

# SUPERSEDED - Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.0)

## Guidance

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### Overview:

The Energy Companies Obligation (ECO) is a new energy efficiency scheme for Great Britain. ECO operates alongside the Green Deal and places obligations on larger energy suppliers to deliver energy efficiency measures to domestic energy users.

Until March 2015, Ofgem E-Serve (on behalf of the Gas and Electricity Markets Authority) will be the Administrator for ECO. This document provides guidance to suppliers on the requirements of ECO, as set out in the Electricity and Gas (Energy Companies Obligation) Order 2012 ('the Order').

**It is the responsibility of each supplier to understand the provisions of the Order and how those provisions apply to them. This Guidance is not intended to be a definitive guide to these provisions.**

## Context

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Energy efficiency is a key area through which the government seeks to implement policies designed to achieve a reduction in the United Kingdom's greenhouse gas emissions. These policies contribute to the government's wider commitment to achieve a reduction of at least 34 percent in greenhouse gas emissions by 2020 and at least 80 percent by 2050<sup>1</sup>.

The Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) are two energy efficiency schemes which were established, in part, to assist the UK in meeting targets surrounding the reduction of greenhouse gases. Both of these schemes closed on 31 December 2012.

The Energy Act 2011 and associated legislation establishes a new framework for energy efficiency, through the introduction of the Green Deal. The Green Deal is a market-led framework designed to assist individuals and businesses to make energy efficiency improvements to buildings at little upfront cost. Costs will be recouped through energy bills and with the assistance of new Green Deal finance mechanisms.

ECO places obligations on larger domestic energy suppliers. These obligations must be achieved through the promotion of energy efficiency measures to domestic energy users in Great Britain. ECO is intended to work alongside the Green Deal to provide additional support in the domestic sector, with a particular focus on vulnerable consumer groups and hard-to-treat homes. The Government anticipates that ECO will assist in the reduction of carbon emissions, maintenance of security of energy supply, and reduction in the drivers of fuel poverty<sup>2</sup>.

This document provides guidance on how we will administer ECO in line with the requirements of the Order. We have no role in the administration of the Green Deal or the ECO Brokerage mechanism and this document does not address the requirements of either of these. Additionally, we provide information on our website to direct stakeholders to sections of this guidance which are of most relevance to them.

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<sup>1</sup> The Carbon Plan: Delivering our low carbon future, December 2011. See: [http://www.decc.gov.uk/en/content/cms/emissions/carbon\\_budgets/carbon\\_budgets.aspx](http://www.decc.gov.uk/en/content/cms/emissions/carbon_budgets/carbon_budgets.aspx)

<sup>2</sup> The Green Deal and Energy Company Obligation Consultation, Reference number 11D/886 [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

## Associated documents

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### Legislation

The Energy Act 2011

[http://www.legislation.gov.uk/ukpga/2011/16/pdfs/ukpga\\_20110016\\_en.pdf](http://www.legislation.gov.uk/ukpga/2011/16/pdfs/ukpga_20110016_en.pdf)

The Electricity and Gas (Energy Companies Obligation) Order 2012

<http://www.legislation.gov.uk/uksi/2012/3018/contents/made>

### Interim Positions

Open Letters / List of eligible measures and additional information

<http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Pages/index.aspx>

### Documents relevant to standards

PAS 2030:2012 Improving the energy efficiency of existing buildings Edition 2. Specification for installation process, process management and service provision: this is available for purchase from the BSI website

(<http://shop.bsigroup.com/en/ProductDetail/?pid=000000000030248249>)

Building Regulations 2010

[http://www.legislation.gov.uk/uksi/2010/2214/pdfs/uksi\\_20102214\\_en.pdf](http://www.legislation.gov.uk/uksi/2010/2214/pdfs/uksi_20102214_en.pdf)

Reduced Data Standard Assessment Procedure for Energy Rating of Dwellings (2009 Edition, incorporating SAP 2009) is available at:

[http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009\\_9-90.pdf](http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009_9-90.pdf)

Standard Assessment Procedure for Energy Rating of Dwellings (2009 Edition) is available at: [http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009\\_9-90.pdf](http://www.bre.co.uk/filelibrary/SAP/2009/SAP-2009_9-90.pdf)

### Documents relevant to CSCO

Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas, available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/5536-carbon-saving-community-obligation-rural-and-low-.pdf>

Energy Company Obligation: Carbon Saving Community Obligation – Guidance, available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/6968-energy-company-obligation-carbon-saving-community.pdf>

Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex' (release date 28 September 2011), available at:

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-230902>

SMID Data Zone Lookup (version 3 published on 6 March 2012), available at:  
<http://www.scotland.gov.uk/Topics/Statistics/SIMD/SIMDQuickLookup>

## **Documents relevant to previous energy efficiency schemes**

Carbon Emissions Reduction Target (CERT) Supplier Guidance – Version 3  
<http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ENERGYEFF/INFPROJMN/GRS/Pages/InfProMngrs.aspx>

Community Energy Saving Programme (CESP) Generator and Supplier Guidance  
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/cesp/Pages/cesp.aspx>

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## Executive Summary

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This document provides guidance to suppliers on the requirements of the Energy Companies Obligation (ECO), as set out in the Gas and Electricity (Energy Companies Obligation) 2012 Order (the Order). This supersedes information provided in our Open Letters, published in November 2012. This Guidance does not address the requirements of the Green Deal or the ECO Brokerage mechanism.

The Order places obligations on licensed gas and electricity suppliers that have 250,000 domestic customers or more, and supply more than 400 gigawatt hours of electricity or 2,000 gigawatt hours of gas to domestic customers, in any relevant year. Obligated suppliers must achieve carbon and cost savings in respect of three distinct targets – 20.9 MtCO<sub>2</sub> savings under the carbon emissions reduction obligation (CERO), 6.8 MtCO<sub>2</sub> savings under the carbon saving community obligation (CSCO) and £4.2 billion under the home heating cost reduction obligation (HHCRO). The targets are divided between obligated suppliers according to a formula proportionate to their share of domestic customers. These targets must be achieved by 31 March 2015.

The Guidance explains the circumstances in which a gas or electricity licence-holder will be obligated under ECO and the obligation setting process. This is followed by a description of the activity that suppliers may carry out in order to achieve their obligations, the specific methods to calculate savings achieved, how suppliers may notify us of completed activity under ECO and what evidence is required to support that activity. It also includes an explanation of excess actions from CERT and CESP and transfers of activity within ECO.

In order to provide certainty and a clear operational framework for the delivery and administration of the ECO, the Guidance also details our role as Administrator of ECO, our approach to fraud and audit and technical monitoring, and our reporting of suppliers' progress towards achieving their obligations.

The above content is organised as set out in the Table of Contents. **Chapter 1** begins with a background to ECO and key aspects of the scheme, including the relationship between ECO and the Green Deal. This is followed in **Chapters 2 and 3** by the conditions in which licence-holders are obligated under ECO, how we set obligations and the information we require in order to set those obligations.

**Chapter 4** provides general information on achieving obligations that is relevant to some or all of the obligations. **Chapters 5, 6 and 7** provide information specific to each of the obligations (CERO, CSCO and HHCRO, respectively). These Chapters are supported by **Appendix 1** which details evidentiary requirements, **Appendix 2** which provides specific information on qualifying boilers under ECO and **Appendix 3** which provides information on 'tenant' under ECO.

**Chapter 8** sets out the specific methods suppliers can use to calculate the carbon or cost savings associated with a measure and provides details on how appropriate methodologies can be used.

Activity delivered under ECO must be notified to us and **Chapter 9** provides information on the required notification.

Specific to transfers of savings between suppliers and carryover of excess actions from CERT and CESP, **Chapters 10 and 11** cover these two respectively.

**Chapter 12** provides information on the end of the overall obligation period including our final determination and subsequent reports to suppliers and the Secretary of State for Energy and Climate Change ('Secretary of State'). It also sets out how suppliers may re-elect measures to different obligations.

Finally, **Chapter 13** describes our approach to fraud and audit, and technical monitoring in ECO. As noted above, further details on evidentiary requirements relevant to audit are also included in **Appendix 1** to this Guidance.

Supporting each of the Chapters is **Appendix 4**, which contains a glossary of terms used throughout this document.

Whilst this Guidance is aimed at suppliers who are obligated under ECO, we are aware that our administration of ECO will be of interest to other parties involved in ECO and the wider Green Deal supply chain. To assist, we provide additional information on our website, which directs particular stakeholders to sections of this guidance which are of most relevance to them.



# 1. Introduction

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## Chapter Summary

Provides a brief overview of the Energy Companies Obligation (ECO), the background to the scheme and key features, including its relationship to the Green Deal. It also sets out the date of effect for this Guidance.

## Introduction

- 1.1. The Energy Companies Obligation (ECO) is a government energy efficiency scheme for Great Britain. It sits alongside the Green Deal and places obligations on larger domestic energy suppliers to deliver energy efficiency measures to domestic households, with a focus on vulnerable consumer groups and hard-to-treat homes.
- 1.2. This document provides guidance to suppliers on the requirements of ECO. It builds on and supersedes information already provided in a series of Open Letters published by Ofgem ('we', 'our' and 'us' in this document). This Guidance does not address the requirements of the Green Deal or the ECO Brokerage mechanism.

## Open Letters providing information on ECO

- 1.3. In November 2012, we published five Open Letters providing information on key aspects of ECO. These are:
  1. *Notice of new scheme, notice to obligated suppliers of duty to notify customer numbers and amount of supply;*
  2. *Information on applications for Excess Actions;*
  3. *Information on determining savings for qualifying actions;*
  4. *Documents and data to be made available on request, general information about some legislative provisions of ECO; and*
  5. *Notification of completed measures.*

- 1.4. Each of the above letters is available on our website<sup>3</sup>.
- 1.5. Policies or processes set out in the Open Letters are superseded by this Guidance from 1 May 2013. This Guidance will not operate retrospectively to override a policy or process set out in an Open Letter.

## Date of effect for the Guidance

- 1.6. This Guidance takes effect from 1 May 2013.
- 1.7. Generally, any activity undertaken *before* 1 May 2013 should be in accordance with the policies and processes set out in our Open Letters. Activity undertaken *after* 1 May 2013 should be in accordance with the policies and processes set out in this Guidance. (Examples of 'activity' are preparation of a surveyor's report or installation of a measure or technical monitoring of an installation.)
- 1.8. There are, however, exceptions to the general rule. These are, where work on the installation of a measure begins after 1 May 2013, any related assessment as to whether a person is a member of the AWG or whether a boiler is a qualifying boiler should be in accordance with the policies and processes set out in this Guidance – even if that assessment was first completed before 1 May 2013.

## Summary of ECO

- 1.9. The Energy Companies Obligation (ECO) is a new statutory scheme for Great Britain established by the Gas and Electricity (Energy Companies Obligation) Order 2012 (the Order). It imposes a legal obligation on larger energy suppliers to deliver energy efficiency measures to domestic energy users. This is realised through the establishment of three distinct obligations:
  - a. **Carbon Emissions Reduction Obligation (CERO):** promotes the installation of solid wall and hard-to-treat cavity wall insulation alongside packages of measures (see Chapters 4 and 5).

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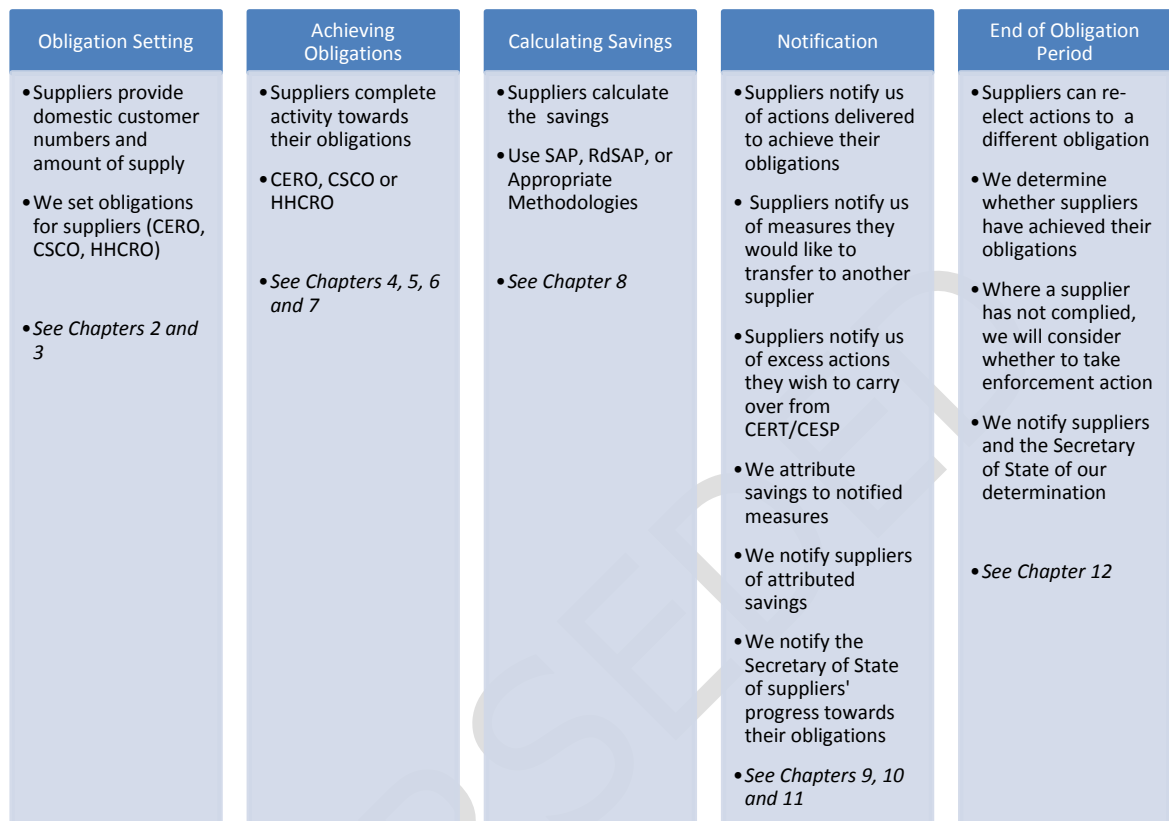
<sup>3</sup> <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Pages/index.aspx>

- b. **Carbon Savings Community Obligation (CSCO)**: promotes the installation of insulating measures and connections to district heating systems in areas of low income and rural areas (see Chapters 4 and 6).
  - c. **Home Heating Cost Reduction Obligation (HHCRO)**: promotes the installation of measures, including the repair and replacement of boilers, to homes in receipt of certain benefits, to reduce the overall cost of space heating (see Chapters 4 and 7).
- 1.10. The Order sets overall targets for each of the above obligations, which are 20.9 MtCO<sub>2</sub> savings under CERO, 6.8 MtCO<sub>2</sub> under CSCO, and £4.2 billion savings under HHCRO. For each phase of ECO<sup>4</sup>, obligated suppliers will be allocated a proportion of the overall targets, depending on each supplier's relative share of the domestic gas and electricity market. Suppliers must achieve their individual targets before 31 March 2015.
- 1.11. The primary way in which obligated suppliers can achieve obligations, is through promoting qualifying actions or adjoining installations ('measures') to eligible persons.
- 1.12. A high-level overview of the operation of ECO follows.

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<sup>4</sup> Phase One- 1 January 2013 to 31 March 2013; Phase Two – 1 April 2013 to 31 March 2014; Phase Three – 1 April 2014 to 31 March 2015.

**Figure 1: High-Level Overview of ECO**



## Our role as Administrator of ECO

- 1.13. We will administer ECO for the overall obligation period, which will end on 31 March 2015.
- 1.14. The Order details the Administrator's powers and functions in respect of the ECO scheme. These functions include to:
  - a. determine supplier obligations for each phase of ECO<sup>5</sup>;
  - b. notify suppliers of their obligations for each phase of ECO<sup>6</sup>;
  - c. approve appropriate methodologies for suppliers to calculate carbon or cost savings<sup>7</sup>;

<sup>5</sup> Article 8 of the Electricity and Gas (Energy Companies Obligation) Order 2012 ('the Order').

<sup>6</sup> Article 8 (4)(a)(b) of the Order).

- d. approve transfers of a qualifying action achieved by one supplier to another supplier<sup>8</sup>;
- e. approve a supplier's applications for excess actions, or re-election<sup>9</sup>;
- f. attribute savings to completed qualifying action;
- g. determine whether a supplier has achieved its total obligation for each of the obligations under ECO (CERO, CSCO and HHCRO)<sup>10</sup>;
- h. submit a report to the Secretary of State each month, detailing the progress which suppliers have made towards achieving their obligations<sup>11</sup>;
- i. submit a report to the Secretary of State after the end of the overall obligation period, detailing whether suppliers achieved the overall targets set for each obligation under ECO<sup>12</sup>;
- j. require information or evidence from suppliers, including information relating to the cost to the supplier of achieving its obligations; and
- k. monitor compliance with the requirements under the Order and take enforcement action where appropriate<sup>13</sup>.

## Role of obligated suppliers under ECO

1.15. Suppliers have a number of roles under ECO. These include to:

- a. notify us of the number of their domestic customers and amount of energy supplied to domestic customers ahead of the commencement of each phase of ECO;

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<sup>7</sup> Article 18 (3) of the Order.

<sup>8</sup> Article 20 (1) of the Order.

<sup>9</sup> Article 21 (9) of the Order.

<sup>10</sup> Article 19 (1) of the Order.

<sup>11</sup> Article 22 (5) of the Order.

<sup>12</sup> Article 22 (6) of the Order.

<sup>13</sup> Articles 23 and 24 of the Order.

- b. promote and install qualifying actions to domestic energy users;
- c. notify us of completed qualifying actions;
- d. calculate the carbon or cost saving for each individual measure installed to domestic energy users;
- e. produce evidence relating to activity undertaken to achieve obligations under ECO;
- f. achieve their total carbon emissions reduction target, total carbon saving community target and total home heating cost reduction target by 31 March 2015; and
- g. monitor activity under ECO (for example technical monitoring of installations) and report the results of monitoring to us.

## Information gathering powers

1.16. Throughout this Guidance we have indicated where we use our information gathering powers under the Order<sup>14</sup> to require suppliers to provide us with information (for example submission of technical monitoring reports). In addition to these instances, when appropriate, we may require a supplier to provide us with information about its proposals for complying with any requirement of the Order. We may also require a supplier to produce evidence of a specified kind to demonstrate that it is complying with, or that it has complied with, any requirement under the Order. This may include information relating to the cost to the supplier of meeting its obligations.

## Relationship between the Green Deal and ECO

1.17. The Green Deal is a new market-led framework, which aims to improve energy efficiency throughout Great Britain. Central to this framework is the introduction of a new Green Deal financial mechanism, which allows consumers to pay for some or all of the cost of energy-saving property improvements over time, through savings on their energy bills. The costs of the measures are met by the resultant savings on that consumer's energy bill, rather than through full investment up-front. ECO works alongside the Green

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<sup>14</sup> Article 23 of the Order.

Deal to provide additional support for packages of energy efficiency measures, including solid wall insulation or hard-to-treat cavity wall insulation, which are unlikely to be fully fundable by Green Deal finance. ECO also provides insulation and heating measures to low-income and vulnerable households and insulation measures to low income communities.

- 1.18. Further information on the Green Deal can be found on the Department of Energy and Climate Change's (DECC's) website at [www.gov.uk](http://www.gov.uk).

## ECO Brokerage

- 1.19. The ECO Brokerage is an auction-based mechanism designed to enable suppliers to buy contracts for the delivery of ECO measures by participating Green Deal Providers.
- 1.20. We have no role in administering the ECO Brokerage and this Guidance does not address the Brokerage or its administrative requirements. However we recognise that, on occasion, suppliers may seek credit for measures obtained through this platform. Even where measures are obtained through the ECO Brokerage, to be considered eligible under ECO, those measures must still meet the requirements of the Order and this Guidance.

## Guidance review

- 1.21. As ECO progresses, we will continue to refine our administrative processes and review the content of this Guidance.

## Queries

- 1.22. For further information on the ECO Brokerage please refer to <https://www.gov.uk/energy-companies-obligation-brokerage> or contact [ECObrokerage@decc.gsi.gov.uk](mailto:ECObrokerage@decc.gsi.gov.uk).
- 1.23. Any queries in relation to the Order and its administration should be emailed to [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).
- 1.24. Any queries regarding future changes to the ECO scheme, the Green Deal and wider policy should be directed to DECC at [deccecoteam@decc.gsi.gov.uk](mailto:deccecoteam@decc.gsi.gov.uk).
- 1.25. For further advice and referrals regarding energy efficiency, including ECO and the Green Deal, homes and business may also contact the Energy Saving Advice Service (ESAS) at [www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk).

## 2. Who is Obligated Under ECO: Definition of 'Supplier'

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### Chapter Summary

Provides information on the definition of a 'supplier' as set out in the Order.

### Introduction

- 2.1. Only gas and electricity supply licence-holders that meet the definition of a 'supplier' will be subject to the requirements of ECO.
- 2.2. This chapter provides an explanation of the circumstances in which a gas or electricity licence-holder will meet the definition of a 'supplier'. It also introduces the concepts of a dual-licence holder and a group company, and explains the circumstances in which these types of licence-holder will meet the definition of a 'supplier'.

### When is a licence-holder a 'supplier'?

- 2.3. The Order establishes a threshold beyond which a licence-holder will be considered a 'supplier' for the purposes of ECO.
- 2.4. The threshold has two elements: number of domestic customers, and amount of supply to domestic customers, by reference to a given year. Where a licence-holder is a member of a group of companies, the licence-holder will be a 'group company' and it will be the customer numbers and amount of supply of the group of companies that is used to determine whether the threshold is exceeded. Where a company holds both an electricity supply licence and a gas supply licence ('dual licence-holder'), it will be the combined customer numbers of the two licences that are used to determine whether the threshold is exceeded.
- 2.5. Each licence-holder is responsible for determining whether it exceeds the threshold and is therefore a supplier. Licence-holders will need to consider this ahead of each 'phase' of ECO (see paragraph 3.5). The methodologies for determining domestic customer numbers and amount of supply are outlined in Chapter 3. A licence-holder that does not exceed the threshold for a given year may do so in a subsequent year.



- 2.6. Once a licence-holder has met the definition of a supplier for a given year, it will remain a supplier (i.e. subject to the requirements of ECO) throughout the overall obligation period (see Chapter 3).

### **Applying the threshold to different categories of licence-holder**

- 2.7. The following is a list of the different types of licence-holders and the conditions under which each becomes a supplier under ECO, by reference to domestic customer numbers at 31 December 2011, 2012, or 2013 (each year being a 'relevant year') and the amount of supply to domestic customers during the year ending on that date.
- 2.8. For any relevant year:
- A licence-holder that is not a group company<sup>15</sup>, and holds an electricity supply licence only, is a supplier if it had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year;
  - A licence-holder that is not a group company, and holds a gas supply licence only, is a supplier if it had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year;
  - A licence-holder that is not a group company, and holds both a gas supply licence and an electricity supply licence, is a supplier if it had more than 250,000 domestic gas customers and domestic electricity customers<sup>16</sup> at 31 December of the relevant year, and it either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year;
  - A group company that holds an electricity supply licence only is a supplier if the group of companies had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year;

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<sup>15</sup> A 'group company' is a licence-holder that is a member of a group of companies.

<sup>16</sup> A customer supplied with electricity and gas by the same licence-holder is to be counted as two customers.

- A group company that holds a gas supply licence only is a supplier if the group of companies had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year; and
- A group company that holds both a gas supply licence and an electricity supply licence is a supplier if the group of companies had more than 250,000 domestic gas customers and domestic electricity customers<sup>17</sup> at 31 December of the relevant year and the group of companies either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

## Group of companies

- 2.9. Whether a licence-holder is a member of a group of companies with another licence-holder should be determined by reference to the membership of the group of companies on 31 December of the relevant year.
- 2.10. A group of companies comprises the holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly-owned' subsidiary have the same meaning as in section 1159 of the Companies Act 2006<sup>18</sup>.
- 2.11. Where a licence-holder is a member of a group of companies on 31 December of a relevant year, the whole of the electricity or gas supplied by that licence-holder between 1 January and 31 December of that year must be taken into account when determining the group's supply. This is irrespective of whether that licence-holder was a member of the group for the whole of that year.
- 2.12. Because of the way in which supply and customer numbers are calculated for licence-holders that are members of a group of companies, if a licence-holder is a member of a group of companies and individually exceeds the threshold, then all the other licence-holders in that group that hold a licence of the same type will also meet the definition of 'supplier'.

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<sup>17</sup> A customer supplied with electricity and gas by the same licence-holder is to be counted as two customers.

<sup>18</sup> 2006 c.46.

- 2.13. A licence-holder that exceeds the threshold set under the Order is defined, under the Order, as a 'supplier'. Where a company holds both a gas supply licence and an electricity supply licence (i.e. is a dual licence-holder), that company (i.e. the dual licence-holder) will be a separate supplier in respect of each supply.
- 2.14. It is important to note that the requirements under ECO fall on suppliers rather than groups of companies. In the remainder of this Guidance we use the word 'supplier' to refer to a licence-holder that is subject to the requirements of ECO.

SUPERSEDED

## 3. Notification of Domestic Customer Numbers and Supply: Setting Obligations

### Chapter Summary

Provides details of the notification that suppliers must provide to us to allow obligation setting to occur and sets out when we will notify suppliers of the extent of their obligations for each phase of ECO.

### Introduction

- 3.1. Where a licence-holder is a supplier for the purposes of ECO, ahead of each phase of ECO, it must notify us of its own (and if the supplier is a group company, its group's) domestic customer numbers and amount of supply. We will then use this information to set obligations for suppliers.
- 3.2. This chapter provides information on a supplier's notification of domestic customer numbers and supply and explains how we use that information to determine a supplier's obligations. It also introduces the concept of 'zero' obligations.

