transition between the Open Letters and the guidance, the final guidance will take effect from: *the first day of the first month which occurs two weeks or more after the date on which the guidance is published.*
- 1.8. For example, if the final guidance is published in the first two weeks of February 2013, the date of effect will be 1 March 2013 (with notification in April 2013). If the final guidance is published in the final week of February 2013, the date of effect will be 1 April 2012.
- 1.9. This is illustrated in the figure below (which assumes the final guidance is published in early February 2013).

³ <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/guidance/Pages/index.aspx>

Figure 1: Example Timeline Demonstrating 'Date of Effect' for Guidance



Summary of ECO

1.10. ECO is a new statutory scheme for Great Britain established by the Order. It imposes a legal obligation on larger energy suppliers to deliver energy efficiency measures to domestic energy users. This is realised through the establishment of three distinct obligations:

- a. **Carbon Emissions Reduction Obligation (CERO):** promotes the installation of solid wall and hard-to-treat cavity wall insulation alongside packages of measures (see Chapters 4 and 5).
- b. **Carbon Savings Community Obligation (CSCO):** promotes the installation of insulating measures and connections to district heating systems in areas of low income and rural areas (see Chapters 4 and 6).
- c. **Home Heating Cost Reduction Obligation (HHCRO):** promotes the installation of measures, including the repair and replacement of boilers, to homes in receipt of certain benefits, to reduce the overall cost of space heating (see Chapters 4 and 7).

1.11. The Order sets an overall target for each of the above obligations, which suppliers must meet before 31 March 2015. The overall targets for each of the



obligations are 20.9 MtCO2 savings under CERO, 6.8 MtCO2 under CSCO, and £4.2 billion savings under HHCRO. For each phase of ECO⁴, obligated suppliers will be allocated a proportion of the overall obligation, depending on each supplier’s relative share of the domestic gas and electricity market.

1.12. The primary way in which obligated suppliers can achieve obligations, is through promoting qualifying actions, or adjoining installations (‘measures’) in eligible households.

1.13. A high-level overview of the operation of ECO is as follows:

Figure 2: High-Level Overview of ECO

Obligation Setting	Achieving Obligations	Calculating Savings	Notification	End of Obligation Period
<ul style="list-style-type: none"> Suppliers provide domestic customer numbers and amount of supply We set obligations for suppliers (CERO, CSCO, HHCRO) See Chapters 2 and 3 	<ul style="list-style-type: none"> Suppliers complete activity towards their obligations CERO, CSCO or HHCRO See Chapters 4, 5, 6 and 7 	<ul style="list-style-type: none"> Suppliers calculate the savings Use SAP, RdSAP, or Appropriate Methodologies See Chapter 8 	<ul style="list-style-type: none"> Suppliers notify us of actions delivered to achieve their obligations Suppliers notify us of measures they would like to transfer to another supplier Suppliers notify us of excess actions they wish to carry over from CERT/CESP We attribute savings to notified measures We notify suppliers of attributed savings We notify the Secretary of State of suppliers' progress towards their obligations See Chapters 9, 10 and 11 	<ul style="list-style-type: none"> Suppliers can re-elect actions to different obligation We determine whether suppliers have achieved their obligations Where a supplier has not complied, we will consider whether to take enforcement action We notify suppliers and the Secretary of State of our determination See Chapter 12

Our role as Administrator of ECO

1.14. We will administer ECO for the overall obligation period, which will end on 31 March 2015.

⁴ Phase One- 1 January 2013 to 31 March 2013; Phase Two – 1 April 2013 to 31 March 2014; Phase Three – 1 April 2014 to 31 March 2015.

- 1.15. The Order details the Administrator's powers and functions in respect of the ECO scheme. These functions include to:
- a. determine supplier obligations for each phase of ECO⁵;
 - b. notify suppliers of their obligations for each phase of ECO⁶;
 - c. approve alternative methodologies for suppliers to calculate carbon or cost savings⁷;
 - d. approve transfers of a qualifying action achieved by supplier 'A' to another supplier 'B'⁸;
 - e. approve a suppliers application for excess actions⁹;
 - f. attribute saving to completed qualifying action;
 - g. determine whether a supplier has achieved its total obligation for each obligation under ECO¹⁰;
 - h. submit a report to the Secretary of State each month, detailing the progress which suppliers have made towards achieving their obligations¹¹;
 - i. submit a report to the Secretary of State detailing whether suppliers achieved the total obligations set for each obligation under ECO after the overall obligation period has ended¹²;
 - j. require information or evidence from suppliers, including information relating to the cost to the supplier of achieving its obligations; and
 - k. monitor compliance with the requirements under the Order and take enforcement action where appropriate¹³.

⁵ Article 8 of the Electricity and Gas (Energy Companies Obligation) Order 2012 ('the Order').

⁶ Article 8 (4)(a)(b) of the Order.

⁷ Article 18 (3) of the Order.

⁸ Article 20 (1) of the Order.

⁹ Article 21 (9) of the Order.

¹⁰ Article 19 (1) of the Order.

¹¹ Article 22 (5) of the Order.

¹² Article 22 (6) of the Order.

Role of obligated suppliers under ECO

- 1.16. Suppliers have a number of roles under the ECO scheme. These include to:
- a. notify us of the number of their domestic customers and amount of energy supplied to domestic customers ahead of the commencement of each phase of ECO;
 - b. promote and install qualifying actions to domestic energy users;
 - c. notify us of completed qualifying actions;
 - d. calculate the carbon or cost saving for each individual measure installed to domestic energy users;
 - e. produce evidence relating to activity undertaken to achieve obligations under ECO;
 - f. achieve the overall carbon emissions reduction target, carbon saving community target and home heating cost reduction target by close of the obligation period; and
 - g. monitor activity under ECO (for example technical monitoring of installations) and report the result of monitoring to us.

Information gathering powers

- 1.17. We may, from time to time, require a supplier to provide us with information about a supplier's proposals for complying with any requirement of the Order. We may also require a supplier to produce evidence of a specified kind to demonstrate that it is complying with, or that it has complied with, any requirement under the Order. This may include information relating to the cost to the supplier of meeting its obligations.

¹³ Articles 23 and 24 of the Order.

Relationship between the Green Deal and ECO

- 1.18. The Green Deal is a new market-led framework, which aims to improve energy efficiency throughout Great Britain. Central to this framework is the introduction of a new Green Deal financial mechanism, which allows businesses and individuals to make energy efficiency improvements to their buildings at no upfront cost. The costs of the measures are paid for out of the resultant savings on that consumer's energy bill.
- 1.19. ECO works alongside the Green Deal and aims to provide support in the domestic sector to those that are most in need and where Green Deal finance alone is not enough.
- 1.20. The Green Deal is administered by Gemserv. Further information on the Green Deal can be found on the Department of Energy and Climate Change's (DECC's) website at www.decc.gov.uk

ECO Brokerage Mechanism

- 1.21. The ECO Brokerage is an auction based mechanism designed to enable suppliers to buy forward contracts for delivery of ECO carbon or cost savings arising from installations by Green Deal Providers (or other authorised sellers on the brokerage platform).
- 1.22. We have no role in administering the ECO Brokerage and this Guidance does not address the brokerage or its administrative requirements. However we recognise that, on occasion, suppliers may seek credit for measures obtained through this platform. In order for such measures to be considered eligible under ECO, their installation, reporting and notification (etc) should be demonstrably compliant with the Order and this Guidance. For further information on the ECO Brokerage Mechanism please contact ECObrokerage@decc.gsi.gov.uk.
- 1.23. We are aware that the Government is planning a consultation on whether Energy Companies should be regulated to use brokerage, and at what volume.

- 1.24. For further details about the consultation please contact ECObrokerage@decc.gsi.gov.uk¹⁴.

Queries

- 1.25. Any queries in relation to the Order and its administration should be emailed to eco@ofgem.gov.uk.
- 1.26. Any queries regarding future changes to the ECO scheme, the Green Deal and wider policy should be directed to DECC. Contact details can be found at www.decc.gov.uk.
- 1.27. Any queries in relation to the administration of the Green Deal should be directed to Gemserv, at www.gemserv.com.

¹⁴ Department of Energy and Climate Change, *The Green Deal and Energy Company Obligation Consultation*, Reference number 11D/886:
http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

2. Who is Obligated Under ECO: Definition of 'Supplier'

Chapter Summary

Provides information on the definition of a 'supplier' as set out in the Order.

Introduction

- 2.1. Only licence-holders that meet the definition of a 'supplier' will be subject to the requirements of ECO.
- 2.2. This chapter provides an explanation of the circumstances in which a gas or electricity licence-holder will meet the definition of a 'supplier'. It also introduces the concepts of a dual-licence holder and a group company, and explains the circumstances in which these types of licence-holder will meet the definition of a 'supplier'.

When is a licence-holder a 'supplier'?

- 2.3. The Order establishes a threshold beyond which a licence-holder will be defined a 'supplier', and will therefore become subject to the requirements of ECO.
- 2.4. The threshold has two elements: number of domestic customers, and amount of supply to domestic customers, by reference to a given year. Where a licence-holder is a member of a group of companies, the licence-holder will be a 'group company' and it will be the customer numbers and amount of supply of the group of companies that is used to determine whether the threshold is exceeded. Where a company holds both an electricity supply licence and a gas supply licence ('dual licence-holder'), it will be the combined customer numbers of the two licences that are used to determine whether the threshold is exceeded.
- 2.5. Each licence-holder is responsible for determining whether it is a supplier. The methodologies for determining whether a licence-holder is a supplier for the purposes of ECO are outlined in Chapter 3. A licence-holder that does not exceed the threshold for a given year may do so in a subsequent year.

- 2.6. Once a licence-holder has met the definition of a supplier for a given year, it will remain a supplier (i.e. subject to the requirements of ECO) throughout the overall obligation period.

Applying the threshold to different categories of licence-holder

- 2.7. The following is a list of the different types of licence-holders and the conditions under which each becomes a supplier under ECO, by reference to domestic customer numbers at 31 December 2011, 2012, or 2013 (each year being a 'relevant year') and the amount of supply to domestic customers during the year ending on that date.
- 2.8. For any relevant year:
- A licence-holder that is not a group company¹⁵, and holds an electricity supply licence only, is a supplier if it had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year;
 - A licence-holder that is not a group company, and holds a gas supply licence only, is a supplier if it had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year;
 - A licence-holder that is not a group company, and holds both a gas supply licence and an electricity supply licence, is a supplier if it had more than 250,000 domestic gas customers and domestic electricity customers¹⁶ at 31 December of the relevant year, and it either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year;
 - A group company that holds an electricity supply licence only is a supplier if the group of companies had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year;

¹⁵ A 'group company' is a licence-holder that is a member of a group of companies.

¹⁶ A customer supplied with electricity and gas by the same licence-holder is to be counted as two customers.

- A group company that holds a gas supply licence only is a supplier if the group of companies had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year; and
- A group company that holds both a gas supply licence and an electricity supply licence is a supplier if the group of companies had more than 250,000 domestic gas customers and domestic electricity customers¹⁷ at 31 December of the relevant year and the group of companies either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

Group of companies

- 2.9. Whether a licence-holder is a member of a group of companies with another licence-holder should be determined by reference to the membership of the group of companies on 31 December of the relevant year.
- 2.10. A group of companies comprises the holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly-owned' subsidiary have the same meaning as in section 1159 of the Companies Act 2006¹⁸.
- 2.11. Where a licence-holder is a member of a group of companies on the 31 December of a relevant year, the whole of the electricity or gas supplied by that licence-holder between 1 January and 31 December of that year must be taken into account when determining the group's supply. This is irrespective of whether that licence-holder was a member of the group for the whole of that year.
- 2.12. Because of the way in which supply and customer numbers are calculated for licence-holders that are members of a group of companies, if a licence-holder, which is a group company, individually exceeds the threshold, then all the other licence-holders in that group that hold a licence of the same type will also meet the definition of 'supplier'.

¹⁷ A customer supplied with electricity and gas by the same licence-holder is to be counted as two customers.

¹⁸ 2006 c.46.

- 2.13. A licence-holder that meets the threshold set under the Order is defined, under the Order, as a 'supplier'. Where a company holds both a gas supply licence and an electricity supply licence (i.e. is a dual licence-holder), the company (i.e. the dual licence-holder) will be a separate supplier in respect of each supply.
- 2.14. It is important to note that the requirements under ECO fall on suppliers rather than groups of companies. In the remainder of this Guidance we use the word 'supplier' to refer to a licence-holder that is subject to the requirements of ECO.

3. Notification of Domestic Customer Numbers and Supply: Setting Obligations

Chapter Summary

Provides details of the notification that suppliers must provide to us to allow obligation setting to occur and sets out when we will notify suppliers of the extent of their obligations for each phase of ECO.

Question box

Please note: We are consulting separately on the methodologies for calculating number of domestic customer numbers and amount of gas and electricity supply for Phases Two and Three of ECO. This consultation is for four weeks, and can be found at www.ofgem.gov.uk. Respondents wishing to comment on these methodologies should refer to our website.

Introduction

- 3.1. Where a licence-holder is a supplier for the purposes of ECO (see Chapter 2), it must notify us of its own (and if the supplier is a group company, its group's) domestic customer numbers and amount of supply ahead of each phase of ECO. This information will be used by us to set obligations for suppliers.
- 3.2. This chapter provides information on this notification and explains how we use that information to determine a supplier's obligations. It also introduces the concept of 'zero' obligations.

The overall obligation period for a supplier; the period for achieving obligations

- 3.3. For a licence-holder that met the definition of a supplier on 31 December 2011 (see Chapter 2), its overall obligation period commences on 1 January 2013

and ends on 31 March 2015¹⁹. In the case where a licence-holder does not meet the definition of a supplier until 31 December 2012 or 2013 (a 'new supplier'), its overall obligation period commences on 1 April 2013 or 1 April 2014, respectively²⁰.

- 3.4. The Order establishes three phases:
 - a. **Phase One:** 1 January 2013 to 31 March 2013;
 - b. **Phase Two:** 1 April 2013 to 31 March 2014; and
 - c. **Phase Three:** 1 April 2014 to 31 March 2015.
- 3.5. We are required to determine a supplier's obligations for each phase of ECO. This means that a 'new supplier' for whom the overall obligation period commenced on 1 April 2013 will only ever be given obligations in respect of Phases Two and Three. A new supplier for whom the overall obligation period commenced on 1 April 2014 will only have an obligation in respect of Phase Three.
- 3.6. For any one of the three obligations (CERO, CSCO or HHCRO), the sum of the obligations set for a supplier for each of the phases is a supplier's:
 - a. total carbon emissions reduction obligation;
 - b. total community saving carbon obligation; or
 - c. total home heating cost reduction obligation,as applicable.
- 3.7. A supplier must achieve each of its total obligations by the end of the supplier's overall obligation period (i.e. 31 March 2015).
- 3.8. The obligations set for each phase of ECO are cumulative. They do not need to be met individually. This means, for example, that a supplier is not required to meet its CERO for Phase One by the end of Phase One, but rather that its CERO for Phase One will be added to its CERO for Phase Two and Phase Three. The sum of all three obligations is its total carbon emission reduction

¹⁹ Article 6(1)(a)

²⁰ Article 6(2)

obligation. It is this total that the supplier has to meet by the end of the overall obligation period.

- 3.9. As explained in paragraph 3.21 below, in some cases we may determine that a supplier’s obligation for a particular phase is zero. Where we notify a supplier that it has a zero obligation for a particular phase, the supplier will still need to meet its obligations from any previous or subsequent phases.

When suppliers must notify

- 3.10. **Table 1** below sets out the dates by which suppliers must notify us of domestic customer numbers and supply, the period of time that notification must relate to, and the dates by which we will notify suppliers of their obligations.

Table 1: Key dates relating to notification of domestic customer numbers and supply

	Date by which suppliers must notify customer numbers and supply ('notification deadline')	Period of time notification relates to ('notification period')	Date by which we notify suppliers of their obligations
Phase One <i>1 January 2013 to 31 March 2013</i>	By the third working day after the day on which the Order is made	1 January 2011 to 31 December 2011	No later than the twelfth working day after supplier notification
Phase Two <i>1 April 2013 to 31 March 2014</i>	1 February 2013	1 January 2012 to 31 December 2012	Last day of February 2013
Phase Three <i>1 April 2014 to 31 March 2015</i>	1 February 2014	1 January 2013 to 31 December 2013	Last day of February 2014

What suppliers must notify

3.11. Each supplier must, by the notification deadline (see Table 1), notify us of the following:

- the number of its domestic customers on 31 December of the notification period (see Table 1); and
- the amount of gas or electricity (as applicable) supplied to its domestic customers during the notification period.

3.12. In addition to notifying its own customer numbers and amount of supply, where a supplier was a group company²¹ on 31 December of the notification period, the supplier ('Supplier A') must also notify us of the following information relating to each of the other suppliers in the group of companies (on 31 December) that made the same type of supply (i.e. electricity or gas) as Supplier A:

- the name of each of the other suppliers;
- the company registration number for each of the other suppliers; and
- the amount of electricity or gas (as the case may be²²) supplied by the group from 1 January to 31 December of the notification period.

3.13. Where a supplier fails to provide the notification required under the Order, or where we are satisfied that a notification is inaccurate, we may determine the matters to which the notification related²³. We may also take enforcement action if appropriate.

Domestic customers

3.14. Domestic customer numbers should be determined in accordance with the definition set out in the Order: '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.'

²¹ For further information see Chapter 2 and the glossary to this Guidance

²² A supplier who is an electricity licence-holder notifies the amount of electricity supplied by the group. A supplier who is a gas licence-holder notifies the amount of gas supplied by the group.

²³ Article 7 (2) and (6) of the Order.

Electricity supply

3.15. To calculate the amount of electricity supply, suppliers should use the methodology set out below.

Methodology for Calculating Amount of Electricity Supply

Please note: We are consulting separately on the methodologies for calculating domestic customer numbers and amount of gas and electricity supply for Phases Two and Three of ECO. This consultation is for four weeks, and can be found at www.ofgem.gov.uk. Respondents wishing to comment on these methodologies should refer to our website.

Gas supply

3.16. To calculate the amount of gas supply, suppliers should use the methodology set out below.

Methodology for Calculating Amount of Gas Supply

Please note: We are consulting separately on the methodologies for calculating domestic customer numbers and amount of gas and electricity supply for Phases Two and Three of ECO. This consultation is for four weeks, and can be found at www.ofgem.gov.uk. Respondents wishing to comment on these methodologies should refer to our website.

Form of notification

3.17. The notification must be provided to us using the notification template found on our website²⁴.

3.18. Suppliers should use this template to notify the information listed in this chapter. We require two copies of this template by the notification deadline (see Table 1). These copies must be submitted as:

²⁴<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=9&refer=Sustainability/Environment/ECO/guidance>.

- a hard copy, by post, addressed to 'ECO Team, 9 Millbank, London, SW1P 3GE' with an original signature from an authorised signatory of the supplier's company;

AND

- an electronic version to eco@ofgem.gov.uk.

Setting supplier obligations

3.19. Before the beginning of each phase of ECO we will determine obligations for that particular phase, for each supplier. The obligations will be determined using the formula set out in the Order²⁵ and based on the domestic customer numbers and amount of supply notified to us for each phase. As identified in paragraph 3.13 above, where a supplier fails to notify us of these figures, or where we are satisfied that a notification is inaccurate, we may determine the figures ourselves.

3.20. The formulas we use to calculate suppliers obligations are set out below.

Figure Three: Determining obligations for a supplier who is *not* a member of a group of companies

For each of the obligations under ECO, the supplier's obligation for a phase is:

$$\left(\frac{A}{2}\right) \left(\frac{Tx}{T}\right)$$

Where 'A' is the value given in the following table:

	CERO	CSCO	HHCRO
Phase One	4.18 MtCO ₂	1.36 MtCO ₂	£0.84bn
Phase Two	8.36 MtCO ₂	2.72 MtCO ₂	£1.68bn
Phase Three	8.36 MtCO ₂	2.72 MtCO ₂	£1.68bn

²⁵ See Articles 9, 10 and 11 of the Order.

'Tx' is the amount of electricity or gas supplied in the notification period by the supplier, and calculated using the formula in Figure 5.

'T' is the total amount of electricity or gas (as applicable) supplied in the notification period by all suppliers and calculated using the formula in Figure 5, but excluding those suppliers whose obligation for the phase will be zero.

Figure 4: Determining obligations for a supplier who is a member of a group

For each of the obligations under ECO, the supplier's obligation for a phase is:

$$J \times \left(\frac{H}{K} \right)$$

Where: 'J' is the amount produced by applying the formula set out in Figure 3 above²⁶, except in this instance 'Tx' is the amount of electricity or gas supplied in the notification period by the *group* to which that supplier belongs and calculated using the formula in Figure 5.

'H' is the amount of electricity or gas notified by the supplier for the notification period.

'K' is the amount of electricity or gas supplied in the notification period by the group to which the supplier belongs.

Figure 5: Formula for determining supply

To calculate the amount of electricity or gas supplied by a supplier or group in a notification period for the purposes of determining its obligations, the formula is as follows:

1. Where the amount of electricity supplied is more than 400 but less than 800 gigawatt hours, or the amount of gas supplied is more than 2000 but less than 4000 gigawatt hours, the amount of supply is calculated using the following formula:

$$(A-B) \times 2$$

²⁶ i.e. $\left(\frac{A}{2} \right) \left(\frac{Tx}{T} \right)$

Where: '**A**' is the amount of electricity or gas notified by the supplier or group for the notification period.

'**B**' is in the case of an electricity supplier, 400 gigawatt hours of electricity; or in the case of a gas supplier, 2000 gigawatt hours of gas.

2. Where the amount of electricity supplied is equal to or more than 800 gigawatt hours, or the amount of gas supplied is equal to or more than 4000 gigawatt hours, the amount of supply is as notified.

Zero obligations

- 3.21. Where a supplier that is not a group company supplies, during a notification period for a phase, equal to or less than:

- a. 400 gigawatt hours of electricity; or
- b. 2000 gigawatt hours of gas,

each of the supplier's obligations for that phase will be set at zero.

- 3.22. Where a supplier is a group company and the group supplies, during a notification period, equal to or less than:

- a. 400 gigawatt hours of electricity (where the supplier is an electricity supplier); or
- b. 2000 gigawatt hours of gas (where the supplier is a gas supplier),

each of the supplier's obligations for that phase will be set at zero.

