



Making a positive difference  
for energy consumers

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Date: 03/09/21

Dear Sir/Madam,

**Ofgem's response to [BEIS' Consultation on the Design of the Energy Company  
Obligation: 2022-2026.](#)**

Ofgem is the GB energy regulator and a non-ministerial government department. Our principal aim is to protect the interests of current and future energy consumers and energy efficiency is central to this aim. We are the administrator of the current ECO scheme. Energy efficiency has many benefits including reducing carbon emissions, reducing the cost of moving to a low carbon energy system, reducing consumers' energy bills, and in particular helping to bring vulnerable consumers out of fuel poverty.

We welcome the opportunity to respond to the Department for Business Energy & Industrial Strategy (BEIS) consultation on ECO4. We have provided responses to all questions that relate to our administration of ECO and Ofgem's interests more widely.

Ofgem looks forward to continuing to work with BEIS to build on the success so far in moving to a cleaner, greener energy system whilst providing support to vulnerable customers at risk of fuel poverty. We see improved energy efficiency as a central pillar of this. Should you wish to get in touch with us please do so by emailing [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).

Yours faithfully,  
David Fletcher

**Policy and Engagement Hub**

## ECO4 BEIS consultation questions with Ofgem responses

1.	Do you agree with removing the supplier obligation threshold when a buy-out mechanism is introduced and retaining the current thresholds, for when a supplier becomes obligated, in the meantime?
	<p>We agree with maintaining the current thresholds in the absence of a buy-out mechanism. A buy-out mechanism is necessary for the removal of thresholds, as smaller suppliers would otherwise face disproportionate costs and administrative burdens. Once a buy-out mechanism is introduced we agree with the proposal to remove the thresholds.</p> <p>For the purposes of administration, any increase in the number of obligated suppliers via the lowering or removal of thresholds is likely to proportionally increase the level of compliance activity we must undertake, resulting in similarly increased costs in our administration of the scheme.</p>
2.	Do you agree with the proposal to reduce the current supplier allowance approach at the start of ECO4, before a buy-out mechanism could be introduced?
	<p>We continue to endorse the supplier allowance approach as an interim measure before the introduction of the buy-out. The supplier allowance has proved to be relatively simple to administer and has made the marginal cost of delivering new measures fairer for smaller suppliers.</p> <p>From an administrative perspective, we do not have a strong view on reducing the current supplier allowance. A reduction of the supplier allowance would not be difficult to administer, as it does not affect how many suppliers are obligated or the delivery of scheme obligations – it only affects how that obligation is distributed amongst suppliers.</p> <p>Reducing the allowance could help to reduce market distortions, although the imposition of ECO and other such schemes that are paid for through energy bills are market distortions in themselves. Within this context it is worth reiterating that reducing the allowance too much without any compensatory measures could redistribute the obligation in a way that may unduly impact smaller suppliers –</p>

	<p>according to Table 3, the 50% reduction in the allowance would lead to a nearly 19 fold increase in the share of the obligation for a supplier with a 720 gwh total gas supply. BEIS should consider the impacts of this change as they look to fine-tune the specifics of their approach with the issue of the supplier allowance.</p>
3.	<p>How feasible would it be for suppliers to pass on a greater share of obligation costs onto gas prices rather than electricity during ECO4 or beyond?</p>
	<p>We have no issue with this proposal in principle. However, it's worth noting that Ofgem currently have no way of influencing or controlling how scheme costs are passed onto customers.</p> <p>The way that ECO costs are passed through to bills can incentivise or disincentivise certain behaviours that are important for the government's legislative target of reaching net zero by 2050.<sup>1</sup> As part of the transition to low-carbon heating there is likely to be a shift in the use of electricity so it should be considered how the distribution of scheme costs could support this. We would be supportive of government reviewing how ECO costs are allocated to ensure that their approach is aligned with government's broader decarbonisation objectives, whether this is through greater allocation onto gas bills or through alternative approaches such as taxation.</p>
4.	<p>How feasible would it be for suppliers to recover costs of obligation exclusively from gas customers during ECO4 or beyond?</p>
	<p>Our thoughts on this proposal are similar to our thoughts on Question 3. BEIS should carefully review the distributional impact on consumers of such a move given the smaller coverage of gas compared to electricity. Beyond that, we think suppliers would be best able to comment about the feasibility of completely transferring the costing of the scheme to gas bills.</p>
5.	<p>Do you agree with our proposal of not introducing the new mechanism to protect the ECO target under ECO4 when a supplier ceases to trade and its obligation target is not met?</p>
	<p>We agree with not introducing the new mechanism to protect the ECO target when a supplier ceases to trade. Such a mechanism would be disruptive and</p>

<sup>1</sup> This target was enshrined into law in the 'The Climate Change Act 2008 (2050 Target Amendment) Order 2019'

costly to administer mid-phase each time a supplier exits the market.

Redistributing obligations amongst other suppliers mid-scheme would be difficult to work out fairly in practice given the obligation is divided across phases with new suppliers potentially joining at the start of each, and it would increase uncertainty making it more difficult for suppliers to plan their delivery.

Redistributing towards the end of the scheme would increase the risk of supplier non-compliance at final determination.

Under ECO3 we have so far only seen relatively small suppliers cease to trade, and the size of the lost obligation is a very small proportion of the total. Given this and the above challenges we and suppliers would face, the relative benefit of introducing the new mechanism seems very small.

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6. Do you agree with the proposal to (a) introduce a buy-out mechanism, to enable smaller suppliers to participate under ECO without disproportionate costs to them (subject to primary legislation); and (b) do you agree that the use of buy-out should be optional for all suppliers?

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a) We agree with this proposal, especially if obligation thresholds are to be removed in the future. If obligation thresholds were removed and small suppliers were obligated under ECO, they would be affected disproportionately in terms of costs compared to the larger suppliers, and would have a smaller customer base to recoup the costs from. It's worth noting that the large increase in the number of obligated suppliers will also increase Ofgem's administrative work.

The buy-out mechanism allows smaller suppliers to become obligated, removing the market distortions around the larger suppliers being obligated and smaller suppliers not, without the smaller suppliers being disproportionately impacted by delivery against their ECO4 obligations. Furthermore, if suppliers choose to deliver their obligations through the buy-out mechanism, we expect this would also significantly decrease Ofgem's administrative work.

b) We agree that the use of the buy-out mechanism should be optional for all suppliers. Excluding larger suppliers from the buy-out mechanism could be seen as giving some suppliers an advantage over others, while smaller suppliers should

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	also be able to meet their obligation through delivering energy efficiency measures if they wish to do so.
7.	Do you agree that the buy-out pot should be used to deliver energy efficiency measures?
	<p>We agree that the buy-out pot should be used to deliver energy efficiency measures, as the main objective of the scheme is to improve the energy efficiency for fuel poor households living in the least efficient homes. However, how this is achieved in practice needs to be carefully considered and planned, with a clear process in place.</p> <p>We note our experience in this area, and Ofgem looks forward to working closely with BEIS to help develop and shape workable buy-out options. However,, to be able to comment on Ofgem’s ability to administer a buy-out mechanism, we would require clarification on:</p> <ul style="list-style-type: none"> <li>• Whether BEIS intend Ofgem to be responsible for collection of the buy-out funds</li> <li>• Who BEIS intend to be responsible for administration and spending of the buy-out fund</li> <li>• Who would be responsible for delivering the energy efficiency measures</li> <li>• How this would be determined</li> </ul>
8.	Do you agree that all suppliers should be able to use the buy-out mechanism using a sliding scale approach?
	<p>We agree that all suppliers should be able to use the buy-out mechanism provided that suitable caps are in place. The sliding scale and caps are very important as ECO is a delivery scheme. It is imperative that the scale is set at a level that meets the objective of overcoming any potential market distortion between obligated and non-obligated suppliers whilst avoiding disproportionate administrative burden for smaller suppliers. Therefore, any cap should be set at level that is sufficiently high to allow the smaller suppliers to utilise the buy-out mechanism for their whole obligation to avoid the administration costs of delivering a proportion of their obligation to a small number of customers.</p> <p>It should be noted that allowing the larger suppliers to use the buy-out mechanism could reduce delivery certainty for the supply chain and could possibly</p>