### The overall obligation period for a supplier; the period for achieving obligations

- 3.3. The overall obligation period for each licence-holder will vary depending on when that licence-holder becomes obligated under ECO<sup>19</sup>. That is, for a licence-holder that met the definition of a supplier on 31 December 2011 (see Chapter 2), its overall obligation period commenced on 1 January 2013 and ends on 31 March 2015<sup>20</sup>. Where a licence-holder does not meet the definition of a supplier until 31 December 2012 or 2013 (a 'new supplier'), its overall obligation period commences on 1 April 2013 or 1 April 2014, respectively<sup>21</sup>.
- 3.4. The different overall obligation periods possible for a supplier are summarised in **Table 1** below.

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<sup>19</sup> Article 6 (1)(a) and (2).

<sup>20</sup> Article 6(1)(a).

<sup>21</sup> Article 6(2).

**Table 1: Summary of the overall obligation periods for suppliers**

Date licence-holder meets definition of 'supplier'	Overall obligation period for that supplier
31 December 2011	1 January 2013 to 31 March 2015
31 December 2012	1 April 2013 to 31 March 2015 (a 'new supplier')
31 December 2013	1 April 2014 to 31 March 2015 (a 'new supplier')

- 3.5. The Order establishes three phases of ECO:
1. **Phase One:** 1 January 2013 to 31 March 2013;
  2. **Phase Two:** 1 April 2013 to 31 March 2014; and
  3. **Phase Three:** 1 April 2014 to 31 March 2015.
- 3.6. We are required to determine a supplier's obligations for each phase of ECO. This means that a 'new supplier' for whom the overall obligation period commenced on 1 April 2013 will only ever be given obligations in respect of Phases Two and Three. A new supplier for whom the overall obligation period commenced on 1 April 2014 will only have an obligation in respect of Phase Three.
- 3.7. The sum of a supplier's CERO, CSCO or HHCRO (as applicable) over Phases One, Two and Three, is referred to as its:
- a. total carbon emissions reduction obligation;
  - b. total community saving carbon obligation; or
  - c. total home heating cost reduction obligation,
- as applicable.
- 3.8. A supplier must achieve each of its total obligations by the end of its overall obligation period (i.e. 31 March 2015).
- 3.9. The obligations set for each phase of ECO are cumulative and do not need to be met individually. This means, for example, that a supplier is not required to meet its CERO for Phase One by the end of Phase One. Instead, the supplier's

CERO for Phase One will be added to its CERO for Phases Two and Three. The cumulative total (i.e. its total carbon emissions reduction obligation) must be met by March 2015.

- 3.10. As explained at paragraph 3.24 below, in some cases we may determine that a supplier's obligation for a particular phase is zero. Where we notify a supplier that it has a zero obligation for a particular phase, the supplier will still need to meet its obligations from any previous or subsequent phases of ECO.

### When suppliers must notify

- 3.11. **Table 2** below sets out the dates by which suppliers must notify us of its domestic customer numbers and supply, the period of time that notification must relate to, and the dates by which we will notify suppliers of their obligations.

**Table 2: Key dates relating to notification of domestic customer numbers and supply**

	<b>Date by which suppliers must notify customer numbers and supply ('notification deadline')</b>	<b>Period of time notification relates to ('notification period')</b>	<b>Date by which we notify suppliers of their obligations</b>
<b>Phase One</b> <i>1 January 2013 to 31 March 2013</i>	By the third working day after the day on which the Order is made	1 January 2011 to 31 December 2011	No later than the twelfth working day after supplier notification
<b>Phase Two</b> <i>1 April 2013 to 31 March 2014</i>	1 February 2013	1 January 2012 to 31 December 2012	Last day of February 2013
<b>Phase Three</b> <i>1 April 2014 to 31 March 2015</i>	1 February 2014	1 January 2013 to 31 December 2013	Last day of February 2014

## What suppliers must notify

3.12. Each supplier must, by the notification deadline (see [Table 2 above](#)), notify us of the following:

- the number of its domestic customers on 31 December of the notification period (see [Table 2](#)); and
- the amount of gas or electricity (as applicable) supplied to its domestic customers during the notification period.

3.13. In addition to notifying its own customer numbers and amount of supply, where a supplier was a group company<sup>22</sup> on 31 December of the notification period, the supplier ('Supplier A') must also notify us of the following information relating to each of the other suppliers in the group of companies (on 31 December) that made the same type of supply (i.e. electricity or gas) as Supplier A:

- a. the name of each of the other suppliers in the group;
- b. the company registration number for each of the other suppliers; and
- c. the amount of electricity or gas (as the case may be<sup>23</sup>) supplied by the group from 1 January to 31 December of the notification period.

3.14. In calculating c. above, suppliers should take into account the amount of electricity or gas supplied by the entire group during the notification period, including the supply of any licence-holders who entered the group during that notification period.

3.15. Where a supplier fails to provide the notification required under the Order, or where we are satisfied that a notification is inaccurate, we may determine the matters to which the notification related<sup>24</sup>. We may also take enforcement action if appropriate.

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<sup>22</sup> For further information see Chapter 2 and the glossary to this Guidance.

<sup>23</sup> A supplier who is an electricity licence-holder notifies the amount of electricity supplied by the group. A supplier who is a gas licence-holder notifies the amount of gas supplied by the group.

<sup>24</sup> Article 7 (2) and (6) of the Order.

## Calculating domestic customer numbers

- 3.16. The Order defines a domestic customer means 'a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes'.
- 3.17. We recognise that suppliers cannot all use the exact same methodology to calculate their number of domestic customers without significant system changes. Suppliers must however, use a reasonable methodology for the purpose of accurately calculating domestic customer numbers. We will audit suppliers to ensure the methodology used is reasonable.

## Calculating electricity supply

- 3.18. To calculate the amount of electricity supply, suppliers should use the methodology set out below.

### **Methodology for calculating amount of electricity supply**

In order to maintain a consistent basis of measurement amongst suppliers, ELEXON settlement data should be used, as it is considered the standard for settlements data across the industry. All notifications should be based on ELEXON data as detailed below.

Suppliers should provide the total kilowatt hours (kWh) delivered to customers on Profile Classes 1 and 2. Suppliers should remove any unmetered supply from this data (i.e. unmetered supply within Profile Classes 1 and 2). This total kWh should be based on the settlement data available from 22 January of the relevant year, split by licence and that has been provided to suppliers by ELEXON.

In order to identify the total kilowatt hours (kWh) for each profile class, suppliers must use the D0030 'Non Half hourly Distribution Use of System Charges (DUoS) report' data provided to both suppliers and Licensed Distribution System Operators (LDSO). This D0030 flow contains both consumption and losses data, but only consumption data is required, as ECO only requires the volumes which have been delivered to customers. Therefore no adjustments to line losses need to be made in respect to reporting supply amounts for the ECO.



## Calculating gas supply

3.19. To calculate the amount of gas supply, suppliers should use the methodology set out below.

### Methodology for calculating amount of gas supply

In order to maintain a consistent basis of measurement amongst suppliers, aggregated AQ2 should be used as an approximation of gas delivered to domestic customers during the notification period.

A supplier should report the aggregated AQ of its domestic customers at five points in time, in relation to the relevant year:

1 January  
1 April  
1 July  
1 October  
31 December

These five figures should be aggregated and then divided by five in order to calculate the mean of the AQ at these five dates.

## Form of notification

3.20. The notification must be provided to us using the notification template found on our website<sup>25</sup>.

3.21. Suppliers should use this template to notify the information listed in this chapter. We require two copies of this template by the notification deadline (see [Table 1](#)). These copies must be submitted as:

- a hard copy, by post, addressed to 'ECO Team, 9 Millbank, London, SW1P 3GE' with an original signature from an authorised signatory of the supplier's company;

AND

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<sup>25</sup><http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Documents1/ECO%20Notification%20Template%20V1.xlsx>.

- an electronic version to [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).

## Setting supplier obligations

3.22. Before the beginning of each phase of ECO we will determine obligations for that particular phase, for each supplier. The obligations will be determined using the formula set out in the Order<sup>26</sup> and based on the domestic customer numbers and amount of supply notified to us for each phase. As identified in paragraph 3.15 above, where a supplier fails to notify us of these figures, or where we are satisfied that a notification is inaccurate, we may determine the figures ourselves.

3.23. The formulas we use to calculate suppliers obligations are set out below.

### Figure 2: Determining obligations for a supplier who is *not* a member of a group of companies

For each of the obligations under ECO, the supplier's obligation for a phase is:

Where '**A**' is the value given in the following table<sup>[1]</sup>:

	CERO	CSCO	HHCRO
Phase One	4.18 MtCO <sub>2</sub>	1.36 MtCO <sub>2</sub>	£0.84bn
Phase Two	8.36 MtCO <sub>2</sub>	2.72 MtCO <sub>2</sub>	£1.68bn
Phase Three	8.36 MtCO <sub>2</sub>	2.72 MtCO <sub>2</sub>	£1.68bn

'**T<sub>x</sub>**' is the amount of electricity or gas supplied in the notification period by the supplier, and calculated using the formula in Figure 4.

'**T**' is the total amount of electricity or gas (as applicable) supplied in the notification period by all suppliers and calculated using the formula in Figure 4, but excluding those suppliers whose obligation for the phase will be zero.

<sup>26</sup> See Articles 9, 10 and 11 of the Order.

<sup>[1]</sup> Note that '**A**' is divided by two in this formula to reflect both gas and electricity licences.

### Figure 3: Determining obligations for a supplier who is a member of a group

For each of the obligations under ECO, the supplier's obligation for a phase is:

$$J \times$$

Where: '**J**' is the amount produced by applying the formula set out in Figure 3 above<sup>27</sup>, except in this instance 'Tx' is the amount of electricity or gas supplied in the notification period by the *group* to which that supplier belongs and calculated using the formula in Figure 5.

'**H**' is the amount of electricity or gas notified by the supplier for the notification period.

'**K**' is the amount of electricity or gas supplied in the notification period by the group to which the supplier belongs.

### Figure 4: Formula for determining supply

To calculate the amount of electricity or gas supplied by a supplier or group in a notification period for the purposes of determining its obligations, the formula is as follows:

Where the amount of electricity supplied is more than 400 but less than 800 gigawatt hours, or the amount of gas supplied is more than 2000 but less than 4000 gigawatt hours, the amount of supply is calculated using the following formula:

$$x 2$$

Where: '**A**' is the amount of electricity or gas notified by the supplier or group for the notification period.

'**B**' is in the case of an electricity supplier, 400 gigawatt hours of electricity; or in the case of a gas supplier, 2000 gigawatt hours of gas.

Where the amount of electricity supplied is equal to or more than 800 gigawatt hours, or the amount of gas supplied is equal to or more than 4000 gigawatt hours, the amount of supply is as notified.

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<sup>27</sup> i.e.

## Zero obligations

3.24. Where a supplier that is not a group company supplies, during a notification period for a phase, equal to or less than:

1. 400 gigawatt hours of electricity; or
2. 2000 gigawatt hours of gas,

each of the supplier's obligations for that phase will be set at zero.

3.25. Where a supplier is a group company and the group supplies, during a notification period, equal to or less than:

1. 400 gigawatt hours of electricity (where the supplier is an electricity supplier); or
2. 2000 gigawatt hours of gas (where the supplier is a gas supplier),

each of the supplier's obligations for that phase will be set at zero.

## 4. Achieving Obligations: General Information Relating to All Obligations

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### Chapter Summary

Sets out the general information relevant to achieving two or all of the obligations (CERO, CSCO and HHCRO).

### Introduction

- 4.1. Under the Order, each supplier has three distinct obligations - CERO, CSCO, and HHCRO.
- 4.2. This chapter provides information about requirements and matters that are relevant to two or more obligations. Chapters 5, 6 and 7 provide information about requirements and matters specific to CERO, CSCO and HHCRO respectively. The requirements and matters discussed in this chapter are:
  - a. promotion of a qualifying action;
  - b. domestic energy user, and domestic premises;
  - c. recommended measures;
  - d. measures which are eligible under ECO;
  - e. measures that improve the insulating properties of the premises;
  - f. standards relating to the installation of a measure;
  - g. installation by a person of appropriate skill and experience;
  - h. proportion of installation that must be completed;
  - i. extensions; and
  - j. connection to a district heating system.

- 4.3. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter or Chapters 5 to 7. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance checks are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on Audit and Technical Monitoring.

### **Promotion of a qualifying action**

- 4.4. A supplier achieves an obligation by promoting qualifying actions to a domestic energy user for CERO and CSCO or to a 'householder' for HHCRO. A qualifying action is the installation (or in the case of boilers, replacement or repair) of a measure that satisfies conditions laid out in the Order. The act of promoting is therefore linked to the act of installing a measure.
- 4.5. A supplier promotes the installation of a measure where the supplier is a cause of that measure being installed.
- 4.6. The most obvious case of promotion is where a supplier engages an installer to carry out installation of a measure. However the fact that a supplier has funded all or part of the installation of a measure will be sufficient to establish that the supplier was a cause of that measure being installed.
- 4.7. Generally, the agreement to fund the installation must be concluded before the installation of the measure begins. Further information on what documentation a supplier can provide to evidence this requirement at audit is provided in Appendix 1.
- 4.8. A supplier may jointly fund a measure with a third party (other than another supplier), for example local government or a devolved administration. In this case the supplier will still need to satisfy us that it was a cause of that measure being installed.

## Domestic energy user, and domestic premises

- 4.9. A supplier achieves its CERO and CSCO by promoting qualifying actions to domestic energy users. A domestic energy user is a person who uses energy in *domestic premises* in Great Britain wholly or mainly for domestic purposes and includes a person living in a mobile home.
- 4.10. A supplier achieves its HHCRO by promoting qualifying action to householders. A householder is a person who, among other things, occupies a *domestic premises*.
- 4.11. The concepts of *domestic premises* and *domestic energy user* are explained below. Further information on the concept of householder can be found in Chapter 7.

### Promotion to a domestic energy user or householder

- 4.12. The domestic energy user or householder, to whom a supplier promotes a qualifying action (i.e. promotes installation of a measure), must live in the domestic premises to which the measure is installed. It is not necessary that the domestic energy user or householder live at the domestic premises throughout the course of promotion. However the person must live in the premises at some point during the course of promotion. We will deem that this requirement is met if, at some point during the course of promotion, the domestic energy user or householder (as applicable) either:
1. occupies the premises;
  2. has the right to occupy the premises; or
  3. is party to a written and signed agreement (for example, a tenancy agreement) giving the person the right to occupy the premises in the future.

However, in each of the last two cases, the person must occupy the premises before the notification deadline for the measure installed at the premises<sup>28</sup>.

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<sup>28</sup> See paragraph 9.3 for information about determining the notification deadline for a measure. Where several measures are installed at the premises, the relevant

- 4.13. For the purpose of determining whether a supplier has promoted qualifying action to a person, we take the course of promotion to:
1. begin with the supplier's (or agent's) first engagement with the person about the installation (for example a letter from the landlord of the premises to the tenant announcing the proposed work); and
  2. end with the completion of work on the installation of the measure.

#### Domestic premises

- 4.14. Domestic premises is separate and self-contained premises used wholly or mainly for domestic purposes. The premises must be 'self-contained' in the sense of containing kitchen facilities for occupants to prepare food. For the purpose of ECO, premises include the following:
1. a building, or part of a building (but not the land on which the building is situated);
  2. a mobile home, as defined in the Order (and as explained below).
- 4.15. Domestic purpose relates to the use of premises as a person's sole or main residence.
- 4.16. A structure will be a mobile home, as defined in the Order, if the structure is both 'a caravan' and 'used as a dwelling'.
- 4.17. In this context, 'caravan' means any structure designed or adapted for human habitation which is capable of being moved from one place to another (whether by being towed, or by being transported on a motor vehicle or trailer) and any motor vehicle so designed or adapted, but does not include (a) any railway rolling stock which is for the time being on rails forming part of a railway system or (b) any tent.

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notification deadline is that for the final measure installed. The relevant notification deadline is the statutory deadline set by the Order – and not the extended deadline set by Ofgem using its powers to grant extensions for notification.



- 4.18. 'Used as a dwelling': in this context, a structure is being used as a dwelling where it is being used as a person's sole or main residence and it is connected to land in respect of which the person has some right of possession.
- 4.19. We will not require a supplier to produce documents, at audit, that demonstrate that a qualifying action has been promoted to a person living in domestic premises. However, if we become aware of any of the following as a result of internal checks, allegations or other means, we are likely to be unable to satisfy ourselves that a completed measure is in fact a qualifying action to which savings can be attributed:
1. The premises to which the measure was installed was not domestic premises;
  2. The installation of the measure was not promoted to a person who lived at the premises (at which the measure was installed) at some point during the course of promotion.
- 4.20. Therefore a supplier should satisfy itself that the requirements discussed above have been met.

### **Recommended measure**

- 4.21. For a measure (other than a district heating connection) to be a qualifying action under CERO and CSCO, the measure must be a 'recommended measure'. There are two ways a measure can be recommended – either in a 'Green Deal Advice Report' (GDAR) or in a report by a chartered surveyor. Both of these reports are explained in greater detail below.
- 4.22. It is important to note that:
1. the report recommending installation of a measure must be completed before the measure is installed;
  2. it is insufficient for a measure to be recommended in an Energy Performance Certificate – it must either be recommended in a GDAR or chartered surveyor's report; and
  3. a measure installed for the purpose of HHCRO does not need to be recommended in either type of report.

## Green Deal Advice Report

- 4.23. The first way a measure may be recommended is through a Green Deal Advice Report (GDAR). This is a report produced by a 'Green Deal Assessor' following a 'qualifying assessment'<sup>29</sup> and is based on an Energy Performance Certificate (EPC) and Occupancy Assessment. Each GDAR is therefore specific to the domestic energy user's premises where the measure is to be installed. The report must be lodged with the appropriate Green Deal body to be eligible under ECO.

## Chartered Surveyor's Report

- 4.24. The second way a measure may be recommended is in a report by a chartered surveyor where the report is based on an assessment of a domestic energy user's premises performed for the purpose of identifying measures for improving the energy efficiency of the premises. The assessment must be a survey of the whole house. The assessment itself may be carried out by a person other than a chartered surveyor responsible for the report, provided that person is of appropriate skill and qualification. The chartered surveyor should be satisfied that the report is accurate.

- 4.25. The report by the chartered surveyor must:

1. identify the premises to which the report relates;
2. specify in detail the energy efficiency measure(s) recommended for the premises;
3. contain all relevant information that the surveyor has used to inform their recommendation;
4. contain a summary of the assessment of the premises;
5. contain the name, registration number, qualifications and contact details of the chartered surveyor;

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<sup>29</sup> A 'qualifying assessment' is an energy efficiency assessment of a property conducted in accordance with Regulation 7 of the Green Deal Framework (Disclosure, Acknowledgement, Redress etc) Regulations 2012.

6. if a person other than the chartered surveyor conducted the energy efficiency assessment, contain the name and qualifications of that person; and
  7. be signed by the chartered surveyor.
- 4.26. A single report may be used for more than one premises as long as the report clearly states each premises that it relates to. Where there is a row or block of largely identical premises, it is not necessary to carry out a survey of the whole house for each individual premises if there are reasonable grounds for judging that the measures being recommended are appropriate for each premises. However, it will usually be necessary to visit each premises in order to determine a few key factors for recommending energy efficiency measures, such as boiler efficiency and fuel type.
- 4.27. The person providing the report should be an appropriately qualified chartered surveyor. For example, a Chartered Building Surveyor or a chartered surveyor who has qualified through the residential survey and valuation pathway will be considered an appropriately qualified chartered surveyor for this purpose. If a report is provided by a chartered surveyor who we do not consider to be appropriately qualified to recommend the measure(s) referred to in the report, we may determine that the measure is not a recommended measure. Suppliers should not rely on a report unless they are satisfied that the surveyor who completed the report is appropriately qualified. For further information please visit the RICS website<sup>30</sup>.

## Measures which are eligible under ECO

- 4.28. We have published a table setting out which types of energy efficiency measures which are eligible under ECO<sup>31</sup>. This table identifies which of the obligations the measure is eligible for (i.e. CERO, CSCO or HHCO), whether it qualifies as a primary or secondary measure under CERO, the relevant in-use factor, the relevant lifetime and other applicable information. This list is non-exhaustive and will be updated from time to time. Suppliers wishing to install measures which are not listed in the table (for example new or innovative measures) should contact us. The criteria that must be met for a

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<sup>30</sup> [www.rics.org](http://www.rics.org).

<sup>31</sup> Available at: <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Documents1/Energy%20Companies%20Obligation%20ECO%20-%20List%20of%20Measures%20and%20Additional%20Information.pdf>

type of measure to be eligible for CERO and CSCO is described below in paragraph 4.29, and in Chapter 7 for HHCRO.

## **Measures that improve the insulating properties of the premises**

- 4.29. Qualifying actions under the CERO and CSCO must improve the insulating properties of the premises. The table referred to in paragraph 4.28 above includes a non-exhaustive list of the measures that we consider 'improve the insulating properties of the premises'. Those measures are described in the table as 'insulation measures' and are identified as eligible for CERO and CSCO.

## **Standards relating to installation of a measure**

- 4.30. Suppliers should ensure that the installation of a measure is carried out in accordance with the relevant standards. How this is demonstrated will vary depending on whether the measure installed is referred to in the Publicly Available Specification 2030:2012 Edition 2 (PAS) or not.
- 4.31. Where a measure is referred to in PAS, the installation of the measure must be carried out in accordance with:
1. the provisions of PAS; and
  2. the Building Regulations and any other regulations that relate to the installation of the measure.
- 4.32. Where a measure is not referred to in PAS 2030:2012, the installation of that measure must be carried out in accordance with Building Regulations and any other regulations that relate to the installation of the measure.

## **Demonstrating compliance with PAS**

- 4.33. Compliance with the provisions of PAS can be demonstrated where the installation is carried out by a PAS-certified installer. Installers can be certified by independent third parties according to the requirements of PAS 2031:2012.

## **Demonstrating compliance with Building Regulations and other regulations**

- 4.34. We will accept any reasonable means of demonstrating compliance with the Building Regulations.
- 4.35. We require suppliers to demonstrate that a product or system used in installation of a measure is compliant with Building Regulations. Ways in which suppliers can demonstrate this include:
1. UKAS (United Kingdom Accreditation Service) accredited body product approval (e.g. from the British Board of Agrément (BBA)); or
  2. European Technical Approval with additional documentation to show compliance with Building Regulations.
- 4.36. For some measures self-certification schemes can provide evidence of compliance with the Building Regulations. The Building Regulations list the types of measure this applies to and the requirements governing the person carrying out the work. An example of this is a person registered under the Fenestration Self-Assessment Scheme by Fensa Ltd in the case of replacement glazing. Suppliers should refer to the Building Regulations for more information about suitable self-certification schemes.
- 4.37. Another way of satisfying us of Building Regulations compliance is through approval by a building control body.
- 4.38. Any certification or approval must be relevant to the conditions under which the product or system will be used, although the building control body is ultimately responsible for accepting that a measure is compliant with Building Regulations. We will assess compliance with the relevant standards through the audit of documents held by an installer. A supplier should have a contractual agreement or similar formal relationship with the installer that requires the installer to cooperate with our auditors or officers by providing documents that demonstrate compliance with standards of installation.
- 4.39. Suppliers will need to conduct technical monitoring of installation standards. Checking that a measure has been installed in accordance with PAS (where relevant), Building Regulations and other regulations will form part of technical monitoring. The scope of the monitoring exercise will depend on whether the measure installed is referred to in PAS. See Chapter 13 for more information about technical monitoring and audits.

## **Installation by a person of appropriate skill and experience**

4.40. For the purpose of HHCRO and excess actions installed from 1 October 2012, measures must be installed by a person of appropriate skill and experience.

4.41. To be considered a person of appropriate skill and experience:

1. for measures within PAS, measures must be installed by operatives who meet the operative competency requirements listed in the measure-specific annexes to PAS. Compliance with this requirement can be demonstrated where the i
2. is carried out by a PAS-certified installer; or
3. for measures not in PAS, measures must be installed by operatives that meet industry competency standards to install that particular measure.

### **Proportion of installation that must be completed**

4.42. Suppliers must install 100 percent of a measure at a premises unless there are reasonable grounds for not doing so.

4.43. For clarity, below we provide some examples of what this means for different measures:

1. For loft insulation, 100 percent of the measure will be the insulation of the entire loft, including the hatch.
2. For glazing or draught proofing of windows and doors in premises, 100 percent of the measure will be the treatment of all windows and doors in the premises, rather than the treatment of a single window or door.
3. For internal wall insulation, 100 percent of the measure will be the insulation of the internal face of all exterior walls in the premises.

4.44. Planning restrictions, inability to gain access to necessary work areas, or lack of consent from the domestic energy user, are some examples of what we would consider to be reasonable grounds for not installing 100 percent of a measure. Reasons relating to the cost of installing the measure alone will not be accepted as reasonable grounds for suppliers not installing 100 percent of a measure.

- 4.45. Where lack of consent from the domestic energy user is the reason why 100 percent of a measure cannot be installed, the supplier must collect and hold on file a signed declaration from the domestic energy user stating this.
- 4.46. If a supplier is unclear as to whether the reason 100 percent of a measure is not installed constitutes reasonable grounds, it should contact us.
- 4.47. It is vital that, where less than 100 percent of a measure is installed, suppliers ensure that the saving attributed to the measure is reduced accordingly. Further guidance on calculating energy savings where less than 100 percent of a measure is installed is provided in Chapter 8.

