

Assessment methodology for assessing applications for a substantial innovation measure (45% uplift)

- 1.** Ofgem (Office of Gas and Electricity Markets) is the administrator of the Energy Company Obligation (ECO4) application process for innovation measures (IM). This document provides guidance on the assessment methodology Ofgem ('we', 'our' and 'us' in this document) intend to use for applications for substantial IM.
- 2.** We will use the criteria set out in Table 1 to assess applications for substantial IM. This reflects the improvement criteria identified in the ECO4 Order. Examples for each criterion are taken from Department for Business, Energy & Industrial Strategy (BEIS) guidance.¹ It is not intended to be an exhaustive list. We will keep this list of examples under review and may add to it.
- 3.** For every application for a substantial IM that passes our initial completeness check, the Technical Advisory Panel (TAP) will score the measure for each criterion where an improvement is claimed using the score intervals in Table 2.
- 4.** The TAP will decide scores based on:
 - the amount of improvement,
 - the scientific robustness of evidence demonstrating the improvement and the mechanism by which this is achieved,
 - the appropriateness of the comparisons to other measures,
 - the likelihood of the improvement being consistently achieved during any promotion of the measure under ECO, and taking into account
 - any other matters that the TAP considers relevant.

For more on evidencing requirements, please see Paragraphs 4.113 - 4.115 of the New Measures and Products guidance. The TAP shall have regards to previous decisions to ensure consistency.

- 5.** If the TAP scores an application a total of 4 or more points, across one or more criteria, they may recommend a substantial IM be awarded. Where the TAP is concerned about compliance with stated standards, the ability of the measure to be installed according to TrustMark's Quality Assurance Framework, or where there are significant limitations to the measure, it may score an application 4 or more points, but recommend a substantial IM is declined.
- 6.** The scoring is set so that a substantial IM uplift can be awarded to measures that either demonstrate a large improvement in any one criterion or combinations of good and moderate improvements against two or more criteria. Similarly, the scoring is designed to prevent measures that rely on only slight improvements from being awarded a substantial IM uplift.
- 7.** We have not set quantitative benchmarks for the criteria but may review this.
- 8.** The remit of the TAP is to offer a recommendation on the level of uplift to award. In every instance, we will make the final decision on the level of uplift to be awarded,

¹ <https://www.gov.uk/government/publications/energy-company-obligation-2022-2026-innovation-guidance>

taking into account the recommendation of the TAP. Minutes from TAP meetings will be published, and these will show the consensus score awarded by the TAP.

9. We intend to review this assessment methodology in Spring 2023 and may consider publishing a revised methodology in June 2023. Any applications after this will be considered with reference to any revised methodology.

Table 1: Criteria

Criteria	Examples
Increase in the annual cost savings of the measure	Where an improved measure is able to reduce the annual cost of heating a domestic premise to 21C in the main living areas and 18C in all other premise areas, when compared to a comparable measure. Where an improved measure is able to both reduce the annual cost of heating a domestic premise to 21C in the main living areas and 18C in all other premise areas, and either also save money annually in generating electricity wholly or partly for use at a premise (excluding any electricity generated for the purpose of heating the premise or for heating water) or also save money annually in the cost of heating water in the premise compared to a comparable measure.
Decrease in the cost of installing of the measure ²	Where the cost of materials or the apparatus needed to install the measure is reduced.
Increase in the durability ³ of the measure	Products that are more durable in more extreme weather conditions. Products that are suitable for wider ranges of wall types (for example, a product that was previously suitable for concrete walls could now be used on masonry). A longer lifetime of the measure.
Reduction in the disruption to householders during the installation of the measure	Easier installation practices for a measure. Faster installation time for a measure. Less remedial works needed or less intrusive installation practices. Incorporated storage.
Improvement in the overall environmental impact of the measure	Products made from low environmental impact materials. Products that have a lower use of toxic chemicals, include materials that can be re-used or recycled at end of life, or include materials that are re-used or recycled. Products that have lower embedded emissions at production.
Other	This criterion is intended for any improvements that do not fit the above criteria.

Table 2: Score intervals

No evidence of improvement/ evidence of a slight improvement	0
Evidence of a moderate improvement	1
Evidence of a good improvement	2
Evidence of a large improvement	4

² Please note, this does not include reduced time for installation, which is already included in the 'Reduction in disruption to householders' criterion.

³ Any increases in applicability should be included under this criterion.