	<p>lead to fewer energy efficiency measures overall being installed in low income households, depending on how the buy-out fund is used. Consideration could be given to making the buy-out more expensive or less attractive to suppliers than delivering energy efficiency measures, to reduce the incentive for not delivering obligations through energy efficiency measures. Alternatively, incentives could be put in place to encourage delivery of energy efficiency measures.</p>
9.	<p>If a sliding scale was used, do you agree that the proposed potential buy-out caps above are set at the right level?</p>
	<p>We agree with the proposed buy-out caps.</p>
10.	<p>Do you think that very small suppliers with;</p> <p>(a) 1,000 customer accounts or below, regardless of their supply volumes, should not be obligated (option 1 in table 4); OR</p> <p>(b) do you think suppliers with less than 5,000 customer accounts, with supply volumes of 66GWh gas and 18 GWh electricity should not be obligated (Option 2 in table 4)?</p>
	<p>b (Option 2 in table 4) would obligate fewer suppliers and have a smaller impact on Ofgem’s administrative burden. However, we would like to understand why there is both a supply volume and customer account threshold for this option but only a customer number threshold for a (Option 1 in table 4). Having both thresholds would ensure only suppliers with a sufficiently large supply amount would be obligated, with a large enough customer base to recoup costs from (if Option 1 was chosen). Therefore, our preference would be for b (Option 2 in table 4).</p>
11.	<p>Do you agree that (a) an approach using published prices reported by suppliers on ECO delivery and administration costs would be appropriate to set the buy-out price on an annual basis ahead of the buy-out ‘window’?</p> <p>(b) Please suggest any alternative approaches.</p>
	<p>We agree with the approach to use published prices reported by suppliers to set the buy-out price on an annual basis. The buy-out price must be as up to date and representative as possible of the delivery and administration costs of suppliers on</p>

	ECO in order to set a buy-out price equivalent to delivering energy efficiency measures, and not disadvantage larger suppliers.
12.	Do you agree that suppliers should decide on whether to buy-out or not during a 'decision window' which is prior to the start of the next obligation phase?
	We agree with this proposal and it is likely to be the simplest approach for the administrator of the buy-out fund. A buy-out window would allow the administrator to process requests once per phase rather than sporadically throughout the obligation period. It would also be beneficial to any body responsible for administering or using the buy-out fund to have certainty of the amount of money in the buy-out fund prior to the annual phase.
13.	Do you agree that suppliers can only choose to buy-out their next obligation phase?
	As above, we agree with this proposal and it is the simplest administrative approach for the administrator of the buy-out fund.
14.	Do you agree with our proposal to allow up to 10% ECO3 delivery to be carried over into the ECO4 scheme (with the exception of oil and LPG fuelled heating systems)?
	<p>We agree with the proposal to allow 10% ECO3 delivery to be carried over into ECO4. Allowing an amount of carry-over is essential for supply chain continuity and supplier compliance during the transition from ECO3 to ECO4. Throughout ECO3, we have encouraged suppliers to consider over-delivery of their obligations to minimise the risk of under-delivery should we reject measures based on non-compliance. Carry-over will allow suppliers to use their overspend to help meet their ECO4 obligation.</p> <p>We agree that the cap of 10% is appropriate and recognise the intention to maximise the impact of the reformed ECO4 scheme. However, we note this is lower than historical carry-over which has ranged up to 20%. There are benefits to having a larger carry-over allowance and bringing forward delivery as it may move people out of fuel poverty sooner. Furthermore, using a fixed percentage cap may</p>

disadvantage growing suppliers whilst benefiting larger suppliers who may be losing customers, which could be distortive under ECO4.

We understand why BEIS view excluding measures relating to oil and LPG fuelled heating systems as desirable, in line with the decarbonisation and net zero objectives of ECO4. However, we would like to raise that excluding specific measures from carry-over and therefore adopting the approach of carrying over individual measures, could significantly increase Ofgem's administrative work relating to carry-over. We also expect the likelihood of oil and LPG fuelled heating system measures being carried-over to be very low, and not excluding them from carry-over is not going to be an incentive to deliver these measures late in ECO3.

Administratively, carry-over creates additional work for Ofgem. Notification volumes are typically lower in the run up to a scheme closedown, but with the option of carry-over, there may be less of a reduction. Alongside processing sustained volumes of notifications, Ofgem will also be managing the closure of the existing scheme and making decisions on all remaining measures.

We anticipate sustained volumes are likely, despite the Covid-19 outbreak. Suppliers are aiming to mitigate the risk of under-delivery, uncertainty about when ECO4 will begin and they will not have to meet minimum requirements as they have to under ECO4.

A key consideration is whether specific measures are carried over, as discussed previously. If the approach of carrying over individual measures is adopted, we may need suppliers to nominate measures to carry-over, ensure these meet specific ECO3 and ECO4 criteria, transfer these over from ECO3 to ECO4 and re-calculate sub-obligations for ECO4. We also understand from discussions with BEIS that there may be a cap on certain carried over measures. Therefore, carrying over individual, specific measures would greatly increase Ofgem's administrative burden. Our preferred option would be to carry-over a proportion of the obligation rather than measures, and this would be far simpler to administer. However, if necessary, we will work with suppliers to agree and prioritise the measures they intend to carry over.

15.	Do you agree with our methodology for converting ECO3 bill savings into ECO4 bill savings?
	We agree with the methodology for converting ECO3 bill savings into ECO4 bill savings. Converting ECO3 deemed scores into ECO4 bill savings would place a very large administrative burden on Ofgem. The proposed method is much simpler.
16.	Should the ECO3 average cost per £ of lifetime bill savings be taken from the ECO3 Impact Assessment or the published energy efficiency statistics?  Please explain your answer.
	We think the published energy efficiency statistics should be used, because these will be more up to date than those taken from the ECO3 Impact Assessment, and therefore provide a more accurate figure for the ECO3 average cost per £ of lifetime bill savings at the time the measures were installed.
17.	Is carry-under needed to mitigate the risk of suppliers failing to meet their ECO3 obligations?
	<p>Under normal circumstances it would be expected for suppliers to fulfil their obligation. The Covid-19 pandemic has proven disruptive and this should be taken into account when deciding upon whether to introduce carry-under. The introduction of new standards should also be considered.</p> <p>Despite the pandemic, however, analysis shows that most obligated energy suppliers are on track to deliver their obligation and that the industry has capacity to deliver more than is currently projected. This will allow those suppliers not currently on track to contract enough to deliver against their targets. This should also be considered.</p> <p>Ofgem would also like to highlight that introducing carry-under would be a separate legislative change from ECO4 and would require a parallel, earlier programme of delivery working on the amendment to the ECO3 Order. We look forward to an early decision and continuing to work closely with BEIS going forward.</p>
18.	Do you agree with the proposed cap of 10% and penalty rate of a 1.1 multiplier if carry-under is implemented?

	<p>Following on from our previous comment, if carry-under is introduced we agree that it should be limited to 10% of a supplier's obligation and penalised. A 10% penalty seems balanced.</p>
19.	<p>If carry-under is implemented, do you agree with our proposal for the ECO3 average cost per £ of lifetime bill savings to be 31p, taken from the ECO3 Impact Assessment?</p>
	<p>The final ECO3 Impact Assessment includes the estimated additional costs for delivering measures that adhere to the improved PAS 2030:2019 and PAS 2035:2019 standards, however it remains an estimate. Ideally, costs based on actual data would be preferable, and although the timing means that little data that reflects these updated standards will be available to support an alternative approach, as much of it should be utilised as possible. An assessment of the strength of the data available on costs per £ of lifetime bill savings for PAS 2030:2019 / 2035:2019 measures should be made closer to the decision point, and if that is satisfactory then it should be used instead of the final ECO3 Impact Assessment.</p>
20.	<p>Do you agree with our proposal for early delivery during any potential gap between schemes?</p>
	<p>We agree with the proposal that any measures installed from 1 April 2022 could be eligible on the scheme.</p> <p>However, we note that the same reasons that will lead to a gap between the schemes, ie the late development of a decision on the consultation and the finalising of legislation, will also result in Ofgem being unable to produce final guidance for 1 April 2022. Ofgem can only produce draft guidance after BEIS has published its consultation response. We will seek to work on this in advance of BEIS' publication, but without completing our own administrative consultation (also dependent on there being policy certainty and decisions in the public domain) it is likely that it will require updates s where there are policy changes or areas that are identified for improvement following stakeholder feedback. As such any potential gap between the schemes will also introduce risks to delivery</p>

	of ECO4 measures during this time as a result of delays to the development of Ofgem’s administration.
21.	Do you agree that ECO should target SAP band D, E, F and G homes?
	<p>We agree with the proposal for ECO to target SAP band D, E, F and G homes.</p> <p>Targeting fuel poor households within the least energy efficient homes is in line with the policy objective of the ECO4 scheme to support a fair transition to net zero.</p>
22.	Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?
	<p>We agree with this proposal.</p> <p>In order to effectively administer this new requirement we will need to engage further with BEIS over the coming months to finalise the process for how the improvement in SAP band will be evidenced pending the outcome of our current ECO4 scoring methodology consultation. This process should give consideration to how to mitigate any potential gaming risks this approach may inadvertently result in. We have discussed evidencing of the improvement in SAP band in chapter 2 of Ofgem’s scoring consultation.<sup>2</sup></p>
23.	Do you agree to a requirement for a minimum number of private tenure homes in SAP band E, F and G homes to be upgraded?
	<p>We agree with this proposal.</p> <p>Thought should be given to how this minimum requirement will be split across the obligated suppliers over the course of the four years. We require more information on how BEIS intend to enforce this minimum requirement through the regulations. As flagged within the consultation, these homes may be the most difficult to find so would suppliers be the subject of a penalty for missing this minimum and if so, how and when would this be applied?</p>