### **Extensions and 'new builds'**

- 4.48. A supplier will not be taken to be the cause of a measure being installed where the measure is installed as part of the construction of an extension to existing premises, or the construction of a new build, and the measure merely meets the requirements of Building Regulations or any other legal requirements. However, should the measure exceed the requirements of Building Regulations or any other legal requirements, a supplier may obtain credit for the savings achieved by that part of the measure that exceeds the requirements of Building Regulations. See Chapter 8 for further information on scoring of extensions and new builds.

### **District heating systems**

- 4.49. Under the CERO and CSCO, 'district heating connections' are eligible measures (subject to other requirements which are outlined in Chapters 5 and 6 respectively). The following measures will be deemed a connection to a district heating system:
  - a. new connections to domestic energy users;
  - b. upgrades of existing connections where substantial replacement work is carried out to the plant and/or pipework;
  - c. fuel switching where work is also carried out to the system machinery (e.g. downsizing of boilers) and this results in improved efficiencies; and
  - d. upgrading a connection to a district heating system by installation of heat meters.

- 4.50. Works where fuel switching or upgrades involve minimal plant or pipe replacement are not eligible as qualifying actions under the CERO and CSCO.
- 4.51. Under the HHCRO, measures relating to district heating systems are eligible where it can be shown they achieve a heating saving at a property.
- 4.52. We recommend that suppliers liaise with us before installing a connection to a district heating system.

SUPERSEDED



## 5. Carbon Emissions Reduction Obligation

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### Chapter Summary

Provides information about achieving the carbon emissions reduction obligation (CERO).

### Introduction

- 5.1. The Carbon Emissions Reduction Obligation (CERO) focuses on the insulation of solid and hard-to-treat cavity walls, which are termed 'primary measures' under this obligation. Other insulation measures and connections to district heating systems are also eligible as 'secondary measures' if they are promoted as part of a package that includes solid wall insulation or hard-to-treat cavity wall insulation. This Chapter provides information about how suppliers can achieve their CERO.
- 5.2. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on audit and technical monitoring.
- 5.3. Below we set out information relating to qualifying actions under CERO, including the requirements surrounding insulation of a hard-to-treat cavity and solid wall insulation.

### Qualifying actions under CERO

- 5.4. A supplier can achieve its CERO by promoting carbon qualifying actions to domestic energy users<sup>32</sup>.
- 5.5. A carbon qualifying action is the installation of a measure that meets the criteria and conditions specified in Article 12(4) to (7) of the Order.

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<sup>32</sup> See Chapter 4 for information about 'domestic energy user'.

5.6. The measures that may be carbon qualifying action can be divided into two types and we use the terms 'primary measure' and 'secondary measure' to describe these two types<sup>33</sup>.

5.7. A *primary measure* is:

1. insulation of a hard-to-treat cavity; or
2. solid wall insulation,

that is a recommended measure<sup>34</sup>, installed after 30 September 2012 and installed in accordance with the standards relating to installation of the measure<sup>35</sup>. Information about hard-to-treat cavity wall insulation and solid wall insulation is provided below.

5.8. A *secondary measure* is:

1. a recommended measure installed to improve the insulating properties of the premises<sup>36</sup>; or
2. a connection to a district heating system<sup>37</sup>,

installed after 30 September 2012 and in accordance with the standards relating to installation of the measure.

5.9. A *secondary measure* can only be a carbon qualifying action if installed:

1. at the same premises where a *primary measure* has been or will be installed;
2. by the same supplier<sup>38</sup> that installs the *primary measure*; and

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<sup>33</sup> Note that this terminology is not used in the Order.

<sup>34</sup> See Chapter 4 for information about recommended measures.

<sup>35</sup> See Chapter 4 for information about standards relating to installation of a measure.

<sup>36</sup> See Chapter 4 for information about measures that improve the insulating properties of the premises.

<sup>37</sup> See Chapter 4 for information about a connection to a district heating system.

<sup>38</sup> This does not mean that the measure needs to be installed by the same installer.

3. no more than six months before, or no more than six months after, the date on which the *primary measure* is installed.
- 5.10. A measure cannot be a secondary measure unless installed within six months of a primary measure that has been installed to at least 50 percent of the total exterior-facing walls of the premises. Insulation of a hard-to-treat cavity wall, or solid wall insulation, installed to less than 50 percent of exterior-facing walls may still be a primary measure under CERO (subject to the requirements relating to the proportion of a measure that must be installed<sup>39</sup>). However, in this case, the wall insulation will not be sufficient to support the 'secondary measure' status of another measure.
- 5.11. The 'total exterior-facing walls of the premises' includes any areas not suitable for insulation. If a property has both solid and hard-to-treat cavity walls, and solid wall insulation is used to treat both, then the percentages can be aggregated to meet or exceed the 50 percent threshold.

#### Insulation of a hard-to-treat cavity

- 5.12. Installation of insulation to a hard-to-treat cavity is an eligible measure under all three ECO obligations. As explained in Chapter 8<sup>40</sup>, the standard lifetime awarded will depend on the provision of an appropriate guarantee. This applies for each of the types of hard-to-treat cavity defined below.
- 5.13. For the purpose of CERO, we must be satisfied that a cavity falls within the definition of 'hard-to-treat cavity' before insulation of that cavity may be a primary measure. This section of the Guidance provides information about that definition.
- 5.14. A hard-to-treat cavity wall (as defined by Article 2 of the Order) is one that meets one or more of the following criteria:
1. A cavity wall in a building with three or more storeys, and where at least three storeys have cavity walls. A storey is above ground level. Therefore, normally basements are excluded from this definition but where a basement has an external wall, the majority of which is exposed to the air, we will consider the basement to be a storey. Lofts are also excluded as they are classified as roof space.

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<sup>39</sup> See Chapter 4 for information about the proportion of installation that must be completed.

<sup>40</sup> Paragraphs 8.13 and 8.14.

2. A cavity wall which a chartered surveyor reports is not suitable to insulate with standard insulation materials or techniques. The chartered surveyor must complete a report<sup>41</sup> that details why the cavity is not suitable for standard insulation materials or techniques, and specifically recommend the suitable insulation type for the property. Reasons for a building being unsuitable for standard insulation materials or techniques may include:
  - i. properties with severe or very severe exposure to wind driven rain, risk of water penetration, timber frame and other unsuitable construction types or cavities which are already *partially filled*.
  - ii. A *partially filled* cavity is a traditionally constructed cavity with insulation fixed to the inner leaf in the vertical plane. For the avoidance of doubt a cavity is not to be considered partially filled merely because it contains slumped insulation or insulation to less than the full height of the wall.

One of the means by which a chartered surveyor can determine whether a cavity wall is, or is not, suitable to insulate with standard materials or techniques is by reference to the requirements in place on 31 December 2012 to be awarded a Cavity Insulation Guarantee Agency guarantee. If, by reference to these requirements, a guarantee would not have been available for insulation of a particular cavity wall on 31 December 2012, then this indicates that the wall is not suitable to insulate using standard materials or techniques. It is acceptable for a chartered surveyor to use other reasonable means for determining whether a wall is suitable to insulate with standard materials or techniques. The surveyor's reasons for judging that a cavity wall is not suitable to insulate with standard insulation material or techniques must be detailed in their report.

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<sup>41</sup> A template for the chartered surveyor report for hard-to-treat cavity wall insulation is available on our website at:

[http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20\(ECO\)%20-%20Chartered%20surveyor%20report%20for%20hard-to-treat%20cavity%20wall%20insulation.pdf](http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20(ECO)%20-%20Chartered%20surveyor%20report%20for%20hard-to-treat%20cavity%20wall%20insulation.pdf)

3. A cavity wall which a chartered surveyor has reported is not suitable to insulate without substantial remedial works to the building.
  - i. The verification of a cavity wall being unsuitable to insulate without substantial remedial works to the building must be received through a report from a chartered surveyor.
  - ii. Remedial works include, but are not restricted to, weather proofing of the building to prevent water penetration, clearing the cavity of debris and blockages, or removal of failed cavity or solid wall insulation. However, it is important to note that if the failed insulation is covered by a guarantee then savings from its replacement cannot be claimed under ECO.
  - iii. The decision as to whether the required remedial works are 'substantial' should be made by the chartered surveyor. As a guideline, remedial works should be considered 'substantial' where they involve an additional four 'work hours' or more.
4. A cavity which is less than 50mm wide.
  - i. A wall that has a section of cavity which is less than 50mm wide is a hard-to-treat cavity wall. Each wall of a property must be considered separately.
  - ii. Where a cavity is *partially filled* (see the definition in paragraph 5.14(2)(ii) above) then the measurement should be carried out taking into account the partial fill. Therefore, should a 70mm cavity already contain 30mm of cavity wall insulation, so that the remaining cavity is less than 50mm, then the cavity wall is classified as hard-to-treat cavity.
5. A cavity found in homes of prefabricated concrete construction or with metal frame cavity walls.
  - i. These non-traditional building types are automatically classified as hard-to-treat cavities.
  - ii. Other non-traditional building types, such as timber-framed, may be classified as hard-to-treat if they meet the conditions in paragraph 5.14(2).

6. An uneven cavity formed in walls constructed of natural stone or from natural stone outer leaf and block or brick inner leaf.
    - i. A chartered surveyor's report<sup>42</sup> should be completed verifying that the wall meets this description.
- 5.15. Where a report by a chartered surveyor is required, this should be completed by an appropriately qualified chartered surveyor working within their qualifications. For further information please visit the Royal Institute of Chartered Surveyors (RICS) website<sup>43</sup>.

### Solid Wall Insulation under CERO

- 5.16. Under the Order, Solid Wall Insulation (SWI) is defined as<sup>44</sup>:
- a. internal or external insulation which lowers the U-value of the treated walls to 0.30W/m<sup>2</sup>K or less; or
  - b. in the case of a mobile home, internal or external insulation applied to the ceiling, floor or walls which lowers the U-value of those parts of the mobile home to which the insulation is applied.
- 5.17. The insulation of a solid wall is, if other conditions are satisfied, an eligible measure under each of the three obligations. However, the requirement to achieve a U-value of 0.30W/m<sup>2</sup>K or less that appears in the definition of SWI in the Order, relates only to CERO. Under CSCO and HHCRO, it is possible to install SWI to a U-value that is greater than 0.30W/m<sup>2</sup>K as long as the installation still meets Building Regulations.
- 5.18. As detailed in Chapter 8, the in-use factor for SWI depends on the age of the building and construction type. In order to be able to accurately calculate the carbon or cost saving for the measure, suppliers must ensure they note the age and construction type of the building when installing SWI.

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<sup>42</sup> A template for the chartered surveyor report for hard-to-treat cavity wall insulation is available on our website at:

[http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20\(ECO\)%20-%20Chartered%20surveyor%20report%20for%20hard-to-treat%20cavity%20wall%20insulation.pdf](http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20(ECO)%20-%20Chartered%20surveyor%20report%20for%20hard-to-treat%20cavity%20wall%20insulation.pdf).

<sup>43</sup> <http://www.rics.org/uk>.

<sup>44</sup> Article 2 of the Order.

- 5.19. Where the installation of SWI is accompanied by an appropriate guarantee, the standard lifetime of the measure will be deemed to be 36 years. See Chapter 8 for more information on guarantees.
- 5.20. Suppliers should be aware that inconsistent or discontinuous solid wall insulation will mean there are gaps which will result in heat loss and could lead to condensation and mould growth over time. Insulation should therefore be continuous and properly installed to ensure that this doesn't occur.

SUPERSEDED

## 6. Carbon Saving Community Obligation

### Chapter Summary

Provides information about achieving the carbon saving community obligation (CSCO).

### Introduction

- 6.1. CSCO focuses on the provision of carbon saving measures to domestic energy users that live within an area of low income or a rural area. This chapter provides information about achieving CSCO.
- 6.2. A supplier achieves its CSCO by promoting carbon saving community qualifying actions to domestic energy users<sup>45</sup> living in an area of low income. 15 percent of a supplier's total CSCO must be achieved by promoting carbon saving community qualifying actions to domestic energy users who are members of the affordable warmth group<sup>46</sup> living in a rural area.
- 6.3. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on audit and technical monitoring.
- 6.4. High level guidance on how online tools can be used to identify whether a domestic energy user is living within an area of low income, adjoining area, or in a rural area is provided in the document: *Energy Company Obligation: Carbon Saving Community Obligation - Guidance*<sup>47</sup>.
- 6.5. Below we set out information relating to qualifying actions under CSCO, before providing an explanation of the rural sub obligation, the requirements surrounding areas of low income and finally, adjoining installations.

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<sup>45</sup> See Chapter 4 for information about domestic energy users.

<sup>46</sup> See Chapter 7 for information about membership of the affordable warmth group.

<sup>47</sup> Available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/6968-energy-company-obligation-carbon-saving-community.pdf>.



## Qualifying actions under CSCO

- 6.6. A qualifying action under CSCO is the installation of a measure that meets the criteria and conditions specified in Article 13(6) and 13(7) of the Order.
- 6.7. Two types of measure may be qualifying action under CSCO:
1. a recommended measure installed to improve the insulating properties of the premises<sup>48</sup>; or
  2. a connection to a district heating system<sup>49</sup> where that connection is made to premises which have loft or wall insulation.
- 6.8. In each case, the measure must be installed after 30 September 2012 and in accordance with the standards relating to installation of the measure<sup>50</sup>.

### District Heating System (DHS) connection

- 6.9. Under CSCO, a connection to a district heating system may only be installed to premises where one of the following two conditions is in place before completion of the installation:
1. The entire loft area of the premises is insulated to the minimum standards described in the Building Regulations or, if part of that area (not exceeding 50 percent) cannot be insulated then the remaining part is insulated. There must be reasonable grounds<sup>51</sup> justifying why the entire loft area of the premises cannot be insulated.
    - i. Where a supplier has reasonable grounds<sup>52</sup> for not insulating at least 50 percent of the walls of the premises, then for the purpose of article 13(6)(b) of the Order only, we interpret the term 'loft insulation' to include any of the following devices that function to prevent the transfer of heat through the ceiling of the premises:

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<sup>48</sup> See Chapter 4 for information about recommended insulation measures.

<sup>49</sup> See Chapter 4 for information about connections to district heating systems.

<sup>50</sup> See Chapter 4 for information about standards relating to installation of a measure.

<sup>51</sup> See Chapter 4 for information on what constitutes reasonable grounds for not installing 100 percent of a measure.

<sup>52</sup> See Chapter 4 for information on what constitutes reasonable grounds for not installing 100 percent of a measure.

- i. Where a loft has been converted to be habitable, we will accept that pitched roof insulation functions as loft insulation.
  - ii. Where the premises are capped by a flat roof<sup>53</sup>, we will accept that flat roof insulation functions as loft insulation.
  - iii. Where the premises in a multi-storey building are located on floors other than the top floor of the building, we will accept that the floor above the premises functions as loft insulation.
- 2. The entire exterior wall area of the premises is insulated or, if part of that area (not exceeding 50 percent) cannot be insulated, then the remaining part is insulated. There must be reasonable grounds<sup>54</sup> justifying why the entire wall area of the premises cannot be insulated. In addition:
  - i. where the property has cavity walls, and there is existing cavity wall insulation, walls will be considered insulated if they are adequately filled;
  - ii. where the property has cavity walls which are hard-to-treat, and there is existing solid wall insulation, the walls will be considered insulated if the solid wall insulation achieves a U-value of 0.60 W/m<sup>2</sup>K or lower;
  - iii. where the property has solid walls, and there is existing insulation treatment, that treatment the walls will be considered insulated if the solid wall insulation if it achieves a U-value of 0.60 W/m<sup>2</sup>K or lower; and
  - iv. any new cavity or solid wall insulation that is installed to meet this rule must meet the minimum standards described in the Building Regulations.

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<sup>53</sup> The flat roof insulation must achieve a U-value of 0.68W/m<sup>2</sup>K in order to be considered loft insulation.

<sup>54</sup> See Chapter 4 for information on what constitutes reasonable grounds for not installing 100 percent of a measure.

## The rural sub-obligation

- 6.10. Suppliers must achieve at least 15 percent of their total CSCO by promoting qualifying actions to domestic energy users who are members of the Affordable Warmth Group living in a rural area ('the rural sub-obligation'). At notification suppliers will need to state whether they intend to claim the measure against their rural sub-obligation.
- 6.11. For further information about establishing who is a member of the Affordable Warmth Group, see Chapter 7.
- 6.12. Under the Order, a 'rural area' is defined by reference to the '*Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas*'<sup>55</sup>. This document describes a rural area as 'a settlement of fewer than 10,000 inhabitants'. We will adopt the ONS approach to identification of settlements by number of inhabitants.

## Areas of low income

- 6.13. Under CSCO, the majority of measures<sup>56</sup> must be delivered to domestic energy users living in an area of low income.
- 6.14. A list of the areas of low income as defined by the ECO Order can be found within the document: *Energy Companies Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas* (ISBN 9780108511608)<sup>57</sup>.

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<sup>55</sup> Available at: <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/5536-carbon-saving-community-obligation-rural-and-low-.pdf>.

<sup>56</sup> The exceptions being measures delivered in adjoining and rural areas.

<sup>57</sup> Available at: [http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/greendeal\\_guid/greendeal\\_guid.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/greendeal_guid/greendeal_guid.aspx).

## Adjoining installations

- 6.15. A supplier may achieve part of its obligation under CSCO by carrying out qualifying actions to domestic energy users<sup>58</sup> living in a 'specified adjoining area' that adjoins (i.e. shares a border with) an area of low income. Under the Order, this type of qualifying action is also referred to as an 'adjoining installation'.
- 6.16. Areas which are 'specified adjoining areas' are listed in the following documents:
1. For England and Wales, the areas specified as a 'Lower Layer Super Output Area' (LSOA) in a document entitled 'Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex' (release date 28 September 2011)<sup>59</sup>.
  2. For Scotland, the areas specified as a 'data zone' in a document entitled 'SIMD Data Zone Lookup' (version 3 published on 6 March 2012)<sup>60</sup>.
- 6.17. A data zone in Scotland cannot 'adjoin' an area of low income in England & Wales, and a LSOA in England & Wales cannot adjoin an area of low income in Scotland.
- 6.18. Where a supplier notifies us of a measure installed in an adjoining area, it must notify us of the area of low income to which the adjoining area relates.
- 6.19. Information about when suppliers should notify us of adjoining installations is provided in Chapter 9.
- 6.20. A supplier is not permitted to achieve part of its rural sub-obligation by delivering adjoining installations to areas adjoining a rural area.

### The limit of carbon savings attributable to adjoining installations

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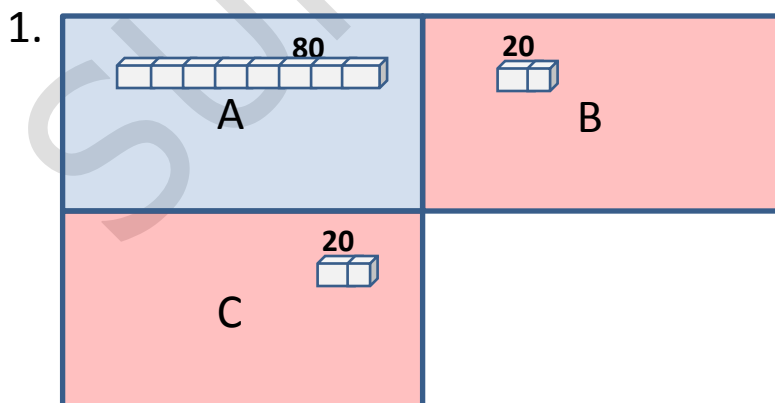
<sup>58</sup> See definition in Chapter 4 of this document.

<sup>59</sup> <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-230902>.

<sup>60</sup> <http://www.scotland.gov.uk/Topics/Statistics/SIMD/SIMDQuickLookup>.

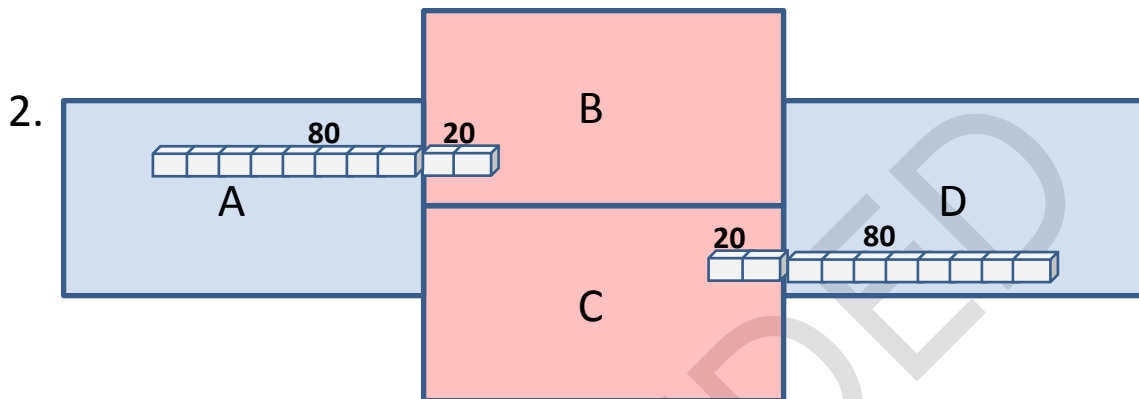
- 6.21. There is a limit to the carbon savings that a supplier may claim for adjoining installations. Where a supplier carries out a qualifying action in an area of low income (Area A), the supplier may claim savings for adjoining installations carried out in all the areas adjoining area A but only to the extent that the total carbon savings of those adjoining installations do not exceed 25 percent of the total carbon savings of the qualifying actions carried out in area A.
- 6.22. For example, assume that measures delivered to a particular area of low income achieve a total of 100,000 tCO<sub>2</sub> savings. The adjoining installations delivered to all the areas adjoining that area of low income cannot achieve more than 25,000 tCO<sub>2</sub> savings i.e. 25 percent of the total carbon savings achieved through measures delivered to the area of low income.
- 6.23. The three diagrams below illustrate the operation of the 25 percent limit on carbon savings attributable to adjoining installations.
- 6.24. For the purpose of the diagrams we *have assumed all measures have an equal carbon saving score*.

**Key:**

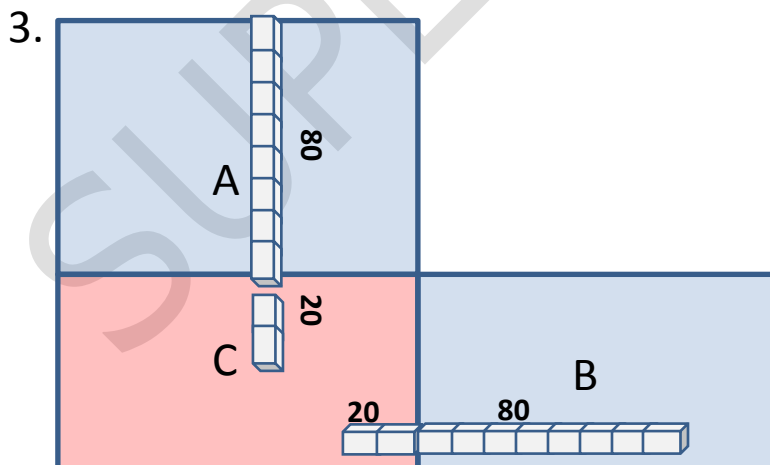


**Diagram 1:** Areas B and C are both adjoining to area of low income A. They do not adjoin any other areas of low income apart from A. The savings from the 40

measures in the adjoining areas exceed 25 percent of the savings from measures in the area of low income. Therefore, we will not award carbon savings to all measures.



**Diagram 2:** Areas B and C are both adjoining to the areas of low income A and D. The savings from the 20 measures in adjoining area B were identified by the supplier as relating to area of low income A. The savings from the 20 measures in adjoining area C were identified by the supplier as relating to area of low income D. In both cases, the savings from measures in each adjoining area equals 25 percent of the savings from measures in its related area of low income. Therefore, we will award carbon savings to all measures.



**Diagram 3:** Area C is adjoining areas of low income A and B. There are 40 measures in area C; 20 were identified by the supplier as relating to area A, and 20 were identified by the supplier as relating to area B. In both cases, the savings from both sets of measures in the adjoining area equals 25 percent of the savings from

measures in their related areas of low income. Therefore, we will award carbon savings to all measures.

SUPERSEDED

## 7. Home Heating Cost Reduction Obligation

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### Chapter Summary

Provides information about achieving the home heating cost reduction obligation (HHCRO).

### Introduction

- 7.1. Under HHCRO, suppliers must deliver measures which result in cost savings and which improve the ability of a householder to affordably heat their home. HHCRO focuses on low income and vulnerable householders, living in private housing (generally), where residents are in receipt of specific benefits and meet other related conditions (the 'affordable warmth group' or 'AWG'). This chapter provides information about achieving HHCRO.
- 7.2. A supplier achieves its HHCRO by promoting heating qualifying actions to householders who:
  1. are members of the affordable warmth group; or
  2. reside in the same home as a member of the affordable warmth group, provided that the action is carried out in that home.
- 7.3. Below we set out information relating to qualifying actions under HHCRO, before providing an explanation of the affordable warmth group and householder. This Chapter should be read in conjunction with Appendix 3 which details matters relating to 'tenant'.
- 7.4. We may conduct an audit of a qualifying action promoted by a supplier, and that audit may relate to one or more of the requirements or matters set out in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check are listed in the table at Appendix 1 of this Guidance. Please see Chapter 13 for further information on audit and technical monitoring.

### Qualifying actions under HHCRO



7.5. A supplier achieves its HHCRO by promoting heating qualifying actions. A heating qualifying action is the installation (and in the case of boilers, repair or replacement) of a measure that meets the criteria and conditions specified in Article 15(3) and (4) of the Order.

