

## Draft ECO4 Guidance: Interim Delivery

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This document provides guidance on how we will administer the ECO3 Interim Delivery portion of the ECO4 scheme. The Guidance is aimed at suppliers and the broader supply chain, describing how measures can be delivered according to this policy will count towards the ECO4 Obligation, information on how to determine ECO savings and notify completed measures.

The proposed ECO4 scheme, including for the ECO3 Interim Delivery policy, will be subject to parliamentary approval later in the year. Subject to that approval the Interim Delivery policy details that measures delivered from 1 April 2022 until 30 June 2022 that otherwise meet the ECO3 scheme rules can count towards a supplier's ECO4 obligation. As such, the ECO4 Order caters to suppliers who choose to complete ECO3 Interim Delivery measures in this time frame.

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## About this guidance

The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain. ECO places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises. It focuses on insulation and heating measures and supports for fuel poor consumers. ECO is intended to assist in reducing fuel poverty, reducing carbon emissions, and maintaining security of energy supply.

The proposed ECO4 scheme, that will run until March 2026, will mainly focus on low income and vulnerable households, helping to meet the Government's fuel poverty commitments.

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the proposed ECO administrator. This document provides guidance on how Ofgem ('we', 'our' and 'us' in this document) intends to administer ECO3 Interim Delivery.

**The ECO4 Order will not be laid or in force from 1 April 2022. It is the responsibility of each supplier to understand the upcoming provisions of the ECO4 Order and how those provisions apply to them. This guidance may be used by suppliers and members of the supply chain, but it is not intended to be a definitive guide to those legislative provisions. Suppliers are responsible for ensuring that they, and any member of the supply chain acting on their behalf, comply with the applicable requirements of the law.**

## About this draft guidance for comment

This draft version of the Interim Delivery guidance allows stakeholders to review our proposed administration for the ECO4 policy on Interim Delivery. You may provide suggestions for changes or improvements to this draft guidance during a four-week review period from 22 April 2022. Responses should be made by email to [ECO4.consultation@ofgem.gov.uk](mailto:ECO4.consultation@ofgem.gov.uk) by 23 May 2022.

We are interested in getting comments on:

1. The overall tone and content of this guidance, including whether it is easy to read and understand.
2. Any areas where the document could be more user friendly.

We are not conducting a formal consultation on this particular policy of ECO4.

We have published this guidance in draft to provide an opportunity for stakeholders to comment and expect to publish a final version by end of May 2022, which may include changes from the draft version.

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## 1. Introduction

- 1.1. The ECO3 scheme came to an end on 31 March 2022. ECO4 is the new scheme that will replace it.
- 1.2. BEIS have set out that ECO4 will be a four year scheme intended to cover the dates from 1 April 2022 to 31 March 2026.

### Legislation

- 1.3. The ECO4 Order will not be in force from 1 April 2022. Without the ECO4 Order in force, there is no provision for the delivery of measures beyond this date. The legislation, once in force, will allow measures completed from 1 April to potentially be eligible on the ECO4 scheme. It will do this in one of the following two ways.

### Two policy routes

#### *Route 1 : ECO4 Early Delivery*

- 1.4. ECO4 Early Delivery will allow suppliers to deliver to ECO4 scheme rules and be awarded ECO4 deemed scores from 1 April 2022. Further detail on how we will administer ECO4 early delivery will be detailed in our draft ECO4 Delivery and Supplier Administration Guidance which we aim to publish once we have published our consultation on administering ECO4.
- 1.5. ECO4 measures can only be notified to the Ofgem ECO4 register once the ECO4 Order is in force.

#### *Route 2 : ECO3 Interim Delivery*

- 1.6. ECO3 Interim Delivery will allow suppliers to deliver to ECO3 rules and ECO3 scoring methodology for three months between 1 April 2022 – 30 June 2022. Suppliers should refer to the ECO3 Delivery Guidance for specific ECO3 rules.<sup>1</sup> The following restrictions apply:

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/energy-company-obligation-2018-22-eco3-guidance-delivery>

- a) Demonstration Actions, new and replacement Oil or LPG fuelled heating systems will not be allowed as measures during Interim Delivery.
  
- b) Measures installed during this period must be carried out in accordance with the latest PAS2035 standards and associated processes; this includes installation in accordance with latest version of PAS2030 and MCS standards where relevant. The latest PAS2035:2019 TrustMark framework must be followed for Interim Delivery measures.<sup>2</sup>

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<sup>2</sup> <https://www.trustmark.org.uk/tradespeople/pas-2035>