<sup>2</sup> [Energy Company Obligation \(ECO4\) Consultation: scoring methodology – part 1](#)

24.	<p>Do you agree with the proposal to (a) remove non means tested benefits including disability benefits as a method to target low income and vulnerable households, as listed in table 6?; and</p> <p>(b) include additional benefits within the eligibility criteria for private tenure households under ECO4 to align with UC?</p>
	<p>We agree with this proposal. The proposed changes to LA &amp; Supplier Flex should increase the support available for those that are no longer on qualifying benefits.</p>
25.	<p>Do you agree with the proposals to increase the Child Benefit income caps as set out in table 7 under ECO4?</p>
	<p>We agree with this proposal. However, we would like to reiterate our concerns from ECO3 on evidencing the income cap using a self-declaration. If we are not able to find an alternative evidence route for ECO4 there is a risk that consumers in receipt of Child Benefit will not be under the income threshold. We will look into alternatives and may request suggestions for alternative evidence in the Ofgem administrative consultation on ECO4.</p> <p>To improve administration for Child Benefit and provide more assurance that those using the Child Benefit route are only in receipt of Child Benefit we would recommend that it is included in the benefits that can be evidenced using the checks with the Department of Work and Pensions (DWP). Receipt of Child Benefit could be evidenced through this route, using a different ‘Matched’ result to identify that the consumer is only in receipt of Child Benefit and none of the other eligible benefits. This would provide more assurance than the third-party self-declaration used under ECO3.</p>
26.	<p>Do you agree with the proposal that households in receipt of WHD also be eligible under ECO4, if they live in band D-G homes?</p>
	<p>We agree with this proposal. Administratively, all that is needed is a WHD matched notice to prove participation in the scheme. It will also aid scheme delivery, as this will further expand the pool of eligible households thereby lowering customer search costs for suppliers.</p> <p>This will make it easier for WHD and ECO to be used in complementary ways to</p>

	<p>help reduce fuel poverty given the automatic eligibility of all households in receipt of WHD for ECO measures. A good example of this is how WHD offers funding for emergency temporary heating, such as room heaters, during the winter – this can allow for ECO funding to be directed towards a whole house retrofit, with a more efficient heating source such as a heat pumps, that could provide better long-term energy savings as opposed to a quick boiler replacement. We believe BEIS should continue to look for opportunities to harmonise ECO with WHD, and other Government schemes, in the future.</p>
27.	<p>Do you agree that up to 50% of the ECO target could be delivered through LA &amp; Supplier Flex?</p>
	<p>We agree with this proposal as it will increase accessibility for low income and vulnerable consumers who are not in receipt of the eligible benefits to support under ECO4. A large proportion of those that need support will not be in receipt of the eligible benefits so expanding the cap to 50% should improve targeting on the scheme.</p> <p>However, expanding the cap, whilst increasing Ofgem’s oversight of LA Flex, will mean a significant increase in administration. It seems likely that allowing for more of the scheme to be delivered through LA Flex will increase the number of local authorities that participate in the scheme, which will increase the administrative burden on Ofgem, especially when compounded with the increased oversight required.</p>
28.	<p>Do you agree with the proposals for improved due diligence under the reformed LA &amp; Supplier Flex?</p>
	<p>We agree with this proposal.</p> <p>The findings from the audits carried out on local authority measures under ECO3 demonstrated that increased oversight is needed in this area. In addition, with an expansion of LA &amp; Supplier Flex the importance of ensuring that the right homes are targeted is increased.</p> <p>We have concerns about how the process of local authorities notifying Ofgem of declaration information will work in practice. A clear process for local authorities</p>

to notify the declaration information to Ofgem will need to be established to reduce the risks associated with collecting measure information from another party. For example, there may be issues of mismatches between fields, such as the address, when notified by both the local authority and the supplier. This means there could be more risk to the supplier of rejected measures where there are discrepancies in what has been notified by the two parties. Where there are issues with local authority measures we do not expect to engage directly with the local authority. It would be helpful to have more detail in the response on how these issues would be resolved. Do BEIS expect that it will be the suppliers that will engage with the local authorities where there are issues with what has been notified?

There is also a risk that Ofgem will receive measure notifications from suppliers using the LA Flex route that do not have a corresponding LA declaration. To mitigate this risk we request that the requirements for local authorities are clearly set out in the legislation. This should include a timeframe for local authorities to notify Ofgem of the declaration information, such as prior to or at the same time as sending the information to suppliers or the supply-chain. Ensuring local authorities submit this information prior to the supplier notifying the measure to Ofgem will reduce issues of delays in the measure being accepted.

Lastly, further clarification will be needed on the evidence requirement for LA & Supplier Flex measures. We only expect to record information on which eligibility route has been used, rather than requesting the evidence itself. If evidencing is carried out solely by the local authorities there will be a risk for suppliers if there are issues with any measures. On the other hand, it would be an administrative burden for suppliers to collect evidence documentation for all LA Flex measures, particularly when it is likely that the evidence won't be in a standardised format.

We intend to engage further with BEIS, as well as with suppliers and local authorities, over the coming months to establish a process for collecting declaration information.

29. Do you agree with the four referral routes that could be used by local authorities under LA & Supplier Flex? Are there other ways we could incentivise better targeting?

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We agree with this proposal but further information on the routes and how they are evidenced will be required.

Route 1: Whilst we are not in a position to comment on where the income cap should be set we agree with the proposal to align with other Government schemes. Although we note that the 'Sustainable Warmth Competition' guidance specifies an income cap of £30,000 for consumers to be eligible for HUG and LAD funding.<sup>3</sup> Could BEIS provide further information on the different figure for ECO4?

As outlined in our response to question 28, Ofgem do not expect to be collecting any information on income as part of the declaration process but we would request that the response includes information on how local authorities collect this information. Without suitable evidence routes available there will be a risk that higher income households will receive ECO support.

Route 2 & 3: We support a route to identify consumers who may no longer be eligible due to the removal of disability benefits. However, we request further clarity on what parties could refer a consumer for ECO through the NHS referrals route.

Route 4: We support the option to include more routes to target low income and vulnerable customers. Whilst we expect this to be a BEIS panel we would welcome the opportunity to provide input on the approval process as there are likely to be similarities with our WHD Industry Initiative approval process.

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30. Do you agree that obligated energy suppliers should (a) be able to use their own data on households in fuel debt, or PPM self-disconnections to target low income and vulnerable householders; and (b) households would be eligible if they meet the 2-proxy requirements, using suppliers own customer debt or PPM self-disconnections data under LA & Supplier Flex route 2?