7.6. Each of the following measures will be heating qualifying actions:

1. the installation of a measure that will result in a heating saving;
2. the repair of a qualifying boiler where the repair will result in a heating saving and where the repair is accompanied by a warranty for one or two years; or
3. the replacement of a qualifying boiler which will result in a heating saving,

where the measure is installed after 30 September 2012, in accordance with the standards relating to installation of the measure<sup>61</sup> and by a person of appropriate skill and experience<sup>62</sup>.

7.7. Suppliers should note that when a new heating system and insulation are being installed in a property, the heating system should be sized so that it is appropriate to the property once the insulation has been installed.

7.8. A table of measures that are eligible as heating qualifying actions is available on our website<sup>63</sup>.

### Boiler repair and replacement

7.9. A boiler being repaired, or replaced by another boiler, may meet the definition of a qualifying boiler under the Order and so be eligible as a heating qualifying action under HHCRO.

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<sup>61</sup> See Chapter 4 for information about standards relating to installation of a measure.

<sup>62</sup> See Chapter 4 for information about installation by a person of appropriate skill and experience.

<sup>63</sup> <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Documents1/Energy%20Companies%20Obligation%20ECO%20-%20List%20of%20Measures%20and%20Additional%20Information.pdf>

- 7.10. The installation of a new boiler, even where it is not replacing a qualifying boiler, is an eligible measure under the HHCRO. It should be scored according to the same methodology as other measures under the HHCRO.
- 7.11. No more than five percent of a supplier's total HHCRO can be achieved by the repair of a qualifying boiler.
- 7.12. For information on the definition of, evidentiary requirements for, and how to score a qualifying boiler, see Appendix 2. For information about how to calculate the cost savings for repair or replacement of a qualifying boiler, see Chapter 8.

## Householder

- 7.13. A supplier should, before installing a measure for the purpose of its HHCRO, satisfy itself that the person receiving the measure is a 'householder'.
- 7.14. The term 'householder' is defined in Schedule 2 to the Order. There is a definition of householder that applies for England and Wales and a separate definition of householder that applies for Scotland. Each definition is concerned with the nature of a person's right to occupy the domestic premises in which the person lives. These premises must be the premises to which the measure is being installed.
- 7.15. Where a property is subject to a shared ownership arrangement between a private individual and a housing association, we consider the private individual to be a 'householder' by virtue of being a 'freeholder' or 'owner' of the premises.
- 7.16. The following information about 'householder' is a general guide only. Suppliers should use the Order itself, Schedule 2 in particular, to determine whether a person is a householder.

## England and Wales: Householder

- 7.17. In England and Wales, a person living in domestic premises will be a householder if that person falls within one of the six categories of occupier listed in paragraph 1 of Schedule 2 to the Order. The categories of occupier are:

1. a freeholder;

2. a leaseholder with a term of 21 years or more unexpired at the time a supplier offers to carry out an action;
3. a tenant (including a sub-tenant), but not an 'excluded tenant'. Further information about this category of tenant is provided at Appendix 3;
4. a holder of a licence to occupy, where the licence is for occupancy in 'an almshouse' that is maintained by a charity. This is a summary only of the relevant statutory provision and suppliers should look directly to paragraph 12(a) and (b) of Schedule 1 to the Housing Act 1985 to determine whether a person falls within the scope of this category;
5. a holder of an 'assured agricultural occupancy' under Part IV of the Housing Act 1988; and
6. a 'protected tenant' under section 1, Part 1 of the Rent Act 1977.

#### Householder: Scotland

7.18. In Scotland, a person living in domestic premises will be a householder if the person falls within the scope of one of the two categories of occupier listed in paragraph 2 of Schedule 2 to the Order. The categories of occupier are:

1. an owner of domestic premises; and
2. a tenant (including sub-tenant) of domestic premises, but not an 'excluded tenant'. Tenant includes a person who occupies premises:
  - (i) under the term of the person's contract of employment;
  - (ii) under a licence to occupy; or
  - (iii) as a cottar (within the meaning of section 12(5) of the Crofters (Scotland) Act 1993.

Further information about the category of tenant is provided in Appendix 3.

#### Identifying a 'Householder'

- 7.19. Although suppliers can adopt whatever approach they choose in identifying whether the person to whom they deliver a measure is a householder, a supplier must be able to satisfy us that the person to whom the measure was delivered was a householder. A supplier can do this through:
1. an audit regime developed and delivered by us. The size of the initial audit sample<sup>64</sup> will be 5%, or a statistically significant amount agreed with us, whichever is the lower.
  2. a monitoring regime, delivered by suppliers. Suppliers wishing to use such a regime should contact us to discuss the details. The initial sample<sup>65</sup> size included in the monitoring regime will be 5%, or a statistically significant amount agreed with us, whichever is the lower.
- 7.20. For both options, suppliers need to ensure that documents demonstrating householder status are made available on request. The documents must establish that the relevant person was a householder at some point in time during the supplier's promotion of the measure. See Appendix 1 for a list of the documents concerned. Suppliers do not need to retain copies of the documentation.
- 7.21. One way to ensure availability is to obtain a signed declaration from the householder, confirming their eligibility and that they consent to providing documentation on request. The declaration should be counter-signed by the assessor or installer confirming they have seen documentary evidence of householder status. Suppliers should retain this declaration.

## Affordable Warmth Group

### Relationship between 'Householder' and the Affordable Warmth Group

- 7.22. Under HHRCO, in addition to a supplier delivering measures to a person who is a householder, that person must also be either:

- (i) a member of the Affordable Warmth Group (the 'AWG'); or

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<sup>64</sup> A supplier will be required to audit a larger sample if an audit of the initial sample reveals a specified failure rate. The failure rate will be specified in future guidance, after engagement with suppliers.

<sup>65</sup> A supplier will be required to monitor a larger sample if a monitoring exercise of the initial sample reveals a specified failure rate. The failure rate will be specified in future guidance.

- (ii) residing with a member of the AWG.

- 7.23. In other words, the measure must be delivered to a householder at domestic premises where a member of the AWG resides.
- 7.24. Suppliers should be able to evidence that, where the AWG member is not the householder, the householder is also in residence at the premises.
- 7.25. In the case of a measure that is intended to achieve the rural sub-obligation in CSCO<sup>66</sup>, the measure must also be promoted to a person who is a member of the Affordable Warmth Group. However, that person does not need to be a 'householder'.

### The definition of AWG

- 7.26. The term 'AWG' is defined in Schedule 1 to the Order. The definition applies across England, Wales and Scotland. It is primarily concerned with whether a person receives a benefit from the Government and the nature of that benefit. In some cases it is also concerned with the person's annual income, and whether they have parental responsibility for looking after a child.
- 7.27. Note that this section discusses the definition of AWG as set out in the Order. The Order does not define AWG by reference to Universal Credit. We anticipate that the government will amend the Order to recognise receipt of Universal Credit, but until that time a person in receipt of Universal Credit is not a member of the AWG. Guidance will be provided on Universal Credit with respect to ECO as and when the government decides to legislate in this area.
- 7.28. This section is intended to inform suppliers about when a person will be a member of the AWG, how suppliers might identify that a person is a member of the AWG, and what documents they will need to make available to Ofgem on audit. When identifying a person who is potentially a member of the AWG, the information below should not be relied upon as the basis of determining definitively whether a particular person is a member of the AWG. Suppliers must use the Order itself - Schedule 1 in particular – for that purpose.
- 7.29. A person living in domestic premises will be a member of the AWG if the person is in receipt of:

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<sup>66</sup> Article 13(4).

- (a) child tax credit and has a relevant income of £15,860 or less;
- (b) income-related employment and support allowance and—
  - (i) receiving a work-related activity or support component; or
  - (ii) has parental responsibility for a qualifying child; or
  - (iii) is in receipt of a qualifying component;
- (c) income-based job seeker's allowance and—
  - (i) has parental responsibility for a qualifying child; or
  - (ii) is in receipt of a qualifying component;
- (d) income support and—
  - (i) has parental responsibility for a qualifying child;
  - (ii) or is in receipt of a qualifying component;
- (e) state pension credit; or
- (f) working tax credit and has a relevant income of £15,860 or less and—
  - (i) has parental responsibility for a qualifying child; or
  - (ii) is in receipt of a disabled worker element or severe disability element; or

is aged 60 years or over.

7.30. For further information on the concepts of:

- a. 'relevant income';
- b. parental responsibility for a qualifying child; or
- c. qualifying component,

suppliers should refer to Schedule 1 of the Order, where each of these concepts is defined (by reference to other legislation).

## Identifying members of the AWG

- 7.31. In the first instance, it is for the supplier to satisfy itself that a measure under either HHCRO or the rural area sub-obligation in CSCO is promoted to a member of the AWG or, as applicable, to a person residing with such a member (a 'relevant person').
- 7.32. Suppliers can satisfy us that the relevant person is a member of the AWG in one of four ways, either through:
- i) an audit regime, developed and delivered by us. The size of the initial audit sample<sup>67</sup> will be 5%, or a statistically significant amount agreed with us, whichever is the lower;
  - ii) a monitoring regime, delivered by suppliers. Suppliers wishing to use such a regime should contact us to discuss the details. The initial sample size<sup>68</sup> included in the monitoring regime will be 5%, or a statistically significant amount determined by Ofgem, whichever is the lower;
  - iii) Producing a WHD core group notice on audit; or
  - iv) Providing an ESAS verification number when they notify the measure
- 7.33. Further information about each of these options is provided below.
- 7.34. If a supplier is unable to satisfy us of the relevant person's status as a member of the AWG, then we will be unable to credit the savings associated with that measure against the supplier's HHCRO or CSCO rural sub-obligation.
- 7.35. If a supplier believes it has identified an alternative way to satisfy us of AWG status to those discussed in this section, they should contact us in the first instance.

### Audit or Monitoring Regime

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<sup>67</sup> A supplier will be required to audit a larger sample if an audit of the initial sample reveals a specified failure rate. The failure rate will be specified in future guidance, after engagement with suppliers.

<sup>68</sup> A supplier will be required to monitor a larger sample if monitoring of the initial sample reveals a specified failure rate. The failure rate will be specified in future guidance.

- 7.36. For options (i) and (ii) in paragraph 7.32 above, suppliers need to ensure that documents demonstrating the relevant person's status as a member of the AWG are made available on request. The documents must establish that the relevant person was a member of the AWG at some point in time during the supplier's promotion of the measure. See Appendix 1 for a list of the documents concerned. Suppliers wishing to use other documents as proof of eligibility should contact us to discuss. Suppliers do not need to retain copies of the documentation.
- 7.37. One way to ensure availability of these documents is to obtain a signed declaration from the relevant person, confirming their eligibility and that they consent to providing documentation on request. The declaration should be counter-signed by the assessor or installer confirming they have seen documentary evidence of AWG membership. Suppliers should retain this declaration.

### **Audit Regime**

- 7.38. Suppliers are able to satisfy us that a measure was installed to a relevant person who is a member of the AWG by ensuring that a copy of the person's Tax Credit Award Notice or benefit entitlement letter is available at audit. These documents do not need to be retained and can be checked at the time of audit. The size of the audit sample will be 5%, or a statistically significant amount, whichever is the lowest. Suppliers wishing to use other documents as proof of eligibility should contact us to discuss.
- 7.39. Further details of the documents that will be required to be produced on audit are detailed in Appendix 1. They must be capable of establishing that the relevant person was a member of the AWG at some point in time during the supplier's promotion of the measure<sup>69</sup>. The documents must not be dated more than 18 months prior to the date of completion of the qualifying action.

### **Monitoring regime**

- 7.40. A supplier may choose to use a monitoring regime to satisfy us of a person's status as a member of the AWG. We will publish further guidance providing details on this monitoring regime. Suppliers wanting to use this regime should contact us to discuss the details.



## Production of WHD 'Core Group' Notice at audit

- 7.41. A supplier can produce a Warm Home Discount Scheme<sup>70</sup> 'Core Group' Notice on audit to satisfy us that a relevant person is in receipt of state pension credit and is therefore a member of the AWG, instead of a state pension credit entitlement letter as discussed above.
- 7.42. Our requirements at audit are explained at paragraph 7.38 above.

## Provision of an ESAS verification number at notification

- 7.43. Suppliers are able to satisfy us that a person is a member of the AWG where they have been verified as eligible by the Energy Saving Advice Service (ESAS). DECC and the contractor operating ESAS have set up a referrals service to direct AWG-eligible consumers to ECO opportunities. This service includes verification of customer eligibility benefits via a link with DWP. This service produces a unique reference number for each referral. If a customer comes to a supplier through the referrals service and has been confirmed as AWG eligible by DWP and a unique reference number is generated, then the supplier should produce this unique reference number as part of its monthly notification of the relevant measure. Where an ESAS number is provided in this way, we will only need a supplier to evidence eligibility according to one of the other approaches discussed in this section where:
- 7.44. ESAS is unable to confirm that the unique reference number is valid; or
- 7.45. the referral was issued by ESAS more than 18 months before the date of completion of the measure.

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<sup>70</sup> See Regulation 6(1) of the Warm Home Discount Regulations 2011 for further details.

## 8. Calculating Savings

### Chapter Summary

This chapter provides guidance on how carbon and cost savings can be calculated, when notifying completed measures. It also provides information on software tools and our determination of attributing savings to measures.

### Introduction

- 8.1. For each measure that a supplier notifies, it must provide the carbon or cost saving associated with that measure.
- 8.2. A supplier must calculate the carbon or cost saving for each measure by using one of the following methodologies:
  - Standard Assessment Procedure (SAP)<sup>71</sup>;
  - Reduced data Standard Assessment Procedure (RdSAP)<sup>72</sup>;
  - in the case of the repair or replacement of a qualifying boiler, according to the formula set out in paragraph 8.36 below; or
  - an appropriate methodology.
- 8.3. Each of these methodologies and the specific requirements relating to them are explained below.

### Calculating both cost and carbon savings

- 8.4. When notifying us of completed measures, suppliers must include the particular type of saving (i.e. carbon or cost) that is relevant to the obligation against which the measure is to be credited. We recommend that suppliers calculate both carbon and cost savings for each measure, and to provide both in the monthly notification template.

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<sup>71</sup> 2009 edition, as amended in October 2010.

<sup>72</sup> 2009 edition, version 9.91 applicable from April 2012; available at [http://www.bre.co.uk/filelibrary/SAP/2009/SAP\\_2009\\_9.91\\_Appendix\\_S.pdf](http://www.bre.co.uk/filelibrary/SAP/2009/SAP_2009_9.91_Appendix_S.pdf).

- 8.5. This is because suppliers may wish, at a later date, and where a measure qualifies, to re-elect the obligation which the measure counts towards, or transfer the measure to another supplier for election against a different obligation that requires a different type of saving. If so, we will require that the cost or carbon saving is calculated using the fuel prices<sup>73</sup> or carbon coefficients which were relevant at the time of initial assessment or installation.

## SAP and RdSAP overview

- 8.6. The starting point for calculating cost and carbon savings under ECO is SAP and RdSAP. SAP is a methodology developed by the Building Research Establishment (BRE) on behalf of the government, to calculate the energy and environmental performance of dwellings. RdSAP is a simplified version of SAP that requires fewer data inputs. Both of these tools can be used to calculate the cost and carbon savings resulting from a particular measure.
- 8.7. Where SAP or RdSAP contain a methodology for calculating savings for a particular measure, it must be used to determine the savings associated with that measure<sup>74</sup>. Only if neither SAP nor RdSAP can be used, may suppliers use an appropriate methodology.
- 8.8. The following reasons are insufficient for a supplier to obtain approval to use an appropriate methodology:
1. the measure produces higher savings than the savings produced when calculated using SAP or RdSAP; or
  2. aspects of the SAP or RdSAP methodology are inaccurate with respect to the measure.
- 8.9. From time-to-time, SAP is updated to include new technologies. In between updates, measures which have been approved for the purposes of SAP are listed in 'SAP Appendix Q'<sup>75</sup>. Where a measure is included in SAP Appendix Q, we consider that SAP contains a methodology for calculating the savings for that measure and therefore an appropriate methodology cannot be used.

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<sup>73</sup> For SAP, these are the fuel prices contained with the 2009 edition, as amended in October 2010. For RdSAP, these are the fuel prices contained within the product characteristics data file (PCDF) that was valid at the point in time the measure was installed.

<sup>74</sup> Article 18(3) of the Order.

<sup>75</sup> Further information on SAPQ can be found at <http://www.sap-appendixq.org.uk>.

- 8.10. When calculating savings using SAP or RdSAP, suppliers must use the versions of these procedures that are referred to in the legislation: for SAP, the version published in October 2010; for RdSAP, version 9.91 applicable from April 2012.

## Using SAP or RdSAP

- 8.11. When using SAP or RdSAP to calculate a carbon or cost saving under ECO, suppliers must follow industry SAP or RdSAP guidelines for the use of those methodologies, unless our guidance specifically states otherwise. When using SAP and RdSAP, suppliers must ensure the following are taken into account:
1. Location – savings must be calculated using the appropriate weather region, wherever the methodology allows.
  2. Occupancy assessment – suppliers should **not** calculate scores for ECO in the occupancy assessment 'mode'.
  3. Product Characteristics Data File (PCDF) – this is updated every month and contains information such as up-to-date boiler efficiencies and fuel prices for use in conjunction with RdSAP. Fuel prices in the PCDF change every six months and RdSAP cost saving scores must be calculated using the PCDF which was valid at either the time of assessment or installation. Where 'before' and 'after' scores are used to calculate cost savings, the before and after cases must both use the same PCDF.
- 8.12. We are aware that there are existing guidelines<sup>76</sup> for using a sample of EPC assessments to create EPCs for dwellings of a similar type and construction ('sampling' or 'cloning'). Suppliers should note the following when deciding whether to use sampling. If technical monitoring or audit of a property shows that information derived from sampling and entered into a SAP or RdSAP calculation was inaccurate (with respect to the actual characteristics of the property), we will treat the technical monitoring or audit as having failed, even if industry guidelines for sampling were followed.

## Calculating a carbon or cost saving using SAP or RdSAP

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<sup>76</sup> For instance, *A guide to generating Energy Performance Certificates for similar dwellings owned by the same landlord* (DCLG, 2008).

- 8.13. Once a supplier has calculated the SAP or RdSAP saving for a particular measure, it must then multiply that saving by certain additional factors, in order to produce the carbon or cost saving for ECO. The formulae suppliers need to calculate carbon and cost saving scores respectively are set out below.

#### Formula for calculating a carbon saving using SAP or RdSAP

Under CERO and CSCO, suppliers should use the following formula to generate a carbon saving for an ECO measure:

$$S \times P \times L \times (100 \% - IUF) = \text{carbon saving (tCO}_2\text{)}$$

Where:

**S** is the annual carbon saving calculated in accordance with SAP or RdSAP;

**P** is the percentage of the 'total assumed installation' actually carried out

**L** is the lifetime of the measure (in years)<sup>77</sup>; and

**IUF** is the in-use factor of the measure (by percentage)<sup>78</sup>.

#### Formula for calculating a cost saving using SAP or RdSAP

(For calculating a cost saving for a qualifying boiler see paragraph 8.36 below).

Under HHCR0, suppliers should use the following formula to generate a cost saving for an ECO measure:

$$S \times P \times L = \text{cost saving (£)}$$

Where:

**S** is the annual cost saving calculated in accordance with SAP or RdSAP; and

**P** is the percentage of the 'total assumed installation' that is actually carried out

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<sup>77</sup> See table of lifetime figures below.

<sup>78</sup> See table of in-use factors below.

**L** is the lifetime of the measure<sup>79</sup>.

### Total assumed installation - 'P'

- 8.14. With respect to a particular premises and a particular measure, the 'total assumed installation' means the extent of installation that the SAP or RdSAP calculation assumes has been carried out.
- 8.15. SAP and RdSAP can take account of the actual extent of a measure installed, and should be used wherever possible. However, in some cases it may be difficult to use SAP and RdSAP accurately in this way, for example when trying to score insulation installed at a property with a variety of different wall types. In these cases, 'P' can be used to adjust the savings after the SAP/RdSAP calculation has been carried out.
- 8.16. Where the SAP/RdSAP calculation already takes into account the actual extent of the measure installed, P = 100%. Where less than 100 percent of a measure is installed, suppliers will need to ensure that they do not apply any other value of 'P', since the savings of the measure have already been appropriately reduced within SAP or RdSAP.

### Lifetime of a measure - 'L'

- 8.17. We have published a measures table on our website<sup>80</sup> which contains lists measures and the lifetime for each measure. This list will change from time-to-time as new measures are added, and occasionally existing information may change. We deem the lifetimes on this table as 'standard' and they should be used by suppliers when calculating the carbon saving or cost saving for an installed measure.
- 8.18. Suppliers can apply, in writing, to use a 'non-standard lifetime' in two cases.
1. Where a supplier wishes to install a measure that is not listed in our published measure table;

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<sup>79</sup> See table of lifetime figures below.

<sup>80</sup> Available at: <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Documents1/Energy%20Companies%20Obligation%20ECO%20-%20List%20of%20Measures%20and%20Additional%20Information.pdf>.

2. Where a supplier wishes to install a product that falls within a category of measure listed in our table but the supplier believes that the standard lifetime set for that category of measure is not accurate for the product.
- 8.19. A supplier must apply to us for the approval of a non-standard lifetime before installing a measure that is intended to be scored using that lifetime. The application should be made in writing, and accompanied by the information needed for us to make a decision whether to approve or reject the application. We will acknowledge receipt of the application.
- 8.20. We will notify the supplier of the outcome of their application for a non-standard lifetime.
- 8.21. When we award a non-standard lifetime for a measure or product we will publish that lifetime on our website. Another supplier may then use that lifetime when installing the measure or product.

### **Guarantee-dependent lifetimes for wall insulation**

- 8.22. Cavity and solid wall insulation systems have respective standard lifetimes of 42 and 36 years where the installations are accompanied by an appropriate guarantee.
- 8.23. An appropriate guarantee is one which meets the following criteria:
1. Financial assurance: there must be a mechanism that gives assurance that the guarantee will be honoured even if the company or association providing the guarantee ceases to exist, or does not have sufficient funds to honour the guarantee.
  2. Duration: lasts for 25 years or longer.
  3. Coverage: results in the failed measure being replaced and covers costs of remedial and replacement works plus materials.
  4. Quality Assurance Framework: there must be an assurance framework for the quality of the installation and the product used in the installation. We will assess the suitability of this framework and we may require verification through independent assessment by an independent UKAS-accredited or other appropriate body.

### **In-use factor - IUF**

- 8.24. An in-use factor is the percentage by which savings calculated under SAP or RdSAP should be reduced, in order to reflect the likely in situ performance (as opposed to theoretical performance) of an energy efficiency measure. Under ECO, in-use factors are only applied to measures installed under CERO and CSCO.
- 8.25. The in-use factors for most measures are listed in Schedule 3 to the Order and are replicated in **Table 3** below. Any measure not listed has an in-use factor of 15 percent<sup>81</sup>.

**Table 3: Relevant in-use factors for measures installed in CERO and CSCO**

Measure	In-Use Factor (percentage)
Cavity wall insulation (including insulation of hard-to-treat cavities)	35%
Connection to a district heating system	10%
Draught proofing	15%
External solid wall insulation for a mobile home	25%
Flat roof insulation	15%
High performance external doors and passageway walkthrough doors	15%
Loft or rafter insulation	35%
Pipework insulation	15%
Room in roof insulation	25%
Secondary or replacement glazing	15%
Solid wall insulation for a solid brick wall built before: a) 1967, if situated in England or Wales; b) 1965, if situated in Scotland	33%

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<sup>81</sup> See definition of 'relevant in-use factor' in Article 2 of the Order



Solid wall insulation for: a) a solid wall which is not built of brick; b) a solid brick wall built in- (i) 1967 or later, if situated in England or Wales; (ii) 1965 or later, if situated in Scotland	25%
Under-floor insulation	15%

### Decimal places

- 8.26. Carbon saving scores should be expressed in tonnes of carbon dioxide (tCO<sub>2</sub>) to three decimal places. Cost saving scores should be expressed in pounds sterling to the nearest pound. Where savings are calculated by comparing 'before' and 'after' data, rounding should occur after the comparison is carried out, not before.

### Calculating savings for packages of measures using SAP and RdSAP

- 8.27. Suppliers must calculate (and then notify) the savings for each measure installed at domestic premises. These savings must be notified to us in the month following the month in which the measure was installed (see Chapter 9).
- 8.28. Where a supplier installs a package of measures in a house, the savings attributable to each measure must be notified on a measure-by-measure basis.
- 8.29. Where two (or more) measures are installed in the same property, the calculation for the second measure installed must take into account that the first measure has already been installed.
- 8.30. The order in which measures are scored must be the same as the order of installation. Suppliers must ensure that measures are not scored using systems that automatically use the default order of installation within SAP/RdSAP because where this is different to the actual order of installation the individual measure scores will be inaccurate.

### Calculating savings for glazing

- 8.31. When calculating the saving for a glazing measure under the CERO, CSCO or HHCRO a supplier must only calculate the carbon saving or cost saving which exceeds the saving which that measure would achieve if installed to the minimum standard of glazing specified in the Approved Document L1B (conservation of fuel and power in existing buildings)<sup>82</sup> in England and Wales or the Domestic Technical Handbook (Section 6 – Energy)<sup>83</sup> in Scotland.
- 8.32. Therefore only the installation of glazing which exceeds that minimum standard can be counted towards obligations. Improvements to glazing which does not exceed that minimum standard will not be counted.
- 8.33. At the time this Guidance was published, the minimum standard for glazing in England and Wales<sup>84</sup>, and in Scotland<sup>85</sup> was Window Energy Rating (WER) Band C or better, or U-value 1.6 W/m<sup>2</sup>K.
- 8.34. Suppliers should adopt the following approach when calculating the carbon or cost saving for a glazing measure:
1. if the original glazing is below WER Band C or has a **U-value of 1.6 W/m<sup>2</sup>K or above**, a supplier should grade the original glazing as U-value 1.6 W/m<sup>2</sup>K. An associated g-value of 0.65 and a frame factor of 0.7 can be used in the calculation to represent WER Band C; or
  2. where the original glazing is WER Band C or better or has a **U-value of 1.6 W/m<sup>2</sup>K or below**, the actual U-value and g-value of the original glazing should be inputted into the SAP or RdSAP calculation.

