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Dear Sir/Madam

### **Further Response to *The Future of the Energy Company Obligation* consultation**

We welcome the opportunity to respond to your consultation *The Future of the Energy Company Obligation*, published on 5 March 2014 ('the consultation'). This response is in addition to the letter we published on 11 March 2014, entitled *Response to the Future of the Energy Company Obligation (published 5 March 2014)*.

Ofgem's principal objective is to protect the interests of existing and future consumers. Of particular relevance is our need to have regard to the achievement of sustainable development and to protect vulnerable consumers such as those on low incomes and living in rural areas - both of which are directly impacted by these proposals. As Administrator of ECO, we also have a specific interest in the successful implementation of the scheme.

Our high-level views on the policy questions raised in the consultation are outlined below. Our response to specific consultation questions is included in the attached annex.

### **Key highlights**

We welcome government's consultation on how the ECO scheme will work beyond 2015, providing greater clarity to market participants to 2017. We are pleased to see improvements to the scheme that will make ECO more cost effective, simpler to deliver, and easier to understand. Given the high degree of concern from consumers about the affordability of bills, the impact of the scheme on consumer bills should be reduced where appropriate.

We especially welcome the continued commitment to the fuel poverty aspects of ECO – maintaining the Carbon Saving Community Obligation (CSCO) and Home Heating Cost Reduction Obligation (HHCRO) targets and additional safeguards. The proposed 33 per cent reduction to the Carbon Emissions Reduction Obligation (CERO) target will contribute to a reduction in delivery costs. Energy customers, including fuel poor and other low-income households, should benefit from the resulting reduction in energy bills.

We are, however, concerned about the longer-term impacts of the proposals on energy efficiency and the most vulnerable consumers. The overall impact will be that fewer energy efficiency measures are installed within GB. The benefit of the near-term bill reductions needs to be considered against the longer-term impact on energy efficiency and the potential loss of energy savings from future bills. DECC estimates the collective costs and benefits of these proposals will have a net present value of £2.1 billion compared to £2.6 billion for business as usual. Given this, we welcome that government aims to mitigate any negative impact of the changes through additional proposed funding.

### **Policy impacts**

ECO is a key government policy designed to enable low-income and vulnerable households in GB to benefit from free or subsidised energy efficiency measures. Although the CERO element of the obligation is not directly targeted at low-income households, approximately

15 percent of CERO measures delivered under the obligation so far have been installed in social housing. The reduction in obligation will therefore reduce delivery in the current obligation period to low income homes and the proposed refocus on cheaper, easier-to-install measures will almost certainly result in less solid wall insulation being delivered.

We welcome government's continued commitment to tackle this challenge, including the proposed minimum solid wall insulation target and Green Deal Incentives Scheme. Given that only three percent of the eight million properties of solid wall construction have been insulated and the measure is relatively expensive to install, clearly this remains an area which government policies will need to address sooner rather than later.

Similarly, we support incentives to provide measures to non-gas households as a higher proportion of such households are fuel poor. We recognise that broadening the definition of low income areas from the lowest 15 percent to the lowest 25 percent will widen the pool of eligible consumers and make CSCO easier and cheaper to deliver. However, it is important that this move does not result in some of the most vulnerable customers missing out on support under ECO while the more able-to-pay customers benefit.

We recognise that ECO is but one policy tool in addressing fuel poverty. We hope therefore that policies such as the government's Fuel Poverty Strategy ensure that, on balance, a progressive and equitable approach is implemented.

### **Monitoring, transparency and accountability**

We support proposals to improve the transparency and availability of cost information. As ECO is funded through consumers' energy bills, it is crucial that the scheme is delivered in a cost-effective way. We would support monitoring of the costs associated with marketing to and searching for properties, with a view to identify the most cost-effective ways for delivery. Suppliers have indicated that identifying suitable consumers contributes to the cost of meeting their obligations. Complementary policies could potentially reduce these costs, such as data-matching through the Department of Work and Pensions, or increasing customer demand for domestic energy efficiency in general.