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<sup>3</sup> <https://www.gov.uk/government/publications/apply-for-the-sustainable-warmth-competition>

	<p>We support the proposal to utilise supplier data to identify eligible consumers. However, we request that a clear definition to identify these consumers is outlined in the legislation. Without a clear definition it would be difficult for Ofgem to administer this part of the scheme. Our experience on WHD Industry Initiatives, where Ofgem review proposals of how to identify eligible consumers, has demonstrated that assessing proposals on a case-by-case basis is resource intensive and a similar process on ECO could significantly increase our administration.</p>
31.	<p>Do you think the Scottish and Welsh Governments should be able to refer households under LA &amp; Supplier Flex, instead of local authorities in those countries?</p>
	<p>We recognise the benefits of this approach but would request further clarity on how it will work in practice. We would need to understand how the due diligence checks will be carried out if this proposal were to go ahead. Do BEIS intend for the Scottish and Welsh Governments to publish an Sol and notify declaration information in the same way as local authorities? In addition, do BEIS expect that any national Sol would supersede the requirement for local authorities in Wales and Scotland to publish one?</p> <p>If the declaration notification process was the same as in England then from an administrative perspective it would be simpler to take declarations from one central party rather than multiple local authorities. However, if a separate process needs to be set up for each country that will increase the administrative burden on Ofgem.</p>
32.	<p>Do you agree that off-gas uplifts of (a) 35% should be applied to Scotland and Wales; and (b) not applied in England, where the Home Upgrade Grant is available?</p>
	<p>We agree with this proposal as it should help incentivise delivery in off-gas properties, which are often more expensive to treat, in Scotland and Wales. In England, it is sensible to encourage delivery of measures to off-gas properties to be funded through the Home Upgrade Grant.</p>

33.	Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?
	<p>We agree a measure should not receive funding under ECO and another scheme. If this approach is taken it will need to be clearly set out in the ECO4 Order and should also be reflected in the legislation or terms and conditions for other relevant schemes. Consideration would then be needed on how the data for different schemes could be checked to enforce this. Similarly to on the Domestic RHI scheme, we could carry out checks on the Clean Heat Grant (CHG) to identify whether measures are being funded under both schemes. We will work with the CHG team at Ofgem in the development of both schemes to understand how these checks could be carried out.</p>
34.	Do you agree homes could benefit from multiple funding if (a) it is not for the same measure; and (b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?
	<p>We agree that homes could benefit from multiple funding for measures installed either before or after the ECO4 project. We also support duplication of subsidy being prohibited in ECO4. We recommend that Ofgem is given powers under the ECO Order to reject measures which have received duplicate funding.</p> <p>There could be issues for administration where a measure is delivered outside of ECO during the time the ECO package of measures is being delivered. Further consideration on the interaction with other schemes and the scoring process will be required, particularly if the measure isn't ECO compliant, eg hot water storage. However the most obvious solution for ECO measures would be to deduct the appropriate PPS (without any correction factor or policy deflator applied) from the FPS for the measure that was not delivered through ECO.</p>
35.	Do you agree that we continue with the ECO Eligible Referrals mechanism under ECO4?
	We agree with this proposal.
36.	Do you agree with our proposals to (a) simplify the in-fill mechanism with the new ratios for flats and other housing to qualify?; and (b) include CWI in-fill?

	<p>We agree with this proposal. From our interactions with stakeholders in ECO3 we understand treating blocks of flats with CWI has been difficult where there has been a mix of eligible and non-eligible flats in the same building. Expanding in-fill in blocks of flats should allow low income and vulnerable households in these buildings to receive insulation more easily and support the fabric first approach.</p> <p>We have some concerns about how these measures will be processed as there could be a risk that flats or houses are incorrectly notified. We will need to record whether a property is either a flat or a house on our register but we would not expect to carry out checks to validate whether a property is actually a flat. A clear definition of each property type will be needed and suppliers should be required to collect evidence to verify the property is eligible for in-fill.</p>
37.	<p>Do you agree with our proposal to (a) support low income private rental households, with the design being subject to the outcome of the PRS consultation; and (b) limit support to packages of measures that meet the MR including solid wall insulation, first-time central heating, a renewable heating system or district heating?</p>
	<p>We agree with both proposals. However, we request clarification from BEIS on when the government response to the PRS consultation will be published and whether there will be sufficient time for this to be used as the basis for the design of PRS support under ECO4.</p>
38.	<p>Do you agree with the proposal to (a) allow social housing tenure with starting bands of E, F and G to be eligible under ECO4; and (b) continue eligibility for band D social housing under Innovation Measures?</p>
	<p>a) We agree with this proposal. We support allowing eligibility for those in social housing tenure as it gives additional flexibility to suppliers to identify eligible households, and it extends the pool of eligible households.</p> <p>b) We agree with continuing eligibility for band D social housing for Innovation Measures. However, maintaining this approach adds to the scheme complexity for social housing.</p>
39.	<p>Do you agree that the minimum requirements should apply to E, F and G social housing and band D social housing for IMs?</p>

	<p>We agree with this proposal. However, we acknowledge the potential difficulties for the supply chain in meeting the proposed scheme requirements solely through innovation measures in band D properties.</p>
40.	<p>Do you agree that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation?</p>
	<p>We agree that the scope of Home Heating Cost Reduction Obligation should be broadened to a Home Energy Cost Reduction Obligation. By broadening this scope and enabling ECO funding to be spent on energy efficiency measures relating to not just heating, ECO funding should be able to provide greater savings on energy bills per household treated. This is important for supporting vulnerable and fuel-poor consumers. Furthermore, there may be measures recommended on the pre-installation EPC but aren't eligible under ECO4, which then would have to be installed outside of the project. If these measures were eligible under ECO4, it would reduce the occurrence of these scenarios, which is beneficial to the household.</p> <p>However, it should be noted that expanding the scope to a Home Energy Cost Reduction Obligation would vastly increase the number of measures that can be installed in a property. This will greatly increase Ofgem's administrative burden relating to scoring, processing of notifications of measures and evidencing. Increasing Ofgem's administrative burdens increase Ofgem's required resources and therefore costs.</p>
41.	<p>Do you agree with our proposal to maintain a Solid Wall Minimum Requirement set at 22,000 solid wall insulation measures per year for ECO4 and remove the option for this to be met via alternative measures?</p>
	<p>We agree with the proposals. Ofgem are not able to comment on the level at which SWMR should be set but we agree that SWI is an important part of increasing the energy efficiency of homes and a minimum requirement is necessary to ensure its delivery under the scheme. Additionally, solid wall alternative measures are complex to administer in ECO3 and removing this element will reduce administrative issues.</p>

42.	Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?
	<p>Ofgem agrees with the proposal to ensure insulation is provided alongside heating measures, as this is in line with the fabric first approach recommended by PAS 2035 and the resultant Medium Term Improvement Plan (MTIP). Whilst this may cause some short-term timing concerns for the householder where emergency replacements are concerned, other mechanisms (such as WHD) can provide support during this time and we put strong weight behind the longer term benefits to the householder.</p>
43.	Do you agree with our proposal to exclude the repair and replacement of oil and LPG heating?
	<p>We agree with the proposal to exclude the repair and replacement of oil and LPG heating.</p> <p>The exclusion of oil and LPG heating is in line with the decarbonisation and net zero objectives of ECO4.</p>
44.	Do you agree with our proposal to only allow the repair of efficient heating up to a cap of 5,000 homes per year?
	<p>We agree with the proposal to cap the repair of efficient heating systems. Ofgem are not able to comment on the level that the cap should be set but we agree incentivising repairs over the installation of a new heating system, where suitable, through a capped uplift would be beneficial.</p> <p>A definition of what constitutes an ‘economic’ repair may help provide clarity and reduce any administrative burden.</p> <p>We request further clarification on how heating system repairs will interact with other aspects of the Minimum Requirement such as the SAP assessment improvement. It is also unclear how these repairs would be dealt with under PAS so further information on this is again needed before we can provide a finalised response to this question.</p>
45.	Do you agree with our proposal to reduce the Broken Heating Cap for broken efficient heating replacements up to 5,000 homes per year?

