

Energy Companies Obligation (ECO) Compliance Update

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Issue **10**

This compliance update presents energy efficiency measures notified by energy companies to Ofgem by the end of March and **approved** by Ofgem by the end of April 2014*. This report currently excludes excess measures carried forward from the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP), which are likely to be material for some companies. The Department of Energy and Climate Change's (DECC) latest monthly [Statistical Release](#) reports on **all measures** notified by energy companies to Ofgem to the end of March, including those which are not yet approved. DECC has proposed changes to ECO; this report is based on existing legislation and does not take account of these potential changes.

What is ECO?

The Energy Companies Obligation (ECO) is a government scheme which places obligations on larger energy companies** to deliver energy efficiency measures to domestic premises in Great Britain. Ofgem is responsible for administering ECO on behalf of DECC. Each month energy companies notify Ofgem of measures installed in the previous month.

The three obligations under ECO are:

- **Carbon Emissions Reduction Obligation (CERO):** solid wall and hard-to-treat cavity wall insulation alongside secondary measures including other insulation and district heating systems;
- **Carbon Saving Community Obligation (CSCO):** insulation and district heating measures in low income and rural areas; and
- **Home Heating Cost Reduction Obligation (HHCRO):** measures that reduce the overall cost of home heating to low income and vulnerable households, including insulation measures and the repair and replacement of boilers.

Approved measures

Fig 1) Approved measures by category

The table below shows cumulative measures approved by Ofgem.

| Measure Category | CERO | CSCO | HHCRO | Cumulative Total |
|---|------------------|---------------|----------------|------------------|
| Solid Wall Insulation | 32,748 | 633 | 10 | 33,391 |
| Cavity Wall Insulation | 775 | 27,812 | 8,913 | 37,500 |
| Hard-To-Treat Cavity Wall Insulation¹ | 62,840 | 992 | 4 | 63,836 |
| Loft Insulation | 16,713 | 68,582 | 31,604 | 116,899 |
| Other Insulation² | 1,417 | 1,062 | 66 | 2,545 |
| Boiler – Replacement | N/A ⁴ | N/A | 202,387 | 202,387 |
| Boiler – Repair | N/A | N/A | 484 | 484 |
| Other Heating³ | N/A | N/A | 37,817 | 37,817 |
| District Heating System | 501 | 446 | - | 947 |
| Micro-generation | N/A | N/A | - | - |
| Total | 114,994 | 99,527 | 281,285 | 495,806 |

¹ Hard-to-treat cavities include narrow cavities, cavity walls in tall buildings, cavity walls in certain non-standard construction types or those which are too difficult to treat with standard materials or require works to be carried out before installation.

² Includes hot water cylinder insulation, draught proofing and window glazing.

³ Includes heating controls, heat recovery ventilation and warm air units.

⁴ N/A - this measure category is not eligible to be claimed under this obligation.

*This report does not include measures which have been withdrawn or rejected.

**Under the ECO Order, obligations are imposed on an individual licence holder ('supplier') rather than on the parent company of a group of suppliers (which we refer to as an 'energy company').

Progress towards obligations

The scheme is currently 52%* of the way through phases 1-3 (which cover the period 1 January 2013 to 31 March 2015). Note that previous reports only included progress towards phases 1 & 2 of the obligations.

Fig 2) Cumulative overall progress towards ECO obligations (approved measures only)

The chart below shows energy companies' cumulative monthly progress towards phase 1-3 obligations. The run rate will need to increase for CERO and CSCO in order for energy companies to meet their obligations.

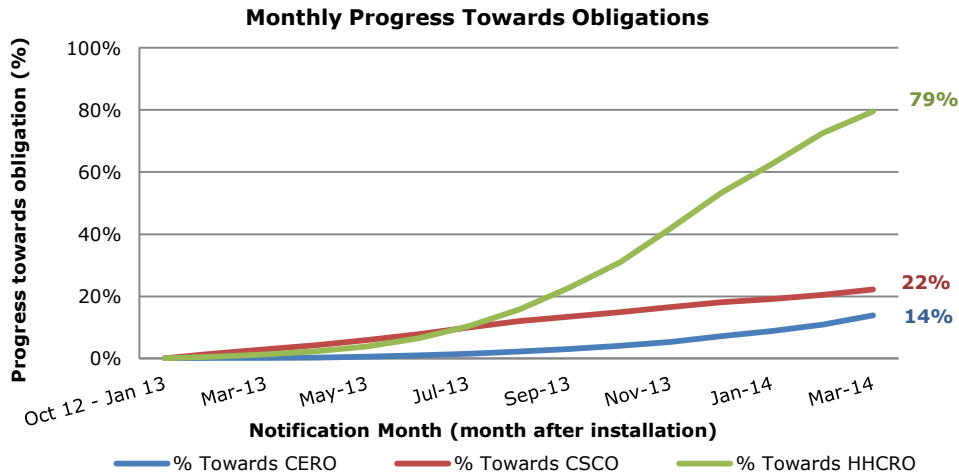
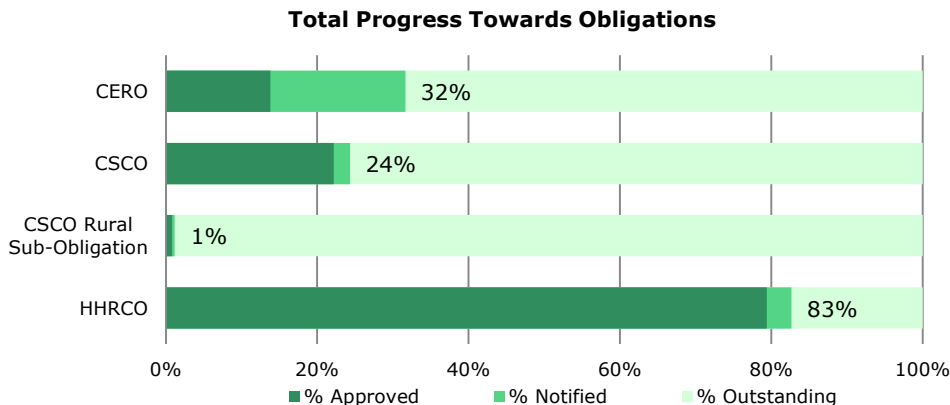


Fig 3) Total progress towards ECO obligations (approved and notified measures)

The chart below shows all measures notified to the end of March 2014 and approved by the end of April 2014 as a percentage of the total phase 1-3 obligations.



Notified measures

As shown in Figure 3, in addition to the approved measures (495,806), a number of measures have been notified to Ofgem but have not yet been approved (184,654). Together, these figures constitute the 680,460 measures published in DECC's April Statistical Release.

Of the 184,654 measures notified to Ofgem but not yet approved, circa 23,000 have been sent back to energy companies for data correction or completion of missing information. These measures will be reassessed and approved (if appropriate) once they are re-submitted. A further c.156,000 are currently undergoing further checks to ensure that they are valid measures under ECO; the majority of these are hard-to-treat cavity measures in CERO. The remaining c.5,000 measures are currently being processed and are expected to be approved shortly if the necessary information is in order. We are working closely with energy companies to resolve any issues relating to the notification of measures.

Still have questions?

For further information about the ECO scheme, please visit our website www.ofgem.gov.uk

For enquiries regarding ECO (with the exception of the media), please contact the ECO team via email at ECO@ofgem.gov.uk.

For all media enquiries, please contact the press office on 0207 901 7246.

*In terms of installation months covered by this report i.e. measures installed to February 2014 (14 months of the scheme).