### **Customer experience and protections**

DECC's proposals to improve the customer experience under ECO is a welcome move. In particular, we understand there is potential to carry out pre-installation verification of ECO Affordable Warmth Group eligibility for suppliers, which would greatly improve the evidence gathering process and reduce delivery costs. We also agree with the proposal to require a minimum warranty to cover boiler parts and labour, especially given the vulnerable nature of the AWG and the dangerous ramifications of a heating system being incorrectly installed.

We strongly support efforts to ensure that there are sufficient safeguards in place to protect consumers who receive ECO measures, including access to resolution and redress. This is particularly important under ECO where, due to contracting arrangements, consumers do not have sufficient clarity about who is responsible for the quality of service and redress.

Thank you once more for the opportunity to comment on these proposals. We look forward to seeing the outcome of the consultation and improvements to the scheme.

Yours sincerely

Christopher Poulton  
Deputy Managing Director, E-Serve

## **Annex A: Response to specific consultation questions in *The Future of the Energy Company Obligation***

Below we respond to specific questions raised in the consultation. Where we have no view on the proposed changes, we have not included a response. Where possible, we have grouped our response to related questions.

### **Question 3**

**Do you agree that underachievement against the CERO target at 31 March 2015 should be able to be carried forward at a penalty rate of 1.1 times the amount of the shortfall?**

We understand that, if implemented, this proposal will remove the requirement for suppliers to meet their overall CERO obligation by March 2015. In this case, we would still issue a final determination and final report to the Secretary of State setting out whether suppliers had met their overall CERO obligation. However, we understand that we would not have any enforcement powers in relation to suppliers who had not met their CERO obligation by March 2015 (although we would in relation to CSCO and HHCRO). Failure to achieve the CERO target in 2017 would expose obligated parties to the risk of enforcement action.

### **Questions 5, 6 and 7**

**Do you agree that all excess activity under CERO, CSCO and Affordable Warmth should be compliant with rules put in place for these sub obligations from 1 April 2015?**

**Do you have a view on whether, and what proportion, of over-delivery against 2015 CERO, CSCO and Affordable Warmth targets should be permitted to count towards 2017 targets?**

**Do you have views on how such a cap mechanism should be calculated and then implemented? Do you have a view on how such a cap could work alongside the proposed SWI minimum threshold, and whether there are distinct implications for any of the three ECO sub obligations?**

We support the government's underlying intention to encourage ongoing activity under ECO and a steady delivery of measures until March 2017 (and beyond). The role of 'surplus actions' in achieving this intention will need to be carefully considered. It will be difficult to achieve the appropriate balance between avoiding overachievement of obligations (by allowing unlimited surplus actions), and avoiding a delivery cliff edge (by making surplus actions too restrictive). We would be willing to support the government in finding a pragmatic solution to this issue.

### **Question 8**

**Do you have views on whether the rules relating to transfer of activity can be improved or simplified?**

Under the Order, we must approve an application for transfer unless we have reasonable grounds to believe that, if approved, the transfer would result in the supplier who is transferring measures to another supplier, being unable to meet one of its overall obligations<sup>1</sup>. We understand that this proposal suggests removal of that requirement.

We support the government's intention to improve and simplify administrative processes within ECO and, specifically, to ensure the transfer process is as effective as possible. We

<sup>1</sup> Under the current Order, this refers to the CERO, CSCO or HHCRO target for March 2015.

consider that the current process provides a useful check on activity, as it prevents suppliers from underachieving their targets by overambitious trading activities. This protects the reputational integrity of the ECO scheme as well as the suppliers obligated under ECO.

Furthermore, if the requirement outlined above is removed, a series of checks will still need to be carried out on measures subject to a transfer request (for example, the need to ensure that only 'approved' measures are transferred). As a result, this legislative change is unlikely to significantly reduce the administrative burden associated with transfer requests.

The proposed change may however, encourage suppliers to transfer more regularly under ECO. While we support the use of transfers within the scheme, over-frequent transfer of measures could affect the relevance of DECC and Ofgem reporting and therefore the understanding of how the scheme is operating. This is likely to have greatest impact towards the end of an obligation period, where transfers are more common. Furthermore, if it occurred, it may also reduce the link between an energy company and the measures it has installed, therefore adding complexity to compliance processes, audits and savings decisions (which potentially could more than counteract any administrative savings achieved by the rule adjustment).