	<p>We agree that providing a capped uplift for the replacement of broken heating systems in households containing vulnerable customers would be beneficial.</p> <p>We understand the intent is that each supplier will receive a share of the annual cap in proportion to their obligation. We note that in practice, this could see a small supplier having a single figure cap which might it economically unviable to deliver.</p>
46.	<p>Do you agree with our proposal that all new ESH delivered (both on and offgas) must have a SAP responsiveness of 0.8 or above?</p>
	<p>We agree with the proposal for a minimum SAP responsive level for all new ESH delivered on the scheme.</p> <p>Whilst we do not have the technical expertise to comment on the specific SAP responsiveness for ESH, we support the proposal to ensure any units installed under the scheme are energy efficient to meet the long term needs of the households they are installed within.</p>
47.	<p>Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?</p>
	<p>We agree with this proposal.</p> <p>If the scheme is to be continued across GB the Boiler Plus standards would ensure all boilers installed on the scheme continue to work well for the households following their installation.</p> <p>Thought should be given how this can be rolled out and enforced across the supply chain in Scotland and Wales where this standard has not been obligatory.</p>
48.	<p>Do you agree with our proposal to restrict gas first-time gas central heating to households already connected to the gas grid?</p>
	<p>We agree with the proposal to restrict gas first-time central heating to on-gas houses. This would align well with the government’s decarbonisation objectives to move away from fossil fuel based heating.</p> <p>We would welcome clarification on whether gas first-time central heating would be restricted to properties which were connected to the gas grid prior to the start</p>

	<p>of ECO4, or if this was also permitted in newly connected properties for the duration of the scheme. From an administrative perspective, it may be difficult to evidence when a property was connected to the gas grid.</p> <p>We also recognise that gas central heating generally produces the lowest fuel costs for the householder, which is beneficial for a scheme aimed at reducing fuel poverty.</p>
49.	<p>Do you agree with our proposal for all new wet central heating systems to be installed as a “low-temperature heating system”?</p>
	<p>We agree with this proposal on a general level, as it could assist in reaching the government’s decarbonisation strategy by increasing the number of properties that are heat pump ready.</p> <p>Further clarity on the proposed exemptions would be welcomed to reduce the administrative burden, particularly on what would be considered enough available space to install a low-temperature heating system. BEIS should explore the potential value of implementing guidelines for installers to follow regarding this process. For oversight of these rules to be successful, this might require involvement from TrustMark and for this assessment to be picked up by the PAS 2035 process. We will also look with BEIS to explore if GasSafe training will be able to ensure that engineers have the necessary expertise to make accurate judgements regarding these new rules under ECO4.</p>
50.	<p>Do you agree with our proposals to expand the eligibility for first-time central heating?</p>
	<p>We agree with the proposals to expand the eligibility for first-time central heating (FTCH). Warm air systems are generally much less efficient than modern boilers given that most were installed in the 1960s and 1970s, and many have long been defective. Extending eligibility to households with these heating systems will help fulfil our goal of protecting consumers by making more fuel-poor households eligible for help, and it will slightly ease delivery of the scheme by increasing the eligible pool of customers even if by a small amount. We note however that the proposed wording for the new FTCH restrictions would mean homes with air-to-</p>

air heat pumps would now also be eligible for FTCH, as well as those with warm air systems.

51. Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?

We agree with this proposal although industry is better placed to comment on whether there might be scenarios where biomass or DHS would be the most appropriate heat source, even if a heat pump can technically be installed.

We have concerns with how it will be assessed whether a hydronic heat pump can be 'reasonably or practically' installed. We note that BEIS intends to issue guidance on this but clarification is needed on who is expected to carry out this assessment. Is this something that a retrofit coordinator would be expected to assess?

In properties where a biomass heating system is being installed we have concerns about how the requirement to use approved sustainable fuels will be checked.

We do not expect to carry out ongoing checks for this requirement so we request that there is clarification in the Government response on the compliance expectations for this.

Additionally, we request that the policy around heat pumps and biomass aligns as much as possible with the CHG. It would improve administration and consumer understanding if the requirements for installing biomass boilers were the same under the two schemes. If BEIS intend to publish a guide on where to install heat pumps it would make sense for this also to be used on the CHG.

We would ask that consideration is given to the system performance of heat pumps in properties. Based on the small amount of data that Ofgem collects for our administration of the Domestic RHI scheme we often see systems performing poorly for unknown reasons. Given the scale of the intended UK rollout, we recommend further research is commissioned to investigate the conditions that

might result in less efficient operation of heat pumps, particularly as under the ECO scheme the impacts are felt more acutely in fuel poor households.

We would also note that it is proposed for projects in ECO4 to be based on the PAS 2035 medium term improvement plan (MTIP). PAS 2035 and PAS 2030 are interlinked, however this link with PAS 2035 is lacking in the MCS standards. This may create a gap where if only renewable measures are installed at a property, a MTIP would not be completed and the project may not be compliant with PAS 2035.

52.	Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?
	We agree with this proposal but as outlined in our response to question 51 we have concerns about how the assessment of what heating system should be installed will take place.
53.	Do you agree with our proposal that energy suppliers should be required to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS 2035?
	We agree with this proposal.
54.	How should suppliers be required to demonstrate that a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly?
	We would also welcome views from suppliers and wider industry on how they can demonstrate a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly.

It may be too early to be able to define what constitutes a ‘smart-enabled’ flexible heating system and how suppliers can demonstrate this. However, there are some potential administrative approaches that Ofgem could adopt for this:

1) We could adopt a high-level definition of ‘smart’ and leave suppliers flexibility to provide any evidence surrounding this. For example, “To be smart the heating system must be able to (a) send and receive information; and (b) respond to this information by turning up or turning down the heating system; and changing the time at which heating system is on”.

2) Industry has developed a standard for ‘smart appliances’ including electric heating systems – PAS 1878, which is currently just a voluntary standard. We could use this as a threshold for ‘smart’ and ask suppliers to demonstrate compliance with this industry standard.

3) Alternatively Ofgem could provide a detailed guidance about what we consider a ‘smart heating system’ for the purposes of ECO. This would take a significant time to develop and pose a large administrative challenge, and the guidance is likely to be highly ECO focused which may not be helpful for wider industry.

Our preference would be to provide some form of guidance to suppliers which would avoid them needing to provide their own evidence which may result in a lot of work and risk an inconsistent approach. However, developing our own ECO-specific guidance may be too restrictive at this stage, as well as taking considerable time and resources. These measures will go through the Alternative Methodology process and they will be assigned a score on this basis. Ofgem looks forward to working closely with BEIS to agree an approach and ensure there are standards established and available for suppliers to evidence that smart technologies installed meet any additional criteria necessary.

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55.	Do you agree that the ECO4 scoring methodology must be based on the difference in average annual bill expenditure between the starting SAP rating and finishing SAP rating of a property, with regard given to the property’s floor area?
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	<p>We agree with this proposal. In order to reorient the scheme to be centred on wholehouse retrofit and aligned with the PAS 2035 project approach as recommended by the Each Home Counts review<sup>4</sup> it makes sense to switch to average annual bill expenditure by removing the conflicting lifetimes of the different measures. By then utilising the SAP rating system to underpin the overarching deemed project scores (based on the difference between starting and finishing SAP rating), it aligns with the policy aim of progressing through SAP bands.</p> <p>We further agree that these scores should be segmented by floor area.</p>
56.	<p>Do you agree that the overarching ECO4 scores should be based on deemed savings, rather than the actual savings generated through bespoke SAP calculations at each property?</p>
	<p>Basing the overarching ECO4 scores on deemed savings provides a number of benefits. First and foremost it provides up front scores that can be readily communicated, making it easier for both the supply chain and suppliers to plan and assess projects. Grounding the scores in intermediate SAP bands rather than SAP points reduces the reliance on a final SAP assessment and therefore the risk that small errors in assessments may impact the scores. This minimises our administration as there will likely be fewer potentially incorrect scores to review.</p> <p>We would also highlight that due to the need to monitor scores collectively across whole projects the complexity of this scoring system, whilst necessary to mirror PAS 2035 project requirements, may increase the likelihood of processing problems by all parties. We will work to minimise this by working with BEIS and TrustMark to ensure as simple a design as possible, consulting on our proposals and the design as we progress.</p>
57.	<p>Do you agree with our proposed approach for allowing exemptions to the minimum requirements? If you propose additional exemptions, please suggest how they could be evidenced.</p>

<sup>4</sup> [Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/421212/Each_Home_Counts_Review_of_Consumer_Advice_Protection_Standards_and_Enforcement_for_Energy_Efficiency_and_Renewable_Energy_-_GOV.UK_(www.gov.uk).pdf)

We agree with the proposed approach to allow exemptions from the minimum requirement for selected properties.

However, we request that BEIS continue to liaise with Ofgem when a finalised list of exemptions and evidence requirements is created. Regardless of the final evidencing approach agreed, the additional work required to oversee and audit the exemptions and associated evidence is likely to lead to an increase in Ofgem's administration costs.

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58. Do you agree with our proposal to use deflated partial project scores for ongoing projects, ahead of completion?

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We agree with this proposal as an effective way in which to address the impact of moving to a project based scoring approach whilst industry adapts to the new landscape.

We recognise that moving to a project based approach to scoring may lead to either delayed payments to installers or suppliers taking on additional risks or costs, depending on the contracting solutions and services which emerge for ECO4. Whilst this is managed in other construction projects such as new build, we consider that deflated PPS will reduce these impacts.