4. Achieving Obligations: General Information Relating to All Obligations

Chapter Summary

Sets out the general information relevant to achieving two or all of the obligations (CERO, CSCO and HHCRO).

Question box

Question 3: We have stated that, where a supplier funds all or part of the installation of a measure, we will be satisfied that a supplier has 'promoted' a measure. Do you think that this is a sufficient test for promotion, or should we include additional criteria?

For example, where an extension is being built to a property, or an occupied property is being renovated, should we only award a score to measures that are installed and that exceed building regulations? Also, should we only award the portion of the carbon or cost saving that exceeds building regulations?

Question 4: Do you think that the installation and technical standards required by us under ECO are sufficient? If not, which other standards would be more appropriate and why?

Question 5: Do you agree that we should only require suppliers to comply with the measure-specific annexes in PAS, or should we require suppliers to comply with PAS in its entirety? If the latter, please explain why.

Introduction

- 4.1. Under the Order, suppliers will each have three distinct obligations - CERO, CSCO, and HHCRO.
- 4.2. This chapter provides information about requirements and matters that are relevant to two or all of the obligations. Chapters 5, 6 and 7 provide information about requirements and matters specific to CERO, CSCO and HHCRO respectively. The requirements and matters discussed in this Chapter are:
 - a. promotion of qualifying action;

- b. domestic energy user, and domestic premises;
 - c. recommended measures;
 - d. measures that improve the insulating properties of the premises;
 - e. standards relating to the installation of a measure;
 - f. installation by a person of appropriate skill and experience;
 - g. proportion of installation that must be completed; and
 - h. connection to a district heating system.
- 4.3. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter or Chapters 5 to 7. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on Audit and Technical Monitoring.

Promotion of a qualifying action

- 4.4. A supplier achieves an obligation by promoting qualifying actions to a domestic energy user for CERO and CSCO or to a 'householder' for HHCR0. A qualifying action is the installation of a measure that satisfies conditions laid out in the Order. The act of promoting is therefore linked to the act of installing a measure.
- 4.5. A supplier promotes the installation of a measure where the supplier is a cause of that measure being installed. The most obvious case of promotion is the case where a supplier engages an installer to carry out installation of a measure. However the fact that a supplier has funded all or part of the installation of a measure will be sufficient to establish that the supplier was a cause of that measure being installed. In this case, the agreement to fund the installation must be concluded before the installation of the measure begins.
- 4.6. A supplier may jointly fund a measure with a third party (other than another supplier), for example local government or a devolved administration. In this case the supplier will need to satisfy us that the funding it provided was a cause of the installation of a particular measure. This could be difficult in a

case where more than one supplier puts funds into a 'collective initiative' which is used by a third party to pay for installation of measures. We recommend that a supplier speak to us before jointly funding a measure, to ensure that the funding arrangement is sufficient to establish that the supplier was a cause of the installation of a particular measure.

Domestic energy user, and domestic premises

- 4.7. A supplier achieves its CERO and CSCO by promoting qualifying actions to domestic energy users. A domestic energy user is a person who uses energy in *domestic premises* in Great Britain wholly or mainly for domestic purposes and includes a person living in a mobile home.
- 4.8. A supplier achieves its HHCRO by promoting qualifying action to householders. A householder is a person who, among other things, occupies *domestic premises*²⁷.
- 4.9. Domestic premises is separate and self-contained premises used wholly or mainly for domestic purposes. For the purpose of ECO, premises include the following:
- a. a building, or part of a building, but not the land on which the building is situated;
 - b. a mobile home, as defined in the Order.
- 4.10. Domestic purpose relates to the use of premises as a residence or, in other words, as living accommodation.

Recommended measure

- 4.11. For a measure to be a qualifying action under CERO and CSCO, the measure must be a 'recommended measure'. Measures can be recommended in a report by a Green Deal Assessor (a Green Deal Report), or can be recommended in a report by a chartered surveyor.
- 4.12. These two types of reports are explained in greater detail below.

²⁷ For further information about 'householder' see Chapter 7.

Green Deal Report

- 4.13. A Green Deal Report is a report produced by a 'Green Deal Assessor' following a 'qualifying assessment'. A 'qualifying assessment' is an energy efficiency assessment of a property conducted in accordance with Regulation 7 of the Green Deal Framework (Disclosure, Acknowledgement, Redress etc) Regulations 2012. The report is based on an Energy Performance Certificate (EPC) and Occupancy Assessment and is specific to the domestic energy user's premises where the measure is to be installed. The report must be lodged with the appropriate Green Deal body to be eligible under ECO.

Chartered Surveyor's Report

- 4.14. A measure may be recommended in a report by a chartered surveyor pursuant to an assessment of a domestic energy user's premises performed for the purpose of identifying measures for improving the energy efficiency of the premises. The assessment must be a whole house survey. The assessment itself may be carried out by a person other than the surveyor responsible for the report, provided that person is of appropriate skill and qualification.

- 4.15. The report by the chartered surveyor must:

- a. identify the premises to which the report relates;
- b. specify in reasonable detail the energy efficiency measure(s) that is (or are) recommended for the premises;
- c. contain a summary of the assessment of the premises;
- d. contain the name, qualifications and contact details of the chartered surveyor;
- e. if a person other than the chartered surveyor conducted the energy efficiency assessment, contain the name and qualifications of that person; and
- f. be signed by the chartered surveyor.

- 4.16. A single report may be used for more than one premises as long as the report clearly states each premises that it relates to. Where there is a row or block of largely identical premises, it will not be necessary to carry out a whole house

survey of each if there are reasonable grounds for judging that the measures being recommended are appropriate for each premises. However it will usually be necessary to visit each premises in order to determine a few key factors for recommending energy efficiency measures, such as boiler efficiency and fuel type.

- 4.17. The person providing the report should be an appropriately qualified chartered surveyor. For further information please visit the Royal Institute of Chartered Surveyors (RICS) website²⁸.

Measures that improve the insulating properties of the premises

- 4.18. Qualifying actions under the CERO and CSCO must improve the insulating properties of the premises. We have prepared a table that includes a non-exhaustive list of the measures that we consider 'improve the insulating properties of the premises'. Those measures are described in the table as 'insulation measures' and are identified as eligible for CERO and CSCO. The measures table is available on our website²⁹.

Standards relating to installation of a measure

- 4.19. Suppliers should ensure that the installation of a measure is carried out in accordance with the relevant standards.
- 4.20. Where a measure is referred to in the Publicly Available Specification 2030:2012 (PAS), the installation of the measure must be carried out in accordance with:
- a. the provisions of the relevant annex of PAS; and
 - b. the Building Regulations 2010 and other regulations that relate to the installation of the measure.
- 4.21. PAS requires that the person installing a measure have certain competencies. However we do not require installers to be 'PAS accredited'.

²⁸ www.rics.org

²⁹ Available on <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=13&refer=Sustainability/Environment/ECO/guidance>

- 4.22. Where a measure is not referred to in PAS, the installation of the measure must be carried out in accordance with the Building Regulations 2010 and other regulations that relate to the installation of the measure.
- 4.23. One of the means by which we will assess compliance with the relevant standards is through the audit of documents held by an installer. A supplier should have a contractual agreement or similar formal relationship with the installer that requires the installer to cooperate with our auditors or officers by providing documents that demonstrate compliance with standards of installation.
- 4.24. We may require a supplier to demonstrate that a product or system used in installation is compliant with Building Regulations. One of the means by which this may be demonstrated is by documents showing that the product or system has UKAS (United Kingdom Accreditation Service) accredited lab certification (e.g. from the British Board of Agrément) or European Technical Approval. Any certification or approval must be relevant to the conditions under which the product or system will be used.
- 4.25. Suppliers will need to conduct technical monitoring of installations. See Chapter 13 for more detailed information about technical monitoring and audits.

Installation by a person of appropriate skill and experience

- 4.26. For the purpose of HHCRO, and excess actions installed from 1 October 2012, measures must be installed by a person of appropriate skill and experience.
- 4.27. To be considered a person of appropriate skill and experience:
 - a. for measures within PAS, measures must be installed by operatives who meet the operative competence requirements listed in the measure-specific annexes to PAS; or
 - b. for measures not in PAS, measures must be installed by operatives that meet industry competency standards to install that particular measure.

Proportion of installation that must be completed

- 4.28. Suppliers must install 100 percent of a measure unless there is a good reason why they cannot. For example for loft insulation unless there is a good reason not to, the entire loft must be insulated, including the hatch.

- 4.29. 'Good reasons' may vary according to the measure type. For internal wall insulation, we will accept as a valid reason a householder who does not want to treat all rooms at the same time. The same reason is unlikely to be valid for draught-proofing and window glazing as there are generally fewer practical obstacles to installing 100 percent of this measure.
- 4.30. If a supplier treats a property where a measure has already been partially installed (e.g. where secondary glazing has already been installed to 20 percent of the window area) then this is a valid reason for why the supplier will install less than 100 percent of a measure.
- 4.31. In the cases of glazing, or draft proofing, of windows and doors in premises, we consider that the measure is not treatment of a single window or door but treatment of all windows and doors in the premises.
- 4.32. Suppliers in doubt as to what a 'good reason' is should contact us.

District heating systems

- 4.33. Under the CERO and CSCO, 'district heating connections' are eligible measures (subject to other requirements which are outlined in Chapters 5 and 6 respectively). The following measures will be a connection to a district heating system:
- a. new connections to domestic energy users;
 - b. upgrades of existing connections where substantial replacement work is carried out to the plant and/or pipework;
 - c. fuel switching where work is carried out to the system machinery (e.g. downsizing of boilers) and this results in improved efficiencies; and
 - d. upgrading a connection to a district heating system by installation of heat meters.
- 4.34. Works where fuel switching or upgrades involve minimal plant or pipe replacement are not eligible as qualifying actions under the CERO and CSCO.

- 4.35. Under the HHCRO, measures relating to district heating systems are eligible where it can be shown they achieve a heating saving at a property³⁰.
- 4.36. We recommend that suppliers liaise with us before installing a connection to a district heating system.

³⁰ *Heating saving* means the money that would be saved by that installation over its expected lifetime in heating a home to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas (see Article 2 of the Order).

5. Carbon Emissions Reduction Obligation

Chapter Summary

Provides information about achieving the carbon emissions reduction obligation (CERO).

Question box

Question 6: Please provide your views on our definition of, and evidential requirements for³¹, hard-to-treat cavities. In particular:

- **Cavities which are not suitable to insulate with standard insulation materials or techniques**
- **Substantial remedial works**
- **The requirement for a chartered surveyor's report for the insulation of natural stone cavity walls**

Introduction

- 5.1. The CERO focuses on the insulation of solid and hard-to-treat cavity walls, which are 'primary measures' under this obligation. Other insulation measures and connections to district heating systems are also eligible if they are promoted as part of a package that includes solid wall insulation or hard-to-treat cavity wall insulation. This Chapter provides information about achieving CERO.
- 5.2. We will set the CERO for each supplier at the beginning of each phase of the overall obligation period. These obligations are cumulative and suppliers must meet their total CERO obligation by 31 March 2015.
- 5.3. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on Audit and Technical Monitoring.

³¹ For information on evidentiary requirements, please see Appendix 1.

Qualifying actions under CERO

- 5.4. A supplier achieves its CERO by promoting carbon qualifying actions to domestic energy users³².
- 5.5. A carbon qualifying action is the installation of a measure that meets the criteria and conditions specified in Article 12(4) to (7) of the Order.
- 5.6. The measures that may be carbon qualifying action can be divided into two types and we use the terms 'primary measure' and 'secondary measure' to describe these two types³³.
- 5.7. A *primary measure* is:
- a. insulation of a hard-to-treat cavity; or
 - b. solid wall insulation,
- that is a recommended measure³⁴, installed after 30 September 2012 and installed in accordance with the standards relating to installation of the measure³⁵.
- 5.8. Information about hard-to-treat cavity wall insulation and solid wall insulation is provided below.
- 5.9. A *secondary measure* is:
- a. a recommended measure installed to improve the insulating properties of the premises³⁶; or
 - b. a connection to a district heating system³⁷,
- installed after 30 September 2012 and installed in accordance with the standards relating to installation of the measure³⁸.

³² See Chapter 4 for information about 'domestic energy user'.

³³ Note that this terminology is not used in the Order.

³⁴ See Chapter 4 for information about the term 'recommended measure'.

³⁵ See Chapter 4 for information about standards relating to installation of a measure.

³⁶ See Chapter 4 for information about recommended insulation measures.

³⁷ See Chapter 4 for information about a connection to a district heating system.

- 5.10. A secondary measure can only be a carbon qualifying action if installed:
- a. at the same premises where a *primary measure* has been or will be installed;
 - b. by the same supplier that installs the *primary measure*; and
 - c. no more than six months before, or no more than six months after, the date on which the *primary measure* is installed.
- 5.11. A measure cannot be a secondary measure unless installed within six months of a primary measure that has been installed to at least 50 percent of the total exterior-facing walls of the premises. Insulation of a hard-to-treat cavity wall, or solid wall insulation, installed to less than 50 percent of exterior-facing walls may still be carbon qualifying action (subject to the requirements relating to the proportion of a measure that must be installed³⁹). However, in this case, the wall insulation will not be sufficient to support the 'secondary measure' status of another measure.
- 5.12. The 'total exterior-facing walls of the premises' includes any areas not suitable for insulation. If a property has both solid and hard-to-treat cavity walls, and solid wall insulation is used to treat both, then the percentages can be aggregated to meet or exceed the 50 percent threshold.

Insulation of a hard-to-treat cavity

- 5.13. Installation of Cavity Wall Insulation (CWI) to a hard-to-treat cavity is an eligible measure under all three ECO obligations. As explained in Chapter 8⁴⁰, the lifetime awarded will depend on the provision of a CIGA/SWIGA guarantee or equivalent (or in certain instances, sign off by building control and a clerk of works). This applies for each of the types of hard-to-treat cavity defined in paragraph 5.15 below.
- 5.14. For the purpose of CERO, we must be satisfied that a cavity falls within the definition of 'hard-to-treat cavity' before insulation of that cavity may be a

³⁸ See Chapter 4 for information about standards relating to installation of a measure.

³⁹ See Chapter 4 for information about the proportion of installation that must be completed.

⁴⁰ Paragraphs 8.13 and 8.14

primary measure. This section of the Guidance provides information about that definition.

- 5.15. A hard-to-treat cavity wall (as defined by Article 2 of the Order) is one that meets one or more of the following criteria:
- a. A cavity wall in a building with three or more storeys, and the cavity wall is on one of at least three consecutive storeys to have a cavity wall. A storey is above ground level, therefore basements are excluded from this definition. Lofts are also excluded as they are classified as roof space.
 - b. A cavity wall which a chartered surveyor reports is not suitable to insulate with standard insulation material or techniques. We have defined this as a material or technique which would not have met the requirements to be awarded a Cavity Insulation Guarantee Agency (CIGA) guarantee if installed in a cavity wall on 31 December 2012.
 - i. If installed in a cavity wall, a standard cavity wall insulation material or technique can be defined as one that meets the requirements for it to be awarded a CIGA guarantee.
 - ii. For a chartered surveyor to notify that the wall is not suitable to insulate with a standard insulation material or technique they must complete a report⁴¹. This report must detail why the cavity is not suitable for standard materials or techniques, and specifically recommend the suitable insulation type for the property. Further information on evidence requirements is included at Appendix 1.
 - iii. Reasons for a building being unsuitable for standard insulation material or techniques may include, but are not restricted to: located in an exposure zone, risk of water penetration, unsuitable construction type and cavities which are already *partially filled*.
 - iv. A *partially filled* cavity is a traditionally constructed cavity with insulation fixed to the inner leaf in the vertical plane (for the avoidance of doubt this does not refer to cavities containing slumped insulation or cavities with insulation only filled to a certain height).

⁴¹ A template for the chartered surveyor will be available on our website at www.ofgem.gov.uk.

- c. A cavity wall which a chartered surveyor has reported is not suitable to insulate without substantial remedial works to the building.
 - i. Remedial works would include weather proofing of the building to prevent water penetration and clearing the cavity of debris or failed cavity wall insulation (CWI)⁴².
 - ii. The decision as to whether the required remedial works are 'substantial' should be made by the chartered surveyor. As a guideline, remedial works should be considered 'substantial' where they involve an additional four 'work hours' or more.
 - iii. The verification of a cavity wall being unsuitable to insulate without substantial remedial works to the building must be received through a report from a chartered surveyor⁴³. A template for this report will be available on our website.
- d. A cavity within a cavity wall which is less than 50mm wide.
 - i. All cavities which are less than 50mm wide are hard-to-treat.
 - ii. Where a cavity is *partially filled* (see the definition in paragraph 5.15 above) then the measurement should be carried out taking into account the partial fill. Therefore, should a 70mm cavity already contain 30mm of cavity wall insulation, so that the remaining cavity is less than 50mm, then the cavity wall is classed as a hard-to-treat cavity.
- e. A cavity found in homes of prefabricated concrete construction or with metal frame cavity walls.
 - i. These non-traditional building types are automatically classed as hard-to-treat cavities.
 - ii. Other non-traditional building types not referred to in this article of the Order, such as timber-framed, may still be classed hard-to-treat if they meet the conditions in paragraph 5.19.

⁴² 'Failed CWI' occurs where CWI should never have been installed for example a construction type being unsuitable for CWI or the property being located in an exposure zone

⁴³ As outlined in Appendix 1, this report should be retained by suppliers.

- f. An uneven cavity formed in walls constructed of natural stone or from natural stone outer leaf and block or brick inner leaf.
 - i. A chartered surveyor's report should be submitted verifying that the wall has an uneven cavity⁴⁴. This report is necessary because, after insulation is installed, we have no means of auditing whether the cavity was uneven. A template for the chartered surveyor's report will be available on our website.
- 5.16. Where a report by a chartered surveyor is required, the report by the chartered surveyor should be completed by an appropriately qualified chartered surveyor. For further information please visit the Royal Institute of Chartered Surveyors (RICS) website⁴⁵.

Solid Wall Insulation under CERO

- 5.17. Under the Order, Solid Wall Insulation (SWI) is defined as⁴⁶:
- a. internal or external insulation which lowers the U-value of the treated walls to 0.30W/m²K or less; or
 - b. in the case of a mobile home, internal or external insulation applied to the ceiling, floor or walls which lowers the U-value of those parts of the mobile home to which the insulation is applied.
- 5.18. SWI may qualify as a measure under all of the three obligations. As explained in Chapter 8⁴⁷, solid wall insulation has a lifetime of 36 years where it is accompanied by a SWIGA or equivalent guarantee.
- 5.19. SWI includes both internal and external systems.
- 5.20. As detailed in Chapter 8, the in-use factor for SWI depends on the age of the building and construction type. In order to be able to accurately calculate the carbon or cost saving for the measure, suppliers must ensure they note the age and construction type of the building when installing SWI.

⁴⁴ As outlined in Appendix 1, this report should be retained by suppliers.

⁴⁵ <http://www.rics.org/uk>

⁴⁶ Article 2 of the Order.

⁴⁷ Paragraphs 8.13 and 8.14

- 5.21. Where the installation of SWI is accompanied by a SWIGA guarantee (or equivalent), the lifetime for the measure is 36 years. If the building being insulated is too tall for a SWIGA guarantee (or equivalent) to be awarded, the lifetime of SWI is 36 years provided the installation is signed off by a clerk of works, and building control.

6. Carbon Saving Community Obligation

Chapter Summary

Provides information about achieving the carbon saving community obligation (CSCO).

Question box

Question 7: Please provide your views on our interpretation of the requirement for walls and lofts to be insulated before district heating connections can be installed.

Introduction

- 6.1. CSCO focuses on the provision of carbon saving measures to domestic energy users that live within an area of low income or a rural area. This chapter provides information about achieving CSCO.
- 6.2. We will set the CSCO for each supplier at the beginning of each phase of the overall obligation period. These obligations are cumulative and suppliers must meet their total CSCO by 31 March 2015.
- 6.3. A supplier achieves its CSCO by promoting carbon saving community qualifying actions to domestic energy users⁴⁸ living in an area of low income. Information about areas of low income is provided below. 15 percent of a supplier's total CSCO must be achieved by promoting carbon saving community qualifying actions to domestic energy users who are members of the affordable warmth group⁴⁹ living in a rural area. Information about rural areas is provided below.
- 6.4. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on Audit and Technical Monitoring.

⁴⁸ See Chapter 4 for information about domestic energy users.

⁴⁹ See Chapter 7 for information about membership of the affordable warmth group.

- 6.5. High level guidance on how online tools can be used to identify whether a domestic energy user is living within an area of low income, adjoining area, or in a rural area is provided in this document:
- Energy Company Obligation: Carbon Saving Community Obligation - Guidance⁵⁰.

The rural sub-obligation

- 6.6. Suppliers must achieve at least 15 percent of their total CSCO by promoting qualifying actions to domestic energy users who are members of the affordable warmth group living in a rural area ('the rural sub-obligation'). At notification suppliers will need to state whether they intend to claim the measure against their rural sub-obligation.
- 6.7. For further information about establishing who is a member of the affordable warmth group, see Chapter 7.
- 6.8. A rural area is described in the document entitled 'Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas'⁵¹ as 'a settlement of fewer than 10,000 inhabitants'. We will adopt the ONS approach to identification of settlements by number of inhabitants.

Areas of low income

- 6.9. Under CSCO, the majority of measures⁵² must be delivered to domestic energy users living in an area of low income.
- 6.10. A list of the areas of low income as defined by the ECO Order can be found within this document:
- Energy Companies Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas document ISBN 9780108511608⁵³.

⁵⁰ Available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/6968-energy-company-obligation-carbon-saving-community.pdf>

⁵¹ Available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/5536-carbon-saving-community-obligation-rural-and-low-.pdf>

⁵² The exceptions being measures delivered in adjoining and rural areas.