### Calculating savings for extensions and 'new builds'

- 8.35. In the case of a measure installed as part of the construction of an extension to an existing premises, or the construction of a new build, we will award a score only to the savings achieved by that part of the measure that exceeds the requirements of Building Regulations or any other legal requirements. For instance, where solid wall insulation is installed during the construction of an

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<sup>82</sup> [http://www.planningportal.gov.uk/uploads/br/BR\\_PDF\\_ADL1B\\_2010.pdf](http://www.planningportal.gov.uk/uploads/br/BR_PDF_ADL1B_2010.pdf).

<sup>83</sup> <http://www.scotland.gov.uk/Topics/Built-Environment/Building/Building-standards/publications/pubtech/thb2011domenergy>.

<sup>84</sup> For England and Wales, see *Approved Document L1B* (conservation of fuel and power in existing buildings), [http://www.planningportal.gov.uk/uploads/br/BR\\_PDF\\_ADL1B\\_2010.pdf](http://www.planningportal.gov.uk/uploads/br/BR_PDF_ADL1B_2010.pdf).

<sup>85</sup> For Scotland see the *Domestic Technical Handbook* <http://www.scotland.gov.uk/Topics/Built-Environment/Building/Building-standards/publications/pubtech/thb2011domenergy>.

extension to a premises, an obligated supplier can be awarded a score only where the finishing U-value of the insulation is better than that specified by the Building Regulations or any other legal requirements. In this case, the score awarded will be for the difference between the required U-value and the actual finishing U-value of the wall.

## Calculating savings for qualifying boilers

8.36. Under the Order, there is a specific formula which suppliers must use to calculate savings resulting from the replacement or repair of qualifying boilers<sup>86</sup>. This is replicated below.

### Formula for calculating the cost saving for the repair or replacement of a qualifying boiler

In order to determine the cost saving for the repair or replacement of a qualifying boiler a supplier must use the following formula (as detailed in Article 17(1)):

$$(A-B) \times N$$

Where:

**A** is the cost of heating the premises and (where applicable) heating water where the premises does not have a working heating system as calculated using SAP, RdSAP or an appropriate methodology. To determine 'A', suppliers should assume *on-peak direct action electric heating*.

**B** is the cost of heating the premises and (where applicable) heating water, with the repaired or replaced boiler using SAP, RdSAP or an appropriate methodology.

**N**, for a boiler that has been *repaired*, is:

- 1, where a one-year warranty has been provided; or
- 2, where a two-year warranty has been provided.

**N**, for a boiler that has been *replaced*, is 12.

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<sup>86</sup> Article 17(1) of the Order.

8.37. The repair or replacement of a qualifying boiler should be scored from the starting position of 'no heating system present'. The SAP/RdSAP conventions<sup>87</sup> for this situation are as follows:

1. Space heating system: direct-acting on-peak portable electric heaters throughout; ignore any secondary heating system which may be present.
2. Space heating controls: none.
3. Hot water:
  - i. if actually from the broken boiler or from the (ignored) secondary heating system: enter as "no water heating system", i.e. electric immersion heater (dual or single depending on the actual system installed or the type of electricity meter).
  - ii. if from any other source (e.g. 'multipoint gas instantaneous', 'electric instantaneous') etc): enter as is.

8.38. For the avoidance of doubt:

1. If the dwelling has two main heating systems (as opposed to a main and a secondary), the broken main system should be entered as above, and the working one entered as is.
2. The SAP conventions in section A3.2 regarding partially heated dwellings should be disregarded for the purposes of scoring qualifying boilers.
3. SAP 2009 sections A3.4 and S10.1 (yellow box), which suggest that a non-working boiler should be entered as if it were working, do *not* apply to ECO scoring of qualifying boilers.

8.39. However, for scoring other measures installed at the same property as the qualifying boiler, the normal SAP/RdSAP conventions should be applied (including an assumption that the existing heating system is working).

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<sup>87</sup> References: SAP 2009 sections S10.1, S10.5, S10.6, Table 4a (twice), Table 4e, Table S17 and Table S18.

## Appropriate methodologies

- 8.40. Where SAP or RdSAP do not contain a methodology for calculating the carbon and cost saving for a particular measure, a supplier may apply to us for approval of an appropriate methodology to calculate the saving.
- 8.41. To use an appropriate methodology to calculate the saving for a measure, the appropriate methodology must first be approved by us. We will only approve an appropriate methodology where we consider that SAP or RdSAP do not contain a methodology for determining the savings associated with the measure for which a supplier is seeking approval for.
- 8.42. An appropriate methodology must include a lifetime for the measure, and it must take into consideration the likely performance of the measure once installed in the domestic premises.
- 8.43. A supplier must apply to us for the approval of an appropriate methodology before installing a measure that is intended to be scored using that methodology. The application should be made in writing, and accompanied by the information needed for us to make a decision whether to approve or reject the application. We will acknowledge receipt of the application.
- 8.44. We will notify the supplier whether the appropriate methodology has been approved or rejected.
- 8.45. A supplier may install measures that require an appropriate methodology from the day after they submit the application for the appropriate methodology. However, the supplier will be carrying out this activity at its own risk until such date that we approve the appropriate methodology.
- 8.46. When we approve an appropriate methodology for a particular supplier we will publish that methodology on our website. Another supplier may then apply to us to use the approved appropriate methodology. An application to use an approved appropriate methodology should be made in writing and sent to [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).

## Software and tools for calculating savings

### Introduction

- 8.47. Suppliers may use software or other tools to calculate ECO scores. Some tools may perform other functions in addition to calculating ECO scores, however that additional functionality is not considered in this Guidance.
- 8.48. Irrespective of whether calculations are done manually or via software, the calculations must be carried out according to the information in this chapter. Some tools that suppliers may use to calculate savings are discussed below.

### SAP or RdSAP software

- 8.49. Where calculating the ECO score for the saving for a measure supported by software to calculate the SAP or RdSAP score, the software must be approved by the Department of Communities and Local Government (England and Wales) or the Building Standards Division (Scotland). At time of publication, these tools are listed on the BRE website.

### Bespoke ECO software based on SAP or RdSAP software

- 8.50. Suppliers, and other stakeholders working on behalf of suppliers, may wish to utilise software tools that are based on approved SAP or RdSAP software but that also carry out additional calculations based on the ECO-specific information provided in this chapter (for example multiplying a score by the appropriate in use factor and lifetime).
- 8.51. We will require evidence that such bespoke ECO systems are robust and meet the requirements set out in this chapter. Suppliers and software companies should provide us with details of a system specification showing any adjustments that have been made from the approved SAP and RdSAP software. Where we determine that changes to approved SAP and RdSAP software are significant, we will require that the software is approved by an appropriate UKAS-accredited body.

- 8.52. In order to assist the development of bespoke scoring software, we have published a technical summary of the information provided in this chapter on our website<sup>88</sup>.
- 8.53. Suppliers can use a bespoke software tool to calculate scores before the tool has been approved by an appropriate UKAS-accredited body, if details of system specification can be provided to us demonstrating that the tool meets the requirements of this guidance.
- 8.54. Note that if at a later date we require that software to be approved, and in the course of approval changes are made to the software which result in the score originally notified being incorrect, then these scores will need to be recalculated and re-notified.
- 8.55. It will be the responsibility of software providers to assure themselves that their systems meet the requirements of the legislation and our Guidance.
- 8.56. We would expect suppliers to carry out their own checks of software systems to ensure they are compliant with the legislation and our guidance.

### **Energy Performance Certificates (EPCs) and Green Deal Advice Reports (GDARs)**

- 8.57. Suppliers will not be able to use the savings score identified on an EPC or GDAR because the score will not meet one or more of our requirements described earlier in this Chapter, including:
1. to calculate scores to the specified number of decimal places;
  2. to provide measure-by-measure carbon saving scores; and/or
  3. to score measures in the order of installation.
- 8.58. However, you may choose to use the inputs used to produce the EPC and/or GDAR on the basis of a separate RdSAP calculation. If technical monitoring or audit of a property shows that information derived from an EPC and entered into a SAP or RdSAP calculation was inaccurate (with respect to the actual

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<sup>88</sup> <http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Pages/index.aspx>.

characteristics of the property)), we will treat the technical monitoring or audit as having failed.

### **The ECO Administrator's determination of savings attributable to qualifying action, excess action and adjoining installations**

- 8.59. While suppliers are required to notify the cost saving or carbon saving for a completed qualifying action<sup>89</sup>, it is the duty of the ECO Administrator to attribute savings to a notified action. In addition, we will attribute savings to excess actions.
- 8.60. To attribute a saving we must be satisfied that the carbon or cost saving has been accurately calculated. Where we are not satisfied that a supplier has calculated a saving accurately we will attribute what we consider to be the correct saving, had it been accurately calculated. Where we have grounds to doubt that a supplier has calculated a saving accurately, we will ask the supplier to provide the information we need to determine the correct savings. Until we receive this information, we will be unable to attribute savings to a qualifying action.
- 8.61. We will take into account various matters when judging whether savings have been calculated accurately, including:
- the accuracy of the data entered into the calculation; and
  - the accuracy of the methodology used to perform the calculation (for example, whether the methodology used is in accordance with SAP, RdSAP, or the appropriate methodology as approved by us).
- 8.62. In a case where a supplier transfers a completed action to another supplier<sup>90</sup>, or re-elects the obligation against which a completed action is to be counted<sup>91</sup>, we may need to attribute an alternative form of saving to the form originally notified. For example, if we originally attributed a carbon saving, the transfer or re-election may require us to attribute a cost saving.
- 8.63. Suppliers should be aware that we are unable to make a final determination on the carbon savings to be attributed to adjoining installations until after 31 March 2015. The Order prevents us from attributing savings to an adjoining

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<sup>89</sup> See Chapter 9 for information about notifying savings.

<sup>90</sup> See Chapter 10 for further information about transfers.

<sup>91</sup> See Chapter 12 for further information about re-election.



installation until we have determined that the adjoining installation does not exceed the 25 percent limit (explained in Chapter 7).

## **Demonstrating the accuracy of calculations**

- 8.64. Technical monitoring agents will check the accuracy of calculations when assessing installations. Also, we will audit a sample of calculations to assess their accuracy. The documents and data that must be produced to our auditor or officer will depend on what software or tool has been used to calculate the savings for measure. Please see Appendix 1 for further information on what documents and data must be produced.
- 8.65. Where a calculation is not carried out by an accredited SAP or RdSAP assessor, we may increase the size of the sample that we audit, and we will increase the size of the sample that must be technically monitored. For this reason, we encourage suppliers to only use accredited SAP or RdSAP assessors to carry out calculations on their behalf.
- 8.66. Furthermore, where inputs to an EPC have been used for an RdSAP calculation and the EPC has been lodged, this will provide additional assurance that the scores have been calculated using accurate input data. Where the EPC has not been lodged, we may increase the size of the sample that we audit, and we will increase the size of the sample must be technically monitored. Therefore we encourage suppliers to lodge EPCs where the inputs are used to calculate a carbon or cost saving score.
- 8.67. Please see Chapter 13 for more information on audit and technical monitoring.

## 9. Monthly Notification of Completed Measures

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### Chapter Summary

Provides information on the notification that suppliers must submit to us regarding a completed qualifying action or adjoining installation ('completed measure'). It includes information on when these measures must be notified to us, what must be notified for each measure, how it should be notified, what happens when a successful notification contains errors, and our approach to requests for extensions.

### Introduction

- 9.1. Suppliers must notify completed qualifying actions and adjoining installations to us by the end of the month following the month in which installation of the relevant measure was completed.
- 9.2. This chapter explains what information must be notified for each measure, when these measures must be notified to us, how they should be notified, what happens when a successful notification contains errors, and our approach to requests for extensions. It also explains that we will report information to the Secretary of State, and the notice suppliers must provide consumers to inform them of how their data will be processed.

### When a supplier must notify us of completed measures

- 9.3. A completed measure is a qualifying action or adjoining installation whose installation is complete. Subject to paragraph 9.4 below, in order for a completed measure to be able to count towards a supplier's obligations under ECO, the supplier must notify us of that completed measure by the end of the calendar month after the month in which installation of the measure was completed (the 'notification deadline'). For example, if a measure is completed during June 2014, its notification deadline will be 31 July 2014.
- 9.4. For all measures completed in the period between 1 October 2012 and 31 January 2013, a supplier must have notified us of these measures by the end of February 2013.

## When is installation of a measure complete?

- 9.5. The installation of a measure is deemed to be complete on the date that it is capable of delivering savings at, or around, a level that is to be expected for that measure. This will normally be the date on which the installer finishes work on the measure.
- 9.6. However, for the purpose of monthly notification we will generally consider the measure to be completed on the date on which the measure is effectively handed over to the customer. For measures installed in accordance with PAS 2030:2012, the meaning of handover is defined within that Specification<sup>92</sup>, and the date of handover must be specified in the Declaration of Conformity<sup>93</sup>.
- 9.7. For measures that do not need to be installed in accordance with PAS 2030:2012, or where no Declaration of Conformity is produced, the date of handover will be the date on which (a) work on the installation of the measure is finished, and (b) any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer. In this case, a declaration of completed installation should be obtained instead<sup>94</sup>.
- 9.8. We expect handover to take place within four calendar weeks of the installer finishing work on each measure.
- 9.9. The only exception to this requirement is where a supplier installs a particular type of measure in multiple premises (such as a block of flats, or a row of houses, or where flats and/or houses are on same estate) where those flats or houses are owned by the same landlord(s). In this instance the installer may handover to the landlord(s) or its agent (rather than to the tenants of the premises) and may do a single handover for all measures installed of that type. As such all the measures of that type can be notified in the same monthly notification because all the measures will have the same handover date. We expect handover to take place within four weeks of the installer finishing work on the last measure.

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<sup>92</sup> Paragraph 4.12, PAS 2030:2012.

<sup>93</sup> Paragraph 7.2, PAS 2030: 2012.

<sup>94</sup> An example of what this declaration should look like is available on our website at:  
[http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20\(ECO\)%20-%20EXAMPLE%20Declaration%20of%20Completed%20Installation.pdf](http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/Energy%20Companies%20Obligation%20(ECO)%20-%20EXAMPLE%20Declaration%20of%20Completed%20Installation.pdf).

- 9.10. Under CERO, there is a category of measures (secondary measures) that are only qualifying actions if, among other requirements, they are installed within six months before or after the date a supplier installs a 'primary measure'. A primary measure is either insulation of a hard-to-treat cavity or solid wall insulation<sup>95</sup>.
- 9.11. Where a supplier installs a secondary measure *before* the installation of a primary measure, the secondary measure is not complete until the primary measure is installed and the requirement to notify does not arise until this time. Suppliers should therefore notify us of the secondary measure(s) at the same time as they notify us of the primary measure.
- 9.12. Suppliers must be able to evidence the date on which a measure was completed. The documentation we expect a supplier to retain in order to do this is explained in Appendix 1.

### Information suppliers must include as part of notification

- 9.13. In order for the notification of a completed measure by a supplier to be successful, the supplier must provide us with the following information<sup>96</sup>. **If the supplier does not provide this information by the notification deadline, notification of the measure will be unsuccessful and the carbon or cost savings associated with the measure will be lost:**
1. the name or ECO reference of the obligated supplier (i.e. licence-holder) that promoted the installation of the completed measure;
  2. the address at which the measure was installed;
  3. the type of measure installed;
  4. the date on which the installation of the measure was completed;
  5. the obligation the measure is intended to be credited towards; and

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<sup>95</sup> See Chapter 5 of this document for further information.

<sup>96</sup> This information is required under Article 16 of the Order.

6. the carbon or cost saving as appropriate<sup>97</sup>.
- 9.14. A copy of the notification template suppliers may use for monthly notification is available on our website. We will consider each measure identified in a notification separately when determining whether notification of that measure has been successful.
- 9.15. In certain circumstances, we may grant suppliers an extension to the notification deadline for this information. This is discussed under the heading *Applications for extensions to the notification deadline* below.
- 9.16. In addition to the information listed in paragraph 9.13 above, we also require suppliers to notify other information when submitting their monthly notification of a completed measure<sup>98</sup>. We require suppliers to submit all of this further information by the notification deadline. Failure to do so will not render notification of that measure unsuccessful. However, failure to provide this information will mean we are unable to process a supplier's notification, as some of this information is required in order for us to be able to determine whether a qualifying action can be credited towards a specific obligation. Failure to provide this information may be treated as a failure to comply with a relevant requirement for which our enforcement powers are available<sup>99</sup>.
- 9.17. This further information is detailed in the notification template and associated data dictionary are available on our website. Suppliers should refer to the most recent version of the notification template to understand what this information comprises.

## How to notify a measure

- 9.18. The notification template describes the information that suppliers must include as part of the monthly notification for a particular type of completed measure. There is also a data dictionary on our website which is intended as a reference tool for completing the notification template.

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<sup>97</sup> Where a supplier anticipates that it may transfer a measure between obligations or to another supplier, the supplier should include both the carbon and cost saving as appropriate in the notification template. For further information please see Chapter 8 of this Guidance.

<sup>98</sup> We are requiring this information from suppliers pursuant to our information gathering powers under Article 23 of the Order.

<sup>99</sup> See Article 24 of the Order.

- 9.19. A notification of a completed measure must be made using the notification template and using the formatting prescribed within the data dictionary<sup>100</sup>. Suppliers will need to provide this information to us securely. This will initially be carried out through secure e-mail before transferring to a secure web upload facility<sup>101</sup>.
- 9.20. We will review each measure that is successfully notified to us and will inform suppliers of the savings attributed to that measure<sup>102</sup>. Where necessary, we may require a supplier to clarify the information notified or provide further information with respect to a notification before we are able to attribute savings for the notified measure.
- 9.21. We intend to process notified measures in a reasonable timeframe, in order to inform suppliers against which measures we have attributed savings. Our ability to process measures will be dependent on the quality and completeness of the information provided at notification.

### Errors in successful notifications

- 9.22. Before a notification deadline, a supplier may make corrections to a notification that the supplier has submitted to us. For example, for a measure installed on 15 June 2014 and notified on 10 July 2014, an error in the notification template should be corrected at any time up to and including 31 July 2014.
- 9.23. After the relevant notification deadline (in the above example, after 31 July 2014), the notification may only be corrected with our consent, and in some cases, may require an extension request.
- 9.24. It is the responsibility of each supplier to ensure that the information contained in all notifications is true and to manage any third parties involved in delivery. Errors in the notification of a completed measure may result in the respective carbon or cost saving for that measure not being attributed towards a supplier's obligation and may lead to enforcement action.

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<sup>100</sup> We are requiring this in order to allow us to automate some of the verification process and is therefore required as per our powers in Article 23(1) of the Order.

<sup>101</sup> We will provide further information to relevant suppliers as to when this transition will occur.

<sup>102</sup> The Order prevents us from attributing a carbon saving to an adjoining installation until after 31 March 2015.

## Applications for an extension to the notification deadline

- 9.25. Suppliers can apply to us for an extension to the notification deadline for a completed measure. The application must be in writing and must include a reason explaining why an extension is being requested. The reason should be supportable by evidence. A request for an extension should be made promptly by the supplier when it first becomes aware that it has, or will, fail to notify a measure by the notification deadline.
- 9.26. Once a supplier becomes aware that it has, or will, fail to notify a measure by the notification deadline the supplier should take all reasonable steps to ensure that the measure is notified as soon as possible. Such steps, of themselves, will not guarantee that an application for extension will be approved.
- 9.27. Suppliers are expected to be able to notify us of completed measures by the notification deadline. We are not obliged to grant an extension to suppliers and as such we will consider each application on its merits. We will grant an extension to the notification deadline if a supplier satisfies us that it has or had a reasonable excuse for failing to submit notification by the notification deadline. Further information about 'reasonable excuse' is provided below.
- 9.28. We are unable to grant an extension to the notification deadline for the notification of a completed measure where the reason provided is 'administrative oversight on the part of the supplier'. Further information on examples of what we consider to be 'administrative oversight' is provided below.
- 9.29. Suppliers should submit a request for an extension using the template 'Application for Extension' which is available on our website<sup>103</sup>. We will process applications for extensions within a reasonable timeframe.
- 9.30. Suppliers may submit a completed notification template in respect of the measure(s) for which they are seeking an extension at the same time as they submit the application for the extension. Where they do not, a supplier's application must identify the measure(s) (including the address at which the measure is installed) in respect of which it is seeking an extension.

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<sup>103</sup> <http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Pages/index.aspx>.

## Reasonable excuse for failing to submit notification by the notification deadline

9.31. A reasonable excuse is an unexpected or unusual event:

1. that is either unforeseeable or beyond the supplier's control; and
2. which prevents the supplier from submitting notification by the notification deadline.

9.32. We will judge the actions of a supplier from the perspective of a prudent supplier exercising reasonable foresight and due diligence, having proper regard for its responsibility under the Order.

9.33. Where a supplier relies on another party to provide the supplier with the information necessary to notify a completed measure, the supplier is responsible for ensuring that the other party carries out its task correctly. We expect the supplier to take reasonable care to explain to the third party what they require them to do and to set deadlines for the task. We expect the supplier to have put in place processes for eliminating or mitigating any risk of the other party failing to carry out its task correctly. If a supplier does this, but fails to submit notification by the notification deadline because of what the third party did or did not do, the supplier may have a reasonable excuse.

9.34. It is not possible to give a comprehensive list of what might be a reasonable excuse. Each case will be judged on its merits. However, administrative oversight on the part of the supplier is not a reasonable excuse.

## Determining the period of extension

9.35. Where we are satisfied that an event occurred that gives a supplier reasonable excuse for failing to submit notification by the notification deadline, we will expect the supplier to have taken (or, depending on the timing of the application for extension, to take) all reasonable steps to submit the notification at the earliest possible point in time. We will grant an extension to this point in time.

## Administrative oversight on the part of the supplier

9.36. Administrative oversight includes instances where the supplier fails to carry out an administrative task for reasons within the supplier's control and where



the cause of that failure was reasonably foreseeable. Examples of administrative oversight on the part of the supplier would normally include:

1. sending the notification to the wrong email address;
  2. forgetfulness;
  3. sickness or absenteeism of person with relevant knowledge or login details, where it is reasonable to expect the supplier to have a secondary person with the necessary authority and knowledge to submit the notification;
  4. routine maintenance of IT systems; and
  5. misplacing of password/login details.
- 9.37. The above list is not exhaustive and all applications for extension will be assessed on a case-by-case basis. We will take into account the degree of control exercised by the supplier over the administrative oversight when deciding whether the administrative oversight is on the part of the supplier. For example, we will generally consider the administrative oversight to be on the part of the supplier where an employee of the supplier is responsible for the administrative oversight.

### **Monthly report to the Secretary of State**

- 9.38. One of our duties under the scheme is to submit a report to the Secretary of State each month from March 2013. These reports will set out the progress which suppliers have made towards meeting their obligations and will be published to our website.
- 9.39. This report will provide aggregated data from the information notified to us by suppliers each month, to the Secretary of State, and will include information on individual supplier progress towards achievement of their obligations. Please see Chapter 12 for further information on our final report to the Secretary of State.

## Fair Processing

- 9.40. In the course of fulfilling their obligations under ECO, suppliers will be obtaining information about customers. Some of this information will need to be provided to us either as part of the monthly notification or in the course of our audits. In addition, in the course of transfer of a qualifying action, one supplier will disclose customer information to another supplier. Suppliers should ensure that their processing of this information complies with all applicable data protection laws.
- 9.41. In particular, it is the responsibility of suppliers to ensure that customers to whom they deliver measures under ECO are properly informed of how their information will be processed and for what purposes, including to whom such information will be disclosed. This includes informing customers that their data will be shared with us.
- 9.42. In general, the Data Protection Act 1998 requires persons collecting personal data to provide the data subject with a Notice of Fair Processing, also known as a Privacy Notice. So that we are able to process the customer data that we receive from suppliers, we require the following wording to be included in every Privacy Notice that suppliers provide to customers under ECO:

'Some of the information you have provided to [*name of supplier/company*] ('your personal information') may be disclosed to Ofgem as Administrator of the ECO scheme. Ofgem is the Office of the Gas and Electricity Markets. Further information about Ofgem can be found at <http://www.ofgem.gov.uk>.

Ofgem may use your personal information to determine whether a supplier is achieving its obligations under the scheme and to comply with its own statutory duties. Ofgem is required to disclose your personal information to the Secretary of State. Ofgem may seek to verify your personal information by contacting you directly or by checking it against existing Government records.

If you would like to know more about what information Ofgem holds about you, or the way it uses your information, full details of Ofgem's ECO Privacy Policy can be found at:  
<http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Pages/index.aspx>. You can also contact Ofgem directly at [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).'

- 9.43. This wording is intended to discharge certain of our obligations under the Data Protection Act 1998. It is not intended, and should not be relied upon, to discharge suppliers' obligations in respect of the same or other data

protection laws. Further guidance on what information Fair Processing Notices should contain can be found on the Information Commissioner's Office website at: <http://www.ico.gov.uk/>.