However, deflated PPS will slightly reduce the impact of the minimum requirement, and greatly increase the complexity of the scoring system and therefore increase our development costs and administrative costs throughout ECO4. It will also reduce flexibility in the supply chain to come up with their own solutions. In many other areas of construction projects involve multiple parties, and frameworks have been developed to enable this to work successfully. In the long run, we expect that the ECO supply chain would be the same.

We support the proposal for deflated partial projects scores to aid the transition to ECO4, but suggest consideration is given to reviewing their effectiveness with a view to potentially transitioning to a wholly project-based scoring system in the future.

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59.	Do you agree with our proposal to use deflated partial project scores where a project is found to be non-compliant with the minimum requirement at the point of notification?
	<p>We agree with the proposal to use deflated partial project scores for projects that don't meet the minimum requirement. It is important that installers are incentivised to complete projects to at least the minimum requirement, and the deflation rate will be an important tool in accomplishing this.</p> <p>We think the particulars of the partial project scores must be designed with care in order to minimise administrative difficulties. We note there is a risk that deflated partial project scores become the default market rate for ECO works, and there is potential for disputes between installers about bearing the costs for deflated scores. These could hamper delivery and installer participation in the scheme.</p>
60.	Do you agree with our proposal to use deflated partial project scores where a consumer ends a project before the minimum requirement has been met for reasons other than change of occupancy?
	<p>Yes, we agree that deflated partial project scores should be used in scenarios where the consumer ends the project early (besides change in occupancy). This may help increase consumer care by creating an incentive for the householder to be made fully aware of what to expect over the duration of the project, and that they are satisfied with the progression of the project.</p> <p>We would seek clarification on whether there are any additional criteria involved with a change in occupancy during a project, and whether this exemption would only come into effect after a certain time limit as an expected change in tenancy would be known for a period in advance.</p>
61.	Do you agree with our proposal to cap the share of a supplier's ECO obligation that can be comprised of scores from partial projects? Do you agree that this cap should be set between 20-30%?
	We agree with this approach to cap the share of partial projects that suppliers can notify. Further modelling and feedback from industry will be required to set an exact amount for the cap to ensure that PPSs do not make up too large a share of

	<p>delivery under ECO4. This is especially important to prevent partial project scores becoming the default assumption, in terms of pricing or otherwise, for ECO projects across the industry. This should also help ensure that the main policy intent of progressing through SAP bands is achieved.</p>
62.	<p>Do you agree with our proposal to use deflated partial project scores for infill homes, with a deflation of between 20% and 30%?</p>
	<p>We don't have a strong opinion on this. The policy intent is targeted at the fuel poor, so there's a logic to not providing those who aren't fuel poor with ECO funding. However it's also true that some measures are best delivered collectively to multiple households and so it makes sense to harness that opportunity as we strive towards our net zero goals.</p>
63.	<p>Do you agree with our proposal to incentivise the use of longer lifetime measures through minimum requirements and heating insulation preconditions rather than including measure lifetimes in ECO4 scores?</p>
	<p>We agree with this proposal on balance. Minimum requirements and preconditions create more complexity and additional administration for Ofgem. The proposal will require additional checks by Ofgem as we would have to verify that the pre-conditions and minimum requirements have been met. However, we also understand that any mechanism for recognising individual measure lifetimes within a project-based scoring system would be more complicated.</p>
64.	<p>Do you agree that we should continue to require measure lifetimes through the scheme to benchmark guarantee requirements and for scheme reporting purposes outside of the scoring framework?</p>
	<p>We agree with this proposal. However, there needs to be further clarification on who will be setting out the lifetimes for the purpose of guarantees. In ECO3, Ofgem set lifetimes for measures as part of the scoring methodology (where these were not fixed by legislation). However under current proposals, scores would no longer involve lifetimes. Guarantee requirements are now part of the Trustmark framework.</p>
65.	<p>Do you agree with our methodology for applying innovation uplifts relative to the expected savings of a particular innovation measure type?</p>

	<p>We agree with the approach for applying IM uplifts for ECO4, although we would note the proposed methodology adds a layer of complexity to the scoring for ECO4.</p> <p>We have published a consultation detailing our approach to uplifts based on the proposals raised in this consultation.</p>
66.	<p>Do you agree with our proposal to provide a fixed score uplift of ~£60 annual bill savings for all broken boiler replacements and ~£16 annual bill savings for each broken ESH replacement?</p> <p>Please provide information on the cost of boiler and ESH repairs to help inform the level of uplift required for heating repairs relative to replacements.</p>
	<p>We do not have a view on the proposed fixed score uplifts.</p> <p>From an administrative point of view, whether the uplift is a percentage or a fixed score does not impact us provided that it does not excessively impact the supplier's ability to deliver measures and remain compliant with their obligation.</p>
67.	<p>Do you agree with our proposal to allow uplifts for hard-to-treat issues for owner-occupied E, F, and G homes only?</p>
	<p>We agree that hard-to-treat (HTT) uplifts should be introduced and limited to this group of households. Introducing the HTT uplift should assist in the delivery of the ECO obligation as it should make measures at more properties economical to install. We also agree with limiting the eligibility to owner occupied properties, as landlords should be the party funding remedial works in PRS properties. We will look to design an approach to administering hard-to-treat uplifts that will minimise any potential issues, and we will need to continually monitor how it is used throughout the lifetime of the scheme.</p>
68.	<p>Do you agree with our proposed methodology for hard-to-treat uplifts? Please also suggest forms of evidencing for hard-to-treat.</p>
	<p>We do not have a view on the proposed methodology for hard-to-treat. From an administrative point of view, costs may be difficult to evidence or verify. We will look to work with BEIS and engage industry to determine an appropriate compliance regime.</p>

69.	<p>What work should be within scope of the HTT uplift? Should the extraction of defective loft and/or cavity wall insulation be included? If not, how could extraction be monitored more effectively through the scheme?</p>
	<p>We do not have a view on what should be within the scope of the HTT uplift, although we would suggest that the ease with which work can be evidenced is considered when determining the scope for HTT.</p> <p>We do not believe that the unnecessary extraction of insulation should be incentivised. We are also of the view that defective insulation should be extracted and replaced through guarantees or buildings insurance prior to seeking alternative funding through government schemes.</p> <p>We would welcome alternative views from industry on how extractions could be monitored through the scheme. However, we also recognise that including extraction within the scope of the HTT uplift may encourage the reporting of extractions under ECO4 and provide greater oversight.</p>
70.	<p>Should the cost per £ bill savings be based on the final ECO4 IA or from ECO4 published energy efficiency statistics?</p>
	<p>Our preference is to utilise the latest published energy efficiency statistics, however these won't be available for ECO4 in sufficient numbers to be reliable at the very beginning of the scheme. Until they can provide a solid statistical basis for the cost per £ bill savings, we are content to utilise the figure from the final ECO4 Impact Assessment.</p>
71.	<p>Do you agree with our approach for evidencing scores for ECO4?</p>
	<p>We agree with the proposal for evidencing scores on ECO4. We recognise the progress and action plan developed by Government to improve the robustness of EPCs, and we expect those used for ECO4 will be new and of improved quality compared to older EPCs. However, we would reiterate that concerns remain around the accuracy and reliability of EPCs, as well as SAP assessments. We note the proposal to allow evidencing of the finishing SAP rating of a premises by any</p>

	means we consider appropriate. We have set out proposals for the evidence we intend to require in part 1 of our ECO4 scoring methodology consultation. <sup>5</sup>
72.	Do you agree with our proposal to allow alternative methodology scores to be produced for measures that are not recognised in SAP?
	<p>We agree with this proposal. This should allow for cases where there has been development in the energy efficiency market and allow new measures which can achieve quantifiable savings to be included in ECO4. We have developed our approach to alternative methodology scores, outlined in our ECO4 scoring consultation, based on this proposal.</p> <p>However, we feel clarity is needed on the risk appetite for the cost savings claimed by measures not recognised in SAP. We also understand data light measures will be included in PAS2035 where possible, but the approach to measures not included in PAS would benefit from clear direction.</p> <p>Depending on the preferred method used to evidence the finishing SAP rating, this proposal could be more complicated to administer as these measures would not be included in a post retrofit SAP assessment.</p> <p>We understand there will be a cap of 5,000 data light measures installed each year and that this will be distributed evenly across suppliers based on the size of their obligation. Whilst we are not in the position to comment on where the overall cap should be set, we suggest that the sponsoring supplier is allocated a higher share of the cap for the data light measure. This could encourage suppliers to sponsor applications and ensure that this route is viable for smaller suppliers.</p>
73.	Do you agree with our proposal for all alternative methodology scores to count towards the minimum requirement?
	We agree with this proposal. All measures will need to demonstrate a home heating cost reduction and therefore we feel it is correct the scores count towards the minimum requirement. Based on this proposal we have developed a methodology, outlined in our ECO4 scoring consultation, <sup>6</sup> to allow all alternative

<sup>5</sup> [Energy Company Obligation \(ECO4\) Consultation: scoring methodology – part 1](#), paragraph 2.20-2.44.