## 2. Interim Delivery to ECO3 rules

- 2.1. Suppliers will be allowed to deliver for three months between 1 April – 30 June 2022 as long as the measures adhere to ECO3 rules with exceptions and ECO3 scoring methodology, and households meet the eligibility criteria defined by the ECO3 rules.
- 2.2. Interim Delivery measures cannot be notified to Ofgem until the ECO4 Order is in force. Once in force, suppliers will be required to notify all measures by the latter of:
- the end of the month following the second month after the ECO4 Order comes into force, or
  - by 30 September 2022.
- 2.3. For ECO3 when a supplier was not able to notify a measure within the notification deadline, they had the option to use the monthly 5% late quota. Up to 5% of the number of measures installed in a particular calendar month, and notified on time, were given an automatic extension of three months to the notification deadline (the automatic 5%). Suppliers will **not** be able to use the 5% automatic extension route for Interim Delivery.
- 2.4. Where a supplier is unable to notify a measure within the notification deadline, they will have the option to apply for an extension to the notification deadline. The extension process will work the same way it did for ECO3. Suppliers can apply to us for an extension to the notification deadline for a completed measure. The application must be in writing and must explain why the extension is being requested. The reason should be supported by evidence. More information can be found in the ECO3 Delivery Guidance, chapter 7.<sup>3</sup>
- 2.5. Measures installed during the Interim Delivery period must follow the PAS 2030:2019 and PAS 2035:2019 standards, where appropriate. The latest framework published by TrustMark around PAS 2035:2019 and PAS 2030:2019 must be followed.<sup>4</sup>

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<sup>3</sup> <https://www.ofgem.gov.uk/publications/energy-company-obligation-2018-22-eco3-guidance-delivery>

<sup>4</sup> <https://www.trustmark.org.uk/tradespeople/pas-2035>



- 2.6. ECO4 will include a Solid Wall Minimum Requirement (SWMR) and measures delivered through Interim Delivery will be able to contribute to it. However the option for allowing Solid Wall Alternative Measures (SWAM) to contribute towards SWMR is being removed for ECO4 and this will also apply to Interim Delivery.

## Eligibility

- 2.7. Under ECO3 Interim Delivery, suppliers must deliver measures that reduce home heating costs for low income, vulnerable households. Measures can be delivered to:
- a) private domestic premises occupied by someone in receipt of ECO3 eligible benefits (the Help to Heat Group (HTHG)); or
  - b) private domestic premises listed in a local authority declaration (and those which meet the associated 'in-fill' criteria); or
  - c) social housing with an EPC energy efficiency rating of E, F or G; or
  - d) private domestic premises as Affordable Warmth (AW) "in-fill" measures, as long as the premises at which these measures are installed are linked to two other separate premises in a particular area that were eligible under (a) or (c), and all 3 premises have had Solid Wall Insulation (SWI) or District Heating System (DHS) measures delivered.
- 2.8. At the time of publication, the Department for Work and Pension (DWP) benefit matching mechanism will not be available after the ECO3 coverage period ended on 31 March 2022 until the ECO4 Order comes into force. This will cover the entire duration of the ECO3 Interim Delivery period.
- 2.9. If data matching is conducting from April onwards, then this will only be matched against the ECO4 eligibility rules. Measures that are installed between 1 April 2022 and 30 June 2022 for Interim Delivery can only use the ECO3 eligibility rules. Suppliers cannot mix Interim Delivery and ECO4 Early Delivery eligibility rules.
- 2.10. Possible routes for evidencing a household's eligibility for the ECO3 Interim Delivery are as following:

- a) DWP matched eligible households obtained during the ECO3 obligation remain eligible for a period of 12 months. As such, successful matches prior to 1 April 2022 could be used for delivery between April - June for ECO3 Interim Delivery.
  - b) Where DWP data-matching verification is not used, only official HMRC, DWP / Jobcentre Plus, Pensions Service, MOD and HM Government documents are deemed acceptable. This includes online confirmations from government departments, such as the HMRC online service and the Universal Credit full service. Use of any other documents must be agreed in writing with us before installing a measure. More information on this can be found in the ECO3 delivery guidance, chapter 10.
- 2.11. The LA Flex mechanism will be available to suppliers during Interim Delivery. This means suppliers must use the ECO3 eligibility rules, ECO3 Deemed Scores and ECO3 measure types, excluding Demonstration Actions, and new and replacement Oil or LPG fuelled heating systems. They must install these according to the latest PAS 2035:2019 and PAS 2030:2019 rules. Local Authorities can continue to use existing Statement of Intent (SoI) as long as the SoI has not expired and is valid under ECO3.
- 2.12. Where an ECO3 SoI remains valid, the declaration that follows it must also comply with ECO3 rules during the interim period.
- 2.13. ECO3 measures delivered to private domestic premises are eligible where suppliers are able to demonstrate to Ofgem that a local authority (LA) declaration exists stating that the households listed in the declaration are either:
- a) living in fuel poverty (FP),
  - b) living on a low income and vulnerable to the effects of living in a cold home (LIVC),
  - c) non-fuel poor but located in an immediately adjacent building to, in the same building as, or in the same terrace as households identified by an LA as FP or LIVC (SWI in-fill only). Further information can be found in the ECO3 Delivery Guidance, chapter 3.