We note that, under the current legislation, we are required to carry out a similar check in relation to applications to re-elect a measure to a different obligation. If government decides to remove the above requirement for applications for transfer, we suggest that, for the purposes of consistency and administrative simplicity, the provision requiring a similar check to be carried out for an application for re-election also be removed.

## **Question 9**

**Do you agree that the ECO scheme should be extended from March 31 2015 to March 31 2017?**

We fully support the proposal to extend the scheme to March 2017. Extension of the scheme will provide greater certainty to the supply chain and therefore may encourage the negotiation of longer-term delivery contracts and increased collaboration between industries. It may also encourage investment in (for example) training, processes and systems. Collectively, these could ultimately improve efficiencies within the scheme and reduce delivery costs.

## **Question 15**

**Do you agree therefore that work carried out to fulfil obligations under ECO should be additional to work funded under the incentive package? If yes, do you have suggestions on how this additionality could be ensured?**

We understand that the government's intention is to ensure the incentive packages achieve savings beyond those delivered by ECO, so that any reduction in the total carbon savings achieved through ECO is compensated through these proposed schemes.

The government has different options for achieving this additionality. At present, there are no provisions in the ECO Order that provide for additionality against the government's incentive package. Including such a requirement in an amended ECO Order could introduce significant burden to the scheme. For example, it could require a comparative data sharing arrangement between respective scheme administrators (raising data protection issues), frequent and wide scale data comparison exercises, significant changes to existing IT systems, and the implementation of extensive resolution processes by suppliers (and therefore installers). Alternatively, it may result in the ECO supply chain needing to collect and retain evidence relating to the government's incentive packages, and require the administrator to carry out audits of this evidence to ensure there is no duplication with the incentive packages.

To avoid this administrative complexity, it is our view that any additional requirement should not be achieved through a statutory provision within the ECO Order. Instead, it should be achieved through the incentives schemes, and through solutions which do not require a wide-scale de-duplication process.

#### **Question 16**

**Do you agree that all forms of cavity wall insulation, including standard “easy to treat” cavities installed from April, should be eligible as a primary measure under CERO?**

If the government chooses to introduce easy-to-treat cavities as a primary measure under CERO, we assume that, going forward, there would no longer be a need to distinguish between hard-to-treat and easy-to-treat cavities in the legislation. If this happened, this would remove many of the current compliance requirements relating to hard-to-treat cavities and therefore significantly reduce administrative burden associated with this measure type.

#### **Question 17**

**Do you agree that loft insulation which is installed from April 2014 should be eligible as a primary measure under CERO?**

If the government decides to include loft insulation as a primary measure in the CERO, then we support the adoption of a wide definition of loft insulation that includes measures such as room-in-roof, rafter and flat roof insulation.

We would also support the use of pre-installation lodged Energy Performance Certificates (EPCs) to improve our ability to verify insulation levels prior to the measure being installed.

#### **Question 19**

**Do you agree that heat networks (district heating schemes) should also become eligible primary measures under CERO from 1 April 2014?**

We support the government’s proposal to include district heating schemes as an eligible primary measure under ECO. Connections to, or upgrades of, district heating schemes are often complex and lengthy projects. Currently the ECO Order requires a primary measure to be installed at the same property as a district heating measure, for the latter to be eligible. This requires significant planning over a long period of time and therefore creates uncertainty for installers and suppliers. We have sought to remove some of this uncertainty by engaging suppliers in the planning stage of district heating schemes. Nevertheless, some remains and this may disincentivise suppliers from subsidising these measures.

The current legislation also prevents suppliers from claiming carbon savings for district heating measures at properties where there is already insulation in place which was not installed under ECO (for example from a previous energy efficiency scheme). To claim for CERO, where some properties in a potential district heating scheme are already insulated, the scheme becomes less viable. Where all properties are insulated, the scheme cannot go ahead at all.

Therefore, inclusion of district heating schemes as a primary measure under CERO can reasonably be expected to lead to a greater uptake of district heating measures in ECO.

Furthermore, we support the government’s proposal to require an adequate level of loft or wall insulation before district heating measures are installed. This will encourage correct sizing of district heating systems and also incentivise the promotion of insulation measures.