<sup>6</sup> <https://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-consultation-scoring-methodology-part-1>

	<p>methodology scores to count towards the minimum requirement. This approach is subject to the wording in the published legislation for ECO4.</p>
74.	<p>Solid wall insulation: (a) Do you agree with our assumption of a 0% third party contribution for solid wall insulation (SWI)?</p> <p>(b) Please provide BEIS with any information on third party contributions towards SWI supporting your response.</p>
	<p>a) With available data on contributions towards any measures, let alone solid wall insulation measures, difficult to obtain, we agree that it makes sense to set the policy based on the assumption of 0% third party contribution. However we recognise that contributions do exist and would continue to recommend that more information is gathered to provide a more informed picture, and to work with BEIS on this.</p> <p>Further consideration should be given to the customer journey and advertising the funding routes available to householders.</p> <p>b) BEIS should have all of the relevant data from Ofgem relating to third party contributions.</p>
75.	<p>PAS2035:2019: (a) Are the current cost assumptions for ventilation outlined in Table 12 reflective of the costs of complying with ventilation requirements set out in PAS 2035?</p> <p>(b) Please provide BEIS with any information on the cost ranges associated with PAS ventilation compliance, and any further PAS related considerations, that may be applicable.</p>
	<p>We do not have a view on the cost assumptions for ventilation requirements.</p> <p>With regards to further PAS related considerations, we note that costs associated with PAS compliance are likely to increase for properties under risk pathway C. This will mainly impact high rise and protected buildings.</p>

76.	<p>Ancillary work: (a) Should the costs of delivering specific ancillary services related to insulation, be captured through the delivery cost assumptions in the ECO4 final stage Impact Assessment?</p> <p>(b) Please provide BEIS with any information on the cost ranges associated with each ancillary measure in paragraph 354, and any further common services that may be applicable.</p>
	<p>We agree with this proposal. Capturing the costs associated with ancillary services may help facilitate whole house delivery by increasing uptake of more intrusive measures.</p>
77.	<p>Data Warehouse and Hard-to-treat: (a) How feasible would it be for all delivery costs incurred as a result of the installation of measures to be lodged and stored within TrustMark’s Data Warehouse, and how do you think all measures costs should be recorded, e.g., to ensure any gaming risks are mitigated where possible?</p> <p>(b) Please provide BEIS with any further evidence of the costs associated with remediation of hard-to-treat issues, as required in 8.3.1, bullet three, of PAS 2035,83 as well as evidence of the prevalence of these issues in the housing stock.</p>
	<p>We do not have a view on this question, however we will work with TrustMark to ensure data matching is effective.</p>
78.	<p>In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to:</p> <p>(a) apportion the cost envelope between England &amp; Wales and Scotland using a methodology based on the total amount of gas and electricity supplied in each region, with an equal weighting for each fuel?</p> <p>(b) that the calculation is based on an average taken from the last three years of domestic gas and electricity consumption data published annually in December by BEIS?</p>
	<p>We have concerns about the impact of separate rules in Scotland on Ofgem’s administration of ECO. Whilst we do not disagree with the approach for</p>

	<p>apportionment outlined it will add complexity to the obligation setting process. We request that if a method for apportionment is required the methodology is clearly outlined in the legislation to avoid uncertainty on how the obligations are calculated.</p> <p>We expect early engagement from the Scottish Government and BEIS on Ofgem's involvement with any proposed separate Scottish scheme.</p>
79.	<p>In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to apportion an individual supplier's targets between Scotland and the rest of GB?</p>
	<p>As above, we do not disagree with the approach to apportionment but expect to engage further with BEIS and the Scottish Government on Ofgem's involvement in any proposed separate scheme or changes to proposals for ECO4 from those that have been outlined.</p>
80.	<p>Do you agree with setting a project completion time of three months, from the completion of the first measure in any package other than for DHS? We welcome views regarding what timescale should be permitted for DHS installations.</p>
	<p>Whilst we had some concerns about the 50% reduction compared to the 6 months previously under ECO3, the fact that this time period starts from the date of completion for the first measure, plus the data highlighted by BEIS, significantly reduces our concerns around average project completion times.</p> <p>However, there may still be difficulties where combinations of insulation (solid wall or room in roof) are needed in households where they are seeking to install a heat pump. As such we expect a number of projects to transgress this rule, however as the Retrofit Coordinator industry matures this should reduce over time.</p> <p>We also note that Partial Project Scores are being introduced to mitigate concerns around project delivery. We believe this provides a useful lever for all projects, regardless of their complexity, and allows for flexibility in delivery where a strict</p>

	<p>timeframe might not. To an extent, industry will adapt to project delivery to ensure timely completion.</p> <p>If a project completion time limit is imposed, we would want to further understand how a deflated PPS might be triggered if for example there are small delays across all measures. What would be considered an acceptable or unacceptable delay? And will there be a greater impact on the final measures in a package, potentially being rushed to complete a project on time?</p>
81.	<p>Do you agree with our proposal to allow an extension of three months to be permitted by Ofgem in certain circumstances?</p>
	<p>Based on the wording in the consultation, with the final decision resting with Ofgem, we do not expect any differences to the current approach for ECO3. As such we see no major administrative changes to our process beyond the addition of these timing issues to assess. As above, further detail is required on how delays might be recognised across the suite of measures within a project and what might or might not be an acceptable delay. We'll then need to consider what evidence would be suitable for these however.</p>
82.	<p>Do you agree with our proposal to award deflated partial project scores for measures delivered after the three-month time period has passed?</p>
	<p>We agree that some mechanism is needed to ensure that measures installed within the 3 month project timeframe are not penalised for the late delivery of other measures within a completed project. This is further complicated by the fact that the last measure in the plan might be waiting on a delayed measure, and so the responsibility for a timely completion may lay elsewhere. The Retrofit Coordinator also has an impact on the timeliness of measure delivery and ultimately oversees the project. As we further our work on the scoring mechanism we will continue to look at how measures can be incentivised through the scoring mechanism to ensure all measures within a project are completed within the proposed 3 month period, and how much we consider should be left to contracts.</p>
83.	<p>Do you agree with the proposals on measure notifications and extensions?</p>

We broadly agree with the proposals, and our thoughts on the main three are as follows:

1. Maintaining the one month notification requirement for individual measures.

We agree with maintaining the one month notification requirement in part because it has worked well under ECO3. We do not anticipate administrative difficulties in implementing this proposal.

2. Up to 5% of measures can receive automatic extensions.

We fully agree with maintain this approach – it has worked well under ECO3, and we anticipate it will continue to work well under the new scheme. We anticipate few administrative issues especially considering we already have experience delivering the relevant IT solutions and procedures for this under ECO3.

3. Early delivery measures can be notified up to two calendar months after the ECO order comes into forces.

We broadly agree with this, as early delivery measures will by their nature be subject to more risk and teething issues due to the lack of certainty surrounding regulations. Notably, this proposal will lead to some early delivery measures having a notification deadline later than certain regular delivery measures that are installed afterwards. We support the proposal due to the aforementioned risks and uncertainty involved with early delivery, but this consequence of the early delivery policy should be communicated to the relevant stakeholders clearly ahead of time.