⁵³ Available at: http://www.decc.gov.uk/en/content/cms/tackling/green_deal/greendeal_guid/greendeal_guid.aspx

Adjoining installations

- 6.11. A supplier may achieve part of its obligation under CSCO by carrying out qualifying actions to domestic energy users⁵⁴ living in a 'specified adjoining area' that adjoins (i.e. shares a border with) an area of low income. Under the Order, this type of qualifying action is also referred to as an 'adjoining installation'.
- 6.12. Areas which are 'specified adjoining areas' are listed in the following documents:
- a. For England and Wales, the areas specified as a 'Lower Layer Super Output Area' in a document entitled 'Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex' (release date 28 September 2011)⁵⁵.
 - b. For Scotland, the areas specified as a 'datazone' in a document entitled 'SMID Datazone Lookup' (version 3 published on 6 March 2012)⁵⁶.
- 6.13. Where a supplier notifies us of a measure installed in an adjoining area, it must notify us of the area of low income to which the adjoining area relates.
- 6.14. Information about when suppliers should notify us of adjoining installations is provided in Chapter 9.
- 6.15. A supplier is not permitted to achieve part of its rural sub-obligation by delivering adjoining installations to areas adjoining a rural area.

The limit of carbon savings attributable to adjoining installations

- 6.16. There is a limit to the carbon savings that a supplier may claim for adjoining installations. Where a supplier carries out qualifying action in an area of low income (Area A), the supplier may claim savings for adjoining installations carried out in all the areas adjoining area A but only to the extent that the total carbon savings of those adjoining installations do not exceed 25 percent of the total carbon savings of the qualifying actions carried out in area A.

⁵⁴ See definition in Chapter 4 of this document.

⁵⁵ <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-230902>

⁵⁶ <http://www.scotland.gov.uk/Topics/Statistics/SIMD/SIMDQuickLookup>

- 6.17. For example, assume that measures delivered to a particular area of low income achieve a total of 100,000 tCO₂ savings. The adjoining installations delivered to all the areas adjoining that area of low income cannot achieve more than 25,000 tCO₂ savings i.e. 25 percent of the total carbon savings achieved through measures delivered to the area of low income.
- 6.18. The three diagrams below are designed to help illustrate the operation of the 25 percent limit on carbon savings attributable to adjoining installations.
- 6.19. For the purpose of the diagrams we have assumed all measures have an equal carbon saving score.

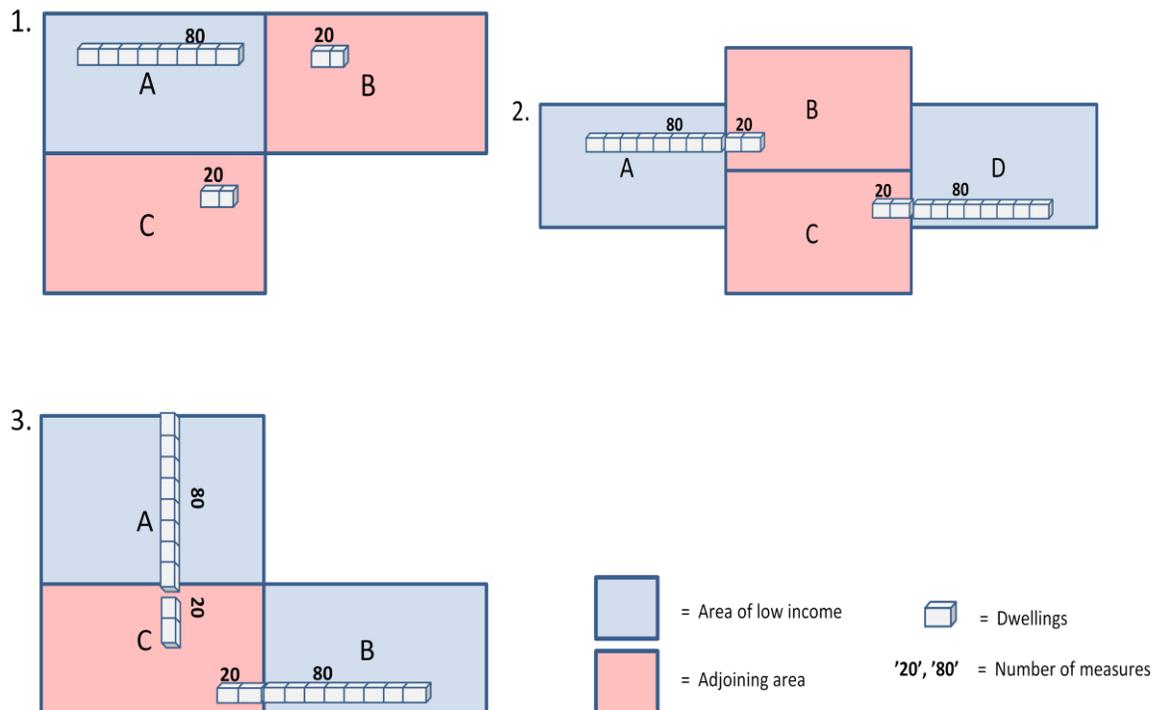


Diagram 1: Areas B and C are both adjoining to area of low income A. They do not adjoin any other areas of low income apart from A. The savings from the 40 measures in the adjoining areas exceed 25 percent of the savings from measures in the area of low income. Therefore, we will not award carbon savings to all measures.

Diagram 2: Areas B and C are both adjoining to the areas of low income A and D. The savings from the 20 measures in adjoining area B were identified by the supplier as relating to area of low income A. The savings from the 20 measures in adjoining area C were identified by the supplier as relating to area of low income D. In both cases, the savings from measures in each adjoining area equals 25 percent of the savings from measures in its related area of low income. Therefore, we will award carbon savings to all measures.

Diagram 3: Area C is adjoining areas of low income A and B. There are 40 measures in area C; 20 were identified by the supplier as relating to area A, and 20 were identified by the supplier as relating to area B. In both cases, the savings from both sets of measures in the adjoining area equals 25 percent of the savings from measures in their related areas of low income. Therefore, we will award carbon savings to all measures.

Qualifying actions under CSCO

- 6.20. A qualifying action under CSCO is the installation of a measure that meets the criteria and conditions specified in Article 13(6) to (7) of the Order.
- 6.21. Two types of measure may be qualifying action under CSCO:
- a. a recommended measure installed to improve the insulating properties of the premises⁵⁷; or
 - b. a connection to a district heating system⁵⁸ where that connection is made to premises which have loft or wall insulation.
- 6.22. In each case, the measure must be installed after 30 September 2012 and installed in accordance with the standards relating to installation of the measure⁵⁹.

District Heating System (DHS) connection

- 6.23. Under CSCO, a connection to a district heating system may only be installed to premises where one of the following two conditions is in place before installation of the connection:
- a. The entire loft area of the premises is insulated or, if part of that area (not exceeding 50 percent) cannot be insulated for a good reason, the remaining part is insulated.

In some circumstances, e.g. where a loft has been converted to be habitable, standard loft insulation is not suitable and instead pitched roof insulation is the appropriate method of insulating the loft. For the purpose of determining whether the preconditions for installing a district

⁵⁷ See Chapter 4 for information about recommended insulation measures.

⁵⁸ See Chapter 4 for information about connections to district heating systems.

⁵⁹ See Chapter 4 for information about standards relating to installation of a measure.

heating connection are in place, we will deem pitched roof insulation to be a form of loft insulation.

Loft insulation is insulation that is installed to the minimum standards described in Part L of the UK Building Regulations.

- b. The entire exterior wall area of the premises is insulated or if part of that area (not exceeding 50 percent) cannot be insulated for a good reason the remaining part is insulated. In addition:
 - i. where the property has cavity walls, and there is existing cavity wall insulation, the cavities must be adequately filled;
 - ii. where the property has solid walls, and there is existing insulation treatment, that treatment will be considered solid wall insulation if it achieves a U-value of 0.60 W/m²K; and
 - iii. any new cavity or solid wall insulation that is installed to meet this rule must meet the minimum standards described in Part L of the UK Building Regulations.
- 6.24. A property which does not have a loft, such as the lower levels of block of flats, or houses with flat roofs, must meet condition b. above.

7. Home Heating Cost Reduction Obligation

Chapter Summary

Provides information about achieving the home heating cost reduction obligation (HHCRO).

Question box

Question 8: What are your views on our approach to qualifying boilers set out in Appendix 2? In particular: our definition of a boiler, warranty requirements, and methodology to evidence the boiler being repaired or replaced.

Question 9: What do you consider to be the expected cost of providing a one-year and two-year warranty in respect of a repaired qualifying boiler?

Question 10: Do you feel that our approach for evidencing AWG eligibility is appropriate? If not, can you suggest an alternative to this approach?

Question 11: Do you feel that our approach for evidencing 'householder' is appropriate? If not, can you suggest an alternative, or robust proxy, to this approach?

Introduction

- 7.1. Under HHCRO, suppliers must deliver measures which result in cost savings and which improve the ability of a householder to affordably heat their home. HHCRO focuses on low income and vulnerable householders, living in private housing (generally), where residents are in receipt of specific benefits and meet other related conditions (the 'affordable warmth group' or 'AWG'). This chapter provides information about achieving HHCRO.
- 7.2. We will set the HHCRO for each supplier at the beginning of each phase of the overall obligation period. These obligations are cumulative and suppliers must meet their total HHCRO by 31 March 2015.
- 7.3. A supplier achieves its HHCRO by promoting heating qualifying actions to householders who:

- a. are members of the affordable warmth group; or
 - b. reside in the same home as a member of the affordable warmth group, provided that the action is carried out in that home.
- 7.4. Information about 'householder' and 'affordable warmth group' is provided below.
- 7.5. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on Audit and Technical Monitoring.

Householder

- 7.6. A supplier should, before installing a measure for the purpose of its HHCRO, satisfy itself that the person receiving the measure is a 'householder'.
- 7.7. The term 'householder' is defined in Schedule 2 to the Order. There is a definition of householder that applies for England and Wales and a separate definition of householder that applies for Scotland. Each definition is concerned with the nature of a person's right to occupy the domestic premises in which the person lives. These premises must be the premises to which the measure is being installed.
- 7.8. The following information about 'householder' is a general guide only. Suppliers should use the Order itself, Schedule 2 in particular, to determine whether a person is a householder.

Householder: England and Wales

- 7.9. In England and Wales, a person living in domestic premises will be a householder if the person falls within the scope of one of the six categories of occupier listed in paragraph 1 of Schedule 2 to the Order. If a person falls within the scope of one category of occupier, but is excluded from another category, the person is a householder. In summary the categories of occupier are:
- a. a freeholder;

- b. a leaseholder with a term of 21 years or more unexpired at the time a supplier offers to carry out an action;
- c. a tenant (including a sub-tenant), but not an 'excluded tenant'. Information about the kinds of tenant that will be an 'excluded tenant' for the purpose of this category is provided in the paragraphs below;
- d. a holder of a licence to occupy, where the licence is for occupancy in 'an almshouse' that is maintained by a charity. This is a summary only of the relevant statutory provision and suppliers should look directly to paragraph 12(a) and (b) of Schedule 1 to the Housing Act 1985 to determine whether a person falls within the scope of this category;
- e. a holder of an 'assured agricultural occupancy' under Part IV of the Housing Act 1988; and
- f. a 'protected tenant' under section 1, Part 1 of the Rent Act 1977.

'Excluded tenant': England

7.10. In England, two kinds of tenant are excluded from category c. described above (i.e. the category of tenant). A person who is an excluded tenant for the purpose of this category may still fall within the scope of another category of occupier and so be a 'householder'. The kind of tenant that is an excluded tenant is:

- a. a tenant of 'low cost rental accommodation' as defined in section 69 of the Housing and Regeneration Act 2008; and
- b. a protected tenant under section 1, Part 1 of the Rent Act 1977.

7.11. *Tenant of low cost rental accommodation*: accommodation is low cost rental accommodation if:

- a. it is made available for rent;
- b. the rent is below the market rate; and
- c. the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

7.12. There is, therefore, a three part test for determining whether accommodation is low cost rental accommodation. We anticipate that suppliers will wish to satisfy themselves that a tenant is not an excluded tenant before delivering a measure to that tenant. We recognise that it will be a significant administrative burden for suppliers to gather all the data and documents necessary to verify that a tenant is not a tenant of low cost rental accommodation. In an effort to ease this burden, we will adopt (and allow suppliers to rely on) the following assumptions:

- all accommodation rented from a local authority, housing cooperative, housing association or charity is low cost rental accommodation. Suppliers may demonstrate to the contrary – for example, by producing statistics showing that the rent paid for accommodation is market rate; and
- all private accommodation (i.e. accommodation other than accommodation rented from a local authority, housing cooperative, housing association or charity) is not low cost rental accommodation.

'Excluded tenant': Wales

7.13. In Wales, three kinds of tenant are excluded from the category c. described above (i.e. the category of tenant). The kind of tenant that is an excluded tenant is:

- a. a tenant of a dwelling-house let under Part IV of the Housing Act 1985;
- b. a tenant of a dwelling let by a landlord registered as a social landlord under Chapter 1 of Part 1 of the Housing Act 1996; and
- c. a tenant of a local authority, other than under Part IV of the Housing Act 1985.

7.14. We anticipate that suppliers will wish to satisfy themselves that a tenant is not an excluded tenant before delivering a measure to that tenant.

Householder: Scotland

7.15. In Scotland, a person living in domestic premises will be a householder if the person falls within the scope of one of the two categories of occupier listed in paragraph 2 of Schedule 2 to the Order. In summary the categories of occupier are:

- a. an owner of domestic premises; and
- b. a tenant (including sub-tenant) of domestic premises, but not an 'excluded tenant'. Tenant includes a person who occupies premises:
 - (i) under the term of the person's contract of employment;
 - (ii) under a licence to occupy; or
 - (iii) as a cottar (within the meaning of section 12(5) of the Crofters (Scotland) Act 1993.

Excluded tenant: Scotland

7.16. In Scotland, a tenant of a social landlord within the meaning of section 165 Housing (Scotland) Act 2010 is an excluded tenant.

7.17. We anticipate that suppliers will wish to satisfy themselves that a tenant is not an excluded tenant before delivering a measure to that tenant.

Affordable Warmth Group

Relationship between 'Householder' and the Affordable Warmth Group

7.18. For the purposes of achieving its HHRCO, it is not sufficient that a supplier deliver heating qualifying action to a person who is a householder, the person must also be either: (i) a member of the Affordable Warmth Group (the 'AWG'); or (ii) residing with a member of the AWG. In other words, the heating qualifying action must be delivered to a householder at domestic premises where a member of the AWG resides.

7.19. In the case of a carbon saving community qualifying action that is intended to achieve the rural area sub-obligation in CSCO⁶⁰, the action must also be

⁶⁰ Article 13(4).

promoted to a person who is a member of the Affordable Warmth Group. However, that person does not need to be a 'householder'.

The definition of AWG

- 7.20. The term 'AWG' is defined in Schedule 1 to the Order. The definition applies across England, Wales and Scotland. It is primarily concerned with whether a person receives a benefit from the Government and the nature of that benefit. In some cases it is also concerned with the person's annual income, and whether they have parental responsibility for looking after a child.
- 7.21. This section is intended to inform suppliers about when a person will be a member of the 'AWG', how suppliers might identify that a person is a member of the AWG, and what documents they will need to make available to Ofgem on audit. While this information is provided to assist suppliers in identifying a person who is potentially a member of the AWG, it should not be relied upon as the basis of determining definitively whether a particular person is a member of the AWG. Suppliers must use the Order itself - Schedule 1 in particular - for that purpose.
- 7.22. A person living in domestic premises will be a member of the AWG if the person is in receipt of:
- (a) child tax credit and has a relevant income of £15,860 or less;
 - (b) income-related employment and support allowance and—
 - (i) receiving a work-related activity or support component; or
 - (ii) has parental responsibility for a qualifying child; or
 - (iii) is in receipt of a qualifying component;
 - (c) income-based job seeker's allowance and—
 - (i) has parental responsibility for a qualifying child; or
 - (ii) is in receipt of a qualifying component;
 - (d) income support and—
 - (i) has parental responsibility for a qualifying child;
 - (ii) or is in receipt of a qualifying component;
 - (e) state pension credit; or
 - (f) working tax credit and has a relevant income of £15,860 or less and—
 - (i) has parental responsibility for a qualifying child; or

- (ii) is in receipt of a disabled worker element or severe disability element; or
- (iii) is aged 60 years or over.

7.23. In each case the benefit concerned will be administered either by Her Majesty's Revenue and Customs (HMRC) or the Department of Work and Pensions (DWP), and information about the particular benefit, the eligibility criteria that the applicant must satisfy, and how the benefits will be paid out may, be found on those departments' respective websites⁶¹.

7.24. The concepts of:

- (i) 'relevant income';
- (ii) parental responsibility for a qualifying child; and
- (iii) qualifying component,

are defined in Schedule 1 of the Order, by reference to other legislation.

Identifying members of the AWG

7.25. In the first instance it is for a supplier to satisfy itself that a heating qualifying action or a carbon saving community qualifying action under the rural area sub-obligation in CSCO (a "relevant qualifying action") is being promoted to a member of the AWG or, as applicable, to a person residing with such a member (a 'relevant person').

7.26. In particular, when notifying a relevant qualifying action, a supplier will be required to confirm that the measure has been delivered to a member of the AWG or, as applicable, to a person residing with such a member, as part of the notification template.

7.27. Although suppliers can adopt whatever approach they choose in identifying members of the AWG, where we audit the notification of a qualifying action, a supplier must be able to produce documents sufficient to establish that the person to whom the measure was delivered was a member of the AWG, or, as applicable, resided with such a member. These documents are identified in Table 2 below. Such documents must be produced within a reasonable period following request. They must be capable of establishing that the relevant person was a member of the AWG at some point in time during the supplier's

⁶¹ <http://www.hmrc.gov.uk/taxcredits/people-advise-others/manuals-rates/manuals/index.htm>; <http://www.dwp.gov.uk/gov/>

promotion of the measure⁶², but in any event must not be dated more than 12 months prior to the date of completion of the qualifying action.

- 7.28. If a supplier is unable to produce these documents or otherwise satisfy us of the relevant person's status as a member of the AWG on audit, then we will be unable to credit the savings associated with that qualifying action against the supplier's HHCRO or CSCO rural sub-obligation.
- 7.29. Information sufficient for a supplier to determine whether a relevant person is a member of the AWG can normally be found in that person's Tax Credit Award Notice, where the person is in receipt of child tax credit or working tax credit (even if they have a relevant income of more than £15,860). In some cases, the relevant information may also be included in the individual benefit entitlement letters issued by the relevant Government Department or Office. However, unlike the Tax Credit Award Notice, such letters do not always contain information relating to the receipt of a qualifying component or parental responsibility for a child. Where a relevant person has been identified as a member of the 'Core Group' under the Warm Home Discount Scheme⁶³ this will mean that they are in receipt of state pension credit.
- 7.30. In general, where a person has already been identified as a member of the super priority group under CERT then that will be a good indicator that the person is a member of the AWG for the purpose of ECO. Similarly, suppliers may wish to have regard to whether the person has received payments under the Warm Front Scheme⁶⁴, or was identified as a member of the 'Broader Group' under the Warm Home Discount Scheme⁶⁵. However, while such matters may be helpful to suppliers in initially identifying a broad group of people who might be members of the AWG, none of these matters is conclusive evidence of AWG membership, and therefore should not be solely relied upon to establish membership.

Documents to be made available on audit

- 7.31. Where we conduct an audit of a measure that a supplier purports to have delivered to a member of the AWG, we will normally require the supplier to make available to us/or our independent auditors a copy of the relevant person's Tax Credit Award Notice, where that person is in receipt of child tax

⁶² i.e. at any time between the supplier's engagement with the relevant person and the completion of the qualifying action's installation.

⁶³ See Regulation 6(1) of the Warm Home Discount Regulations 2011 for further details

⁶⁴ <https://www.gov.uk/warm-front-scheme/eligibility>

⁶⁵ <http://www.decc.gov.uk/en/content/cms/funding/whds/whds.aspx>

credit or working tax credit. This is because, child tax credit and working tax credit claimants are required to declare receipt of income-related employment and support allowance, income-based job seeker's allowance and income support, as part of their application to HMRC. This means that even if the relevant person has an income of more than £15,860, and therefore is not eligible as a member of the AWG in respect of their receipt of Child Tax Credit or Working Tax Credit, the Tax Credit Award Notice will normally evidence whether they are a member of the AWG in respect of the receipt of one of the other benefits.

- 7.32. As an alternative to the Tax Credit Award Notice, suppliers may provide a copy of the relevant benefit entitlement letter, but only where it contains information sufficient to establish that the relevant person has parental responsibility for a qualifying child, or is in receipt of a qualifying component, as applicable.
- 7.1. Information relating to the receipt of state pension credit does not appear in a Tax Credit Award Notice. Therefore where it is alleged that the person is in receipt of state pension, suppliers will need to produce a copy of the relevant state pension entitlement letter issued by DWP. Where a supplier delivers a qualifying action to a person identified in a notice issued by the Secretary of State in accordance with regulation 6(1) of the Warm Home Discount Regulations 2011 (a WHD 'Core Group' notice), and the notice is dated not more than 12 months before the date on which installation of the measure is complete, a supplier may produce a copy of this notice on audit in lieu of a state pension credit benefit entitlement letter.
- 7.2. Where it is alleged that the relevant person is in receipt of income-related employment and support allowance and is receiving a work-related activity or support component, the supplier will normally need to produce a copy of the recipient's entitlement letter issued by Jobcentre Plus (the DWP), as we understand that this level of detail will not appear in the person's Tax Credit Award Notice.
- 7.3. The documents that will typically need to be made available on audit are listed in Table 2 below.

Table 2: Documents demonstrating AWG status to be produced on audit

Benefit	Document(s) to be produced on audit⁶⁶
Child Tax Credit	<ul style="list-style-type: none"> • Tax Credit Award Notice
Income-related employment and support allowance	<p>Any of the following:</p> <p>(i) Where the relevant person <u>has</u> responsibility for a qualifying child or <u>is</u> in receipt of a qualifying component:</p> <ul style="list-style-type: none"> • Tax Credit Award Notice; or • Benefit entitlement letter where it contains information evidencing parental responsibility for a qualifying child, or receipt of a qualifying component; or <p>(ii) Where the relevant person <u>does not have</u> responsibility for a qualifying child or <u>is not</u> receipt of a qualifying component:</p> <ul style="list-style-type: none"> • Benefit entitlement letter containing evidence of receipt of a work-related activity or support component
Income based job-seekers allowance	<p>Any of the following:</p> <ul style="list-style-type: none"> • Tax Credit Award Notice; or • Benefit entitlement letter where it contains evidence of parental responsibility for a qualifying child, or receipt of a qualifying component
Income support	<p>Any of the following:</p> <ul style="list-style-type: none"> • Tax Credit Award Notice; or • Benefit entitlement letter where it contains evidence of parental responsibility for a qualifying child, or receipt of

⁶⁶ Please refer to paragraph 7.27 for the rules on the period of promotion that these documents must relate to.

	a qualifying component;
State pension credit	Any of the following: <ul style="list-style-type: none"> • WHD 'Core Group' notice; or • Benefit entitlement letter
Working tax credit	<ul style="list-style-type: none"> • Tax Credit Award Notice

7.4. We will review such documents and record whether the audit was successfully completed. We will not take or retain copies of such documents, or transpose any information contained in them. We ask that suppliers do not attempt to send copies of these documents to us, and that before producing them to us, redact any information that is not required to establish membership of AWG, such as the relevant person's national insurance number.