## Obligations

2.14. There will be ECO4 caps that will apply to ECO3 Interim Delivery. Here are the caps that will apply:

- a) Measures delivered through the LA Flex route during Interim Delivery will count toward the 50% flex cap for ECO4.
- b) All boiler repairs (including oil and LPG boilers) will be subject to a cap of 5000 homes measures per year.
- c) Broken efficient heating systems which are not economically repairable may be replaced, under the Broken Heating Cap of 5000 homes per year. Caps for suppliers will be set relative to each supplier's obligation.
- d) Where there is a replacement of an inefficient heating systems upgrades (including broken inefficient), then this measure can be delivered uncapped

2.15. Suppliers will be able to benefit from the ECO3 uplifts as the ECO3 scoring will continue to be used for Interim Delivery.

2.16. The formula for calculating ECO4 Annual Bill Savings from ECO3 Interim Delivery under ECO3 Lifetime Bill Savings Scoring Methodology will be as follows:

$$\begin{aligned} \text{ECO4 Annual Bill Saving} &= \text{ECO3 Lifetime Bill Saving} \times \frac{\text{ECO3 cost of delivery}}{(\text{ECO4 costs}/\text{ECO4 overall obligation})} \\ &= \text{ECO3 Lifetime Bill Saving} \times \frac{\pounds 0.31}{(\pounds 4 \text{ billion}/\pounds 224.3 \text{ mill})} \\ &= \text{ECO3 Lifetime Bill Saving} \times 0.0174 \end{aligned}$$

2.17. For example, the ECO3 Lifetime Bill Saving score for an underfloor insulation measure delivered to a 3 bedroom, semi-detached home heated by a gas boiler is 2178. This would equate to the following ECO4 Annual Bill Saving

$$\text{ECO4 Annual Bill Saving} = 2178 \times 0.0174 = 37.9$$

- 2.18. Note that it is the ECO3 Lifetime Bill Saving that should be notified for Interim Delivery measures: the conversion to ECO4 Annual Bill Savings will be undertaken by the ECO Register.

## Measures

### Measures excluded from Interim Delivery

- 2.19. Demonstration Actions, new and replacement Oil or LPG fuelled heating systems are excluded from Interim Delivery.

### Solid Wall Insulation

- 2.20. Interim Delivery will allow solid wall insulation measures to count toward ECO4 Solid Wall Minimum Requirement (SWMR). This will exclude Solid Wall Alternative Measures (SWAM). Therefore, other measures that are not solid wall insulation delivered in solid walled homes will not count toward SWMR.
- 2.21. Solid wall insulation will use the amount of £12,000 to convert SWI Lifetime Bill Savings into a number of measures. This number will then count towards a suppliers' ECO4 Solid Wall Insulation Minimum target. In effect £12,000 will be equal to one home under the ECO4 SWMR target.

### Heating Systems

- 2.22. Where there is a replacement of an efficient broken heating system, this will count towards the supplier's ECO4 Efficient Boiler and Heating Replacement and Repair Caps. Supplier must retain the Boiler Assessment Checklist (BACL) as evidence.
- 2.23. Where there is a replacement of an inefficient heating systems upgrades (including broken inefficient), then this measure can be delivered uncapped. Suppliers can install dual measures only, because under ECO4 single heating measures would only be allowed if the measure meets pre-insulation requirements as a primary insulation measure is a requirement under ECO3 rules.
- 2.24. For installations of measures that are uncapped evidence needs to be collected to show that the old boiler was inefficient and that the new boiler is efficient. We expect suppliers to use the BACL.

- 2.25. Currently Ofgem collect data on whether a boiler is a repair / replacement or an upgrade. When assigning boiler measures to the ECO4 boiler and repair cap, a supplier will have the opportunity to select the measures that should be counted toward capped / uncapped heating. Suppliers must retain the BACL as evidence, to demonstrate whether the heating system upgraded was inefficient or efficient. We may request this is made available for review, should we have concerns over these requirements being met and subsequently an audit may be conducted.
- 2.26. Any inefficient heating replaced with First Time Central Heating (FTCH) will be uncapped. FTCH rules will remain as they were in ECO3, therefore and FPNES gas connections completed between 1 April – 30 June would be eligible as long as the associated measures are completed by 30 June 2022.
- 2.27. Suppliers will have the option for repairs. Repairs are limited to efficient boiler and Electric Storage Heater (ESH) Oil / LPG repairs will be allowed irrespective of whether it is an efficient or inefficient boiler. These repairs will count towards the Broken Heating Repair Cap under ECO4.

## Notifications

- 2.28. The ECO3 register will be updated to accept ECO3 Interim Delivery measures, excluding those listed above in paragraph 2.19. It will utilise the scoring mechanism as it did for the ECO3 scheme before a conversion takes place and those measures will ultimately contribute towards a supplier's ECO4 obligation. More information on the conversion can be found in the ECO4: 2022 – 2026 Government response.<sup>5</sup>
- 2.29. There will be no change to the measure notification template or the ECO3 Data Dictionary.
- 2.30. Suppliers will only be able to notify measures on the Ofgem register once the ECO4 Order has come into force.

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<sup>5</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1065823/eco4-government-response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065823/eco4-government-response.pdf)