## Question 22 & 23

**Do you agree that an uplift should apply to the notional lifetime bill savings of non gas fuelled households? Please provide views on the form and level of the uplifts as suggested above?**

**Are there other practical and effective means of incentivising delivery to non gas fuelled households? In particular we are interested in views on a minimum level of delivery and changing the baseline heating technology for the replacement of “qualifying boilers”?**

We support initiatives to increase delivery of measures to non-gas fuelled households.

The consultation outlines three options to achieve this, including a proposal to apply an uplift for delivery to non-gas households. Based on our experience of administering the technical aspects of energy efficiency schemes, we have set out below what we consider are some of the pros and cons for each of these options:

- Uplifts: uplifts allow suppliers to choose the most cost-effective way to meet their obligations. However, uplifts will reduce the actual amount of carbon savings achieved overall, and it will be difficult for the government to set the uplifts at an appropriate level (too low and they will not work; too high and ‘actual’ carbon savings will be unnecessarily lost). Uplifts can also increase scheme complexity (as under CESP) which will have an impact on the administration and application of the scheme.
- Minimum delivery target: imposing a minimum delivery target will guarantee greater delivery to non-gas fuelled households, however, as above, the government will need to set the target at an appropriate level. If it is set too high and suppliers are unable to identify sufficient demand from eligible households, then non-compliance and/or significant increase in delivery costs may result. If the target is set too low, uptake will be insufficient to meet the government’s policy intention.
- Changing the baseline heating technology: changing the baseline heating technology for the replacement of ‘qualifying boilers’ would offer flexibility to suppliers and also result in increased actual carbon and cost savings in a way that, in principle, we consider fair and appropriate. However, we are not aware of analysis indicating whether this would sufficiently incentivise delivery to non-gas fuelled properties. If it did, we believe that this approach would best meet the government’s policy intention.

## Question 24

**Do you agree that broken or not functioning efficiently electric storage heaters should be scored on the same basis as that used for “qualifying boilers”? Do you foresee any unintended consequences of this approach?**

We agree with the proposal that broken and non-efficiently functioning electric storage heaters should be scored on the same basis as ‘qualifying boilers’.

## Question 27

**Do you agree that there should be a SWI minimum figure equivalent to 100,000 properties insulated with SWI by 31 March 2017? Should this be set as number of properties, or as a carbon equivalent? If the former do you have any views on how this should be set? If the latter, do you have suggestions as to how the target should be calculated?**

We suggest that a carbon equivalent approach is an appropriate mechanism for setting the SWI minimum figure. Using a carbon equivalent measurement means suppliers are incentivised to maximise the treated wall area and energy savings at each property.

If the minimum was set as a number of properties, it would be necessary to define minimum coverage levels (e.g. a percentage of the external facing walls of the property) and minimum U-values, and for this to be monitored accordingly. Using tighter definitions of SWI would in effect exclude certain properties from the scheme. Further, if this proposal were included in the legislation in a way that was too prescriptive or complex, it may increase the risk of non-compliance.

## **Question 28 & 29**

**Do you agree that we should specify SWI lifetimes in legislation for installations accompanied with an appropriate guarantee, and do you have any views on what the specified lifetime should be?**

**Do you have a view on whether lifetime for other measures should also be set in legislation, and if, which measures?**

We agree with the proposal to include lifetimes for all measures within the legislation. As explained in Chapter 8 of our guidance, there are three components of an ECO score – the annual saving (using SAP/RdSAP), the in-use factor and the lifetime. While the first two components are set in the legislation, the third (the lifetime) is not. For consistency and clarity across all scoring components, we suggest that lifetimes are included in the legislation.

We note that the government may seek to promote innovation through the scoring mechanism, however we do not think only enabling variance in the lifetime element of the score will enable this policy intention.

We understand that the modelling undertaken in relation to the proposed SWI minimum used a fixed lifetime for solid wall insulation. Setting the lifetime in legislation will ensure that the policy intention is realised.

If the government chooses to include lifetimes for either solid wall or cavity wall insulation in the legislation, we strongly support such installations being accompanied by an appropriate guarantee, and suggest the government look to our current definition of appropriate guarantees. This is consistent with the current approach to lifetimes and provides an important consumer protection.