7.5. We are aware that DECC and the contractor operating the Energy Saving Advice Service (ESAS) are in the process of setting up a referrals service to direct [AWG](#)-eligible consumers to ECO opportunities and that this service may include verification of customer eligibility benefits via a link with DWP. We anticipate that such a service will produce a unique reference number for each referral. If a customer comes to a supplier through the referrals service and has been confirmed as AWG eligible by DWP and a unique reference number is generated, then the supplier should produce this unique reference number as part of its monthly notification of the relevant measure. Where an AWG-eligible ESAS number is provided in this way, we will only need a supplier to make available to us the documents that are referred to above on audit where:

- a. ESAS is unable to confirm that the unique reference number is valid; or
- b. the referral was issued by ESAS more than 12 months before the date of completion of the measure.

Qualifying actions under HHCRO

7.6. A supplier achieves its HHCRO by promoting heating qualifying actions. A heating qualifying action is the installation (and in the case of boilers, repair or replacement) of a measure that meets the criteria and conditions specified in Article 15(3) and (4) of the Order.

7.7. Each of the following measures will be heating qualifying actions:

- a. the installation of a measure that will result in a heating saving;
- b. the repair of a qualifying boiler where the repair will result in a heating saving and where the repair is accompanied by a warranty for one or two years; or
- c. the replacement of a qualifying boiler which will result in a heating saving,

where the measure is installed after 30 September 2012, in accordance with the standards relating to installation of the measure⁶⁷ and by a person of appropriate skill and experience⁶⁸.

Measures that result in a heating saving

- 7.8. The term 'heating saving' is defined in the Order to mean, in relation to a heating qualifying action, the money that would be saved by that action over its expected lifetime in heating a home to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas⁶⁹. To be eligible as a heating qualifying action, a measure must result in a heating saving.
- 7.9. We have prepared a table that includes a non-exhaustive list of the measures that we consider will result in a heating saving. Those measures are identified in the table as eligible for HHCRO. The table can be found on our website⁷⁰. This list is not exhaustive and suppliers may propose other measures for inclusion if they consider those measures meet the requirements of the Order.

Boiler repair and replacement

- 7.10. A boiler being repaired, or replaced by another boiler, may meet the definition of a qualifying boiler under the Order and so be eligible as a heating qualifying action under HHCRO. We explain the definition of, evidentiary requirements for, and how to score a qualifying boiler in Appendix 2. In Chapter 8, we

⁶⁷ See Chapter 4 for information about standards relating to installation of a measure.

⁶⁸ See Chapter 4 for information about installation by a person of appropriate skill and experience.

⁶⁹ Article 2 of the Order

⁷⁰ Available at:

<http://www.ofgem.gov.uk/Sustainability/Environment/ECO/guidance/Documents1/Energy%20Companies%20Obligation%20ECO%20-%20List%20of%20Measures%20and%20Additional%20Information.pdf>.

explain how to calculate the cost savings for repair or replacement of a qualifying boiler.

- 7.11. The installation of a new boiler, even where it is not replacing a qualifying boiler, is still an eligible measure under the HHCRO. It should be scored according to the same methodology as other measures under the HHCRO.
- 7.12. No more than five percent of a supplier's total HHCRO can be achieved by the repair of a qualifying boiler.

8. Calculating Savings

Chapter Summary

This chapter provides guidance on how carbon and cost savings can be calculated, when notifying completed measures. It also provides guidance on how to calculate savings for excess actions to be transferred from CERT/CESP to ECO.

Question box

Question 12: What are your views on our approach to how suppliers must utilise SAP, RdSAP and associated software?

Question 13: Do you have any comments on our approach to scoring packages of measures? If suggesting alternatives, please provide evidence on how this will meet the requirement for suppliers to notify us of carbon/cost scores each month.

Question 14:

- a) What are your views on whether suppliers should be able to infer some RdSAP inputs when scoring measures under the HHCRO?**
- b) Do you have any suggestions on how this could be done, while ensuring that the savings determined for the measure are accurate and specific to the property in which they are installed?**
- c) Would this enable the obligation to be delivered more efficiently and effectively? Please provide qualitative and quantitative evidence to support your position.**

Question 15: We intend to publish all appropriate methodologies immediately after approval on our website. What are your views on this proposal?

Introduction

- 8.1. For each measure that a supplier notifies, it must provide the carbon or cost saving associated with that measure.
- 8.2. A supplier must calculate the carbon or cost saving for each measure by using one of the following methodologies:

- Standard Assessment Procedure (SAP)⁷¹;
- Reduced Standard Assessment Procedure (RdSAP)⁷²;
- in the case of the repair or replacement of a qualifying boiler, according to the formula set out in paragraph 8.34 below; or
- an appropriate methodology.

8.3. Each of these methodologies and the specific requirements relating to them are explained below.

Calculating both cost and carbon savings

8.4. When notifying us of completed measures, suppliers must include the particular type of saving (i.e. carbon or cost) that is relevant to the obligation against which the measure is to count. We recommend that suppliers calculate both carbon and cost savings for each measure, and to provide both in the monthly notification template.

8.5. This is because suppliers may wish, at a later date, and where a measure qualifies, to re-elect the obligation which the measure counts towards, or transfer the measure to another supplier for election against a different obligation that requires a different type of saving. If so, we will require that the cost or carbon saving is calculated using the fuel prices⁷³ or carbon coefficients which were relevant at the time of installation.

SAP and RdSAP

8.6. The starting point for calculating cost and carbon savings under ECO is SAP and RdSAP. SAP is a methodology developed by the Building Research Establishment (BRE) on behalf of the government, to calculate the energy and environmental performance of dwellings. RdSAP is a simplified version of SAP that requires fewer data inputs. Both of these tools can be used to calculate the cost and carbon savings resulting from a particular measure.

⁷¹ 2009 edition, as amended in October 2010.

⁷² 2009 edition, version 9.91 applicable from April 2012; available at http://www.bre.co.uk/filelibrary/SAP/2009/SAP_2009_9.91_Appendix_S.pdf

⁷³ For SAP, these are the fuel prices contained with the 2009 edition, as amended in October 2010. For RdSAP, these are the fuel prices contained within the product characteristics data file (PCDF) that was valid at the point in time the measure was installed.

- 8.7. Where SAP or RdSAP contain a methodology for calculating savings for a particular measure, it must be used to determine the savings associated with that measure⁷⁴. Only if neither can be used may suppliers use an appropriate methodology.
- 8.8. The following reasons are insufficient for a supplier to obtain approval to use an appropriate methodology:
- a. the measure produces higher savings than the savings produced when calculated using SAP or RdSAP; or
 - b. aspects of the SAP or RdSAP methodology are inaccurate with respect to the measure.
- 8.9. From time-to-time, SAP is updated to include new technologies. In between updates, measures which have been approved for the purposes of SAP are listed in 'SAP Appendix Q'⁷⁵. Where a measure is included in SAP Appendix Q, we consider that SAP contains a methodology for calculating the savings for that measure and therefore an appropriate methodology cannot be used.
- 8.10. When calculating savings using SAP or RdSAP, suppliers must use the versions of these procedures that are referred to in the legislation: for SAP, the version published in October 2010; for RdSAP, version 9.91 applicable from April 2012.

Approach to calculating savings using SAP or RdSAP

- 8.11. When calculating savings using SAP or RdSAP suppliers must ensure the following:
- a. Location – savings must be calculated using the appropriate degree day region, wherever the methodology allows.
 - b. Occupancy assessment – suppliers should **not** calculate scores for ECO in the occupancy assessment 'mode'.
 - c. Product Characteristics Data File (PCDF) – this is updated every quarter (from 2013) and contains up-to-date boiler efficiencies and fuel prices

⁷⁴ Article 18(3) of the Order.

⁷⁵ Further information on SAPQ can be found at <http://www.sap-appendixq.org.uk>.

for use in conjunction with RdSAP. RdSAP cost saving scores must be calculated using the PCDF which was valid at either the time of assessment or installation. Where 'before' and 'after' scores are used to calculate cost savings, the before and after cases must both use the same PCDF.

- d. The extent of the measure installed – if, for example, solid wall insulation has only been applied to 80 percent of the external-facing walls of the property, then the SAP or RdSAP methodology must account for this.

Calculating a carbon or cost saving using SAP or RdSAP

8.12. Once a supplier has calculated the SAP or RdSAP saving for a particular measure, it must then multiply that saving by certain additional factors, in order to produce the carbon or cost saving for ECO. The formulae suppliers need to calculate carbon and cost saving scores respectively are set out below.

Formula for calculating a carbon saving using SAP or RdSAP

Under CERO and CSCO, suppliers should use the following formula to generate a carbon saving for an ECO measure:

$$S \times L \times (100 \% - I) = \text{carbon saving (tCO}_2\text{)}$$

Where:

S is the annual carbon saving calculated in accordance with SAP or RdSAP;

L is the lifetime of the measure (in years)⁷⁶; and

I is the in-use factor of the measure (by percentage)⁷⁷.

Formula for calculating a cost saving using SAP or RdSAP

(For calculating a cost saving for a qualifying boiler see paragraph 8.36 below).

⁷⁶ See table of lifetime figures below.

⁷⁷ See table of in-use factors below.

Under HHCR0, suppliers should use the following formula to generate a cost saving for an ECO measure:

$$S \times L = \text{cost saving (£)}$$

Where:

S is the annual cost saving calculated in accordance with SAP or RdSAP; and

L is the lifetime of the measure⁷⁸.

Lifetime of a measure

8.13. We have listed the relevant lifetimes for certain ECO-eligible measures in the table below.

8.14. Cavity and solid wall insulation systems have respective lifetimes of 42 and 36 years where the installations are accompanied by a CIGA or SWIGA guarantee (or equivalent). If the building being insulated is too tall for a SWIGA guarantee (or equivalent) to be awarded, the lifetime of SWI is 36 years provided the installation is signed off by a clerk of works and building control.

Table 3: Lifetime for a measure completed under ECO

Measure	Lifetime (years)
Internal Wall Insulation Systems ⁷⁹	36
External Wall Insulation Systems ⁸⁰	36
Park Home External Wall Insulation Systems ⁸¹	30
Cavity Wall Insulation ⁸²	42
Hard-to-treat Cavity Wall Insulation (cavity wall insulation system) ⁸³	42

⁷⁸ See table of lifetime figures below.

⁷⁹ Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

⁸⁰ Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

⁸¹ Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

⁸² Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

⁸³ Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

Hard-to-treat Cavity Wall Insulation (solid wall insulation system) ⁸⁴	36
Loft Insulation (ceiling or rafter level)	42
Room in Roof Insulation	42
Flat Roof Insulation	20
Under Floor Insulation	42
Hot Water Cylinder Insulation	10
Pipework Insulation	15
Draught Proofing	10
Window Glazing	20
Passageway Walk-through Doors	15
Boiler Replacement / Installation	12
Boiler Repair	1 or 2 (depending on warranty length)
Electric Storage Heaters	20
Warm Air Units	20
Heating Controls	12
Flue Gas Heat Recovery Devices	12
Heat Recovery Ventilation	10
Radiator Panels	10
District Heating Connections - new connections and upgrades	Biomass boiler = 30 Gas/oil boiler = 25 CHP = 15
District Heating Connections - heat meters	15
Air Source Heat Pumps	15

⁸⁴ Lifetime is dependent on the installation meeting certain conditions. See paragraph 8.14.

Ground Source Heat Pumps	20
Biomass Boilers	20
Micro Combined Heat and Power	15
Photovoltaics	25
Micro wind	10
Micro hydro	20

In-use factor

8.15. An in-use factor is the percentage by which savings calculated under SAP or RdSAP should be reduced, in order to reflect the likely in situ performance (as opposed to theoretical performance) of an energy efficiency measure. Under ECO, in-use factors are only applied to measures installed under CERO and CSCO.

8.16. The in-use factors for most measures are listed in Schedule 3 to the Order and are replicated in Table 4 below. Any measure not listed has an in-use factor of 15 percent⁸⁵.

Table 4: Relevant in-use factors for measures installed in CERO and CSCO

Measure	In-Use Factor (percentage)
Cavity wall insulation (including insulation of hard-to-treat cavities)	35%
Connection to a district heating system	10%
Draught proofing	15%
External solid wall insulation for a mobile home	25%
Flat roof insulation	15%
High performance external doors and passageway walkthrough doors	15%
Loft or rafter insulation	35%

⁸⁵ See definition of 'relevant in-use factor' in Article 2 of the Order

Pipework insulation	15%
Room in roof insulation	25%
Secondary or replacement glazing	15%
Solid wall insulation for a solid brick wall built before: a) 1967, if situated in England or Wales; b) 1965, if situated in Scotland	33%
Solid wall insulation for: a) a solid wall which is not built of brick; b) a solid brick wall built in- (i) 1967 or later, if situated in England or Wales; (ii) 1965 or later, if situated in Scotland	25%
Under-floor insulation	15%

Decimal places

8.17. Carbon saving scores should be expressed in tonnes of carbon dioxide (tCO₂) to three decimal places. Cost saving scores should be expressed in pounds sterling to the nearest pound. Where savings are calculated by comparing 'before' and 'after' data, rounding should occur after the comparison is carried out, not before.

Calculating savings for packages of measures using SAP and RdSAP

8.18. Suppliers must calculate (and then notify) the savings for each measure installed at domestic premises. These savings must be notified to us in the month following the month in which the measure was installed (see Chapter 9).

8.19. Where a supplier installs a package of measures in a house, the savings attributable to each measure must be notified on a measure-by-measure basis.

8.20. Where two (or more) measures are installed in the same property, but notified to us in different months, the savings for both measures must be calculated using separate SAP or RdSAP calculations and the calculation for the second measure installed must take into account that the first measure has already been installed.

- 8.21. The only time the carbon or cost saving for more than one measure can be calculated from a single SAP or RdSAP calculation is when all the measures used in the calculation are notified to us in the same month.
- 8.22. This is because of the way measures interact with each other within the SAP and RdSAP methodologies, and because savings scores must (generally) be notified to us in the month after the installation is complete: i.e. where a package of measures is installed over a period longer than one month, suppliers cannot (generally) wait until the final measure has been installed before notifying us of the savings of the first measure to be installed. There is, however, the following exception (confined to CERO). Where a primary measure is installed within the six months after installation of a secondary measure, the secondary measure is to be notified in the same month as the primary measure – i.e. in the month following the month in which installation of the primary measure was completed. In this case, paragraph 8.21 applies.

Calculating savings for glazing

- 8.23. When calculating the saving for a glazing measure under the CERO, CSCO or HHCRO a supplier must only calculate the carbon saving or cost saving which exceeds the saving which that measure would achieve if installed to the minimum standard of glazing specified in the Approved Document L1B (conservation of fuel and power in existing buildings)⁸⁶ in England and Wales or the Domestic Technical Handbook (Section 6 – Energy)⁸⁷ in Scotland.
- 8.24. Therefore only the installation of glazing which exceeds that minimum standard can be counted towards obligations. Improvements to glazing which does not exceed that minimum standard will not be counted.
- 8.25. At the time this Guidance was published, the minimum standard for glazing in England and Wales⁸⁸, and Scotland⁸⁹, was U-value 1.6 W/m²K.
- 8.26. Suppliers should adopt the following approach when calculating the carbon or cost saving for a glazing measure:

⁸⁶ http://www.planningportal.gov.uk/uploads/br/BR_PDF_AD1B_2010.pdf

⁸⁷ <http://www.scotland.gov.uk/Topics/Built-Environment/Building/Building-standards/publications/pubtech/thb2011domenergy>

⁸⁸ For England and Wales, see *Approved Document L1B* (conservation of fuel and power in existing buildings), http://www.planningportal.gov.uk/uploads/br/BR_PDF_AD1B_2010.pdf.

⁸⁹ For Scotland see the *Domestic Technical Handbook* <http://www.scotland.gov.uk/Topics/Built-Environment/Building/Building-standards/publications/pubtech/thb2011domenergy>.

- a. if the original glazing is above **U-value 1.6 W/m²K**, a supplier should grade the original glazing as U-value 1.6 W/m²K within the SAP or RdSAP calculation; or
- b. where the original glazing is **U-value 1.6 W/m²K** or below, the actual U-value of the original glazing should be inputted into the SAP or RdSAP calculation.

Calculating savings for excess actions

- 8.27. When a supplier applies to us to credit an excess action⁹⁰ to one of the three obligations under ECO⁹¹, it must provide a calculation of the carbon or cost saving for that excess action in its application.
- 8.28. Savings must be calculated using one of the following methodologies:
- a. SAP;
 - b. RdSAP; or
 - c. an appropriate methodology.
- 8.29. Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) scores differ from ECO savings in (at least) three key ways:
- a. different lifetimes for measures are assumed in CERT and CESP;
 - b. different in-use factors are used in CERT and CESP; and
 - c. the Order requires scores in ECO to be based on SAP 2009 (revised October 2010) or RdSAP 2009 (version 9.91(a), published April 2012). CERT and CESP scores are not based on these methodologies.
- 8.30. Suppliers will therefore need to recalculate the score for each excess action for which they are making an application to carry over from CERT or CESP in order to provide a carbon or cost saving that can be awarded under ECO.
- 8.31. On our website we will publish a sample of indicative look-up tables based on the tables used under CERT and CESP for the scoring of measures. These will be for cavity wall, professional loft and solid wall insulation and will be based

⁹⁰ Article 21(3) of the Order.

⁹¹ Article 21(1) of the Order.

on the most frequently used product specifications, three different property types, various bedroom numbers and gas or mixed fuel types. Suppliers will be able to use these to estimate the cost and carbon savings they will receive for excess actions under ECO. We will work with suppliers in developing scores for excess actions that do not meet the above parameters during the months leading up to the excess actions notification deadline of 1 June 2013.

- 8.32. When suppliers are calculating cost savings using SAP or RdSAP they need to consider the relevant fuel prices (see paragraph 8.11 above).
- 8.33. Where a supplier wishes to use an appropriate methodology to calculate the savings for an excess action that has been scored under CERT or CESP, it must apply to us for approval of that appropriate methodology. The application must be made before the measure is installed. However the application cannot be made until the Order comes into force. This means that appropriate methodologies can only be used to score excess actions installed and completed under CERT or CESP between the date the ECO Order comes into force and the close of the CERT and CESP schemes (31 December 2012).
- 8.34. Our approach to reviewing appropriate methodologies for ECO is outlined below under 'Using Appropriate Methodologies'. Further information on excess actions can be found in Chapter 11.

Approach to calculating savings under HHCRO

- 8.35. Under HHCRO measures must be scored according to SAP, RdSAP or an appropriate methodology (as per the other ECO obligations). Where suppliers use SAP or RdSAP, suppliers will be required to complete a full SAP or RdSAP calculation using data obtained from a survey.

Calculating savings for qualifying boilers

- 8.36. Under the Order, there is a specific formula which suppliers must use to calculate savings resulting from the replacement or repair of qualifying boilers⁹². This is replicated below.

⁹² Article 17(1) of the Order.

Formula for calculating the cost saving for the repair or replacement of a qualifying boiler

In order to determine the cost saving for the repair or replacement of a qualifying boiler a supplier must use the following formula (as detailed in Article 17(1)):

$$(A-B) \times N$$

Where:

A is the cost of heating the premises where the premises does not have a working heating system as calculated using SAP, RdSAP or an appropriate methodology. To determine 'A', suppliers should assume *on-peak direct action electric heating*.

B is the cost of heating the premises and (where applicable) heating water, with the repaired or replaced boiler using SAP, RdSAP or an appropriate methodology.

N, for a boiler that has been *repaired*, is:

- 1, where a 1-year warranty has been provided; or
- 2, where a 2-year warranty has been provided.

N, for a boiler that has been *replaced*, is 12.

Appropriate methodologies

- 8.37. Where SAP or RdSAP do not contain a methodology for calculating the carbon and cost saving for a particular measure, a supplier may apply to us for approval of an appropriate methodology to calculate the saving.
- 8.38. To use an appropriate methodology to calculate the saving for a measure, the appropriate methodology must first be approved by us. We will only approve an appropriate methodology where we consider that SAP or RdSAP do not contain a methodology for determining the savings associated with the measure for which a supplier is seeking approval for.
- 8.39. An appropriate methodology must include a lifetime for the measure, and it must take into consideration the likely performance of the measure once installed in a domestic premises.

- 8.40. A supplier must apply to us for the approval of an appropriate methodology before installing a measure that is intended to be scored using that methodology. The application should be made in writing, and accompanied by the information needed for us to make a decision whether to approve or reject the application. We will acknowledge receipt of the application.
- 8.41. We will notify the supplier whether the appropriate methodology has been approved or rejected.
- 8.42. A supplier may install measures that require an appropriate methodology from the day after they submit the appropriate methodology. However, the supplier will be carrying out this activity at its own risk until such date that we approve the appropriate methodology.
- 8.43. When we approve an appropriate methodology for a particular supplier we will publish that methodology on our website. Another supplier may then apply to us to use the approved appropriate methodology. An application to use an approved appropriate methodology should be made in writing.

Software and tools for calculating savings

Introduction

- 8.44. Suppliers may use software or other tools to perform a calculation. Some of these tools are discussed below.

SAP or RdSAP software

- 8.45. Where the saving for a measure is calculated using SAP or RdSAP software, the software must be tested by the Building Research Establishment and approved by the Department of Communities and Local Government (England and Wales) or the Building Standards Division (Scotland).

Bespoke ECO software based on SAP or RdSAP software

- 8.46. Suppliers may wish to utilise software that is based on approved SAP or RdSAP software but that also carries out additional calculations (for example, by calculating boiler and glazing scores in accordance with our guidance above). We will require evidence that such systems are robust and meet our requirements. Suppliers should contact us at an early stage to discuss these requirements.