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84.	Do you agree with (a) the proposed obligation phases for the future scheme; and (b) the proposal to retain the 1 February deadline for suppliers to notify Ofgem, and for suppliers to be notified of their obligation on or before 7 March, prior to the commencement of the next phase?
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We agree with the proposed obligation phases. We also agree with amending the date by which suppliers are notified of their obligation, from the last day in
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	February to on or before 7 March, which will give us additional time to determine each supplier's obligation.
85.	Do you agree with the proposal to retain the mechanism for the trading of obligations and setting the deadline for applications as 30 September 2025?
	We agree with this proposal as it is consistent with the approach used under ECO3, which we have not experienced administrative issues with.
86.	Do you agree with the proposal to retain the mechanism for the transfer of qualifying actions and setting the deadline for applications as 30 June 2026?
	We agree with this proposal. As above, it is consistent with the approach used in ECO3.
87.	Do you agree that an application for the transfer of qualifying actions should not be approved, if there is significant risk that the applicant supplier would be unable to deliver its obligation?
	We agree with this proposal. It should help prevent further obligation being lost from the scheme when a supplier exits the market. We request that this is specified in the ECO4 Order.
88.	What actions do you consider appropriate to reduce the level of technical monitoring (TM) fails for loft insulation?
	We note that the introduction of industry standards and technical guidance has historically reduced the number of technical monitoring (TM) fails for other measures, such as Underfloor Insulation. Enhanced consumer protection and guarantee requirements through TrustMark may also help to improve quality and reduce TM fails.
89.	Should the guarantee durations for loft insulation and boilers be increased and to what duration?
	We would welcome an increase in guarantee durations for loft insulation and boiler measures. This should improve the level of consumer protection for households receiving these measures and help to reduce the volume of premature replacements.

	<p>With regards to an appropriate duration, we note that the vast majority of duplicate boiler measures on ECO3 have been replacing ECO1 and ECO2 boiler measures, with an average time between notified measures of 5.96 years.</p> <p>For loft insulation measures, the majority of ECO3 duplicates have again been against previous ECO1 and ECO2 measures, with an average period between notification of 4.24 years.</p> <p>From an administrative point of view, the guarantee duration should not impact us provided that it does not excessively impact the supplier's ability to deliver measures and remain compliant with their obligation.</p>
90.	<p>What should be required for heating repair guarantee scope and length to ensure that these measures can be delivered through the scheme with appropriate consumer protection?</p>
	<p>We do not have a view on the specific scope or length of heating repair guarantees, as long as it does not impact consumer protection, or the supplier's ability to deliver heating repair measures within the cap.</p>
91.	<p>If appropriate safeguards are put in place to prevent ECO guarantee requirements being changed without sufficient consultation with BEIS and wider industry, should all ECO guarantee requirements be mandated via TrustMark registration and compliance, rather than through ECO regulations?</p>
	<p>Implementation of this proposal would likely reduce our administrative burden in this area and should lead to greater consistency across the schemes.</p> <p>This would enable compliance for installation standards to be overseen by one body. It may also facilitate installation standards, best practice guides, guarantees, and technical monitoring questions to be developed and updated alongside each other.</p>
92.	<p>Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?</p>
	<p>We agree with proposals to continue the use of PAS2035 and PAS2030, and particularly for MCS to be mandated for all measures covered by the standard.</p>

	<p>We anticipate that all relevant stakeholders will work together to develop an increasingly streamlined process for both the supply-chain and consumers. We look forward to seeing the plans for development of all the standards utilised in ECO4.</p>
93.	<p>Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO legislation for ECO4?</p>
	<p>The extent that Ofgem seeks evidence that a measure has indeed been installed in adherence to all appropriate standards is a matter that we will be consulting on, particularly if this data is already being collected by TrustMark. It's not clear that removing the specific references to PAS will reduce this administration any further, as we're keen to avoid duplication regardless. However it may act to reinforce such a change of responsibility.</p> <p>We can also see value in not being constrained by the legislation should there be any changes to the PAS version.</p>
94.	<p>Do you agree with our proposal to retain the Innovation Measure mechanism, which would be capped at 10% of a supplier's obligation?</p>
	<p>We agree with the proposal to retain the Innovation Measure mechanism along with the 10% cap.</p> <p>Retaining this mechanism should encourage the delivery of higher quality products and installation practices to fuel poor households. The ECO obligation encourages measures to be delivered at the lowest cost, driving the market towards lower cost products even though they may not be optimal in all scenarios. The Innovation Measure uplift may help to address this by incentivising delivery of products with a greater range of features and benefits, that might not have otherwise been delivered.</p> <p>We would note the additional complexity introduced to the innovation process through the proposed reforms, and the resulting increase in administrative burden and risk.</p>

95.	Do you agree with our proposal to introduce a 'High' level of uplift of 45%, alongside the current 'Standard' 25%, based on a distinction between a moderate improvement and substantial improvement, decided upon by the TAP?
	<p>Under ECO3, the TAP provide an advisory role to assist Ofgem with decisions on innovation measure applications. From our understanding, the TAP is intended to provide the same advisory role under ECO4, with any decisions resting with Ofgem.</p> <p>If BEIS intend the TAP to be given decision making powers under ECO4, this would need to be clearly defined in legislation.</p> <p>We would continue to support further incentivising innovation through an increased uplift, however would note the additional complexity introduced through the use of two levels. Under ECO3, Ofgem must assess whether an application demonstrates an improvement or not. The proposal for ECO4 will also involve assessing the degree of improvement. Without robust legislation, this assessment may be challenging and is likely to significantly increase the administrative burden associated with making decisions.</p> <p>We require clear boundaries for the uplifts to ensure that it is easy for the applicants and the decision makers to understand what uplift should be applied early in the process. This will reduce the administrative burden in assessing applications and allow applicants to make better informed commercial decisions on this route.</p>
96.	Do you agree with our proposal to expand on the current criteria for determining whether there is an improvement to include environmental impact consumer care, and delivery costs?
	We agree with the proposal for additional criteria to be considered in assessing the improvement. Improved consumer care would benefit fuel poor households and promote greater understanding and assistance with on-going maintenance, which would also improve the durability of products and resulting cost savings.

	<p>Consideration of the carbon impact of products would also be in line with the Government’s legislative commitment of reaching net zero by 2050.<sup>7</sup></p> <p>As outlined in Q95, further clarity on how these criteria should be assessed for moderate and high uplifts would be welcomed.</p>
97.	<p>Do you agree with our proposal to reward sponsoring suppliers with an increased uplift of 2% after application approval?</p>
	<p>We agree with the proposal to increase the uplift for sponsoring suppliers, however we do not have a view on the level of the uplift itself. We also note that a supplier-specific uplift will increase Ofgem’s administration with regards to innovation measures.</p>
98.	<p>Given the proposed reforms to ECO4 and the continued focus on providing support to low income, vulnerable and fuel poor householders, should the DA mechanism be retained for ECO4, and be the vehicle used in providing support for single measure product testing? Are there any other mechanisms that may be better suited to product testing?</p>
	<p>We are of the view that the Demonstration Action (DA) mechanism should not be retained for ECO4.</p> <p>A single DA measure accounts for a larger proportion of the obligation in comparison to a similar standard measure, however it may not result in any cost savings. For example, DA measures have additional costs associated with monitoring and delivery, but because the purpose of the trial is to test the product’s effectiveness, there is no guarantee that it will achieve a measurable cost saving in practice.</p> <p>Further lowering the technology readiness level (TRL) for a product could mean that products are not fully tested prior to being installed, and therefore carry a higher level of risk than typical ECO measures.</p> <p>In light of the above, we would question the suitability of the DA mechanism for ECO4, given the main objective of the scheme is to reduce fuel poverty by</p>

<sup>7</sup> This target was enshrined into law in the ‘The Climate Change Act 2008 (2050 Target Amendment) Order 2019’.

	<p>improving the least energy efficient housing stock occupied by low income and vulnerable householders.</p> <p>The DAs mechanism is unable to be scored in the same way as standard ECO measures, and would prove challenging to incorporate into the minimum required SAP band improvement.</p> <p>We would also note the increased administrative burden and difficulties in bringing DAs to fruition under ECO3.</p>
99.	<p>Do you agree with our proposed approach to a reformed in-situ performance mechanism, including piloting methodologies tested through the SMETER trials?</p>
	<p>We support incentivising and rewarding higher performing products, however we are unable to provide a view on this without greater clarity on what is being proposed. We would welcome further detail on why this mechanism does not present the same issues BEIS have identified with demonstration actions.</p> <p>We note the additional complexity of assessing and scoring monitoring trials, so we welcome the opportunity to work with BEIS to identify the best approach for this mechanism.</p> <p>We would suggest consideration is given to how the scheme requirements could feasibly be met by industry through this approach, particularly the requirement for all insulation measures to be installed prior to monitoring commencing. This could create additional barriers for the recruitment of suitable properties. If each property must have various insulation measures installed prior to monitoring commencing, this could also present difficulties in ensuring monitoring periods are aligned.</p>