## **Question 30**

**Do you agree that the SWI minimum threshold should be apportioned according to market share, and if so, should this be calculated on a phased basis? And if so, what principles should apply?**

We suggest that the proposal to calculate the SWI minimum based on market share and on a phased basis, would be a fair way to apportion the threshold between suppliers and aligns with the current design of the scheme.

## **Question 31**

**Do you agree that secondary measures installed alongside SWI should not be counted towards the proposed SWI minimum threshold? What are the practical implications of this proposal, for instance, brokerage trading?**

If the government's intention is to support the delivery of solid wall insulation under ECO, then exclusion of secondary measures installed alongside SWI seems to be a reasonable approach. This approach would not preclude suppliers from installing secondary measures and their installation would avoid the dilution of the SWI minimum element of the obligation.



We note that the proposal excludes installation of solid wall insulation to park homes. This varies from the current definition of solid wall insulation set out in the Order and is likely to significantly reduce supplier funding of solid wall insulation to park homes. This is particularly relevant because a considerable proportion of park homes are inhabited by fuel poor customers.

### **Questions 32 & 33**

**Were we to take legislative action, what would be your preferred option based on those set out above? Do you agree that scoring uplifts is likely to be the optimum approach?**

**What are your views on a scoring uplift for blended finance and could you provide evidence for your view?**

From an administrative perspective, we believe that either prescribing a minimum or introducing a scoring uplift would place additional administrative burden upon the supply chain. We assume that different types of blended finance would be acceptable (for example, personal loans, cash, local authority grants, etc) and, therefore, in order to evidence compliance suppliers would need to collect information on the nature of this finance.

Furthermore, if the government were to require a minimum level of blended finance, suppliers would also need to collect information relating to the level of blended finance.

As outlined in our response to question 22 and question 23 above, applying uplifts will reduce actual carbon savings delivered to domestic households under ECO and can increase scheme complexity, which will have an impact on the administration of the scheme.

### **Question 34 & 35**

**Please provide views on whether, and if so, the extent to which Affordable Warmth measures should be part funded by customer contributions and other types of finance.**

**Do you believe there is a case to limit customer contributions under Affordable Warmth?**

We believe that householders identified under HHCRO are unlikely to be able to fund the installation of measures, therefore assistance to such consumers to lower the costs of heating their homes should be provided.

However, we note that including a provision limiting or preventing customer contributions in the legislation could introduce another element of complexity to the scheme, as suppliers would need to be able to evidence that a customer contribution was below a certain threshold (or not obtained at all).

Furthermore, if the government wanted to allow some elements of blended funding in HHCRO, for example with Green Deal, personal loans (secured at a lower rate of interest than Green Deal), and contributions from charities or local authorities, then suppliers may need to evidence the types and amounts of funding secured at all properties.

We also note that, by limiting customer contributions, there could be instances where such a limit is the cause of a measure not being installed. For example, large fuel-poor properties that need costly heating works where the customer is willing to provide an element of funding towards the installation.

Given the potential impacts, we recommend that the government fully investigate what customer contributions are currently being made under the scheme.



## Question 42

**Do you agree we should change the rules, as set out above, to:**

- Align the notification arrangements for Adjoining Installations with the arrangements for Qualifying Actions.**
- Introduce greater clarity on the rules on the re-election and re-elections after transfer of Qualifying Actions, to ensure flexibility and aligning the rules on Excess Actions with these changes**
- Extending the final date for transfers by one month to align with the final notification date for work completed under ECO.**

We agree in principle with the proposal to align the arrangements for adjoining installations with arrangements for qualifying actions, to allow suppliers transfer adjoining installations. Aligning these rules will increase suppliers' ability to ensure that they are not in breach of the adjoining area threshold on any licence. This would also provide more flexibility when suppliers transfer measures between licences or with other suppliers, as they will not need to restrict the transfer to certain types of measures.

We support the government's intention to provide greater clarity on the rules relating to transfers and re-elections.

We agree that the deadline for transfers should be extended to align with the final notification date for measures. Suppliers may not have full details of all measures installed in March 2015 until the following month. Extending the final date for transfer to 30 April 2015, would allow suppliers to utilise transfers between licences and with other suppliers, to ensure a correct allocation of savings across licences and obligations.