Energy Performance Certificates (EPCs) and Green Deal Reports (GDRs)

- 8.47. Suppliers will not be able to use the savings score identified on an EPC or GDR because the score will not meet one or more of our requirements described earlier in this Chapter:
- a. to calculate scores to the specified number of decimal places;
 - b. to provide measure-by-measure carbon saving scores; and/or
 - c. to disaggregate individual measures when scoring packages of measures.
- 8.48. However, the inputs used to produce the EPC and/or GDR can still be employed as the basis of a separate RdSAP calculation.

The ECO Administrator's determination of savings attributable to qualifying action, excess action and adjoining installations

- 8.49. While suppliers are required to notify the cost saving or carbon saving for a completed qualifying action⁹³, it is the duty of the ECO Administrator to attribute savings to a notified action. In addition, we will attribute savings to excess actions.
- 8.50. To attribute a saving we must be satisfied that the carbon or cost saving has been accurately calculated. Where we are not satisfied that a supplier has calculated a saving accurately we will attribute what we consider to be the correct saving, had it been accurately calculated. Where we have grounds to doubt that a supplier has calculated a saving accurately, we will ask the supplier to provide the information we need to determine the correct savings. Until we receive this information, we will be unable to attribute savings to a qualifying action.
- 8.51. We will take into account various matters when judging whether savings have been calculated accurately, including:
- the accuracy of the data entered into the calculation; and

⁹³ See Chapter 9 for information about notifying savings.

- the accuracy of the methodology used to perform the calculation (for example, whether the methodology used is in accordance with SAP, RdSAP, or the appropriate methodology as approved by us).
- 8.52. In a case where a supplier transfers a completed action to another supplier⁹⁴, or re-elects the obligation against which a completed action is to be counted⁹⁵, we may need to attribute an alternative form of saving to the form originally notified. For example, if we originally attributed a carbon saving, the transfer or re-election may require us to attribute a cost saving.
- 8.53. Suppliers should be aware that we are unable to make a final determination on the carbon savings to be attributed to adjoining installations until after 31 March 2015. The Order prevents us from attributing savings to an adjoining installation until we have determined that the adjoining installation does not exceed the 25 percent limit (explained in Chapter 7).

Demonstrating the accuracy of calculations

- 8.54. We will audit a sample of calculations to assess their accuracy. The documents and data that must be produced to our auditor or officer will depend on what software or tool has been used to calculate the savings for measure. Please see Appendix 1 for further information on what documents and data must be produced.
- 8.55. Where a calculation is not carried out by an accredited SAP or RdSAP assessor, we may increase the size of the sample that we audit. For this reason, we encourage suppliers to only use accredited SAP or RdSAP assessors for their calculations.
- 8.56. Furthermore, where inputs to an EPC have been used for an RdSAP calculation, and the EPC has been lodged, this will provide additional assurance that the scores have been calculated using accurate input data. Where the EPC has not been lodged, we may decide to increase the size of the sample of properties where we check the accuracy of the input data. Therefore we encourage suppliers to lodge EPCs where the inputs are used to calculate a carbon or cost saving score.

⁹⁴ See Chapter 10 for further information about transfers.

⁹⁵ See Chapter 12 for further information about re-election.

9. Monthly Notification of Completed Measures

Chapter Summary

Provides information on the notification that suppliers must submit to us regarding a completed qualifying action or adjoining installation ('completed measure'). It includes information on when these measures must be notified to us, what must be notified for each measure, how it should be notified, what happens when a successful notification contains errors, and our approach to requests for extensions.

Question box

Question 16: Do you feel that our approach to determining the date on which the installation of a measure is complete is reasonable? Are there instances where you think an alternative approach should apply? If so what alternative do you propose?

Question 17: Do you feel that our approach to what we consider as 'administrative oversight' is reasonable? If not, please explain why.

Introduction

9.1. Suppliers must notify completed qualifying actions and adjoining installations to us by the end of the month following the month in which installation of the relevant measure was completed. This chapter explains what information must be notified for each measure, when these measures must be notified to us, how they should be notified, what happens when a successful notification contains errors, and our approach to requests for extensions. It also explains that we will report some information to the Secretary of State, and addresses the protection of personal data.

When a supplier must notify us of completed measures

9.2. A completed measure is a qualifying action or adjoining installation whose installation is complete. Subject to paragraph 9.3, in order for a completed measure to be able to count towards a supplier's obligations under ECO, a supplier must notify us of that completed measure by the end of the calendar month after the month in which installation of the measure was completed

(the 'notification deadline'). For example, if a measure is completed during June 2014, its notification deadline will be 31 July 2014.

- 9.3. For all measures completed in the period between 1 October 2012 and 31 January 2013, a supplier must notify us of these measures by the end of February 2013.

When is installation of a measure complete?

- 9.4. The installation of a measure is deemed to be complete on the date that it is capable of delivering savings at, or around, a level that is to be expected for that measure. This will normally be the date on which the installer finishes work on the measure.
- 9.5. However, for the purpose of monthly notification we will generally consider the measure to be completed on the date on which the measure is effectively handed over to the customer. For measures installed in accordance with PAS, the meaning of handover is defined within that Specification⁹⁶, and the date of handover must be specified in the Declaration of Conformity⁹⁷.
- 9.6. For measures that do not need to be installed in accordance with PAS, or where no Declaration of Conformity is produced, the date of handover will be the date on which the measure is installed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.
- 9.7. We expect handover to take place within four calendar weeks of the installer finishing work on the measure.
- 9.8. A supplier may sometimes install a particular type of measure in multiple premises comprising a block of flats, or a row of houses. Where those flats or houses are owned by the same landlord(s), the installer may handover to the landlord(s) or its agent (rather than to the tenants of the premises) and may do a single handover for all measures installed of that type. In this case, all the measures of that type can be notified in the same monthly notification because all the measures will have the same handover date. We expect handover to take place within four weeks of the installer finishing work on the last measure.

⁹⁶ Paragraph 4.12, PAS 2030:2012

⁹⁷ Paragraph 7.2, PAS 2030: 2012

- 9.9. Under CERO, there is a category of measures (secondary measures) that are only qualifying actions if, among other requirements, they are installed within six months before or after the date a supplier installs a 'primary measure'. A primary measure is either insulation of a hard-to-treat cavity or solid wall insulation⁹⁸.
- 9.10. Where a supplier installs a secondary measure *before* the installation of a primary measure, the secondary measure is not complete until the primary measure is installed and the requirement to notify does not arise until this time. Suppliers should therefore notify us of the secondary measure(s) at the same time as they notify us of the primary measure.
- 9.11. Suppliers must be able to evidence the date on which a measure was completed. The documentation we expect a supplier to retain in order to do this is explained in Appendix 1.

Information suppliers must include as part of notification

- 9.12. In order for the notification of a completed measure by a supplier to be successful, the supplier must provide us with the following information⁹⁹. **If the supplier does not provide this information by the notification deadline, notification of the measure will be unsuccessful and the carbon or cost savings associated with the measure will be lost:**
- a. the name or ECO reference of the obligated supplier (i.e. licence-holder) that promoted the installation of the completed measure;
 - b. the address at which the measure was installed;
 - c. the type of measure installed;
 - d. the date on which the installation of the measure was completed;
 - e. the obligation the measure is intended to be credited towards;
 - f. the carbon or cost saving as appropriate¹⁰⁰;

⁹⁸ See Chapter 5 of this document for further information.

⁹⁹ This information is required under Article 16 of the Order.

¹⁰⁰ Where a supplier anticipates that it may transfer a measure between obligations or to

- g. confirmation that the measure satisfies the criteria and conditions that must be met for the measure to be a qualifying action¹⁰¹;
 - h. where the measure is an adjoining installation under CSCO, identification of areas A and B¹⁰²; and
 - i. where the measure is a secondary measure under CERO, the primary measure it relates to.
- 9.13. A copy of the notification template suppliers may use for monthly notification will be available on our website. We will consider each measure identified in a notification template separately when determining whether notification of that measure has been successful.
- 9.14. In certain circumstances, we may grant suppliers an extension to the notification deadline for this information. This is discussed under the heading *Applications for extensions to the notification deadline* below.
- 9.15. We are also requiring suppliers to notify other important information when submitting their monthly notification of a completed measure¹⁰³. We require suppliers to submit all of this further information by the notification deadline. Failure to do so will not render notification of that measure unsuccessful. It may, however, be treated as a failure to comply with a relevant requirement for which our enforcement powers are available¹⁰⁴. Some of this information is required in order for us to be able to determine whether a qualifying action can be credited towards a specific obligation.

another supplier, the supplier should include both the carbon and cost saving as appropriate in the notification template. For further information please see Chapter 8 of this Guidance.

¹⁰¹ In respect of the following obligations, the criteria and conditions are set out at:

1. Carbon Emissions Reduction Obligation – Article 12 (3) - (5), and (7). See Chapter 5 of this Guidance.
2. Carbon Saving Community Obligation - Article 13(5) - (7). See Chapter 6 of this Guidance.
3. Home Heating Cost Reduction Obligation - Article 15(3). See Chapter 7 of this Guidance.

¹⁰² B is the area in which the adjoining installation is installed. A is the area of low income to which area B is adjoined. Please see Chapter 6 for further information on identifying these areas.

¹⁰³ We are requiring this information from suppliers pursuant to our information gathering powers under Article 23 of the Order.

¹⁰⁴ See Article 24 of the Order.

- 9.16. This further information is detailed in the notification template and includes, but is not limited to:
- a. whether the person to whom the measure has been promoted is, as applicable, a member of the Affordable Warmth Group or a Householder;
 - b. the name of the scoring tool used; and
 - c. the identification number of the appropriate methodology used (where appropriate).

How to notify a measure

- 9.17. The notification template describes the information that suppliers must include as part of the monthly notification for a particular type of completed measure. There is also a data dictionary on our website which is intended as a reference tool for completing the notification template.
- 9.18. A notification of a completed measure must be made using the notification template and provided to us securely¹⁰⁵.
- 9.19. We will review each measure that is successfully notified to us and will inform suppliers of the savings attributed to that measure¹⁰⁶. Where necessary, we may require a supplier to clarify the information notified or provide further information with respect to a notification before we are able to attribute savings for the notified measure.
- 9.20. We ask that suppliers make one submission, monthly, in respect all of the measures that were installed in the previous month. This will reduce the probability of error in notification to us, in particular the likelihood of reporting the same measure to us twice. A single monthly application will also allow us to review the information more easily and thus notify suppliers of the outcome faster.

¹⁰⁵ We will provide further information on how to notify us securely to suppliers in due course.

¹⁰⁶ The Order prevents us from attributing a carbon saving to an adjoining installation until after 31 March 2015.

Errors in successful notifications

- 9.21. Before a notification deadline, a supplier may make corrections to a notification template that the supplier has submitted to us. For example, for a measure installed on 15 June 2014 and notified on 10 July 2014, an error in the notification template should be corrected at any time up to and including 31 July 2014.
- 9.22. After the relevant notification deadline (in the above example, after 31 July 2014), the notification template may only be corrected with our consent.
- 9.23. We consider accurate reporting to be a very serious issue. It is the responsibility of each supplier to ensure that all notifications are accurate and to manage any third parties involved in delivery. Inaccuracies in the notification of a completed measure may result in the respective carbon or cost saving for that measure not being attributed towards a supplier's obligation.

Applications for an extension to the notification deadline

- 9.24. Suppliers can apply to us for an extension to the notification deadline for a completed measure. The application must be in writing and must include a reason explaining why an extension is being requested. The reason should be supportable by evidence. A request for an extension should be made promptly by the supplier when it first becomes aware that it has, or will, fail to notify a measure by the notification deadline.
- 9.25. Once a supplier becomes aware that it has, or will, fail to notify a measure by the notification deadline the supplier should take all reasonable steps to ensure that the measure is notified as soon as possible. Such steps, of themselves, will not guarantee that an application for extension will be approved. However the period of the extension granted to a supplier will be no longer than the period that we consider was reasonably necessary.
- 9.26. In general, suppliers are expected to be able to notify us of completed measures by the notification deadline. We are not obliged to grant an extension to suppliers and as such we will consider each application on its merits.
- 9.27. We are unable to grant an extension to the notification deadline for the notification of a completed measure where the reason provided is 'administrative oversight on the part of the supplier'.

- 9.28. Suppliers may submit a completed notification template in respect of the measure(s) for which they are seeking an extension at the same time as they submit the application for the extension. Where they do not, a supplier's application must identify the measure(s) (including the address at which the measure is installed) in respect of which it is seeking an extension.

Administrative oversight on the part of the supplier

- 9.29. Administrative oversight includes instances where the supplier fails to carry out an administrative task for reasons within the supplier's control and where the cause of that failure was reasonably foreseeable. Examples of administrative oversight on the part of the supplier would normally include:
- a. sending the notification to the wrong email address;
 - b. forgetfulness;
 - c. sickness or absenteeism of person with relevant knowledge or login details, where it is reasonable to expect the supplier to have a secondary person with the necessary authority and knowledge to submit the notification;
 - d. routine maintenance of IT systems; and
 - e. misplacing of password/login details.
- 9.30. The above list is not exhaustive and all applications for extension will be assessed on a case-by-case basis. We will take into account the degree of control exercised by the supplier over the administrative oversight when deciding whether the administrative oversight is on the part of the supplier. For example, we will generally consider the administrative oversight to be on the part of the supplier where an employee of the supplier is responsible for the administrative oversight.

Monthly report to the Secretary of State

- 9.31. One of our duties under the scheme is to submit a report to the Secretary of State each month from March 2013. Each report will set out the progress which suppliers have made towards meeting their obligations under the Order. Please see Chapter 12 for further information on our reporting responsibilities under the scheme.

- 9.32. This report will provide aggregated data from the information notified to us by suppliers each month, to the Secretary of State, and will include information on individual supplier progress towards achievement of their obligations.

Fair Processing

- 9.33. In the course of fulfilling their obligations under ECO, suppliers will be obtaining information about customers. Some of this information will need to be provided to us either as part of the monthly notification or in the course of our audits. In addition, in the course of transfer of a qualifying action, one supplier will disclose customer information to another supplier. Suppliers should ensure that their processing of this information complies with all applicable data protection laws.
- 9.34. In particular, it is the responsibility of suppliers to ensure that customers to whom they deliver measures under ECO are properly informed of how their information will be processed and for what purposes, including to whom such information will be disclosed. This includes informing customers that their data will be shared with us.
- 9.35. In general, the Data Protection Act 1998 requires persons collecting personal data to provide the data subject with a Notice of Fair Processing, also known as a Privacy Notice. So that we are able to process the customer data that we receive from suppliers, we require the following wording to be included in every Privacy Notice that suppliers provide to customers under ECO:

'Certain of the information you have provided to [*name of supplier/company*] may be disclosed to Ofgem as Administrator of the ECO scheme. Ofgem is the Office of the Gas and Electricity Markets. Further information about Ofgem can be found at <http://www.ofgem.gov.uk>. Ofgem may use such information to determine whether [*name of supplier*] is achieving its obligations under such scheme and to comply with its own statutory duties. Ofgem may seek to verify any information we provide them with by contacting you directly or by checking it against existing Government records. If you would like to know more about what information Ofgem holds about you, or the way it uses your information, full details of Ofgem's ECO Privacy Policy can be found at: <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Pages/index.aspx>. You can also contact Ofgem directly at eco@ofgem.gov.uk.'

- 9.36. This wording is intended to discharge certain of our obligations under the Data Protection Act 1998. It is not intended, and should not be relied upon, to discharge suppliers' obligations in respect of the same or other data protection laws. Further guidance on what information Fair Processing Notices should contain can be found on the Information Commissioner's Office website at: <http://www.ico.gov.uk/>.

10. Transfers of Qualifying Action

Chapter Summary

Explains what a transfer is, how suppliers can apply to transfer a measure to another supplier, and the grounds on which we will approve or refuse such applications

Introduction

- 10.1. Under the Order, a supplier may apply for a qualifying action it has achieved to be transferred to another supplier¹⁰⁷.
- 10.2. This Chapter sets out the process for making an application to transfer a qualifying action, the circumstances in which we will approve an application, and the effect of a transfer.

Making an application to transfer

When can a supplier apply to make a transfer?

- 10.3. A supplier may make an application to transfer a qualifying action at any time up to and including 31 March 2015.
- 10.4. The subject of a transfer is 'a qualifying action achieved by' a supplier. For the purpose of transfers, we will regard a completed measure to be 'a qualifying action achieved by' a supplier once:
 - a. The completed measure is notified to us (as part of monthly notification, see Chapter 9); and
 - b. We have attributed a saving to the completed measure.
- 10.5. A supplier may apply for transfer of a completed measure before we have determined that the completed measure is qualifying action and attributed a saving to that action. We will process the application after we have made the determination. In the event that we determine that a completed measure is

¹⁰⁷ Article 20(1) of the Order.

not qualifying action, we will refuse the application for transfer on the ground that there is no qualifying action capable of transfer. We recommend that suppliers do not apply for transfer until we have attributed a saving to a completed measure.

- 10.6. There is no limit on the number of qualifying actions that a supplier can seek to transfer in any one application. Nor is there any limit on the number of applications that a supplier can make during the overall obligation period (providing all applications are received by 31 March 2015¹⁰⁸, and meet the criteria for transfer).

How can a supplier apply for a transfer?

- 10.7. We require **two** copies of any transfer application to be submitted to us. These must be submitted as:

- a. a hard copy by post, addressed to 'ECO Team', 9 Millbank, London, SW1P 3GE;

AND

- b. an electronic version to eco@ofgem.gov.uk.

- 10.8. A template for transfers will be available on our website¹⁰⁹. To minimise the risk of an application for transfer being incomplete, we recommend that suppliers use this template when applying for a transfer.

Adjoining installations may not be transferred

- 10.9. Adjoining installations cannot be the subject of a transfer. An adjoining installation only becomes a qualifying action after we have determined whether the savings from adjoining installations are within the 25 percent limit¹¹⁰, and notified the supplier¹¹¹. Under the Order, we are not able to make this determination until *after* March 2015¹¹². An application for the transfer of

¹⁰⁸ Article 20(2)(a) of the Order.

¹⁰⁹ The template for transfers will be available on our website at www.ofgem.gov.uk.

¹¹⁰ For information about the limit on savings attributable to adjoining installations see Chapter 6.

¹¹¹ Article 14(3)

¹¹² Article 14(4)(a)

a qualifying action must be made *by* 31 March 2015, therefore, an adjoining installation cannot be the subject of a transfer.

Content of an application for transfer

10.10. An application to transfer a qualifying action must be made in writing and completed by both Supplier A (the seller or transferor) and Supplier B (the buyer or transferee). We have developed a template which we recommend suppliers use when making an application¹¹³.

10.11. The information that must be included in an application for transfer is¹¹⁴:

- a. from Supplier A: the 'unique identifier'¹¹⁵ of the qualifying action that is the subject of the transfer;
- b. from Supplier B, the name of the obligation Supplier B intends the qualifying action to be credited towards (i.e. Supplier B's CERO; CSCO, or HHCRO); and
- c. the carbon or cost saving (as applicable) for the qualifying action, after transfer.

10.12. In addition to the information set out above, we may ask Supplier A and/or Supplier B to provide additional information in support of its application.

10.13. To support its application a supplier may need to provide evidence of future installations planned or contracted, or other details around proposals for meeting its obligation.

An application for transfer between different obligations

10.14. Supplier B may apply for a qualifying action notified by Supplier A under one obligation (for example CERO) to be transferred to and credited against a different obligation for Supplier B (for example, CSCO).

¹¹³ This template for transfers will be available on our website at www.ofgem.gov.uk.

¹¹⁴ Article 20(20) of the Order.

¹¹⁵ As outlined in Chapter 9, suppliers are required to select a unique identifier for each measure it submits.

- 10.15. Where suppliers apply to transfer a qualifying action between obligations that have different savings (e.g. from a carbon saving to a cost saving), Supplier A must provide the carbon or cost saving for the obligation the qualifying action is to be transferred to. Where the carbon or cost saving was not included in an original notification, Supplier A must recalculate the carbon or cost saving (as appropriate) for the obligation the measure is intended to be attributed to. The saving should be calculated in accordance with relevant provision of Article 16, but taking into account the premises as it was at the time the measure was installed (that is, discounting any later installations). The calculation should also use the version of carbon coefficients or fuel prices that were in force at the time the measure was carried out.
- 10.16. As outlined in Chapter 9, we recommend that a supplier provide both the carbon and cost saving when it notifies a measure – in anticipation of transfer (or re-election of an obligation, see Chapter 12).
- 10.17. Suppliers should be aware that if the qualifying action does not meet the criteria of the obligation elected by Supplier B, we will be unable to credit the savings associated with the action against that obligation. For example, we would be unable to credit a CERO qualifying action achieved by Supplier A against Supplier B's HHCRO unless it had been promoted to a 'householder' who was, or resided with, a member of the AWG.

Approving a transfer

- 10.18. Under the Order, we must approve an application for transfer unless we have reasonable grounds to believe that, if approved, the transfer would result in Supplier A being unable to meet one of its total obligations¹¹⁶.
- 10.19. Reasonable grounds to reject an application are likely to arise, particularly in the latter stages of the overall obligation period, where, for example, a supplier has made relatively poor progress towards achieving the relevant obligation to date, and has insufficient future installations planned to meet the obligation, or is unable properly to explain its proposals for doing so.
- 10.20. Suppliers should be aware that we cannot refuse an application on the basis that the qualifying measure does not meet the criteria or conditions of the obligation it is re-elected to. For this reason Supplier B should always ensure that the qualifying action that is to be transferred meets the eligibility criteria for its elected obligation.

¹¹⁶ That is, the supplier's total CERO, total CSCO, or total HHCRO.

Following transfer

- 10.21. Where we approve a transfer, we will then attribute a saving to the transferred action.
- 10.22. Where we approve a transfer, we will notify both suppliers of the approval. This notification will include the saving that has been removed from Supplier A and the saving that has been attributed to Supplier B.
- 10.23. Where we decide not to approve a transfer, we will notify both suppliers of the reasons for our decision.
- 10.24. Once approved, the qualifying actions that have been transferred are treated as being achieved by Supplier B and not by Supplier A¹¹⁷. Supplier B accepts a transfer at its own risk. If, for example, a qualifying action transferred to Supplier B later fails an audit, Supplier B will be responsible for remedying the measure (or it will lose the savings).
- 10.25. Supplier B will need to ensure that it is able to produce the documents and data necessary to demonstrate to an auditor that a transferred qualifying action meets the eligibility criteria for the obligation that action is to be credited against.