SUPERSEDED

## 10. Transfers of Qualifying Action

### Chapter Summary

Explains what a transfer is, how suppliers can apply to transfer a measure to another supplier, and the grounds on which we will approve or refuse such applications

### Introduction

- 10.1. Under the Order, a supplier may apply for a qualifying action it has achieved to be transferred to another supplier<sup>104</sup>.
- 10.2. This Chapter sets out the process for making an application to transfer a qualifying action, the circumstances in which we will approve an application, and the effect of a transfer.

### Making an application to transfer

- 10.3. For a qualifying action to be the subject of a transfer, it must have been notified, determined as a qualifying action and had a saving attributed to it. Suppliers wishing to transfer qualifying actions which have not yet had savings attributed (for example in the final months of the overall obligation period) should contact us.
- 10.4. A supplier may make an application to transfer a qualifying action at any time up to and including 31 March 2015. An application to transfer must be made via the ECO Register. Suppliers wishing to make an application before this functionality is available, should contact us.
- 10.5. In making an application through the ECO Register, both Supplier A (the seller or transferor) and Supplier B (the buyer or transferee) will be required to provide certain information in the first instance. For example:
  - a. from Supplier A: the 'unique identifiers'<sup>105</sup> of the qualifying actions that are the subject of the transfer;

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<sup>104</sup> Article 20(1) of the Order.

<sup>105</sup> As outlined in Chapter 9, suppliers are required to create a unique identifier for each

- b. the carbon or cost saving (as applicable) for each qualifying action;  
and
  - c. from Supplier B, the name of the obligation Supplier B intends each qualifying action to be credited towards (i.e. Supplier B's CERO, CSCO, or HHCRO).
- 10.6. In the course of approving an application for transfer, we may also ask Supplier A and/or Supplier B to provide additional information in support of its application. For example, Supplier A may be asked to provide evidence of future installations planned or contracted, or other details around proposals for meeting its obligation. Supplier B may be asked for information to demonstrate the transferred measure meets the eligibility requirements of the obligation it has elected the measure to.
- 10.7. There is no limit on the number of qualifying actions that a supplier can seek to transfer in any one application. Nor is there any limit on the number of applications that a supplier can make during the overall obligation period (providing all applications are received by 31 March 2015<sup>106</sup> and meet the criteria for transfer). We will treat requests for transfer in batches and as such we will assess the application as a whole.
- 10.8. The transfer process must be used for all transfers including those between two suppliers within the same group of companies as well as those a different group of companies. See Chapter 2 for further information on the definition of 'supplier' under ECO.

### Adjoining installations and excess actions

- 10.9. Adjoining installations cannot be the subject of a transfer. An adjoining installation only becomes a qualifying action after we have determined whether the savings from adjoining installations are within the 25 percent limit<sup>107</sup>, and notified the supplier of our determination<sup>108</sup>. Under the Order, we are not able to make this determination until *after* March 2015<sup>109</sup>. An

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measure it notifies to us.

<sup>106</sup> Article 20(2)(a) of the Order.

<sup>107</sup> For information about the limit on savings attributable to adjoining installations see Chapter 6.

<sup>108</sup> Article 14(3).

<sup>109</sup> Article 14(4)(a).

application for the transfer of a qualifying action must be made *by* 31 March 2015, therefore, an adjoining installation cannot be the subject of a transfer.

- 10.10. In addition, excess actions cannot be the subject of transfer, as the Order specifies that only 'qualifying actions' can be transferred between suppliers<sup>110</sup>.

### **An application for transfer between different obligations**

- 10.11. Supplier B may apply for a qualifying action notified by Supplier A under one obligation (for example CERO) to be transferred to and credited against a different obligation for Supplier B (for example, CSCO).
- 10.12. Where suppliers apply to transfer a qualifying action between obligations that have different savings (e.g. from a carbon saving to a cost saving), Supplier A must provide the carbon or cost saving for the obligation the qualifying action is to be transferred to. Where the carbon or cost saving was not included in the original notification, Supplier A must recalculate the carbon or cost saving (as appropriate) for the obligation the measure is intended to be attributed to. The saving should be calculated in accordance with relevant provision of Article 16, but taking into account the premises as it was at the time the measure was installed (that is, discounting any later installations). The calculation should also use the version of carbon coefficients or fuel prices that were in force at the time the measure was carried out.
- 10.13. As outlined in Chapter 9, we recommend that a supplier provide both the carbon and cost saving when it notifies a measure in anticipation of transfer (or re-election of an obligation, see Chapter 12).
- 10.14. Suppliers should be aware that if the qualifying action does not meet the criteria of the obligation elected by Supplier B, we will be unable to credit the savings associated with the action against that obligation. For example, we would be unable to credit a CERO qualifying action achieved by Supplier A against Supplier B's HHCRO unless it had been promoted to a 'householder' who was, or resided with, a member of the AWG. In practice, suppliers may choose to elect obligations separately to transferring the measures between them to reduce this risk.

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<sup>110</sup> Article 20 (1) of the Order.

## Approving a transfer

- 10.15. 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 Supplier A being unable to meet one of its total obligations<sup>111</sup>. As noted above, in making this assessment, we may seek additional evidence from Supplier A to demonstrate its ability to meet its obligations if the transfer is approved (for example, projection of installations).
- 10.16. Reasonable grounds to reject an application are likely to arise, particularly in the latter stages of the overall obligation period, where, for example, a supplier has made relatively poor progress towards achieving the relevant obligation to date, and has insufficient future installations planned to meet the obligation, or is unable properly to explain its proposals for doing so.
- 10.17. Suppliers should be aware that we cannot refuse an application on the basis that the qualifying measure does not meet the criteria or conditions of the obligation it is re-elected to. For this reason Supplier B should always ensure that the qualifying action that is to be transferred meets the eligibility criteria for its elected obligation.
- 10.18. We have no part in arranging, adjudicating or transacting any commercial agreement that is entered into as part of the transfer of measures between suppliers.

## Following transfer

- 10.19. Where we approve a transfer, we will notify both suppliers of the approval. This notification will include the saving that has been removed from Supplier A and the saving that has been attributed to Supplier B.
- 10.20. Where we decide not to approve a transfer, we will notify both suppliers of the reasons for our decision.
- 10.21. Once approved, the qualifying actions that have been transferred are treated as being achieved by Supplier B and not by Supplier A<sup>112</sup>. Supplier B accepts a transfer at its own risk. If, for example, a qualifying action transferred to

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<sup>111</sup> That is, the supplier's total CERO, total CSCO, or total HHCR0.

<sup>112</sup> Article 20(5) of the Order.

Supplier B later fails an audit, Supplier B will be responsible for remedying the measure (or it will lose the savings).

10.22. Supplier B will need to ensure that it is able to produce the documents and data necessary to demonstrate to an auditor that a transferred qualifying action meets the eligibility criteria for the obligation that action is to be credited against.

10.23. Suppliers should note that any transfer of personal data in the course of a transfer of completed qualifying action will amount to the processing of personal data for the purpose of the Data Protection Act 1998 (DPA). Suppliers should ensure that the transfer of personal data is in compliance with the Data Protection Principles under the DPA.



## 11. Excess Actions

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### Chapter Summary

Explains what constitutes an excess action, covers the criteria that an application for excess action will need to meet in order to be approved by us and explains the process by which we will approve excess actions.

### Introduction

- 11.1. A supplier may apply to us no later than 1 June 2013 to gain credit towards its ECO obligations for 'excess actions'. Excess actions are measures that are approved and installed under CERT and CESP, but which are not required by the supplier to meet its CERT and CESP obligations<sup>113</sup>.
- 11.2. This chapter explains what an excess action is, the circumstances in which a supplier can use excess actions to claim credit towards its ECO obligations<sup>114</sup>, what an application should include, and the grounds on which we will approve an application.

### What is an excess action?

- 11.3. For a measure to be considered an excess action, it must meet *all* of the 'core requirements' *and* those of the additional requirements specified below that are relevant.

### The core requirements

- 11.4. The core requirements are that the measure:
- is approved and installed under CERT or CESP;
  - is installed from and including 2 January 2012;
  - if installed between 1 October and 31 December 2012, is:

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<sup>113</sup> Its obligations under the Electricity and Gas (Carbon Emissions Reduction) Order 2008 and the Electricity and Gas (Community Energy Saving Programme) Order 2009 as amended.

<sup>114</sup> Namely, the total carbon emissions reduction obligation; total carbon saving community obligation; or total home heating cost reduction obligation.

- i) installed by a person of appropriate skill and experience; and
- ii) in accordance with PAS 2030:2012<sup>115</sup> (where the measure is referred to in that Specification);

*and*

- d. is not required by the supplier to satisfy its CERT or CESP obligations.

11.5. In relation to core requirement (i), we will deem a measure to have been 'approved and installed' under CERT or CESP where:

- 1. the measure is reported in the final notification submitted by suppliers (and generators, in the case of CESP) by 31 January 2013; and
- 2. we judge the measure to be a qualifying action for the purposes of CERT or CESP.

11.6. In relation to core requirement (iv), the following paragraphs explain when a measure is *not* required by a supplier to satisfy its CERT or CESP obligations. Broadly, this will be when the CERT or CESP obligations have either been met, or if that measure cannot be attributed to any sub-obligation or obligation under those obligations as applicable.

#### When is a measure not required under CESP?

11.7. We will assess applications relating to excess action *after* we have made our final determination, at the close of the CESP scheme, as to whether suppliers have achieved their CESP obligation. Generally we will judge that a measure is not required by a supplier to meet this obligation where:

- 1. the supplier achieved the obligation; and
- 2. the measure was not counted towards achievement of the obligation.

11.8. However this rule is subject to the rule below.

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<sup>115</sup> See Chapter 4 for an explanation of PAS 2030:2012.

## Measures that exceed a limit on qualifying action (CESP)

11.9. Where a qualifying action under CESP exceeds the following limits the CESP Order prevents us from counting the qualifying action towards achievement of the obligation for CESP:

1. no more than four percent of an obligated party's obligation may be achieved by the provision of loft insulation;
2. no more than four percent of an obligated party's obligation may be achieved by the provision of cavity wall insulation; and
3. no more than one percent of an obligated party's obligation may be achieved by the provision of a home energy advice packages.

11.10. Therefore where a qualifying action exceeds one of these limits it is not required by the supplier to meet its obligation under CESP.

## When is a measure not required under CERT?

11.11. We will assess applications relating to excess action *after* we have made our final determination, at the close of the CERT scheme, as to whether suppliers have achieved their main CERT obligation' and the following sub-obligations:

1. the insulation obligation;
2. the priority group obligation; and
3. the super priority group obligation.

11.12. Generally, we will judge that a measure is not required by a supplier to meet either its main obligation or a sub-obligation where:

1. the supplier achieved that obligation; and
2. the measure was not counted towards achievement of the obligation.

11.13. However, this rule is subject to the rules described in paragraphs 11.14 to 11.20.

## Measures that are surplus to the remainder of the main CERT obligation

- 11.14. Under CERT, a supplier must achieve each of its sub-obligations in order to achieve its main obligation. For the purpose of this guidance, we refer to the part of the main obligation that is not included within a particular sub-obligation as '*the remainder of the main obligation*'.
- 11.15. A supplier may fail to achieve its main obligation because it fails to achieve a particular sub-obligation, even though it delivered sufficient measures within *the remainder of the main obligation* to meet its main obligation. If the measures delivered to *the remainder of the main obligation*,
- cannot count towards achievement of that sub-obligation; and
  - are surplus to achieving *the remainder of the main obligation*,
- we will judge that a measure is not required by the supplier to meet its main obligation.
- 11.16. For example, if a supplier does not meet its super priority group obligation, but does meet *the remainder of its main obligation*, then a measure that is not required to meet *the remainder of the main obligation* and does not qualify for the super priority group will be deemed surplus. Therefore, as long as the measure does not qualify for any other unachieved sub-obligations, the measure is not required by a supplier to meet its main obligation.

## Measures that exceed a limit on qualifying action

- 11.17. Where a qualifying action under CERT exceeds:
- the limit on **market transformation action** and **demonstration action**<sup>116</sup>; or
  - the limit on **priority group flexibility action**<sup>117</sup>,
- the CERT Order prevents us from counting the qualifying action towards achievement of an obligation<sup>118</sup>.

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<sup>116</sup> Article 9 (3) CERT Order

<sup>117</sup> Article 14 CERT Order.

<sup>118</sup> We have not described treatment of a qualifying action that exceeds the limit on real-time

11.18. However, a supplier is able to change the status of these actions to a standard action (rather than market transformation action or priority group flexibility action, as the supplier originally may have intended). By notifying in this way, a supplier ensures that it does not exceed the relevant limit.

11.19. Given the ability of suppliers to change the status of a qualifying action, we will judge that a measure *is* required to meet an obligation, and therefore does NOT qualify as an 'excess action' where:

- the qualifying action involving the measure, exceeded one of the two limits described at paragraph 11.17; and
- the status of that qualifying action could have been changed such that the action could have counted towards the main obligation or a sub-obligation that the supplier failed to achieve.

11.20. To clarify, if a qualifying action under CERT exceeded the limits in paragraph 11.17, a supplier must first establish whether that qualifying action can be changed to count towards the main CERT obligation, or one of the sub-obligations described at paragraph 11.11, before submitting an application for excess action.

### The additional requirements

11.21. In addition to meeting all of the core requirements as described above, a measure must also meet certain additional requirements (where relevant).

11.22. The additional requirements that are relevant will depend on which scheme the measure was originally approved and installed under (i.e. CERT or CESP), and which of the ECO obligations the supplier intends the measure to be credited against. Some of these are set out below.

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displays and home energy advice packages. This is because the Order restricts suppliers from carrying these measures across to ECO. In most circumstances, suppliers will be unable to calculate savings for these measures.

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## Measures approved and installed under CESP

11.23. If the measure is intended to contribute towards either CERO or CSCO, then there are **no** additional requirements.

11.24. If the measure is intended to contribute towards HHCRO, then it must have been installed to a householder as defined in the ECO Order<sup>119</sup>.

## Measures approved and installed under CERT

11.25. To qualify as an excess action, a measure approved and installed under CERT (in addition to meeting the core requirements above) must meet the following conditions as applicable:

- if a supplier intends the measure to contribute towards the CERO, then the relevant measure must either have been installed to a member of the super priority group<sup>120</sup>, or be solid wall insulation;
- if a supplier intends the measure to contribute towards the CSCO, then it must have been installed in an area of low income<sup>121</sup> (as defined in the ECO Order); and
- if a supplier intends the measure to contribute towards the HHCRO, it must have been promoted and installed to a householder<sup>122</sup> who was a member of the super priority group<sup>123</sup>.

11.26. **Table 4** below following table summarises the additional requirements.

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<sup>119</sup> Further information on the definition of a householder is provided in Chapter 7.

<sup>120</sup> As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.

<sup>121</sup> For information about areas of low income see Chapter 6.

<sup>122</sup> Further information on the definition of a householder is provided in Chapter 7.

<sup>123</sup> As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.

**Table 4: Summary of additional requirements for a measure installed and approved under CERT or CESP to qualify as an excess action**

Summary of Additional Requirements	CESP	CERT
CERO	None	Super Priority Group OR Solid Wall Insulation
CSCO	None	Area of Low Income (as defined in ECO)
HHCRO	Householder (as defined in ECO)	Householder (as defined in ECO) AND Super Priority Group

#### Audit of the additional requirements

11.27. For the purposes of audit, the documents that suppliers need to produce to demonstrate that a measure approved and installed under CERT or CESP meets certain of the additional requirements, are as follows:

- *demonstrating installation to a member of the super priority group:* Suppliers must be able to demonstrate that a measure has been installed to a member of the super priority group in the same way as they do under CERT.
- *demonstrating installation to a householder and to an area of low income:* Information on these requirements is included Appendix 1.

#### Calculating savings for excess actions

11.28. When a supplier applies to us to credit an excess action<sup>124</sup> to one of the three obligations under ECO<sup>125</sup>, it must provide a calculation of the carbon or cost saving for that excess action in its application.

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<sup>124</sup> Article 21(3) of the Order.

<sup>125</sup> Article 21(1) of the Order.

- 11.29. Savings must be calculated using either SAP or RdSAP.
- 11.30. Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) scores differ from ECO savings in (at least) three key ways:
1. different lifetimes for measures are assumed in CERT and CESP;
  2. different in-use factors are used in CERT and CESP; and
  3. the Order requires scores in ECO to be based on SAP 2009 (revised October 2010) or RdSAP 2009 (version 9.91(a), published April 2012). CERT and CESP scores are not based on these methodologies.
- 11.31. Suppliers will therefore need to recalculate the score for each excess action for which they are making an application to carry over from CERT or CESP, in order to provide a carbon or cost saving that can be awarded under ECO.
- 11.32. We will work with suppliers to produce look-up tables based on the tables used under CERT and CESP for the scoring of measures. Suppliers will be able to use these tables to calculate the cost and carbon savings they will receive for excess actions under ECO.
- 11.33. When suppliers are calculating cost savings using SAP or RdSAP they need to consider the relevant fuel prices (see paragraph 8.10 above).

### **Submitting an application for excess action**

- 11.34. An application for excess action must be made in writing by 1 June 2013. Suppliers will have a limited ability to amend their applications after this date.
- 11.35. A template and associated data dictionary are available on our website<sup>126</sup>. Suppliers should use this template in making an application for excess action. In addition to these resources, we provide a series of scoring tables which we recommend suppliers use to calculate the score for each excess action.
- 11.36. Suppliers should be aware that in making an application for excess action, they will be required to provide information relevant to both ECO and the scheme the measure was installed under (i.e. either CERT or CESP). This may

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<sup>126</sup> <http://www.ofgem.gov.uk/Sustainability/Environment/ECO/Info-for-suppliers/Pages/index.aspx>.



require suppliers to collect additional information not provided in the original notification of the measure, for example the address of the premises where the measure was installed.

## Approval of applications for excess action

- 11.37. Where we are satisfied that an application for excess action contains the correct information, meets all of the core requirements and any applicable additional requirements, the application will be approved<sup>127</sup>.
- 11.38. As outlined above, a core requirement for a measure to be considered an excess action is that a supplier does not require that measure to meet its CERT or CESP obligations. Therefore, we will be unable to approve any applications for excess action until a final determination has been made under CERT and CESP.
- 11.39. Suppliers should note that approval of an application for excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the elected ECO obligation. After approving an application for excess action we will then determine the saving to be attributed to the excess action. We will make this determination by reference to the considerations described in Chapter 8 under the heading 'The ECO Administrator's determination of savings attributable to qualifying action and excess action and adjoining installation'.
- 11.40. Once approved, an excess action cannot be the subject of transfer to another supplier (even if the other supplier is within the same group of companies). Nor can an excess action carried over from CERT or CESP into ECO be used:
1. to count towards the rural obligation (even if it is installed in an ECO-defined rural area);
  2. to link against a measure in an adjoining area, even if it is installed in an ECO-defined area of low income; or

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<sup>127</sup> Suppliers should note that approval of an application for excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the chosen ECO obligation. Information on how we will attribute savings is described in Chapter 8 of this Guidance.

3. as a primary or secondary measure in CERO.

11.41. An excess action can however, be re-elected to a different obligation from the one identified in the application for excess action.

## 12. End of the Overall Obligation Period

### Chapter Summary

Provides information on the end of the overall obligation period. Also outlines how we will determine whether suppliers have met their obligations and how suppliers may re-elect qualifying actions to different obligations.

### Introduction

- 12.1. The overall obligation period for each supplier ends on 31 March 2015<sup>128</sup>. A supplier must achieve each of its total obligations by this date.
- 12.2. Before this date, a supplier is able to apply to re-elect a qualifying action or excess action to be credited against a different obligation to the one that it initially elected in its monthly notification or application for excess action.
- 12.3. Following the end of the overall obligation period, we will determine whether a supplier has met its obligations under ECO and notify both the supplier and the Secretary of State of that determination<sup>129</sup>.
- 12.4. This chapter provides information about the end of the overall obligation period. It also outlines how suppliers can apply to re-elect action against different obligations.

### The end of the overall obligation period

- 12.5. As outlined above, the overall obligation period for each supplier ends on 31 March 2015<sup>130</sup>. A supplier must achieve its total obligation under CERO, CSCO and HHCRO by 31 March 2015<sup>131</sup>.

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<sup>128</sup> Article 6(1)(b) of the Order.

<sup>129</sup> Articles 22(4) and (6) of the Order.

<sup>130</sup> Article 6 of the Order.

<sup>131</sup> Articles 12, 13 and 15 of the Order.

## **The final months of the overall obligation period**

- 12.6. Suppliers must notify us of all measures completed in March 2015, by the end of April 2015.
- 12.7. Installation of a measure cannot count towards achievement of an ECO obligation unless installation is complete before 31 March 2015 (i.e. the end of the overall obligation period). For this purpose, a measure will be considered complete on the date that it is capable of delivering savings at, or around, a level that is to be expected for that measure. This will normally be the date on which the installer finishes work on the measure. Please refer to Chapter 9 for more information on the date of completion.

## **Final determination**

- 12.8. Under the Order, we must determine whether a supplier has achieved its obligations under ECO, including its:
1. total carbon emissions reduction obligation;
  2. total carbon savings community obligation; and
  3. total home heating cost reduction obligation.
- 12.9. Suppliers will be notified of our determination by no later than 1 July 2015.
- 12.10. Where a supplier has not met one or more of its obligations, we may consider taking enforcement action. Such action may include deciding whether to impose a penalty for failing to achieve the obligation(s).

## **Our final report to the Secretary of State**

- 12.11. No later than 31 January 2016, we must submit a report to the Secretary of State setting out whether suppliers achieved:
1. the overall carbon emissions reduction target;
  2. the overall carbon saving community target; and
  3. the overall home heating cost reduction target.

12.12. This report will reflect our final determination of whether suppliers have achieved their obligations.

## Re-election of obligations

12.13. As outlined in Chapter 9, when a supplier notifies a qualifying action<sup>132</sup>, it must identify which obligation that qualifying action is intended to be credited against (i.e. CERO, CSCO, or HHCRO). As outlined in Chapter 11, when a supplier makes an application for excess action, it must identify which obligation that excess action is intended to be credited against (i.e. CERO, CSCO, or HHCRO).

12.14. Under the Order, a supplier may apply to credit a qualifying action or excess action against a different obligation from the obligation identified in the original notification or application<sup>133</sup>.

12.15. Below we set out the process for making an application to re-elect, when we will approve an application and the effect of re-election.

### When can a supplier apply to re-elect an obligation?

12.16. At any time up to and including 31 March 2015, a supplier may apply to credit a qualifying action or excess action against a different obligation from the obligation identified in the original notification or application. For example, where a supplier originally credited a measure towards CERO, it can apply to have that measure credited towards HHCRO.

12.17. A supplier may apply to re-elect the obligation for a notified measure (i.e. a completed measure notified in a monthly notification) after we have determined that the notified measure is a qualifying action and attributed a saving to that action.

12.18. A supplier may apply to re-elect the obligation for an excess action after we have approved the application for excess action. If we have not determined the application and a supplier wishes to re-elect, the supplier should withdraw, amend and resubmit the application for excess action – but must do so before 1 June 2013.

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<sup>132</sup> Under article 16(1) or 16(2) of the Order.

<sup>133</sup> Article 22(2) of the Order.

## Submitting an application for re-election

- 12.19. A supplier may make an application for re-election at any time up to and including 31 March 2015. An application for re-election must be made via our ECO Register. Suppliers wishing to make an application before this functionality is available, should contact us.
- 12.20. In addition to the information required in making an application for re-election, we may ask the supplier to provide additional information in support of its application. For example, a supplier may need to provide evidence of future installations planned or contracted, or other details around proposals for meeting its obligation.

## Re-election to an obligation with a different saving

- 12.21. A supplier may choose to re-elect a qualifying action or excess action to an obligation that has a different saving (e.g. from a carbon saving to a cost saving). In this case, the supplier must provide the carbon or cost saving for the obligation the qualifying action or excess action will be attributed to.
- 12.22. Where the carbon or cost saving was not included in the original notification or application, the supplier must recalculate the carbon or cost saving (as appropriate) for the obligation the action is to be attributed to. The saving should be calculated in accordance with article 16 of the Order, but taking into account the premises as it was at the time the measure was installed (that is, discounting any later installations). The saving should also be calculated using the carbon coefficient and fuel prices that were in force at the time the measure was carried out.
- 12.23. As outlined in Chapter 9, we recommend that a supplier provide both the carbon and cost savings when it notifies a measure.

## Approving an application for re-election

- 12.24. An application for re-election will be approved where:
1. we are satisfied that the qualifying action or excess action is a qualifying action or excess action in respect of the obligation the supplier wishes to credit the action towards; and

2. we do not have reasonable grounds to believe that, if the application were approved, the supplier would not meet the obligation that was originally elected.

12.25. Reasonable grounds to reject an application are likely to arise, particularly in the latter stages of the overall obligation period, where, for example, a supplier has made relatively poor progress towards achieving the original obligation, and has insufficient future installations planned to meet the obligation, or is unable properly to explain its proposals for doing so.

12.26. We will process all applications for re-election in a timely manner and ensure that the supplier is kept informed of progress with its application.

#### Following re-election

12.27. Where we approve a re-election, we will notify the supplier of that approval, including the cost or carbon saving (as appropriate) that has been deducted from the obligation the action was originally attributed to and added to the other obligation.

12.28. Where we decide not to approve an application for re-election, we will notify the supplier of the reasons for our decision.

12.29. A supplier will need to ensure that it is able to produce the documents and data necessary to demonstrate to our auditors or officers that an action is qualifying action or excess action in relation to the re-elected obligation. For example, documents demonstrating AWG status if an action is re-elected to HHCRO.

## 13. Audit and Technical Monitoring

### Chapter Summary

Provides information about technical monitoring by suppliers and our auditing procedures.