## Question 45 & 46

**Do you agree that boiler replacements should require a warranty to cover parts and labour, which should not be invalidated by incorrect installation/commissioning, and that it should provide for the actual repair/replacement rather than compensation?**

**Do you have views on what minimum period such a warranty should cover?**

We welcome these proposals as we believe they will protect consumers and assure the quality of replacement boilers installed.

Furthermore, we understand that, at present, boiler repairs are not being carried out in volume under ECO. One reason for this could be, in part, because repairs requires a warranty. If this is the case, requiring a warranty for replacement boilers could put repairs and replacements on a 'level playing field'.

## Question 47

**What are your views on how we should reflect the more stand-alone nature of electric storage heaters within this proposal?**

We recommend a statutory requirement to guarantee the quality of work for electric storage heaters should be included under ECO in the form of installation warranties. As electric storage heaters are designed to heat one room, it is appropriate that provisions are made so that score calculations are based upon individual heaters rather than entire homes.

## Question 49

**Do you believe that additional safeguards are required to ensure the quality of installations under Affordable Warmth, and if so, in what form?**

Please refer to our response to question 56 below, regarding the use of Green Deal installers.

## Question 50 & 51

**Do you believe the current means of checking the requirements of eligibility for a “qualifying boiler” are appropriate? Do you have any suggestions on how this could be improved?**

**Do you think any changes to the definition or guidance on what constitutes a “qualifying boiler”, for both repair and replacement, are necessary? If so, what changes would be suitable?**

The current legislation has a specific definition for a qualifying boiler – broadly, a ‘broken’ or ‘inefficient boiler’ that is in a property prior to repair or replacement. It is therefore important that suppliers are able to evidence that the pre-installation boiler meets the statutory definition. Currently, we require suppliers to evidence this using a standard ‘boiler checklist’. If respondents to this consultation seek either i) reduced evidentiary complexity or ii) increased quality assurance than this checklist currently provides, it may require legislative amendment.

If so, we encourage the government to consider how the legislation could be suitably amended and we would work with the government to support it in reaching a solution.

## Question 52

**What evidence can you provide on the reasons for limited levels of boiler repairs rather than replacements?**

We are not aware of any analysis on the reasons for limited level of boiler repairs. We suggest that replacement boilers could prove a more cost-effective option than boiler repairs because i) they have a longer lifetime and ii) they do not currently require a warranty.

## Question 53 & Question 55

**Do you have a view on whether measures funded through ECO from April 2015 should be recommended on the basis of a GDAR? In which case, do you have a view on whether Chartered Surveyors Reports should only be used to recommend measures in exceptional circumstances only? And if so, what should constitute an ‘exceptional circumstance’?**

**Where GDAR’s are a paid for service when recommending Affordable Warmth measures, we welcome view on where any cost would likely or indeed should sit.**

If the government chooses to allow chartered surveyor’s reports (CSRs) in ‘exceptional circumstances only’, then we suggest that a definition of ‘exceptional circumstances’ is included in the new Order, perhaps by reference to what measures and property types are not covered by GDARs. We understand that ‘exceptional circumstances’ could include (but are not limited to): radiator panels, boiler repairs, heat meters, passageway walk through doors, heat recovery ventilation, micro hydro, houses of multiple occupancy (HMOs).

GDARs cannot be cloned (unlike CSRs and EPCs) and are therefore likely to be more expensive when (for example) insulating walls in blocks of flats or installing measures on

rows of houses of similar size and construction. We believe this will be an important consideration when determining whether to require GDARs.

Introducing conditions on who funds a GDAR could increase evidence requirements and lead to difficulties in monitoring compliance with these requirements. In particular, it may be difficult to identify instances where the cost of a GDAR has been incorporated into wider delivery costs.

#### **Question 54**

**Do you have other views on improving accuracy of assessments, for example the use of lodged EPCs?**

A sample of all lodged EPCs must be audited by an accredited body and, if found to be completed incorrectly, can have repercussions for the Domestic Energy Assessor who completed the EPC. As a result, lodging an EPC should improve the accuracy of assessment. Lodgement also gives us more confidence in scores notified by suppliers.