¹¹⁷ Article 20(5) of the Order.

11. Excess Actions

Chapter Summary

Explains what constitutes an excess action, covers the criteria that an application for excess action will need to meet in order to be approved by us and explains the process by which we will approve excess actions.

Question box

Question 18: Do you feel that this chapter adequately explains what can be considered as an excess action?

Question 19: Do you agree that our process for making an application for excess actions is clear?

Introduction

- 11.1. A supplier may apply to us no later than 1 June 2013 to gain credit towards its ECO obligations for 'excess actions'. Excess actions are measures that are approved and installed under CERT and CESP, but which are not required by the supplier to meet its CERT and CESP obligations¹¹⁸.
- 11.2. This chapter explains what an excess action is, the circumstances in which a supplier can use excess actions to claim credit towards its ECO obligations¹¹⁹, what an application should include, and the grounds on which we will approve an application.

What is an excess action?

- 11.3. For a measure to be considered an excess action, it must meet *all* of the 'core requirements', *and* those of the additional requirements specified below that are relevant.

¹¹⁸ Its obligations under the Electricity and Gas (Carbon Emissions Reduction) Order 2008 and the Electricity and Gas (Community Energy Saving Programme) Order 2009 as amended.

¹¹⁹ Namely, the total carbon emissions reduction obligation; total carbon saving community obligation; or total home heating cost reduction obligation.

The core requirements

11.4. The core requirements are that the measure:

- i) is approved and installed under CERT or CESP;
- ii) is installed from and including 2 January 2012;
- iii) if installed between 1 October and 31 December 2012, is:
 - a) installed by a person of appropriate skill and experience; and
 - b) in accordance with PAS¹²⁰ (where the measure is referred to in an annex to that Specification);

and

- iv) is not required by the supplier to satisfy its CERT or CESP obligations.

11.5. In relation to core requirement (i), we will deem a measure to have been 'approved and installed' under CERT or CESP where:

- a. the measure is reported in the final notification submitted by suppliers (and generators, in the case of CESP) by 31 January 2013; and
- b. we judge the measure to be a qualifying action for the purposes of CERT or CESP.

11.6. In relation to core requirement (iv), the following paragraphs explain when a measure is *not* required by a supplier to satisfy its CERT or CESP obligations. Broadly, this will be when the CERT or CESP obligations have either been met, or if that measure cannot be attributed to any sub-obligation or obligation under those obligations as applicable.

When is a measure not required under CESP?

11.7. We will assess applications relating to excess action *after* we have made our final determination, at the close of the CESP scheme, as to whether suppliers have achieved their CESP obligation. Generally we will judge that a measure is not required by a supplier to meet this obligation where:

- a. the supplier achieved the obligation; and

¹²⁰ See Chapter 4 for an explanation of PAS

- b. the measure was not counted towards achievement of the obligation.

11.8. However this rule is subject to the rule below.

Measures that exceed a limit on qualifying action (CESP)

11.9. Where a qualifying action under CESP exceeds the following limits the CESP Order prevents us from counting the qualifying action towards achievement of the obligation for CESP:

- a. no more than four percent of an obligated party's obligation may be achieved by the provision of loft insulation;
- b. no more than four percent of an obligated party's obligation may be achieved by the provision of cavity wall insulation; and
- c. no more than four percent of an obligated party's obligation may be achieved by the provision of a home energy advice package.

11.10. Therefore where a qualifying action exceeds one of these limits it is not required by the supplier to meet its obligation under CESP.

When is a measure not required under CERT?

11.11. We will assess applications relating to excess action *after* we have made our final determination, at the close of the CERT scheme, as to whether suppliers have achieved their main CERT obligation' and the following sub-obligations:

- a. the insulation obligation;
- b. the priority group obligation; and
- c. the super priority group obligation.

11.12. Generally, we will judge that a measure is not required by a supplier to meet either its main obligation or a sub-obligation where:

- a. the supplier achieved that obligation; and
- b. the measure was not counted towards achievement of the obligation.

However, this rule is subject to the rules described in paragraphs 11.13 to 11.19.

Measures that are surplus to the remainder of the main CERT obligation

11.13. Under CERT, a supplier must achieve each of its sub-obligations in order to achieve its main obligation. For the purpose of this guidance, we refer to the part of the main obligation that is not included within a particular sub-obligation as '*the remainder of the main obligation*'.

11.14. A supplier may fail to achieve its main obligation because it fails to achieve a particular sub-obligation, even though it delivered sufficient measures within *the remainder of the main obligation* to meet its main obligation. If the measures delivered to *the remainder of the main obligation*,

- a. cannot count towards achievement of that sub-obligation; and
- b. are surplus to achieving *the remainder of the main obligation*,

we will judge that a measure is not required by the supplier to meet its main obligation.

11.15. For example, if a supplier does not meet its super priority group obligation, but does meet *the remainder of its main obligation*, then a measure that is not required to meet *the remainder of the main obligation* and does not qualify for the super priority group will be deemed surplus. Therefore, as long as the measure does not qualify for any other unachieved sub-obligations, the measure is not required by a supplier to meet its main obligation.

Measures that exceed a limit on qualifying action

11.16. Where a qualifying action under CERT exceeds:

- the limit on **market transformation action** and **demonstration action**¹²¹; or
- the limit on **priority group flexibility action**¹²²,

the CERT Order prevents us from counting the qualifying action towards achievement of an obligation¹²³.

¹²¹ Article 9(3) CERT Order

¹²² Article 14 CERT Order.

11.17. However, a supplier is able to change the status of these actions to a standard action (rather than market transformation action or priority group flexibility action, as the supplier originally may have intended). By notifying in this way, a supplier ensures that it does not exceed the relevant limit.

11.18. Given the ability of suppliers to change the status of a qualifying action, we will judge that a measure *is* required to meet an obligation, and therefore does NOT qualify as an 'excess action' where:

- the qualifying action involving the measure, exceeded one of the two limits described at paragraph 11.16; and
- the status of that qualifying action could have been changed such that the action could have counted towards the main obligation or a sub-obligation that the supplier failed to achieve.

11.19. To clarify, if a qualifying action under CERT exceeded the limits in paragraph 11.16, a supplier must first establish whether that qualifying action can be changed to count towards the main CERT obligation, or one of the sub-obligations described at paragraph 11.11, before submitting an application for excess action.

The additional requirements

11.20. In addition to meeting all of the core requirements as described above, a measure must also meet the following additional requirements where relevant.

11.21. The additional requirements that are relevant will depend on which scheme the measure was originally approved and installed under (i.e. CERT or CESP), and which of the ECO obligations the supplier intends the measure to be credited against.

¹²³ We have not described treatment of a qualifying action that exceeds the limit on real-time displays and home energy advice packages. This is because the Order restricts suppliers from carrying these measures across to ECO. In most circumstances, suppliers will be unable to calculate savings for these measures. There is no methodology available under the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure for these measures. Further, suppliers will be unable to apply for an appropriate methodology for these measures until the Order comes into force – which is currently anticipated to be during December 2012. The ECO Order requires suppliers to apply for an appropriate methodology before installing the measure to which that methodology will apply.

Measures approved and installed under CESP

11.22. If the measure is intended to contribute towards either CERO or CSCO, then there are **no** additional requirements.

11.23. If the measure is intended to contribute towards HHCRO, then it must have been installed to a householder as defined in the ECO Order¹²⁴.

Measures approved and installed under CERT

11.24. To qualify as an excess action, a measure approved and installed under CERT (in addition to meeting the core requirements above) must meet the following conditions as applicable:

- if a supplier intends the measure to contribute towards the CERO, then the relevant measure must either have been installed to a member of the super priority group¹²⁵, or be solid wall insulation;
- if a supplier intends the measure to contribute towards the CSCO, then it must have been installed in an area of low income¹²⁶ (as defined in the ECO Order); and
- if a supplier intends the measure to contribute towards the HHCRO, it must have been promoted and installed to a householder¹²⁷ who was a member of the super priority group¹²⁸.

11.25. The following table summarises these additional requirements.

¹²⁴ Further information on the definition of a householder is provided in Chapter 7.

¹²⁵ As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.

¹²⁶ For information about areas of low income see Chapter 6.

¹²⁷ Further information on the definition of a householder is provided in Chapter 7.

¹²⁸ As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.

Table 5: Summary of additional requirements for a measure installed and approved under CERT or CESP to qualify as an excess action

Summary of Additional Requirements	CESP	CERT
CERO	None	Super Priority Group OR Solid Wall Insulation
CSCO	None	Area of Low Income (as defined in ECO)
HHCRO	Householder (as defined in ECO)	Householder (as defined in ECO) AND Super Priority Group

Content of an application

11.26. An application for excess action should consist of the following information:

- a. details of each measure that the supplier believes is an excess action including:
 - i. the CERT or CESP scheme code;
 - ii. the address of the premises where the measure is installed;
 - iii. the type of measure/its specification;
 - iv. the date of installation; and
 - v. confirmation that the measure meets the core requirements and any relevant additional requirements (as described above),
- b. the ECO obligation that the supplier intends the application to be counted towards:
 - i. the carbon emissions reduction obligation;
 - ii. the carbon saving community obligation; or
 - iii. the home heating cost reduction obligation,

- c. calculation of the carbon saving or cost saving of the excess action and the scoring method used to calculate the carbon or cost saving.
- 11.27. A template for the notification of excess action will be made available on our website nearer the excess action deadline.
- 11.28. Savings will be calculated in accordance with the ECO Order and will be different to the savings awarded under CERT and CESP. Further explanation on how to calculate the savings referred to in (iii) above is provided in Chapter 8.
- 11.29. For the purposes of audit, the documents that suppliers need to produce to demonstrate that a measure approved and installed under CERT or CESP meets certain of the additional requirements, are as follows:
- *demonstrating installation to a member of the super priority group:* Suppliers must be able to demonstrate that a measure has been installed to a member of the super priority group in the same way as they do under CERT.
 - *demonstrating installation to a householder and to an area of low income:* Information on these requirements is included Appendix 1.

Submitting an application for excess action

- 11.30. An application for excess action must be made in writing by 1 June 2013. Further explanation on how to submit the application, including a template to complete, will be provided at a later date and made available on our website.

Approval of applications for excess action

- 11.31. Where we are satisfied that an application for excess action contains the correct information, meets all of the core requirements and any applicable additional requirements, the application will be approved¹²⁹.

¹²⁹ Suppliers should note that approval of an application for excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the chosen ECO obligation. Information on how we will attribute savings is described in Chapter 8 of this guidance document.

- 11.32. As outlined above, a core requirement for a measure to be considered an excess action is that a supplier does not require that measure to meet its CERT or CESP obligations. **Therefore, we will be unable to approve any applications for excess action until a final determination has been made under CERT and CESP.**
- 11.33. Suppliers should note that approval of an application for excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the chosen ECO obligation. After approving an application for excess action we will then determine the saving to be attributed to the excess action. We will make this determination by reference to the considerations described in Chapter 8 under the heading 'The ECO Administrator's determination of savings attributable to qualifying action and excess action'.

12. End of the Overall Obligation Period

Chapter Summary

Provides information on the end of the overall obligation period. Also outlines how we will determine whether suppliers have met their obligations and how suppliers may re-elect qualifying actions to different obligations.

Introduction

- 12.1. The overall obligation period for each supplier ends on 31 March 2015¹³⁰. A supplier must achieve each of its total obligations by this date.
- 12.2. Before this date, a supplier is able to apply to re-elect a qualifying action or excess action to be credited against a different obligation to the one that it initially elected in its monthly notification or application for excess action.
- 12.3. Following the end of the overall obligation period, we will determine whether a supplier has met its obligations under ECO and notify both the supplier and the Secretary of State of that determination¹³¹.
- 12.4. This chapter provides information about the end of the overall obligation period. It also outlines how suppliers can apply to re-elect action against different obligations.

The end of the overall obligation period

- 12.5. As outlined above, the overall obligation period for each supplier ends on 31 March 2015¹³². A supplier must achieve its total obligation under CERO, CSCO and HHCRO by 31 March 2015¹³³.

¹³⁰ Article 6(1)(b) of the Order.

¹³¹ Articles 22(4) and (6) of the Order.

¹³² Article 6 of the Order.

¹³³ Articles 12, 13 and 15 of the Order.

The final months of the overall obligation period

- 12.6. Suppliers must notify us of all measures completed in March 2015, by the end of April 2015.
- 12.7. Installation of a measure cannot count towards achievement of an ECO obligation unless installation is complete before 31 March 2015 (i.e. the end of the overall obligation period). For this purpose, a measure will be considered complete on the date that it is capable of delivering savings at, or around, a level that is to be expected for that measure. This will normally be the date on which the installer finishes work on the measure. Please refer to Chapter 9 for more information on the date of completion.

Final determination

- 12.8. Under the Order, we must determine whether a supplier has achieved its obligations under ECO, including its:
- a. total carbon emissions reduction obligation;
 - b. total carbon savings community obligation; and
 - c. total home heating cost reduction obligation.
- 12.9. Suppliers will be notified of our determination by no later than 1 July 2015.
- 12.10. Where a supplier has not met one or more of its obligations, consider taking enforcement action under our powers. Such action may include deciding whether to impose a penalty for failing to achieve the obligation(s).

Our final report to the Secretary of State

- 12.11. No later than 31 January 2016, we must submit a report to the Secretary of State setting out whether suppliers achieved:
- a. the overall carbon emissions reduction target;
 - b. the overall carbon saving community target; and
 - c. the overall home heating cost reduction target.

12.12. This report will reflect our final determination of whether suppliers have achieved their obligations.

Re-election of obligations

12.13. As outlined in Chapter 9, when a supplier notifies a qualifying action¹³⁴, it must identify which obligation that qualifying action is intended to be credited against (i.e. CERO, CSCO, or HHCRO). As outlined in Chapter 11, when a supplier makes an application for excess action, it must identify which obligation that excess action is intended to be credited against (i.e. CERO, CSCO, or HHCRO).

12.14. Under the Order, a supplier may apply to credit a qualifying action or excess action against a different obligation from the obligation identified in the original notification or application¹³⁵.

12.15. Below we set out the process for making an application to re-elect, when we will approve an application and the effect of re-election.

When can a supplier apply to re-elect an obligation?

12.16. At any time up to and including 31 March 2015, a supplier may apply to credit a qualifying action or excess action against a different obligation from the obligation identified in the original notification or application. For example, where a supplier originally credited a measure towards CERO, it can apply to have that measure credited towards HHCRO. We refer to this application as re-election of an obligation.

12.17. A supplier may apply to re-elect the obligation for a notified measure (i.e. a completed measure notified in a monthly notification) after we have determined that the notified measure is a qualifying action and attributed a saving to that action.

12.18. A supplier may apply to re-elect the obligation for an excess action after we have approved the application for excess action. If we have not determined the application and a supplier wishes to re-elect, the supplier should withdraw, amend and resubmit the application for excess action – but must do so before 1 June 2013.

¹³⁴ Under article 16(1) or 16(2) of the Order.

¹³⁵ Article 22(2) of the Order.

Form of an application to re-elect

12.19. We require **two** copies of any application to be submitted to us. These must be submitted as:

- a. a hard copy by post, addressed to 'ECO Team', 9 Millbank, London, SW1P 3GE;

AND

- b. an electronic version to eco@ofgem.gov.uk.

12.20. Where an application is submitted electronically, it must be received by 31 March 2015.

12.21. A template for re-electing obligations will be available on our website. To minimise the risk of an application for re-election being incomplete, we recommend that suppliers use this template when applying for a re-election.

Content of an application for re-election

12.22. An application for re-election must include the following information¹³⁶:

- a. the 'unique identifier'¹³⁷ of the qualifying action or excess action that is the subject of the re-election;
- b. the name of the obligation the supplier intends the qualifying action or excess action to be re-elected to (CERO, CSCO or HHCRO); and
- c. the carbon or cost saving (as applicable) for the qualifying action or excess action after re-election.

12.23. In addition to the information set out above, we may ask the supplier to provide additional information in support of its application.

¹³⁶ Article 20(20) of the Order.

¹³⁷ As outlined in Chapter 9, suppliers are required to select a unique identifier for each measure it submits.

12.24. To support its application a supplier may need to provide evidence of future installations planned or contracted, or other details around proposals for meeting its obligation.

Re-election to an obligation with a different saving

12.25. A supplier may choose to re-elect a qualifying action or excess action to an obligation that has a different saving (e.g. from a carbon saving to a cost saving). In this case, the supplier must provide the carbon or cost saving for the obligation the qualifying action or excess action will be attributed to.

12.26. Where the carbon or cost saving was not included in the original notification or application, the supplier must recalculate the carbon or cost saving (as appropriate) for the obligation the action is to be attributed to. The saving should be calculated in accordance with article 16 of the Order, but taking into account the premises as it was at the time the measure was installed (that is, discounting any later installations). The saving should also be calculated using the carbon coefficient and fuel prices that were in force at the time the measure was carried out.

12.27. As outlined in Chapter 9, we recommend that a supplier provide both the carbon and cost saving when it notifies a measure.

Approving an application for re-election

12.28. An application for re-election will be approved where:

- a. we are satisfied that the qualifying action or excess action is a qualifying action or excess action in respect of the obligation the supplier wishes to credit the action towards; and
- b. we do not have reasonable grounds to believe that, if the application were approved, the supplier would not meet the obligation that was originally elected.

12.29. Reasonable grounds to reject an application are likely to arise, particularly in the latter stages of the overall obligation period, where, for example, a supplier has made relatively poor progress towards achieving the original obligation, and has insufficient future installations planned to meet the obligation, or is unable properly to explain its proposals for doing so.

Following re-election

- 12.30. Where we approve a re-election, we will notify the supplier of that approval, including the cost or carbon saving (as appropriate) that has been deducted from the obligation the action was originally attributed to and added to the other obligation.
- 12.31. Where we decide not to approve an application for re-election, we will notify the supplier of the reasons for our decision.
- 12.32. A supplier will need to ensure that it is able to produce the documents and data necessary to demonstrate to our auditors or officers that an action is qualifying action or excess action in relation to the re-elected obligation: for example, documents demonstrating AWG status if an action is re-elected to HHCRO.

13. Audit and Technical Monitoring

Chapter Summary

Provides information about technical monitoring by suppliers and our auditing.

Question box

Question 20: What are your views on our approach to auditing?

Question 21: Do you agree with our approach to technical monitoring? If not, do you have any specific comments on how this could be made more efficient?

Question 22: Are there standards in addition to those contained in the building regulations, that we should require suppliers to technically monitor?

Question 23: Do you agree that our approach to fraud prevention is suitably robust (including the submission of prevention/detection proposals at the time of activity proposals)?

Introduction

- 13.1. Generally, we will attribute savings to completed qualifying action on the basis of information provided by suppliers through monthly notification (as described in Chapter 9). We will put in place a system of checks to confirm that the information provided by suppliers is reliable. This system will include audits and technical monitoring.
- 13.2. We will conduct audits of a sample of notified measures (i.e. completed qualifying action that has been notified to us in a monthly notification, as described in Chapter 9), or that has been approved as excess action, as described in Chapter 11. An audit may look at any or all aspects of the promotion of the measure. The purpose of an audit will be to determine whether the information that a supplier has provided about the promotion of a measure is accurate.

- 13.3. We will also require suppliers to conduct technical monitoring of a sample of notified measures. Technical monitoring is focussed on the standards of installation of measures, but will also verify that the premises and measure are as notified by the supplier.
- 13.4. All aspects of supplier activity under ECO could be subject to audit or technical monitoring. Whenever a supplier is working with a third party to achieve their obligations, the responsibility for ensuring that the third party delivers actions in accordance with the Order and this Guidance lies with the supplier. We expect suppliers to be able to demonstrate good processes for managing this third party delivery in the event that this aspect of their activity is audited.

Audit

- 13.5. One way in which we will check the information provided to us by a supplier is through audit. Below we set out our approach to conducting audits under ECO.

Our response to audit results

- 13.6. Following an audit, the supplier will be issued with a full audit report and recommendations to ensure compliance with ECO. Where an audit of a notified measure establishes that certain information provided to us is not accurate we may:
- a. revoke an earlier decision to attribute savings to the measure;
 - b. consider taking enforcement action under our powers; and
 - c. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

Technical monitoring

- 13.7. One way in which we will assess whether measures have been installed in accordance with the relevant standards, and whether premises and measures are as notified by the supplier, is through technical monitoring. Technical monitoring involves site-based visits. We require the results of technical monitoring to be reported to us quarterly. We require this information under Article 23(1) of the Order.

- 13.8. Technical monitoring reports may be subject to audit to ensure accuracy of reporting.
- 13.9. Below we provide information about the technical monitoring programme that suppliers are to undertake.

Who conducts technical monitoring

- 13.10. Technical monitoring must be undertaken by a third party, who is independent from the supplier, installer, or any other party involved in the installation of the measure¹³⁸ ('monitoring agent').
- 13.11. The results of technical monitoring are to be submitted directly and unaltered to the supplier, not to any other third party.

What is technically monitored

- 13.12. Technical monitoring is focussed on the standard of installation of a measure. Monitoring is designed to verify whether a measure has been installed to the relevant standards. Information about the standards of installation relating to a measure is provided in Chapter 4. Technical monitoring is also a means of verifying that premises and measures are as notified by the supplier.
- 13.13. Any measure installed under ECO might be subject to technical monitoring. The sample of measures that a supplier chooses to monitor should be representative of all activity completed under ECO by a supplier, in that quarter. For example, it should include inspection of all installers, geographical areas, and obligations.
- 13.14. Where a measure has been installed under both the Green Deal and ECO, and the measure has been monitored under the Green Deal it should not be monitored again for the purpose of ECO.

Technical monitoring questions

- 13.15. To ensure that monitoring is comparable across all suppliers and appropriate for each type of measure, we will develop a list of technical monitoring questions to be used by the monitoring agent undertaking the technical

¹³⁸ This may be subject to audit.

monitoring. These questions will be developed in conjunction with suppliers and key industry bodies.

13.16. The technical monitoring questions will enable us to determine whether or not we can attribute the savings claimed by a supplier for a particular measure. This will be achieved by examining whether:

- the property, measure and materials used are as notified by the supplier;
- the measure has been installed in accordance with the relevant standards of installation; and
- the measure is eligible to be claimed as a qualifying action (i.e. meets the requirements of the Order).