### Introduction

- 13.1. Generally, we will attribute savings to completed qualifying action on the basis of information provided by suppliers through monthly notification (as described in Chapter 9). We will put in place a system of checks to confirm that the information provided by suppliers is reliable. This system will include audits and technical monitoring.
- 13.2. We will conduct audits of a sample of notified measures (i.e. completed qualifying action that has been notified to us in a monthly notification, as described in Chapter 9), or that has been approved as excess action, as described in Chapter 11. An audit may look at any or all aspects of the promotion of the measure. The purpose of an audit will be to determine whether the information that a supplier has provided about the promotion of a measure is accurate.
- 13.3. We will also require suppliers to conduct technical monitoring of a sample of notified measures. Technical monitoring is focussed on the standards of installation of measures, but will also verify that the premises and measure are as notified by the supplier.
- 13.4. All aspects of supplier activity under ECO could be subject to audit or technical monitoring. Whenever a supplier is working with a third party to achieve their obligations, the responsibility for ensuring that the third party delivers actions in accordance with the Order and this Guidance lies with the supplier. We expect suppliers to be able to demonstrate good processes for managing this third party delivery in the event that this aspect of their activity is audited.

### Audit

- 13.5. One way in which we will check the information provided to us by a supplier is through audit. Below we set out our approach to conducting audits under ECO.



## Our response to audit results

13.6. Following an audit, the supplier will be issued with a full audit report and recommendations to ensure compliance with ECO. Where an audit of a notified measure establishes that certain information provided to us is not accurate we may:

1. revoke an earlier decision to attribute savings to the measure;
2. consider taking enforcement action under our powers; and
3. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

## Technical monitoring

13.7. One way in which we will assess whether measures have been installed in accordance with the relevant standards, and whether premises and measures are as notified by the supplier, is through technical monitoring. Technical monitoring involves site-based visits, commissioned by the supplier. We require the results of technical monitoring to be reported to us quarterly. We require this information under Article 23(1) of the Order.

13.8. Technical monitoring reports may be subject to audit to ensure accuracy of reporting.

13.9. Below we provide information about the technical monitoring programme that suppliers are to undertake.

## Who conducts technical monitoring

13.10. Technical monitoring must be undertaken by a suitably qualified third party, who is independent from the supplier, installer, or any other party involved in the installation of the measure<sup>134</sup> ('monitoring agent').

13.11. The results of technical monitoring are to be submitted directly and unaltered to the supplier, not to any other third party.

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<sup>134</sup> This may be subject to audit.

## What is technically monitored

- 13.12. Technical monitoring is focussed on the standard of installation of a measure. Monitoring is designed to verify whether a measure has been installed to the relevant standards. Information about the standards of installation relating to a measure is provided in Chapter 4. Technical monitoring is also a means of verifying that premises and measures are as notified by the supplier.
- 13.13. Any measure installed under ECO might be subject to technical monitoring. Suppliers should monitor 5% of each measure type it installs. For each measure type, the sample of measures that a supplier chooses to monitor should be representative of all activity completed under ECO by a supplier in that quarter. For example, the sample should include inspection of all installers, geographical areas,<sup>135</sup> and obligations (including sub-obligations).
- 13.14. As noted in Chapter 4 above, where measures included in PAS 2030:2012 (PAS) are not installed by a PAS-certified installer, we require suppliers to undertake additional technical monitoring. This is to ensure that measures have been installed in accordance with the provisions of PAS. Suppliers should contact us directly to discuss the appropriate rate of technical monitoring in this instance.
- 13.15. As noted above in Chapter 8, we require suppliers to undertake additional technical monitoring where scores are calculated using non-accredited SAP or RdSAP assessors, or based on Energy Performance Certificates that have not been lodged with the appropriate body. The additional technical monitoring must be focused on the inputs used to calculate the carbon or cost saving.
- 13.16. Where a measure has been installed under both the Green Deal and ECO, and the measure has been monitored under the Green Deal it should not be monitored again for the purpose of ECO.

## Technical monitoring questions

- 13.17. To ensure that monitoring is comparable across all suppliers and appropriate for each type of measure, we will develop a list of technical monitoring questions to be used by the monitoring agent undertaking the technical

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<sup>135</sup> Geographical areas in this context, means the different regions of Great Britain where a particular supplier has installed measures under ECO.

monitoring. These questions will be developed in conjunction with suppliers and key industry bodies and will be published to our website.

13.18. The technical monitoring questions will enable us to determine whether or not we can attribute the savings claimed by a supplier for a particular measure. This will be achieved by examining whether:

- the property, measure and materials used are as notified by the supplier;
- the measure has been installed in accordance with the relevant standards of installation; and
- the measure is eligible to be claimed as a qualifying action (i.e. meets the requirements of the Order).

13.19. Until the technical monitoring questions for ECO are published, suppliers should undertake technical monitoring using the relevant questions from CERT and CESP.

#### Results of technical monitoring

13.20. We require suppliers to submit the results of technical monitoring to us, unaltered, on a quarterly basis. From 1 April 2013, each report should be submitted in the month following the completion of the quarter, and contain the results for all measures assessed during that quarter. The first quarter is 1 January to 31 March 2013 (and so reports should be submitted in April 2013). This information is required as part of our information gathering powers under the Order<sup>136</sup>.

13.21. We request that suppliers structure each technical monitoring report by individual question. We also request that suppliers use the technical monitoring reporting template provided by Ofgem. Suppliers may also report on the number of properties to which monitoring agents were not granted access if they choose to. We will publish the results of technical monitoring reports.

13.22. Where technical monitoring establishes that a measure installed under ECO fails to comply with a standard relating to its installation we will allow a

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<sup>136</sup> Article 23(1)(b) of the Order.

supplier to remedy the failure and so avoid the loss of savings for that measure. If a supplier chooses to remedy a failure, it should re-inspect the installation after remedial work is completed and confirm to us that the remedial work is complete. Where possible, the failure should be remedied within two months of the issue being discovered.

13.23. Re-inspection is in addition to, rather than part of, the number of inspections that a supplier will need to conduct to meet the standard inspection rate for technical monitoring.

13.24. Suppliers are expected to ensure that pass rates for technical monitoring are high, and to actively work to improve the standard of installations.

#### Rate of technical monitoring under ECO

13.25. The extent of monitoring will vary depending on the average failure rate of installations, with poor performance over three consecutive quarters resulting in an escalation of inspection rates.

13.26. This approach ensures that technical monitoring is both proportionate and targeted.

13.27. In addition to the rates of inspection set out below, where a supplier reports a significantly high failure for an individual quarter, we will ask the supplier to provide us with assurance that it is implementing processes to increase the standard of installations.

13.28. We will assess the rate of failure on a per measure basis. For example, whether a supplier has a failure rate of above or below five percent in relation to solid wall insulation.

#### Base Level – First Three Quarters

13.29. Suppliers are to undertake technical monitoring in respect of five percent of all installations completed under ECO, assessed by measure type. As noted above, the technical monitoring sample should be representative of all installers who installed that measure type, of geographical region and all obligations (including sub-obligations).

13.30. This level of technical monitoring should continue for the first three quarters of ECO, commencing 1 April 2013. The ongoing rate of inspection will vary

depending on whether the average failure rate of installations over three quarters is above or below five percent.

1. If, over the first three quarters, a supplier achieves an average failure rate of *below* five percent, it will be required to carry out Level 1 monitoring.
2. If, over the first three quarters, a supplier achieves an average failure rate of *five percent or above*, they will continue to Level 2 monitoring requirements.

### **Level 1 technical monitoring**

13.31. Where a supplier achieves an average failure rate of *below five percent* over the first three quarters of ECO, it will be required to undertake Level 1 technical monitoring. At this level, one percent of all measures installed under ECO should be technically monitored.

13.32. This level of technical monitoring should continue for the second three quarters of ECO. The ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below five percent.

1. If, after three consecutive quarters, a supplier achieves an average failure rate of *five percent or above*, it will be required to carry out Level 2 monitoring.
2. If, after three consecutive quarters, a supplier achieves an average failure rate of *below five percent*, it will be required to continue at Level 1 monitoring.

13.33. Suppliers who remain at Level 1 monitoring will be assessed on a rolling, three quarter basis.

### **Level 2 technical monitoring**

13.34. If, over three quarters, a supplier achieves an average failure rate of *above* five percent, it will be required to undertake Level 2 technical monitoring. At

this level, five percent (or a statistically significant sample<sup>137</sup> – whichever is less) of all measures installed under ECO must be technically monitored.

13.35. Level 2 monitoring will continue for three consecutive quarters. Following this three quarter period, the ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below five percent. Where a supplier demonstrates:

- a. improved performance (i.e. the average failure rate of a measure is below five percent), that supplier will return to Level 1 technical monitoring;
- b. improved performance, but continues to fail greater than five percent of installations, that supplier will remain at Level 2 technical monitoring for a further three quarters; or
- c. no improvement or reduced performance, that supplier will be expected to undertake Level 3 monitoring.

### **Level 3 technical monitoring**

13.36. Where a supplier has completed Level 2 technical monitoring for three consecutive quarters and does not demonstrate improved performance, it will be expected to undertake Level 3 technical monitoring. At this level, a supplier is expected to continue to monitor either five percent (or a statistically significant sample, whichever is less).

13.37. In addition, the supplier is expected to:

- a. provide us with assurance that it is implementing processes to increase the standard of installations; and
- b. provide us with assurance that it will be increasing its own, internal, monitoring to investigate the issue. The results of this investigation should be formally submitted to us.

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<sup>137</sup> For guidance on calculating a statistically significant sample, please contact Ofgem's ECO team.

13.38. Suppliers will be expected to evidence that they are taking appropriate action to remedy the failure rates, including targeting specific installers where appropriate.

13.39. Level 3 technical monitoring will continue until the average failure rate of installations returns to less than five percent and we consider that issues have been addressed. After which point, suppliers will return to Level 2 technical monitoring.

### Our response to technical monitoring results

13.40. Where technical monitoring establishes that the installation of a measure is not in accordance with the relevant standards of installation, or that the premises and measure are not as notified by the supplier we may:

1. revoke an earlier decision to attribute savings to the measure;
2. initiate an investigation to determine whether enforcement action is warranted; and/or
3. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

### Fraud prevention

13.41. The prevention of fraudulent activity under ECO (including misreporting) is key to minimising the risk of non compliance. As such, there is a dedicated Fraud Prevention and Audit team assigned to the ECO programme.

13.42. All suppliers will be expected to implement mitigation against the risk of fraud within their activity. This should include, but not be exclusive to:

- identification and mitigation of fraud risks;
- controls to ensure calculations of savings using SAP/RdSAP/appropriate methodology are correct;
- sufficient requirements within third party contracts to ensure that work is completed in accordance with legislation and supplier guidance;

- robust processes for gaining regular, reflective activity reports from in house installers and third party bodies;
- the continued scrutiny of in house and third party activity to ensure compliance with legislation and supplier guidance;
- suitable, senior manager oversight of activity and reporting; and
- processes to ensure accurate and reflective reporting to us.

13.43. Suppliers should, in all instances, promptly report any instances of suspected fraud to us.

13.44. To ensure that suppliers' fraud prevention activity is appropriate and robust, we will work closely with suppliers to ensure that proposed controls are effective. Suppliers should be able to demonstrate the steps taken to eliminate fraud and be able to present appropriate information to auditors to demonstrate those steps.

13.45. By the end of each financial year (i.e. during March of each year) we will ask suppliers to submit their fraud detection proposals to us for review. We will work closely with suppliers to ensure they have proper notice for submission.

### **De-duplication**

13.46. We will undertake a de-duplication exercise to ensure that savings are not attributed to more than one supplier in respect of the same measure.



## Appendices

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## Appendix 1 - Documents and Data to be Made Available on Request

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- 1.1. As outlined in Chapter 13, we will conduct regular audits of supplier activity to ensure that activity under ECO is carried out in the correct way.
- 1.2. In **Table 5** below, we list the documents and data that suppliers should make available on request. For the purposes of ECO, we may require these documents and data to be produced at any time before the end of 31 January 2016.
- 1.3. This table is ordered as follows, the:
  - policy area against which information is provided;
  - documents (relating to a qualifying action) that suppliers must make available to us on request;
  - data (relating to a qualifying action) that suppliers must make available to us on request.
- 1.4. Following **Table 5**, we provide further information on the Tax Credit Award Notice and benefit entitlement letter. This supports information provided in Chapter 7 on the eligibility of the Affordable Warmth Group.

**Table 5<sup>138</sup>: Documents and data suppliers should retain and make available to us on request**

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
1	Promotion of the measure	<p>Documents sufficient to establish 'promotion'. For example, in the case where a supplier engages a person to install a measure at a property, a supplier should produce:</p> <ul style="list-style-type: none"> <li>the contract(s) or other document(s) which established the relationship, between the supplier and the installer, under which the installation was performed (this includes documentation evidencing that the installation was completed under an oral contract); and</li> <li>where appropriate, evidence of the supplier's payment of, or contribution towards, the fees and other costs of the installation: for example, an invoice and a payment slip.</li> </ul>	
2	Specification of the measure		<p>To include:</p> <ul style="list-style-type: none"> <li>Measure type</li> <li>Manufacturer name</li> <li>Product name</li> <li>Product serial number (where available)</li> </ul>
3	Installing to an appropriate standard	<p>The contractual agreement or equivalent (containing the requirement to cooperate with an Ofgem auditor).</p> <p>Suppliers may demonstrate that a product or system used in installation is compliant with Building Regulations by producing</p>	PAS certification number and/or certificate where relevant

<sup>138</sup> Note that, in the Open Letter: *Energy Companies Obligation (ECO): documents and data to be made available to Ofgem on request; general information about some legislative provisions of ECO*, this Table had an addition column entitled 'relevant information'. The information contained in this column is now included in the body of this guidance.

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
		documentary evidence that the product or system complies with building regulations.  Examples of the documentation to be produced by suppliers include: UKAS product approval (e.g. BBA) and ETAs (that are suitable for the conditions under which the product will be used/installed).	
4	Installation by a person with appropriate skill and experience	The contractual agreement (containing the requirement to cooperate with an Ofgem auditor).	PAS certification number and/or certificate where relevant
5	Address at which the measure is installed		<ul style="list-style-type: none"> <li>• House/Flat number</li> <li>• Street</li> <li>• Town/City</li> <li>• Country</li> <li>• Postcode</li> <li>• Unique property reference number</li> </ul>
6	Date of completion	<p>Either:</p> <ul style="list-style-type: none"> <li>• a copy of the <i>Declaration of conformity</i> described at clause 7.2 of PAS 2030:2012, where such declaration has been produced and signed by the installer; or</li> <li>• a copy of a <i>Declaration of completed installation</i>, completed and signed by the installer. A template for the <i>Declaration of completed installation</i> will be available on our website</li> </ul> <p>In each case the declaration must be signed by the customer to</p>	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p>confirm the date on which the installer finished work on the installation of the measure as well as the date the measure was handed over to the customer. This can be retained in electronic form (we understand that some suppliers will capture this information electronically).</p> <p>We recommend the following be added to the declaration of conformity for the purpose of obtaining the customer's confirmation:</p> <p><b><i>For completion by the customer:</i></b></p> <p><i>Confirmation that information provided by the installer is accurate</i></p> <p><i>Date the installer finished work on the measure:</i></p> <p><i>Date of handover to customer of all information relating to the measure:</i></p> <p><i>Customer's name (print):</i></p> <p><i>Customer's signature:</i></p> <p><i>Dated:</i></p>	
7	A recommended measure	<ul style="list-style-type: none"> <li>• The Green Deal Advice Report produced following a qualifying assessment</li> <li>• The report by the chartered surveyor</li> </ul>	<ul style="list-style-type: none"> <li>• The EPC reference number (for all cases where an EPC has been conducted)</li> <li>• Green Deal Advice Report reference number (for all cases where a Green Deal Advice Report has been</li> </ul>

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
			carried out).
8	Insulation of standard cavity walls		<ul style="list-style-type: none"> <li>Evidence that an appropriate guarantee has been applied for and/or provided to the customer where relevant</li> </ul>
9	Insulation of solid walls	Documentation or other evidence that an appropriate guarantee has been applied for and/or provided to the customer where relevant	<ul style="list-style-type: none"> <li>Property age</li> <li>Whether the treated walls are built of solid brick</li> </ul>
10	Insulation of hard-to-treat cavity walls	<p>The chartered surveyor's report, where one is required, should cover each property being treated. In all cases where a chartered surveyor's report is required it must specifically recommend the suitable insulation type for the property.</p> <p>The report must contain the address of each property which it covers.</p> <p>A chartered surveyor's report template is available on our website.</p> <p>Documentation or other evidence that an appropriate guarantee has been applied for and/or provided to the customer where relevant</p>	
11	District heating system connection (all three obligations)		<p>To include:</p> <ul style="list-style-type: none"> <li>Specification of the existing heating system – fuel type, supply, controls, efficiency</li> <li>Specification of the replacement system –fuel type, supply, controls, efficiency</li> <li>Heat load before and after</li> </ul>

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
			installation
13	District heating system connection (CSCO only) – requirement that premises contain loft or wall insulation		<ul style="list-style-type: none"> <li>The percentage of the total exterior-facing walls or loft area that is insulated.</li> <li>The reasonable grounds for why 100 percent of the exterior-facing walls or loft cannot be treated</li> </ul>
14	Qualifying boilers	Please see the Qualifying Boiler Information Pack at Appendix 2 and the Boiler Assessment Checklist on our website.	Information relating to operative competency (see Appendix 2)
15	Installation of glazing measures	<ul style="list-style-type: none"> <li>the WER calculation, evidencing the installed window's U-value; or</li> <li>a declaration by the manufacturer of the installed window's U-value.</li> </ul>	The grade or U-value of the existing glazing
16	Proportion of installation that must be completed		The reason why 100% of a measure was not installed
17	Primary measures under the CERO		<p>The percentage of the total exterior facing walls to which insulation has been applied, split by wall type (solid / cavity / hard-to-treat cavity).</p> <p>Where it is a hard-to-treat cavity, the percentage that has been treated with solid wall insulation.</p> <p>Date of completion (see above).</p>

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
18	Secondary measures under the CERO		Date of completion (see above).
19	Affordable warmth benefits eligibility	<p>A written declaration from the relevant person confirming that they were a member of the AWG at some point during the supplier's promotion of the measure<sup>139</sup>. Details on the content of the declaration are provided in paragraph 7.37 above.</p> <p>In addition, the following documents should be made available on request (as relevant):</p> <ul style="list-style-type: none"> <li>• Child Tax Credit: Tax Credit Award Notice</li> <li>• Income-related employment and support allowance: Tax Credit Award Notice; or Benefit entitlement letter*</li> <li>• Income based job-seekers allowance: Tax Credit Award Notice; or Benefit Entitlement Letter**</li> <li>• Income support/Income Based Job Seekers Allowance: Tax Credit Award Notice; or Benefit Entitlement Letter**</li> <li>• State pension credit: WHD 'Core Group' notice; or Benefit Entitlement Letter</li> <li>• Working Tax Credit: Tax Credit Award Notice</li> </ul> <p>Where no ESAS referral number is included as part of a supplier's monthly notification, or ESAS is unable to verify the number notified, then one or more of copies of the documents listed above will need to be produced on audit.</p>	<p>The category of AWG eligibility:</p> <ul style="list-style-type: none"> <li>• Low Income</li> <li>• Disabled</li> <li>• Elderly</li> </ul>

<sup>139</sup> i.e. at any time between the supplier's initial engagement with the member of the AWG and the completion of the qualifying action's installation.



	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<p>* Where the letter contains evidence of parental responsibility for a qualifying child, or receipt of a qualifying component or evidence of receipt of a work-related activity or support component</p> <p>** Where the letter contains evidence of parental responsibility for a qualifying child, or receipt of a qualifying component.</p> <p>Please see Chapter 7 for further details, including, in particular, the rules on the period of promotion to which the documents must relate.</p>	
20	'Householder'	<p>A written declaration from the householder confirming that the person was a householder at some point during the supplier's promotion of the measure<sup>140</sup>. Details on the content of the declaration are provided paragraph 7.21 above.</p> <p>In addition, the following documents should be made available on request:</p> <p><b>Where the measure is promoted to a householder in England and Wales</b></p> <ul style="list-style-type: none"> <li>a. Freeholder* – search from Land Registry or annual mortgage statement, dated no more than 18 months before completion of the installation. Where the land is unregistered, a copy of the title deeds.</li> <li>b. Leaseholder* –search from Land Registry or annual mortgage statement dated no more than 18 months before completion of the installation. Where the land is unregistered a copy of lease. If lease is less than 7 years (and so not</li> </ul>	

<sup>140</sup> i.e. at any time between the supplier's initial engagement with the householder and the completion of the qualifying action's installation.

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
		<p>registered), copy of lease</p> <p>Tenant** (including sub-tenant) but not excluded tenant - Tenancy agreement; <i>England</i>: where a supplier wishes to disprove the assumption that certain accommodation is low cost rental accommodation, documents demonstrating that the 3 part test is not satisfied</p> <ol style="list-style-type: none"> <li>Holder of a licence to occupy an almshouse maintained by a charity - Licence to occupy and constitution of the charity</li> <li>Assured agricultural occupancy** - Tenancy agreement or licence to occupy</li> <li>Protected tenant** - Tenancy agreement</li> </ol> <p><b>Where the measure is promoted to a householder in Scotland</b></p> <ol style="list-style-type: none"> <li>Owner* – search from Registry, dated no earlier than 18 months before completion of installation; In unregistered land, a copy of title deeds.</li> <li>Tenant** (including sub-tenant) but not excluded tenant – (as applicable), Tenancy agreement , contract of employment containing term under which premises is occupied, licence to occupy, cottar – written record of terms of occupancy, signed by landlord and occupier</li> </ol> <p>The extract from the tenancy agreement must include the following information:</p> <ul style="list-style-type: none"> <li>Address of the property</li> <li>Details of the tenancy (when entered into, length, type)</li> <li>Name of landlord</li> <li>Signature of landlord</li> </ul> <p>* If for the purposes of HHCRO, the freeholder/leaseholder/owner is</p>	

	<b>Legislative provision of ECO</b>	<b>Documents to be made available to Ofgem on request</b>	<b>Data to be made available to Ofgem on request</b>
		<p>not also the member of the AWG, copies of official correspondence showing the freeholder/leaseholder/owner resides at the premises to which the measure was delivered. Official correspondence includes a utilities bill, or bank statement or an annual mortgage statement and is to be dated no earlier than 18 months before completion of installation.</p> <p><b>**In the event that a person occupies premises under an unwritten agreement, a supplier should contact us about the documents that may need to be produced in the event of audit</b></p>	
21	Areas of low income		<p>The LSOA code for measures installed in England and Wales.</p> <p>The data zone code for measures installed in Scotland.</p>
22	Adjoining areas		<p>The LSOA code for measures installed in England and Wales.</p> <p>The data zone code for measures installed in Scotland.</p>
23	Rural areas		The reference to the rural area.
24	The carbon or cost saving of a measure	<p>1) <u>SAP/RdSAP (including bespoke systems that use a SAP/RdSAP engine)</u></p> <p>Report(s) or screen shots showing:</p> <ul style="list-style-type: none"> <li>• Input data</li> <li>• Output data (including 'before' and 'after' cases where relevant)</li> <li>• Cost and/or carbon saving</li> </ul>	

	Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
		<ul style="list-style-type: none"> <li>• Software information (name of the software organisation, software name, version)<sup>141</sup></li> <li>• Name of assessor, assessor number (where applicable) and company</li> <li>• Documentation of additional calculations (percentage of total assumed installation, lifetime, in-use factor<sup>142</sup>)</li> <li>• Ofgem approval for bespoke system (where applicable)</li> </ul> <p>2) <u>Appropriate methodology</u></p> <ul style="list-style-type: none"> <li>• Input data</li> <li>• Output data</li> <li>• Cost and/or carbon saving</li> <li>• Appropriate methodology ID</li> <li>• Documentation of additional calculations (percentage of total assumed installation, lifetime, in use factor)</li> <li>• Independent report on the methodology</li> <li>• Ofgem approval for appropriate methodology</li> </ul>	

<sup>141</sup> approved by the Department of Communities and Local Government (England and Wales) or the Building Standards Division (Scotland)

<sup>142</sup> See Chapter 8.

## **Additional details regarding documents specific to the Affordable Warmth Group**

- 13.47. As outlined in Chapter 7 above, suppliers are able to satisfy us that a measure was installed to a relevant person who is a member of the AWG by ensuring that a copy of the person's Tax Credit Award Notice or benefit entitlement letter is available at audit. These documents do not need to be retained. Further detail on these documents is provided below.
- 13.48. In relation to the Tax Credit Award Notice, where the person is in receipt of child tax credit or working tax credit. In order to establish whether a person has a relevant income of £15,860 or below, suppliers should refer to the 'income used' that is provided on a Tax Credit Award Notice. This is the income that is used to determine the individual's eligibility for the benefit. In some cases, the relevant information may also be included in the individual benefit entitlement letters issued by the relevant Government Department or Office. However, unlike the Tax Credit Award Notice, such letters do not always contain information relating to the receipt of a qualifying component or parental responsibility for a child.
- 13.49. Information relating to the receipt of state pension credit does not appear in a Tax Credit Award Notice. A supplier will therefore need to produce a copy of the relevant state pension credit entitlement letter issued by DWP for members of the AWG who are in receipt of state pension credit. Alternatively a supplier may produce a copy of the WHD 'Core Group' Notice which is discussed below.
- 13.50. For individuals in receipt of income-related employment and support allowance and is receiving a work-related activity or support component, the supplier will normally need to produce a copy of the recipient's entitlement letter issued by Jobcentre Plus (DWP) as we understand that this level of detail will not appear in the person's Tax Credit Award Notice.