#### **Question 56**

**Do you have a view on whether measures promoted under ECO from April 2015 should be delivered by an accredited Green Deal installer and/or an installer who is PAS2030 certified?**

We agree with the government's intention to ensure that measures installed under ECO are installed to an appropriate standard.

Currently, legislation requires measures to be installed 'in accordance with PAS 2030'. To meet this requirement, we understand that the majority of measures are installed by installers who are PAS 2030 certified. A legal requirement would streamline this process and remove confusion. We do not anticipate that it would have a large impact on the supply chain.

If the government chooses to introduce a requirement that measures must be delivered by an accredited Green Deal installer, this may reduce the pool of available installers and could cause transitional issues for installers who are already operating under ECO. We understand however that using Green Deal installers introduces additional protections that are beneficial to consumers – such as a structured complaints procedure for householders with oversight by certification bodies and the Green Deal quality mark for installations. We would therefore support the use of Green Deal installers within the scheme and encourage the government to examine ways of including them with minimal disruption to the supply chain.

#### **Question 58**

**Please provide views on the current administrative cost of checking Affordable Warmth Group eligibility and any other actions taken to meet Affordable Warmth Group audit requirements**

We understand that government and suppliers are working with the Department of Work and Pensions (DWP) to agree a verification process for consumers eligible under HHCRO. We support this approach as a way to efficiently and accurately verify those who meet the eligibility criteria for HHCRO, as long as it can be achieved without infringing upon consumer rights and data protection laws.

As outlined in our response to question 60 below, we also support the continuation of the work that the Energy Saving Advice Service (England and Wales) and Energy Saving Scotland (referred to collectively as ESAS) carry out regarding pre-verify AWG eligibility.

We believe that both of these methods should prove more cost-effective and less intrusive than checking and retaining copies of benefits information provided by consumers.

#### Question 60

**Please provide views on whether there are wider developments and improvements to the ESAS Affordable Warmth referrals service which DECC should consider.**

We recognise the important service ESAS provides for consumers and fully support its continuation. However, we are also aware that there is, at present, low visibility of ESAS amongst consumers. We would welcome greater promotion of the ESAS service to consumers, particularly a greater web presence as it may enable ESAS to reach a wider pool of consumers, increase demand and improve the customer journey.

ECO is a market-based initiative and we recognise that different suppliers have different strategies for delivering ECO. We believe that ESAS could have a broader role to play in signposting and referring consumers to the providers of ECO measures. As the consultation suggests, this could include referring consumers eligible under CERO, CSCO and CSCO rural in addition to the existing HHCRO pathway.

The level of subsidy offered to AWG consumers has changed over the first year of ECO. Measures are not necessarily free for all consumers and suppliers are now offering different measures and different levels of subsidy. We therefore recommend that government considers the role of supplier competition within the design of ESAS, allowing consumers to have as much choice as possible so that vulnerable consumers are able to find the best deal for them.

#### Question 63

**Government invites views on what elements of the ECO scheme rules would benefit from simplification, and if so, how this can most effectively be done while still ensuring that the scheme objectives are met and the schemes integrity maintained?**

We are aware that suppliers and the supply chain are seeking further simplification in requirements, particularly in relation to elements of the HHCRO obligation – including the evidence requirements for AWG eligibility and householder. As outlined in our response to question 58, we support the development of the DWP pre-verification process for AWG eligibility as a key way to simplify the scheme. We would also be supportive, subject to all DWP requirements being met, if suppliers sought to undertake retrospective data-matching checks with DWP on measures already installed, as this would reduce the amount of personal information held in the supply chain.

Ofgem is currently working with DECC, energy suppliers and installers as part of their Standardisation and Simplification Working Group. We welcome the work that has been completed to date and support the continuation of this group to look into the standardisation of industry notification spreadsheets, naming conventions and future documents used in the supply chain.

#### Question 64

**Government invites views on whether there are improvements that could be made to the ECO scheme on a longer term basis to ensure the scheme can best meet its objectives. We welcome evidence justifying the case for change**

We support any efforts to improve the ECO scheme on a longer-term basis, bearing in mind the objectives it seeks to address. We look forward to working with government to further develop proposals following the outcome of the consultation.