Results of technical monitoring

13.17. We require suppliers to submit the results of technical monitoring to us, unaltered, on a quarterly basis. This information is required as part of our information gathering powers under the Order¹³⁹.

13.18. We request that suppliers structure each technical monitoring report by individual question. Suppliers are also required to report on the number of properties to which monitoring agents were not granted access.

13.19. We will publish the results of technical monitoring reports.

13.20. Where technical monitoring establishes that a measure installed under ECO fails to comply with a standard relating to its installation we will allow a supplier to remedy the failure and so avoid the loss of savings for that measure. If a supplier chooses to remedy a failure, it should re-inspect the installation after remedial work is completed and confirm to us that the remedial work is complete. Where possible, the failure should be remedied within two months of the issue being discovered.

13.21. Re-inspection is in addition to, rather than part of, the number of inspections that a supplier will need to conduct to meet the standard inspection rate for technical monitoring.

¹³⁹ Article 23(1)(b) of the Order.

13.22. Suppliers are expected to ensure that pass rates for technical monitoring are high, and to actively work to improve the standard of installations.

Rate of technical monitoring under ECO

13.23. The extent of monitoring will vary depending on the average failure rate of installations, with poor performance over three consecutive quarters resulting in an escalation of inspection rates.

13.24. This approach ensures that technical monitoring is both proportionate and targeted.

13.25. In addition to the rates of inspection set out below, where a supplier reports a significantly high failure for an individual quarter, we will ask the supplier to provide us with assurance that it is implementing processes to increase the standard of installations.

13.26. We will assess the rate of failure on a per measure basis. For example, whether a supplier has a failure rate of above or below five percent in relation to solid wall insulation.

Base Level – First Three Quarters

13.27. Suppliers are to undertake technical monitoring in respect of five percent of all installations completed under ECO. Technical monitoring should include all measure types installed under ECO and be representative of all obligations.

13.28. This level of technical monitoring should continue for the first three quarters of ECO. The ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below five percent.

- a. If, over the first three quarters, a supplier achieves an average failure rate of *below* five percent, it will be required to carry out Level 1 monitoring.
- b. If, over the first three quarters, a supplier achieves an average failure rate of *five percent or above*, they will continue to Level 2 monitoring requirements.

Level 1 technical monitoring

13.29. Where a supplier achieves an average failure rate of *below five percent* over the first three quarters of ECO, it will be required to undertake Level 1 technical monitoring. At this level, one percent of all measures installed under ECO should be technically monitored.

13.30. This level of technical monitoring should continue for the second three quarters of ECO. The ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below five percent.

- a. If, after three consecutive quarters, a supplier achieves an average failure rate of *five percent or above*, it will be required to carry out Level 2 monitoring.
- b. If, after three consecutive quarters, a supplier achieves an average failure rate of *below five percent*, it will be required to continue at Level 1 monitoring.

13.31. Suppliers who remain at Level 1 monitoring will be assessed on a rolling, three quarter basis.

Level 2 technical monitoring

13.32. If, over three quarters, a supplier achieves an average failure rate of *above five percent*, it will be required to undertake Level 2 technical monitoring. At this level, five percent (or a statistically significant sample¹⁴⁰ – whichever is less) of all measures installed under ECO must be technically monitored.

13.33. Level 2 monitoring will continue for three consecutive quarters. Following this three quarter period, the ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below five percent. Where a supplier demonstrates:

- a. improved performance (i.e. the average failure rate of a measure is below five percent), that supplier will return to Level 1 technical monitoring;

¹⁴⁰ For guidance on calculating a statistically significant sample, please contact Ofgem's ECO team.

- b. improved performance, but continues to fail greater than five percent of installations, that supplier will remain at Level 2 technical monitoring for a further three quarters; or
- c. no improvement or reduced performance, that supplier will be expected to undertake Level 3 monitoring.

Level 3 technical monitoring

13.34. Where a supplier has completed Level 2 technical monitoring for three consecutive quarters and does not demonstrate improved performance, it will be expected to undertake Level 3 technical monitoring. At this level, a supplier is expected to continue to monitor either five percent (or a statistically significant sample, whichever is less).

13.35. In addition, the supplier is expected to:

- provide us with assurance that it is implementing processes to increase the standard of installations; and
- provide us with assurance that it will be increasing its own, internal, monitoring to investigate the issue. The results of this investigation should be formally submitted to us.

13.36. Suppliers will be expected to evidence that they are taking appropriate action to remedy the failure rates, including targeting specific installers where appropriate.

13.37. Level 3 technical monitoring will continue until the average failure rate of installations returns to less than five percent and we consider that issues have been addressed. After which point, suppliers will return to Level 2 technical monitoring.

Our response to technical monitoring results

13.38. Where technical monitoring establishes that the installation of a measure is not in accordance with the relevant standards of installation, or that the premises and measure are not as notified by the supplier we may:

- a. revoke an earlier decision to attribute savings to the measure;

- b. initiate an investigation to determine whether enforcement action is warranted; and/or
- c. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

Fraud prevention

13.39. The prevention of fraudulent activity under ECO (including misreporting) is key to minimising the risk of non compliance. As such, there is a dedicated Fraud Prevention and Audit team assigned to the ECO programme.

13.40. All suppliers will be expected to implement mitigation against the risk of fraud within their activity, this should include, but not be exclusive to:

- identification and mitigation of fraud risks;
- controls to ensure calculations of savings using SAP/RDAP/appropriate methodology are correct;
- sufficient requirements within third party contracts to ensure that work is completed in accordance with legislation and supplier guidance;
- robust processes for gaining regular, reflective activity reports from in house installers and third party bodies;
- the continued scrutiny of in house and third party activity to ensure compliance with legislation and supplier guidance;
- suitable, senior manager oversight of activity and reporting; and
- processes to ensure accurate and reflective reporting to us.

13.41. Suppliers should, in all instances, promptly report any instances of suspected fraud to us.

13.42. To ensure that suppliers' fraud prevention activity is appropriate and robust, we will work closely with suppliers to ensure that proposed controls are effective. Suppliers should be able to demonstrate the steps taken to eliminate fraud and be able to present appropriate information to auditors to demonstrate those steps.

De-duplication

13.43. We will undertake a de-duplication exercise to ensure that savings are not attributed to more than one supplier in respect of the same measure.

Appendices

Index

Appendix	Name of Appendix	Page Number
A	Consultation Response and Questions	118
1	Evidence Requirements	122
2	Qualifying Boiler Information Pack	132
3	Glossary	141
4	Feedback Questionnaire	148

Appendix A - Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3. Responses should be received by 25 January 2013 and should be sent to either of the following:

Niki Sharp
ECO Team
Ofgem
9 Millbank
London
SW1P 3GE

eco.consultation@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, Ofgem intends to publish a response to consultation document summarising the responses received, and publish a final guidance document in spring 2013. Any questions on this document should, in the first instance, be directed to:

Niki Sharp
Ofgem
9 Millbank

London
SW1P 3GE

eco.consultation@ofgem.gov.uk

CHAPTER: One

Question 1: Do you agree with our proposed 'date of effect' of the final guidance? If not, please suggest a different approach and explain your reasons for this.

Question 2: Whilst ECO brokerage is not currently mandated what, if any, areas of additional detail should be considered to avoid complications for the Brokerage Mechanism?

CHAPTER: Four

Question 3: We have stated that, where a supplier funds all or part of the installation of a measure, we will be satisfied that a supplier has 'promoted' a measure. Do you think that this is a sufficient test for promotion, or should we include additional criteria?

For example, where an extension is being built to a property, or an occupied property is being renovated, should we only award a score to measures that are installed and that exceed building regulations? Also, should we only award the portion of the carbon or cost saving that exceeds building regulations?

Question 4: Do you think that the installation and technical standards required by us under ECO are sufficient? If not, which other standards would be more appropriate?

Question 5: Do you agree that we should only require suppliers to comply with the measure-specific annexes in PAS, or should we require suppliers to comply with PAS in its entirety? If the latter, please explain why.

CHAPTER: Five

Question 6: Please provide your views on our definition of, and evidential requirements for¹⁴¹, hard-to-treat cavities. In particular:

¹⁴¹ For information on evidentiary requirements, please see Appendix 1.

- **Cavities which are not suitable to insulate with standard insulation materials or techniques**
- **Substantial remedial works**
- **The requirement for a chartered surveyor's report for the insulation of natural stone cavity walls**

CHAPTER: Six

Question 7: Please provide your views on our interpretation of the requirement for walls and lofts to be insulated before district heating connections can be installed.

CHAPTER: Seven

Question 8: What are your views on our approach to qualifying boilers set out in Appendix 2? In particular: our definition of a boiler, warranty requirements, and methodology to evidence the boiler being repaired or replaced.

Question 9: What do you consider to be the expected cost of providing a one-year and two-year warranty in respect of a repaired qualifying boiler?

Question 10: Do you feel that our approach for evidencing AWG eligibility is appropriate? If not, can you suggest an alternative to this approach?

Question 11: Do you feel that our approach for evidencing 'householder' is appropriate? If not, can you suggest an alternative, or robust proxy, to this approach?

CHAPTER: Eight

Question 12: What are your views on our approach to how suppliers must utilise SAP, RdSAP and associated software?

Question 13: Do you have any comments on our approach to scoring packages of measures? If suggesting alternatives, please provide evidence on how this will meet the requirement for suppliers to notify us of carbon/cost scores each month.

Question 14:

a) What are your views on whether suppliers should be able to infer some RdSAP inputs when scoring measures under the HHCRO?

b) Do you have any suggestions on how this could be done, while ensuring that the savings determined for the measure are accurate and specific to the property in which they are installed?

c) Would this enable the obligation to be delivered more efficiently and effectively. Please provide qualitative and quantitative evidence to support your position

Question 15: We intend to publish all appropriate methodologies immediately after approval that we approve on our website. What are your views on this proposal?

CHAPTER: Nine

Question 16: Do you feel that our approach to determining the date on which the installation of a measure is complete is reasonable? Are there instances where you think an alternative approach should apply? If so what alternative do you propose?

Question 17: Do you feel that our approach to what we consider as 'administrative oversight' is reasonable? If not, please explain why.

CHAPTER: Eleven

Question 18: Do you feel that this chapter adequately explains what can be considered as an excess action?

Question 19: Do you agree that our process for making an application for excess actions is clear?

CHAPTER: Thirteen

Question 20: What are your views on our approach to auditing?

Question 21: Do you agree with our approach to technical monitoring? If not, do you have any specific comments on how this could be made more efficient?

Question 22: Are there standards in addition to those contained in the building regulations, that we should require suppliers to technically monitor?

Question 22: Do you agree that our approach to fraud prevention is suitably robust (including the submission of prevention/detection proposals at the time of activity proposals)?

Appendix 1 – Documents and Data to be Made Available on Request

- 1.1. As outlined in Chapter 13, we will conduct regular audits of supplier activity to ensure that activity under ECO is carried out in the correct way.
- 1.2. In Table 6 below, we list the documents and data that suppliers should make available on request. For the purposes of ECO, we may require these documents and data to be produced at any time before the end of 31 January 2016.
- 1.3. This table is ordered as follows:
 - Column 2 identifies the policy area against which information is provided;
 - Column 3 lists the documents (relating to a qualifying action) that suppliers must make available to us on request;
 - Column 4 lists the data (relating to a qualifying action) that suppliers must make available to us on request.

Table 6¹⁴²: Documents and data suppliers should retain and make available to us on request

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
1	Promotion of the measure	<p>Documents sufficient to establish 'promotion'. For example, in the case where a supplier engages a person to install a measure at a property, a supplier should produce:</p> <ul style="list-style-type: none"> • the contract(s) or other document(s) which established the relationship, between the supplier and the installer, under which the installation was performed; and • where appropriate, evidence of the supplier's payment of, or contribution towards, the fees and other costs of the installation: for example, an invoice and a payment slip. 	
2	Specification of the measure		<p>To include:</p> <ul style="list-style-type: none"> • Measure type • Manufacturer name • Product name • Product serial number (where available)
3	Installing to an appropriate standard	<p>The contractual agreement or equivalent (containing the requirement to cooperate with an Ofgem auditor).</p> <p>Suppliers may demonstrate that a product or system used in installation is compliant with Building Regulations by producing documentary evidence that the product or system complies with building regulations.</p> <p>Examples of the documentation to be produced by suppliers include: UKAS accredited lab certification (e.g. BBA) and ETAs (that are suitable for the conditions under which the</p>	

¹⁴² Note that, in the Open Letter: *Energy Companies Obligation (ECO): documents and data to be made available to Ofgem on request; general information about some legislative provisions of ECO*, this Table had an additional column entitled 'relevant information'. The information contained in this column is now included in the body of this guidance.

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		product will be used/installed).	
4	Installation by a person with appropriate skill and expertise	The contractual agreement (containing the requirement to cooperate with an Ofgem auditor).	
5	Address at which the measure is installed		<ul style="list-style-type: none"> • House/Flat number • Street • Town/City • Country • Postcode • Unique property reference number
6	Date of completion	<p>Either:</p> <ul style="list-style-type: none"> • a copy of the <i>Declaration of conformity</i> described at clause 7.2 of PAS, where such declaration has been produced and signed by the installer; or • a copy of a <i>Declaration of completed installation</i>, completed and signed by the installer. A template for the <i>Declaration of completed installation</i> will be available on our website. <p>In each case the declaration must be signed by the customer to confirm the date on which the installer finished work on the installation of the measure.</p> <p>We recommend the following be added to each declaration for the purpose of obtaining the customer's confirmation:</p> <p><i>For completion by the customer:</i></p> <p><i>Customer's confirmation of date of completion of installation</i></p>	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p><i>Please confirm the date on which the installer finished working on the measure described above.</i></p> <p><i>Date on which installer finished work:</i></p> <p><i>Customer's name (print):</i></p> <p><i>Customer's signature:</i></p>	
7	A recommended measure	<ul style="list-style-type: none"> • The Green Deal report produced following a qualifying assessment • The report by the chartered surveyor 	<ul style="list-style-type: none"> • The EPC reference number (for all cases where an EPC has been conducted) • Green Deal report reference number (for all cases where a Green Deal report has been carried out).
8	Insulation of standard cavity walls	CIGA guarantee or equivalent where relevant	
9	Insulation of solid walls	<p>SWIGA guarantee or equivalent where relevant.</p> <p>Building control and clerk-of-works sign off where relevant.</p>	<ul style="list-style-type: none"> • Property age • Whether the treated walls are built of solid brick
10	Insulation of hard-to-treat cavity walls	<p>In order for the relevant lifetime to be awarded for the measure, suppliers will need to provide the evidence described in the cavity and solid wall sections (depending on the treatment employed) immediately above.</p> <ul style="list-style-type: none"> • CIGA or SWIGA guarantee or equivalent where relevant. • Building control and clerk-of-works sign off where relevant. 	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p>The chartered surveyor’s report, where one is required, should cover each property being treated. In all cases where a chartered surveyor’s report is required it must specifically recommend the suitable insulation type for the property.</p> <p>Where there is a block of flats being treated a report for individual properties is not required. However, the report should cover each construction type present in the block of flats. A generic report relating to a class of properties is not sufficient.</p> <p>The report must contain the address of each property which it covers.</p> <p>A chartered surveyor’s report template is being developed and will be available on our website. In the meantime, suppliers should request a report containing the following information:</p> <ol style="list-style-type: none"> 1. <i>Name of signatory (chartered surveyor):</i> 2. <i>Registration Number:</i> 3. <i>Name of Company:</i> 4. <i>Address:</i> 5. <i>Telephone Number:</i> 6. <i>Email Address:</i> 7. <i>Energy Supplier:</i> 8. <i>How many properties does this report cover?</i> 9. <i>List the addresses of every property that is covered by this report:</i> 10. <i>How many different construction types are covered by this report?</i> 11. <i>Provide a full description of each construction type:</i> <p><i>Cavity walls not suitable to insulate with standard materials or techniques:</i></p> <ol style="list-style-type: none"> 12. <i>Are the cavity walls suitable to insulate with standard insulation materials or techniques?</i> 13. <i>If not, state the reasons and provide further details:</i> 14. <i>Based on your assessment, what is your recommendation for how and whether to</i> 	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p><i>insulate this/these property/ies?</i></p> <p>Cavity walls which are not suitable to insulate without substantial remedial works:</p> <p>15. Are remedial works necessary before the cavity walls can be insulated?</p> <p>16. If yes, provide further details of the type of works required.</p> <p>17. Based on your assessment, what is your recommendation for how and whether to insulate this/these property/ies?</p> <p>18. Will the required remedial works require an additional four 'work hours' labour or more?</p> <p>Uneven cavity formed in walls of natural stone:</p> <p>19. Is the cavity uneven, due to the use of natural stone in the construction of the wall or facade?</p> <p><i>Based on your assessment, what is your recommendation for how and whether to insulate this/these property/ies?</i></p>	
11	District heating system connection (all three obligations)		<p>To include:</p> <ul style="list-style-type: none"> • Specification of the existing heating system – fuel type, supply, controls, efficiency • Specification of the replacement system –fuel type, supply, controls, efficiency • Heat load before and after installation
13	District heating system connection (CSCO only) – requirement that premises contain loft or wall insulation		The percentage of the total exterior-facing walls or loft area that is insulated.

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
14	Qualifying boilers	Please see the Qualifying Boiler Information Pack at Appendix 2.	
15	Installation of glazing measures	<ul style="list-style-type: none"> • the WER calculation, evidencing the installed window’s U-value; or • a declaration by the manufacturer of the installed window’s U-value. 	The grade or U-value of the existing glazing
16	Proportion of installation that must be completed		The reason why 100% of a measure was not installed
17	Primary measures under the CERO		<p>The percentage of the total exterior facing walls to which insulation has been applied, split by wall type (solid / cavity / hard-to-treat cavity).</p> <p>Where it is a hard-to-treat cavity, the percentage that has been treated with solid wall insulation.</p> <p>Date of completion (see above).</p>
18	Secondary measures under the CERO		Date of completion (see above).
19	Affordable warmth benefits eligibility	<p>Where no ESAS referral number is included as part of a supplier’s monthly notification, or ESAS is unable to verify the number notified, then one or more of the following documents will need to be produced on audit:</p> <ul style="list-style-type: none"> • Child Tax Credit: Tax Credit Award Notice • Income-related employment and support allowance: Tax Credit Award Notice; or Benefit entitlement letter* • Income based job-seekers allowance: Tax Credit Award Notice; or Benefit Entitlement Letter** 	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<ul style="list-style-type: none"> • Income support/Income Based Job Seekers Allowance: Tax Credit Award Notice; or Benefit Entitlement Letter** • State pension credit: WHD 'Core Group' notice; or Benefit Entitlement Letter** • Working Tax Credit: Tax Credit Award Notice <p>* Where the letter contains evidence of parental responsibility for a qualifying child, or receipt of a qualifying component or evidence of receipt of a work-related activity or support component</p> <p>** Where the letter contains evidence of parental responsibility for a qualifying child, or receipt of a qualifying component.</p> <p>Please see Chapter 7 for further details, including, in particular, the rules on the period of promotion to which the documents must relate.</p>	
20	'Householder'	<p>Where the measure is promoted to a householder in England and Wales</p> <ol style="list-style-type: none"> a. Freeholder* – search from Land Registry, copy of title, or annual mortgage statement sent to the property where the measure was installed. b. Leaseholder* – search from Land Registry, or copy of lease c. Tenant** (including sub-tenant) but not excluded tenant - Tenancy agreement d. Holder of a licence to occupy an almshouse maintained by a charity - Licence to occupy and constitution of the charity e. Assured agricultural occupancy - Tenancy agreement or licence to occupy f. Protected tenant - Tenancy agreement <p>Where the measure is promoted to a householder in Scotland</p> <ol style="list-style-type: none"> a. Owner* – search from Registry, or copy of title b. Tenant** (including sub-tenant) but not excluded tenant - Tenancy agreement <p>* If for the purposes of HHCRO, the freeholder/leaseholder/owner is not also the member of</p>	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p>the AWG, copies of official correspondence showing the freeholder/leaseholder/owner resides at the premises to which the measure was delivered. Official correspondence includes a utilities bill, or bank statement.</p> <p>**In the event that a tenant occupies premises under a tenancy at will, a supplier should contact us about the documents that may need to be produced in the event of audit</p>	
21	Areas of low income		<p>The LSOA code for measures installed in England and Wales.</p> <p>The data zone code for measures installed in Scotland.</p>
22	Adjoining areas		<p>The LSOA code for measures installed in England and Wales.</p> <p>The data zone code for measures installed in Scotland.</p>
23	Rural areas		The reference to the rural area.
24	The carbon or cost saving of a measure	<p>1) <u>SAP/RdSAP (including bespoke systems that use a SAP/RdSAP engine)</u></p> <p>Report(s) or screen shots showing:</p> <ul style="list-style-type: none"> • Input data • Output data (including 'before' and 'after' cases) • Cost and/or carbon saving • Software information (name of the software organisation, software name, version)¹⁴³ 	

¹⁴³ tested by the Building Research Establishment and approved by the Department of Communities and Local Government (England and

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<ul style="list-style-type: none"> • Name of assessor, assessor number (where applicable) and company • Documentation of additional calculations (e.g. lifetime, in-use factor¹⁴⁴) • Ofgem approval for bespoke system (where applicable) <p>2) <u>Appropriate methodology</u></p> <p>Report(s) showing:</p> <ul style="list-style-type: none"> • Input data • Output report • Cost and/or carbon saving • Details of appropriate methodology • Documentation of additional calculations (e.g. lifetime) • Independent report on the methodology • Ofgem approval for appropriate methodology 	

Wales) or the Building Standards Division (Scotland)

¹⁴⁴ See Chapter 8.

Appendix 2 - Qualifying Boiler Information Pack

1. Introduction

This document is designed to provide suppliers and operatives with guidance regarding the repair and replacement of qualifying boilers under the Energy Companies Obligation (ECO).

2. Qualifying boilers

Under the Home Heating Cost Reduction Obligation (HHCRO), the repair or replacement of a boiler that meets the definition of a 'qualifying boiler' and results in a heating saving is a heating qualifying action. A qualifying boiler is:

- a. in the case of a boiler to be repaired, a boiler which the Administrator is satisfied –
 - is not functioning efficiently or has broken down; and
 - has a seasonal energy efficiency value of not less than 86 percent when assessed against the Standard Assessment Procedure (SAP).
- b. in the case of a boiler to be replaced, a boiler which the Administrator is satisfied –
 - is not functioning efficiently; or
 - has broken down

and which cannot be economically repaired.

In the case of repair of a qualifying boiler, the repair must also be accompanied by a one or two year warranty (see section 3.5 below).

3. Boiler assessment & operative competency

In satisfying ourselves that a boiler that has been repaired or replaced was a qualifying boiler, we will take into account information provided by an appropriately qualified person pursuant to a relevant assessment of the boiler.

3.1 Operative competency

Our current approach is that both assessment and any repair/replacement should be carried out by the same person (the 'operative'). The Order requires that any repair or replacement is carried out by a person of appropriate skill and experience. For boilers

that are referred to within PAS, the boilers must be repaired or replaced by operatives who meet the operative competence requirements listed in the measure-specific annexes to that Specification. For boilers not in PAS, suppliers must ensure that their operatives meet industry competency standards to repair or replace a boiler of that particular fuel type. Operatives must also meet all legal requirements to work with the relevant fuel type. In the case of gas-fuelled boilers, for example, operatives must be Gas Safe registered in accordance with Regulation 3 of the Gas Safety (Installation and Use) Regulations 1998.

3.2 Boiler Assessment Checklist

Ofgem has prepared a checklist ('Boiler Assessment Checklist') which should be completed, signed, and dated by the operative, and retained by the supplier for subsequent audits by Ofgem. All steps taken by the operative in determining boiler condition should be recorded in the checklist, as well as the operative's recommendation as to whether the boiler should be repaired or replaced. The information provided in the checklists will form the basis of our determination of whether the boiler is 'broken down' or 'not functioning efficiently'. These terms are defined below.

The 'Boiler Assessment Checklist' can be found in Schedule 2 of this pack.

It is important to note that the operative's decision to replace a boiler on the basis that he/she considers that it is broken down/not functioning efficiently and cannot be economically repaired does not necessarily mean that we will reach the same conclusion, particularly if we consider that an assessment has been incorrectly carried out. For this reason, suppliers should ensure that the operative, in assessing the boiler, accurately completes the 'Boiler Assessment Checklist'.

During the consultation period, we will be consulting with suppliers and our Fraud and Audit Department on options for ensuring that boiler assessments are carried out in accordance with our requirements. One option we are considering is, in a sample of cases, to commission an independent person to examine a boiler before it is repaired or replaced. The supplier's operative would be 'blind' to the earlier report and their assessment measured against it.

3.2.1. 'Broken down'

A boiler is 'broken down' if, when connected to electric and fuel supplies, it does not respond appropriately to any demand for heat as required by the central heating or domestic hot water system. The operative should list the symptoms observed and state the steps taken to reach his/her conclusion in the 'Boiler Assessment Checklist' (see Schedule 2 below).

3.2.2. 'Not functioning efficiently'

A boiler is 'not functioning efficiently' if its condition is such that its performance in the delivery of water for central heating or the provisions of domestic hot water is significantly worse than that when the product was new. The operative should list the symptoms observed and state the steps taken to reach his/her conclusion in the 'Boiler Assessment Checklist' (see Schedule 2 below).

3.2.3. 'Economically repaired'

Boilers which have a seasonal energy efficiency value of less than 86 percent (when assessed against SAP) 'cannot be economically repaired'. This means that, subject to being broken down or not functioning efficiently, all such boilers can be replaced as qualifying boilers under the Order.

Boilers which have a seasonal energy efficiency value of 86 percent or more¹⁴⁵ can be replaced as qualifying boilers, but only where they 'cannot be economically repaired'. Because the cost of repair of these boilers will usually be much lower than the cost of replacement, such boilers will only be eligible for replacement as qualifying boilers in exceptional circumstances. These circumstances are where:

- a. the required replacement parts for the boiler are not available (i.e. unavailable for purchase at a reasonable cost or within a reasonable timeframe. What is a reasonable timeframe and cost will depend on all the circumstances including the nature of the repair required);
- b. the actual cost of repair is greater than the relevant threshold on the 'Economic Repair Cost Comparison Tables' (see below); and/or
- c. there are compelling reasons why the 'Economic Repair Cost Comparison Tables' should not apply in the circumstances. Those reasons must be provided in the checklist.

3.3 'Economic Repair Cost Comparison Tables'

There are two 'Economic Repair Cost Comparison Tables' to be used for determining when a boiler with an energy efficiency value of at least 86 percent cannot be economically repaired. The tables display the maximum cost of repair for it to be considered economic for the boiler to be repaired rather than replaced, i.e. if the actual cost of repair, as calculated by the operative, is higher than the maximum cost outlined in the table, the boiler should be replaced. The maximum costs depend on whether the boiler is a combination boiler or a basic system boiler, and on its age and condition. When assessing the condition of the boiler, the operative should make this assessment based on what he/she would reasonably expect the condition of a boiler of that age to be.

3.4 Assessing boiler condition

As a guide to assessing condition, the following criteria may be used:

Very poor: the apparent age of the boiler is five years more than the actual age

Poor: the apparent age of the boiler is three years more than the actual age

¹⁴⁵ When assessed against SAP/SEDBUK. If SAP/SEDBUK does not provide an efficiency rating, operatives may use an alternative to estimate the rating. That methodology must be described in the checklist

Standard: the apparent age of the boiler corresponds with the actual age

Good: the apparent age of the boiler is one year less than the actual age

Very good: the apparent age of the boiler is three years less than the actual age.

The maximum cost of repair for each boiler type is based on a number of assumptions: the replacement cost of a boiler (accounting for – where applicable – the cost of the boiler, the cost of boiler extras (e.g. flue), the cost of fittings, water additives, central heating control pack, sub-contract electrician, quotation, re-plumbing around the boiler, and labour), the average lifetime of a boiler (12 years), and that boiler depreciation is linear. The costs that are taken into account by the operative when calculating the actual cost of repair should – where applicable – include those listed above, plus the cost of a one or two year warranty (as appropriate). The operative must specify the cost of the warranty that he/she has included in the actual cost of repair.

Under ECO, after an operative has carried out a boiler assessment and calculated the cost of repair, he/she is required to consult the tables to identify whether it is higher or lower than the maximum cost of repair identified in the table. This information is relevant to whether the boiler can be economically repaired (see section 3.2.3).

The 'Economic Repair Cost Comparison Tables' can be found in Schedule 3.

3.5 Boiler warranty

In the case of repair of a qualifying boiler, the repair must also be accompanied by a one or two year warranty. The warranty must be in respect of the proper functioning of the entire boiler (see Schedule 1), and must not be limited to the part of the boiler that has been repaired or replaced. Warranties should not include any unusual or otherwise unreasonable exemptions. The cost of a one or two year warranty should be included when calculating the cost of a boiler repair (see section 3.4) and must be included in the checklist.

A copy of the qualifying boiler warranty provided to the customer must be retained by suppliers for subsequent audits by Ofgem.

Operatives will need to obtain the consumer's written confirmation that he or she has been provided with, and has been informed by the operative that the boiler is under, a warranty for: a) one year or b) two years from the date of repair, and that the nature of the warranty has been explained to them.

Where a supplier issues a warranty in respect of the repair of the qualifying boiler, any subsequent repair of the boiler under that warranty will not be eligible for savings.

Schedule 1: Boiler definition

A boiler is defined as a vessel or an arrangement of tubes in which water or other fluid is heated. The heated or vaporised fluid exits the boiler for use in various processes or heating applications. The boiler must be connected to a working domestic central heating/hot water system. Below is a list of the components that will normally comprise a boiler.

- 1.** the fuel supply system,
- 2.** boiler and burner control system,
- 3.** air supply and exhaust fans,
- 4.** flue connections within the boiler case,
- 5.** expansion vessel and/or fill and expansion header tanks
- 6.** programmer/timer
- 7.** circulation pump, and
- 8.** pipe work and ancillary equipment within the case necessary to supply central heating and / or instantaneous hot water.

It is expected that these components will exist inside a single casing. However, we are mindful that there may be cases when one or more of components 5-7 exist outside of the boiler casing.

At minimum all the components listed above, where present, must be covered by the warranty and repair of any of those components will constitute repair of a qualifying boiler.

Schedule 2: Boiler Assessment Checklist¹⁴⁶

Information Required	To be filled in by Operative on site
Date of Repair/Replacement	
Householder details	
Address	
Postcode	
Existing boiler details	
Make	
Model	
Year of original commissioning/age of boiler	
State how you have established year of original commissioning/age of boiler (e.g. servicing sticker, records held by householder, landlord records, original installation documentation etc.)	
System type e.g. combination/system	
Seasonal Efficiency Rating: please provide efficiency rating when assessed against SAP/SEDBUK. If SAP/SEDBUK does not provide an efficiency rating, please specify the methodology you have used to estimate the rating.	
Boiler Assessment Part 1: Complete for all boiler repairs and replacements	
Is the boiler connected to a working domestic central heating/hot water system?	
Symptoms e.g. burner will not light	
Diagnosis/conclusion: is the boiler broken down or not functioning efficiently?	
What steps did you take to reach this diagnosis/conclusion?	
Boiler Assessment Part 2: Complete where boiler has an efficiency rating of not less than 86%	
What is the condition of the existing boiler (when assessed against the expected condition of a boiler of that age)? ¹⁴⁷ ('very poor' to 'very good')	

¹⁴⁶ See Section 3 on Boiler Assessment

Explain the reasons for your assessment of boiler's condition. What steps did you take in reaching your conclusion?	
What is the maximum cost of repair as identified in Ofgem's 'Economic Repair Cost Comparison Tables'?	£
What is the actual cost of repair?	£
How much of the actual cost of repair is attributable to the cost of the warranty that has/would be provided? ¹⁴⁸	£
Is the actual cost of repair less than the maximum cost of repair as identified in Ofgem's 'Economic Repair Cost Comparison Tables'?	
Are parts required for the repair available?	
Are there compelling reasons why the 'Economic Repair Cost Comparison Tables' should not apply in the circumstances? If so, state them	
Recommendation	
Repair or Replace?	
If repaired, provide details for repair undertaken (parts etc.)	
If replaced, provide details for replacement boiler (type/seasonal efficiency rating)	
Details of warranty offered to householder:	
Start date of Warranty	
End date of Warranty	
Has the customer been informed by you, the operative that the boiler is under, a warranty for: a) 1 year or b) 2 years from the date of repair, and that the nature of the warranty has been explained to them?	
For completion by the customer	
<i>I, the customer, have been informed by you, the operative, that the boiler is under, a warranty for: a) 1 year or b) 2 years from the date of repair, have been provided with a copy of the warranty and confirm that they nature of the warranty has been explained to me</i>	
Customer signature	

¹⁴⁷ See section 3.4 for guidance on assessing boiler condition

¹⁴⁸ See section 3.4 for guidance on calculating the actual cost of repair.

Operative & supplier details	
Supplier company name	
Operative company name	
Operative name	
Operative signature	
Operative competency: Accreditation/Accrediting Body (e.g.. Gas Safe)	
Registration Number	
Additional comments e.g. . system treatment, controls ancillaries, further considerations around reasons for decision	

Schedule 3: 'Economic Repair Cost Comparison Tables'¹⁴⁹

a. Maximum repair cost for combination boiler

Age of boiler	Condition of boiler ¹⁵⁰				
	Very poor	Poor	Standard	Good	Very good
1	£ 1,940	£ 2,425	£ 2,910	£ 2,910	£ 2,910
2	£ 1,698	£ 2,183	£ 2,668	£ 2,910	£ 2,910
3	£ 1,455	£ 1,940	£ 2,425	£ 2,668	£ 2,910
4	£ 1,213	£ 1,698	£ 2,183	£ 2,425	£ 2,668
5	£ 970	£ 1,455	£ 1,940	£ 2,183	£ 2,425
6	£ 728	£ 1,213	£ 1,698	£ 1,940	£ 2,183
7	£ 485	£ 970	£ 1,455	£ 1,698	£ 1,940
8	£ 243	£ 728	£ 1,213	£ 1,455	£ 1,698
9	£ -	£ 485	£ 970	£ 1,213	£ 1,455
10	£ -	£ 243	£ 728	£ 970	£ 1,213
11	£ -	£ -	£ 485	£ 728	£ 970
12	£ -	£ -	£ 243	£ 485	£ 728
13	£ -	£ -	£ -	£ 243	£ 485
14	£ -	£ -	£ -	£ -	£ 243
15	£ -	£ -	£ -	£ -	£ -

b. Maximum repair cost for basic system boiler

c.

Age of boiler	Condition of boiler ¹⁵¹				
	Very poor	Poor	Standard	Good	Very good
1	£ 1,107	£ 1,383	£ 1,660	£ 1,660	£ 1,660
2	£ 968	£ 1,245	£ 1,522	£ 1,660	£ 1,660
3	£ 830	£ 1,107	£ 1,383	£ 1,522	£ 1,660
4	£ 692	£ 968	£ 1,245	£ 1,383	£ 1,522
5	£ 553	£ 830	£ 1,107	£ 1,245	£ 1,383
6	£ 415	£ 692	£ 968	£ 1,107	£ 1,245
7	£ 277	£ 553	£ 830	£ 968	£ 1,107
8	£ 138	£ 415	£ 692	£ 830	£ 968
9	£ -	£ 277	£ 553	£ 692	£ 830
10	£ -	£ 138	£ 415	£ 553	£ 692
11	£ -	£ -	£ 277	£ 415	£ 553
12	£ -	£ -	£ 138	£ 277	£ 415
13	£ -	£ -	£ -	£ 138	£ 277
14	£ -	£ -	£ -	£ -	£ 138
15	£ -	£ -	£ -	£ -	£ -

¹⁴⁹ See section 3.3 for guidance on how to use 'Economic Repair Cost Comparison Tables'

¹⁵⁰ See section 3 on Boiler Assessment; and section 3.4 for guidance on assessing boiler condition

¹⁵¹ See section 3 on Boiler Assessment; and section 3.4 for guidance on assessing boiler condition

Appendix 3 – Glossary of Terms

A

Adjoining area/installation/specified adjoining area is an area that adjoins (i.e. shares a border with) an area of low income, and explained in Chapter 6 of this document.

Affordable warmth group means a group of persons in receipt of the benefits outlined in Schedule One to the Order.

Area of low income as defined by the Order can be found within the following document, and is explained in Chapter 6:

- Energy Companies Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas document ISBN 9780108511608

B

BBA is the British Board of Agrément, a UKAS accredited laboratory that provides certification for insulation products.

BRE is the Building Research Establishment.

C

Carbon saving means the lifetime tonnes of carbon dioxide that a qualifying action will save.

CERO is the Carbon Emissions Reduction Obligation.

CERT is the Carbon Emissions Reduction Target. As provided for in the Electricity and Gas (Carbon Emissions Reduction) Order 2008 S.I. 2008/188, as amended by the Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2009 (S.I. 2009/1904), the Electricity and Gas (Carbon Emissions Reductions (Amendment) Order 2010 (S.I. 2011/3062).

CESP is the Community Energy Saving Programme. As provided for in the Electricity and Gas (Community Energy Saving Programme) Order 2009 S.I. 2009/1905 as amended by the Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2011 (S.I. 2011/3062).

CIGA is the Cavity Insulation Guarantee Agency.

A **Chartered Surveyor**, for the purposes of ECO, is a RICS-qualified chartered surveyor.

Cost saving means, in relation to a heating qualifying action;

- a) the heating saving; and
- b) where in addition to a heating saving the action also results in savings on the cost of heating water, the money that would have been saved by the action over its expected lifetime in heating water in that home.

CSCO is the Carbon Savings Community Obligation.

CWI is Cavity Wall Insulation.

D

Date of handover is, for measures installed in accordance with PAS, the meaning of handover as defined within that Specification. For measures that do not need to be installed in accordance with PAS, or where no Declaration of Conformity is produced, the date of handover will be the date on which the measure is installed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.

Date of completion is the date on which installation of the measure was completed.

DECC is the Department of Energy and Climate Change.

A Degree day region is a measure of the difference between typical and the actual outdoor temperature, multiplied by the number of days within a month that this difference occurs. A degree day region is a region within Great Britain in which properties are assigned the same degree day.

DHS is a District Heating System.

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 energy user means a person who uses energy in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes

Domestic premises means separate and self-contained premises used wholly or mainly for domestic purposes.

DWP is the Department for Work and Pensions.

E

ECO is the Energy Companies Obligation.

ECO Brokerage Mechanism is an auction based mechanism designed to enable suppliers to buy contracts for carbon or cost savings arising from multiple installations planned by Green Deal Providers.

Elexon administers the wholesale electricity balancing and settlement arrangements for Great Britain, as set out in the Electricity and Balancing Code. Further information can be found at www.elexon.co.uk.

EPC is an Energy Performance Certificate.

ESAS is the Energy Saving Advice Service.

EST is the Energy Savings Trust.

ETA is a European Technical Approval, which is an approval based on testing carried out to agreed European levels.

An **Excess action** is set out in Chapter 11.

G

GB/Great Britain is England, Wales and Scotland.

GDR is the Green Deal Report.

Gemserv is the Green Deal Oversight and Registration Body (GD ORB).

Green Deal is a new market-led framework.

Group refers to the group of companies if which the licence-holder is a member.

Group Company means a licence-holder which is a member of a group of companies.

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.

H

A **Heating saving** is the money that would be saved by that action over its expected lifetime in heating a home to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas.

HHCRO is the Home Heating Cost Reduction Obligation.

HMRC is Her Majesty's Revenue and Customs.

A **Householder is** defined in Schedule 2 to the Order, and explained in Chapter 7 of this document.

I

An **In-use factor** is the percentage by which savings calculated under SAP or RdSAP should be reduced, in order to reflect the likely in situ performance (as opposed to theoretical performance) of an energy efficiency measure.

L

A **Licence-holder** means an electricity licence-holder, a gas licence-holder or a dual licence-holder.

Lifetime is the estimated lifetime for measures.

Lifetime tonnes of carbon dioxide is the amount in tonnes of carbon dioxide that is expected to be saved over the lifetime of a measure installed under the ECO Order

LSOA is a Lower Layer Super Output Area as defined by the ONS.

M

A **Measure** is a qualifying action and adjoining installation.

Mobile home means a home which is:

- a) a caravan within the meaning of Part I of the Caravan Sites and Control of Development Act 1960(b) (disregarding the amendment made by section 13(2) of the Caravan Sites Act 1968(c)); and
- b) used as a dwelling for the purposes of Part I or II of the Local Government Finance Act 1922(d).

N

The **Notification deadline** is the end of the calendar month after the month in which installation of the measure was completed.

Notification period means:

- a) 1 January 2011 to 31 December 2011 for phase 1;
- b) 1 January 2012 to 31 December 2012 for phase 2;
- c) 1 January 2013 to 31 December 2013 for phase 3.

The **Notification template** describes the information that suppliers must include as part of the monthly notification for a particular type of completed measure.

O

An **Obligated supplier(s)** is a 'supplier' as defined in this Guidance.

The **Open Letters** set out information on our policies or processes for administering ECO. These letters will be superseded by our final Guidance document.

ONS is the Office of National Statistics.

The **Overall obligation period** is the period from 1 October 2012 and ending on 31 March 2015.

P

A **Park Home** is a type of Mobile Home.

PAS means Publically Available Specification.

Phase means one of the three phases of the scheme as follows:

- a) the period from 1 January 2013, ending 31 March 2013 (phase 1)
- b) the 12 months ending with 31 March 2015 (phase 2)
- c) the 12 months ending with 31 March 2016 (phase 3).

A **Primary Measure** is, under the CERO obligation, solid wall insulation and hard-to-treat cavity wall insulation.

Promotion is where a supplier is a cause of a measure being installed so that they can claim the associated carbon or cost saving against towards their ECO obligations.

Q

Qualifying action means a carbon qualifying action, a carbon saving community qualifying action or a heating qualifying action.

Qualifying boiler is a boiler that meets the criteria under the HHCRO, as explained in Appendix 2.

Qualifying supply means the supply to domestic customers of 400 gigawatt hours of electricity or 2000 gigawatt hours of gas.

R

RdSAP is the Reduced data Standard Assessment Procedure, a simplified version of SAP that requires fewer data inputs.

Recommended measure means a measure:

- recommended in a Green Deal report which has been produced in respect of a domestic energy user's premises; or
- recommended in a report by a chartered surveyor pursuant to an assessment of the domestic energy user's premises performed for the purpose of identifying measures for improving the energy efficiency of the premises.

Relevant year, with respect to the notification period, means 2011, 2012 or 2013.

RICS is the Royal Institute of Chartered Surveyors.

Rural areas are described in the document entitled 'Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas' as 'a settlement of fewer than 10,000 inhabitants'.

S

SAP is the Standard Assessment Procedure.

A **secondary measure** is, under the CERO obligation, a recommended measure installed to improve the insulating properties of the premises; or a connection to a district heating system that is installed within six months of a primary measure.

SoS means Secretary of State responsible for Energy & Climate Change.

A **Supplier(s)** is a licence-holder where on 31 December any of the years 2011, 2012, or 2013:

- a. it was supplying more than 250,000 domestic customers; and
- b. had supplied more than 400 gigawatt hours of electricity, or 2000 gigawatt hours of gas, to domestic customers during the year ending on that date.

SWI is Solid Wall Insulation.

SWIGA is the Solid Wall Insulation Guarantee Agency.

T

tCO₂ is tonnes of carbon dioxide

Technical Monitoring includes site-based visits to verify whether a measure has been installed in accordance with the relevant standards. It is also a means of verifying that premises and measures are as notified by the supplier.

The **Total Obligation** is the cumulative obligation for each supplier for each phase of ECO.

U

U-value means the measure in W/m^2K of heat transmission through material.

UKAS is the United Kingdom Accreditation Service.

W

Working day means any day other than a Saturday, Sunday, Good Friday, Christmas Day, or a day which is a bank holiday in England or Wales or Scotland under the Banking and Financial Dealings Act 1971.

X

Xoserve is the Gas Transporters' Agent and delivers transportation transactional services on behalf of all the major gas network transportation companies. Further information can be found at www.xoserve.com.

Appendix 4 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul

Consultation Co-ordinator

Ofgem

9 Millbank

London

SW1P 3GE

andrew.macfaul@ofgem.gov.uk