## Appendix 2 – Qualifying Boiler Information Pack

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### 1. Introduction

This document is designed to provide suppliers and operatives with guidance regarding the repair and replacement of qualifying boilers under ECO. For the installation of a new boiler which is not replacing a qualifying boiler, see Chapter 7.

### 2. Qualifying boilers

Under HHCRO, the repair or replacement<sup>143</sup> of a boiler that meets the definition of a 'qualifying boiler' is an eligible measure. A qualifying boiler is:

- a. in the case of a boiler to be repaired, a boiler which:
  - is not functioning efficiently or has broken down; and
  - has a seasonal energy efficiency value of 86 percent when assessed against SAP.
- b. in the case of a boiler to be replaced, a boiler which:
  - is not functioning efficiently; or
  - has broken down;

and which cannot be economically repaired.

The repair of a qualifying boiler must also be accompanied by a one- or two-year warranty (see section 3.5 below).

### 3. Boiler assessment & operative competency

In satisfying ourselves that a boiler that has been repaired or replaced was a qualifying boiler, we will take into account information provided by an appropriately qualified person following an assessment of the boiler.

#### 3.1 Operative competency

The assessment and the repair or replacement of a qualifying boiler must be carried out by a person of appropriate skill and experience (the 'operative(s)').

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<sup>143</sup> Note that there is no requirement for the replacement boiler to use the same fuel type as the original boiler. Where a fuel switch is delivered alongside a boiler replacement, the fuel switch should adhere to the Building Regulations (where applicable). The fuel switch should be appropriate for the property and should not lead to any increase in heating costs for the householder.

For boilers that are replaced and referred to within PAS 2030:2012, the boiler must be assessed and repaired by operatives who meet the competency requirements listed in the boiler-specific annex to that specification. For boilers not in PAS 2030:2012, and for boiler repairs, the assessment and repair must be carried out by operatives who meet industry competency standards for that particular fuel type.

All operatives undertaking boiler repair or replacement work must also meet regulatory requirements to work with the relevant fuel type. For example, in the case of gas-fuelled boilers, operatives must be Gas Safe registered in accordance with Regulation 3 of the Gas Safety (Installation and Use) Regulations 1998. Where the operative undertaking the boiler assessment is not the same as the operative undertaking the boiler repair or replacement work, the operative undertaking the boiler work must sign the relevant section of the Boiler Assessment Checklist to confirm that the initial assessment is correct.

There is no requirement for the assessment and any repair/replacement to be carried out by the same person. Each appropriately qualified 'operative' should sign the relevant section of the 'Boiler Assessment Checklist'.

### **3.2 Boiler Assessment Checklist**

Ofgem has prepared a checklist (the 'Boiler Assessment Checklist') which should be completed, signed, and dated by the relevant operative(s), and retained by the supplier for subsequent audits by us. All steps taken by the operative in determining boiler condition should be recorded in the checklist, as well as the operative's recommendation as to whether the boiler should be repaired or replaced. The information provided in the checklists will form the basis of our determination of whether the boiler is 'broken down' or 'not functioning efficiently'. These terms are defined below.

The 'Boiler Assessment Checklist' can be found on the ECO website. Suppliers may adapt the format of the checklist to match their own systems, as long as the content is not changed. Suppliers may submit adapted checklists to us before use for confirmation that the content is acceptable.

It is important to note that the operative's decision to replace a boiler on the basis that he/she considers that it is broken down/not functioning efficiently and cannot be economically repaired does not necessarily mean that we will reach the same conclusion, particularly if we consider that an assessment has been incorrectly carried out. For this reason, suppliers should ensure that the operative, in assessing the boiler, accurately completes the 'Boiler Assessment Checklist'.

Monitoring and auditing will be undertaken by Ofgem to ensure that boiler assessments are carried out in accordance with our requirements. To effectively protect against fraudulent activity, monitoring initiatives will include inspection of boilers before they are repaired or replaced.

### 3.3 'Broken down'

A boiler is 'broken down' if, when connected to electric and fuel supplies, it does not respond appropriately to any demand for heat as required by the central heating or domestic hot water system. The operative should list the symptoms observed and state the steps taken to reach his/her conclusion in the 'Boiler Assessment Checklist'.

### 3.4 'Not functioning efficiently'

A boiler is 'not functioning efficiently' if its condition is such that its performance in the delivery of water for central heating or the provisions of domestic hot water is significantly worse than that when the product was new. Any of the following faults could indicate that the boiler is not functioning efficiently:

- a. boiler heat exchanger corrosion or fouling;
- b. no boiler ignition or unstable firing;
- c. flue gas analyser combustion results outside boiler manufacturer tolerance;
- d. gas supply rate outside boiler manufacturer tolerance;
- e. gas supply pressure outside boiler manufacturer tolerance;
- f. burner pressure outside boiler manufacturer tolerance;
- g. boiler and system sludge;
- h. poor flue condition;
- i. primary flow rate outside boiler manufacturer tolerance or unsatisfactory;
- j. primary flow temperature outside boiler manufacturer tolerance or unsatisfactory; or
- k. for combination boilers only, unsatisfactory hot water flow rate or temperature.

These faults are listed in the 'Boiler Assessment Checklist', and the relevant box should be ticked if found during the boiler assessment. If additional faults of this nature are identified, the operative should list the symptoms observed. In all cases, the operative should state the steps taken to reach his/her conclusion in the 'Boiler Assessment Checklist'.

Where these or other faults are found, the operative must use their expertise to assess whether the faults identified have resulted in a 'significant' deterioration



in boiler performance. This can be indicated by a 'poor' boiler condition according to the boiler condition assessment (outlined in section 3.7 below). If not, the boiler cannot be described as 'not functioning efficiently'. Please note that we may revise the list of faults in the 'Boiler Assessment Checklist' following monitoring of fraudulent activity.

### **3.5 'Economically repaired'**

Boilers which have a seasonal energy efficiency value of less than 86 percent (when assessed against SAP/SEDBUK (2009)) 'cannot be economically repaired'. This means that, subject to being broken down or not functioning efficiently, all such boilers can be replaced as qualifying boilers.

Boilers which have a seasonal energy efficiency value of 86 percent or more<sup>144</sup> can be replaced as qualifying boilers, but only where they 'cannot be economically repaired'. Because the cost of repair of these boilers will usually be much lower than the cost of replacement, such boilers will only be eligible for replacement as qualifying boilers in certain circumstances. These circumstances are where:

- a. the required replacement parts for the boiler are not available (i.e. unavailable for purchase at a reasonable cost or within a reasonable timeframe. What is a reasonable timeframe and cost will depend on all the circumstances including the nature of the repair required);
- b. the actual cost of repair is greater than the cost of replacing the boiler; and/or
- c. the actual cost of repair is greater than the relevant threshold on the 'Economic Repair Cost Comparison Tables'; and/or

### **3.6 'Economic Repair Cost Comparison Tables'**

The 'Economic Repair Cost Comparison Tables' are used when determining whether a boiler with an energy efficiency value of at least 86 percent cannot be economically repaired. The tables display the maximum cost of repair for it to be considered economic for the boiler to be repaired rather than replaced. If the actual cost of repair, as calculated by the operative, is higher than the maximum cost or repair outlined in the table, the boiler cannot be economically repaired and can therefore be replaced. The maximum costs of repairs depends on the boiler type, age and condition.

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<sup>144</sup> When assessed against SAP/SEDBUK. If SAP/SEDBUK does not provide an efficiency rating, operatives may use an alternative to estimate the rating. That methodology must be described in the checklist

When assessing the condition of the boiler, the operative should make this assessment based on what he/she would reasonably expect the condition of a boiler of that age and type to be. See section 3.7 below for further information.

The maximum cost of repair for each boiler type is based: the estimated replacement cost of a boiler and depreciation over time. The estimated replacement cost includes the cost of the boiler, extras (e.g. flue), fittings, water treatment inhibitor, central heating controls, sub-contract electrician, quotation, re-connecting and commissioning the boiler, and labour).

The costs that are taken into account by the operative when calculating the actual cost of repair should – where applicable – include those listed above, plus the cost of a one or two-year warranty (as appropriate). The operative must specify the cost of the warranty that he/she has included in the actual cost of repair. Where, in addition to the repair work itself, further boiler works are necessary at the time of repair in order to protect the boiler for the life of the warranty, the cost of these works should be included in the actual cost of repair (subject to those works being carried out).

The 'Economic Repair Cost Comparison Tables' can be found in the Boiler Assessment Checklist (available on the ECO website). There is a guide to using the tables at the end of the Checklist.

### **3.7 Assessing boiler condition**

The operative should use the boiler fault details in the section of the completed Boiler Assessment Checklist entitled 'Boiler Assessment Part 1' to determine the boiler condition, as follows:

- Poor: the apparent age of the boiler is a minimum of five years more than the actual age
- Standard: the apparent age of the boiler corresponds with the actual age
- Good: the apparent age of the boiler is a minimum of three years less than the actual age.

It should be noted that unless the boiler condition is demonstrably better or worse than expected for its age, the standard condition should be used.

### **3.8 Boiler warranty**

In the case of repair of a qualifying boiler, the repair must also be accompanied by a one or two-year warranty. The warranty must be in respect of the proper functioning of the entire boiler (see Schedule 1), and must not be limited to the part of the boiler that has been repaired or replaced. Warranties should not include any unusual or otherwise unreasonable exemptions. The cost of a one- or two-year warranty should be included when calculating the cost of a boiler repair (see section 3.45 and 3.6) and also must be provided in the checklist.

The warranty should at minimum provide cover for total repair works, during the life of the warranty, valued up to:

- The financial level indicated in the 'Economic Repair Cost Comparison Tables', for a boiler of that type, age and condition; and
- £500 (excluding VAT).

Operatives will need to obtain the customer's written confirmation that he/ she has been provided with, and has been informed by the operative that the boiler is under, a warranty for: a) one year or b) two years from the date of repair, and that the nature of the warranty has been explained to them. A copy of the qualifying boiler warranty provided to the customer must be retained by suppliers for subsequent audits by us.

Where a supplier issues a warranty in respect of the repair of the qualifying boiler, any subsequent repair of the boiler under that warranty will not be eligible for savings.

## **Schedule 1: Boiler definition**

A boiler is defined as a gas, liquid or solid fuelled appliance designed to provide hot water for space heating. It may (but need not) be designed to provide domestic hot water as well. The boiler must be connected to a working domestic central heating (and, if applicable, hot water) system. The components that will normally comprise a boiler are:

- 1.** heat exchanger
- 2.** the fuel supply system
- 3.** boiler and burner control system
- 4.** air supply and exhaust fans
- 5.** flue connections within the boiler case
- 6.** expansion vessel and/or fill and expansion header tanks
- 7.** programmer/timer
- 8.** circulation pump
- 9.** condensate drain system
- 10.** and ancillary equipment and any connections within the case necessary to supply central heating and / or instantaneous hot water.

It is expected that these components will exist inside a single casing. However, we are mindful that there may be cases when one or more of components 5-8 exist outside of the boiler casing. For the avoidance of doubt, radiators and any associated valves are excluded from the boiler definition.

As a minimum all the components listed above, where present, must be covered by the warranty. The repair of any of those components will constitute repair of a qualifying boiler.

## Appendix 3 – Tenant

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This Appendix provides further information about the category of householder that is a 'tenant'. The information relates to Chapter 7 of this Guidance and is intended to provide suppliers with more detailed information about how they can identify whether a tenant in England, Wales or Scotland, is eligible for measures under the scheme.

### Introduction

In each of the three jurisdictions (England, Wales and Scotland) 'a tenant' is one of the categories of occupier which will be a householder. In each jurisdiction, some types of tenants are excluded from the category of tenant – and we refer to a tenant of this type as an 'excluded tenant'.

In each of the three jurisdictions, there are two main steps to establishing whether a person falls within the category of tenant:

1. Establish that the person is a tenant (including a sub-tenant);
2. If the person is a tenant, establish that the person is not an excluded tenant.

If the person is a tenant, other than an excluded tenant, the person is a householder.

The matters to be considered when working through these two steps are particular to the jurisdiction in which the premises are located; information about the matters to be considered in each jurisdiction is provided in below.

### Tenant: England and Wales

*Establishing that a person is a tenant (including a sub-tenant)*

A supplier may do this by sighting a written and current tenancy agreement naming the person as a tenant.

In some cases a written tenancy agreement may have expired and the person named as tenant under the expired agreement continues to occupy the premises with the consent of the landlord. In this kind of case, a supplier could confirm the validity of the tenancy by sighting the expired tenancy agreement and obtaining written confirmation from both landlord and tenant of the continuing agreement.

In some cases a tenancy agreement may be oral rather than written. In this kind of case a supplier could confirm the validity of the tenancy by obtaining written confirmation from both landlord and tenant.

### **Excluded Tenant: England**

#### *Establishing that a person is not an excluded tenant*

In England, two kinds of tenant are 'excluded tenants'. A person who is an excluded tenant for the purpose of this category may still fall within the scope of another category of occupier and so be a 'householder'. The kind of tenant that is an excluded tenant is:

3. a tenant of 'low cost rental accommodation' as defined in section 69 of the Housing and Regeneration Act 2008; and
4. a protected tenant under section 1, Part 1 of the Rent Act 1977. (To note, this kind of tenant does fall within the category of householder by virtue of being listed in paragraph 1 of Schedule 2 to the Order.)

Information about each of these two types of excluded tenant is provided below.

*Protected tenant under the Rent Act 1977:* Although a protected tenant is excluded from the category of tenant (as described at paragraph 1(1)(c) of Schedule 2 to the ECO Order), a protected tenant is nevertheless specified as a separate category of occupier that will be a householder (see paragraph 1(1)(f) of Schedule 2 to the ECO Order). In most cases<sup>145</sup>, the inclusion of protected tenant as a separate category functions to 'cancel out' the exclusion of protected tenant from the category of tenant – with the result that there is no need for a supplier to establish whether a tenant is a protected tenant and thus excluded from the category of tenant. This is because the tenant will fall into one or other of the two categories, and there is no need to distinguish which.

*Tenant of low cost rental accommodation:* This phrase has the same meaning as in section 69 of the Housing and Regeneration Act 2008. Accommodation is low cost rental accommodation if:

5. it is made available for rent;

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<sup>145</sup> There may be cases in which a tenant of low cost rental accommodation (i.e. an excluded tenant) is a protected tenant – and in such a case, a supplier will wish to establish that the tenant falls within the category of occupier specified at paragraph 1(1)(f) of Schedule 2 to the ECO Order.

6. the rent is below the market rate; and
7. the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

Suppliers should satisfy themselves that a tenant is not an excluded tenant before delivering a measure to that tenant. However, we recognise that it will cause significant administrative burden for suppliers to gather all the data and documents necessary to verify that a tenant is not a tenant of low cost rental accommodation, as per the three part test outlined above. To ease this burden, we will adopt (and allow suppliers to rely on) the following assumptions:

- all accommodation rented from a local authority, housing cooperative, housing association or charity is low cost rental accommodation. Suppliers may demonstrate to the contrary – for example, by producing statistics showing that the rent paid for accommodation is market rate; and
- all private accommodation (i.e. accommodation other than accommodation rented from a local authority, housing cooperative, housing association or charity) is not low cost rental accommodation.

For the purpose of using the assumptions set out in the preceding paragraph:

- 'local authority' means the council of a county or county borough, the council of a district, the Council of the Isles of Scilly, the council of a London borough or the Common council of the City of London;
- 'housing cooperative' means a society, body of trustees or company that manages accommodation under an agreement with a local authority;
- 'housing association' means a society, body of trustees or company (1) which is established for the purpose of, or amongst whose objects or powers are included those of, providing, constructing, improving or managing, or facilitating or encouraging the construction or improvement of, housing accommodation and (2) which is non-profit making;
- 'charity' means an organisation as defined at section 1 of the Charities Act 2011. A list of registered charities is available at:

<http://www.charitycommission.gov.uk/showcharity/registerofcharities/registerhomepage.aspx?&=&>

Not all charities must register.

### **Excluded Tenant: Wales**

*Establishing that a person is not an excluded tenant: Wales*

In Wales, the following types of tenant are excluded from the category of tenant:

1. A protected tenant under section 1, Part 1 of the Rent Act 1977;
2. A tenant of a dwelling-house let under Part IV of the Housing Act 1985;
3. A tenant of a dwelling let by a landlord registered as a social landlord under Chapter 1 of Part 1 of the Housing Act 1996;
4. A tenant of a local authority, other than under Part IV of the Housing Act 1985.

Information about each of these types of tenant is provided below. In the case of each type of tenant, one of the main factors defining the type of tenancy is the identity and nature of the landlord.

*Protected tenant under the Rent Act 1977:* Although a protected tenant is excluded from the category of tenant (as described at paragraph 1(1)(c) of Schedule 2 to the ECO Order), a protected tenant is nevertheless specified as a separate category of occupier that will be a householder (see paragraph 1(1)(f) of Schedule 2 to the ECO Order). In most cases<sup>146</sup>, the inclusion of protected tenant as a separate category functions to 'cancel out' the exclusion of protected tenant from the category of tenant – with the result that there is no need for a supplier to establish whether a tenant is a protected tenant and so excluded from the category of tenant. This is because the tenant will fall into one or other of the two categories, and there is no need to distinguish which.

*A tenant of a dwelling-house let under Part IV of the Housing Act 1985:* Part IV of the Housing Act 1985 provides for 'secure tenancy'. Therefore a 'secure tenancy', within the meaning of the Housing Act 1985, is excluded from the category of tenant in Wales. Section 79 of the Housing Act 1985 provides that a 'tenancy

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<sup>146</sup> There may be cases in which a tenant of low cost rental accommodation (i.e. an excluded tenant) is a protected tenant – and in such a case, a supplier will wish to establish that the tenant falls within the category of occupier specified at paragraph 1(1)(f) of Schedule 2 to the ECO Order.



under which a dwelling-house is let as a separate dwelling' will be a secure tenancy where the landlord condition and the tenant condition are satisfied.

The landlord condition requires that the landlord be one of the following types of public body:

- (i) a local authority;
- (ii) a development corporation;
- (iii) a housing action trust;
- (iv) a housing cooperative where the dwelling house is comprised in a housing co-operative agreement;
- (v) in limited cases<sup>147</sup>, the Homes and Communities Agency, and the Welsh Ministers;
- (vi) where the tenancy was created before 15 January 1989<sup>148</sup>;
  - 1. a housing trust which is a charity;
  - 2. a housing association, which is a private registered provider of social housing or a registered social landlord but which is not a cooperative housing association;
  - 3. a cooperative housing association which is neither a private registered provider of social housing nor a registered social landlord.

The tenant condition includes the requirement that the tenant(s) is/are individuals (as opposed to corporate entities).

Even where the landlord condition and the tenant condition are satisfied, a tenancy may fall within the scope of one of the exceptions specified in section 79(2) and Schedule 1, Housing Act 1985. Before assuming that a tenant of a public body listed above has a secure tenancy, a supplier may wish to satisfy itself that one of these exceptions does not apply. (Where one of the exceptions applies, the tenant will not be an excluded tenant.)

*A tenant of a dwelling let by a landlord registered as a social landlord under Chapter 1 of Part 1 of the Housing Act 1996:* Section 2 of the Housing Act 1966 provides that the following bodies are eligible to register as social landlords in Wales:

- (i) a registered charity which is a housing association;
- (ii) a society or a company, where the body;
  - 1. is principally concerned with Welsh housing;

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<sup>147</sup> That is, in the case of a tenancy falling within section 80(2A) to (2E) Housing Act 1985.

<sup>148</sup> See modification of provisions of section 80 Housing Act 1985, effected by section 35 of the Housing Act 1988

2. is non-profit making; and
3. is established for the purpose of, or has among its objects or powers, the provision, construction, improvement or management of houses for let, houses occupied by members or hostels<sup>149</sup>.

The Welsh Ministers maintain a public register of social landlords. That register can be accessed at:

<http://wales.gov.uk/topics/housingandcommunity/housing/publications/contactrs/s/?lang=en>

Suppliers should be aware that the public register may not be completely up to date, and a supplier may wish to contact the Welsh government to confirm whether a particular landlord not appearing on the register is a registered social landlord.

*A tenant of a local authority, other than under Part IV of the Housing Act 1985:*

Part IV of the Housing Act 1985 provides for 'secure tenancy' (see discussion at *A tenant of a dwelling-house let under Part IV of the Housing Act 1985* above). A tenancy where the landlord interest is held by a local authority will generally be a secure tenancy (and so the tenant will be an excluded tenant) – but there may be exceptions. To the extent that such exceptions exist, those cases will be captured by this third type of (excluded) tenant. In effect all tenants of local authorities within Wales will be excluded tenants.

**Tenant: Scotland**

*Establishing that a person is a tenant (including a sub-tenant)*

A supplier may establish that a person is a tenant by sighting a written and current occupancy agreement naming the person as occupier.

In some cases a written occupancy agreement may have expired and the person named as occupier under the expired agreement continues to occupy the premises with the consent of the landlord. In this kind of case a supplier could confirm the validity of the agreement by sighting the expired agreement and obtaining written confirmation from both landlord and occupier of the continuing agreement.

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<sup>149</sup> Any additional purposes or objects must be of a kind specified at section 2(4) Housing Act 1996.

In some cases an agreement may be oral rather than written. In this kind of case a supplier could confirm the validity of the agreement by obtaining written confirmation from both landlord and occupier.

For Scotland, the ECO Order specifically includes the following three types of occupier within the category of tenant (however the category of tenant is not limited to these three types):

1. A person who occupies a dwelling under the terms of a contract of employment: In this case, the supplier should sight the terms of the employment contract to establish that those terms give the person the right to occupy the premises.
2. A person who has a licence to occupy a dwelling: A licence to occupy is distinguishable from a lease or tenancy. Generally, a tenancy is considered to exist where the agreement to occupy (for a term, at a rent) gives the occupier the right to exclusive possession of premises. Where the occupier does not have this right, the agreement is a licence to occupy. (Generally, 'exclusive possession' equates to possession and control of an area/premises). The inclusion of this type of occupier within the category of tenant has the effect of relieving suppliers of the need to make a judgement as to whether a particular occupancy agreement is a tenancy or a licence to occupy – since both types of agreement fall within the category of tenant (in Scotland).
3. A person who is a cottar within the meaning of section 12(5) of the Crofters (Scotland) Act 1993: Section 12(5) defines 'cottar' to mean:
  - i. 'the occupier of a dwelling-house situated in the crofting counties with or without land who pays no rent'; or
  - ii. 'the tenant from year to year of a dwelling-house situated as aforesaid [in the crofting counties] who resides therein and who pays therefore [sic] an annual rent not exceeding £6, whether with or without garden ground but without arable or pasture land.'
4. Suppliers may contact the Crofting Commission to determine the boundaries of the crofting counties:

<http://www.crofting.scotland.gov.uk/>

In cases where a tenancy or licence agreement is in place it will be unnecessary for a supplier to establish that a person occupies premises as a cottar, because

that person will otherwise fall within the category of tenant (unless that person is an excluded tenant – see explanation below).

### **Excluded Tenant: Scotland**

*Establishing that a person is not an excluded tenant*

In Scotland, a tenant of a social landlord within the meaning of section 165 Housing (Scotland) Act 2010 is an excluded tenant. Section 165 defines 'social landlord' as:

- a. a registered social landlord;
- b. a local authority landlord;
- c. a local authority which provides housing services.

Information about each type of social landlord is provided below.

A registered social landlord: a body registered in the register of social landlords maintained under the Act. The register can be accessed at:

[http://www.esystems.scottishhousingregulator.gov.uk/register/reg\\_pub\\_dsp.home](http://www.esystems.scottishhousingregulator.gov.uk/register/reg_pub_dsp.home)

The bodies entitled to register are;

- (i) principally concerned with Scottish housing;
- (ii) non-profit making;
- (iii) established for the purpose of, or have among its objects or powers, the provision, construction, improvement or management of houses for let, houses occupied by members or hostels.

Neither local authority landlords nor local authorities that provide housing services are included in the register.

Suppliers should be aware that the public register may not be completely up to date, and a supplier may wish to contact the Scottish government to confirm whether a particular landlord not appearing on the register is a registered social landlord.

A local authority landlord: a landlord which is:

- (i) a local authority (i.e. a local government council);
- (ii) a joint board or joint committee of 2 or more local authorities;
- (iii) 'the common good of a local authority'<sup>150</sup>; or
- (iv) a trust controlled by a local authority.

A local authority which provides housing services: 'housing services' means providing housing accommodation and related services.

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<sup>150</sup> The common good is a fund of money and assets (including land), formerly owned by the burgh, and now owned by the relevant Scottish unitary local authority.

## Appendix 4 - Glossary

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### A

**Adjoining area/installation/specified adjoining area** is an area that adjoins (i.e. shares a border with) an area of low income, and explained in Chapter 6 of this document.

**Affordable Warmth Group** means a group of persons in receipt of the benefits outlined in Schedule One to the Order.

**Area of low income** as defined by the Order can be found within the following document, and is explained in Chapter 6:

- Energy Companies Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas document ISBN 9780108511608

### B

**BBA** is the British Board of Agrément, a UKAS accredited laboratory that provides certification for insulation products.

**BRE** is the Building Research Establishment.

**Building Regulations**, in reference to this Guidance, covers the Building Regulations 2010 enforced across England and Wales, and the Building (Scotland) Regulations 2004 enforced across Scotland.

### C

**Carbon saving** means the lifetime tonnes of carbon dioxide that a qualifying action will save.

**CERO** is the Carbon Emissions Reduction Obligation.

**CERT** is the Carbon Emissions Reduction Target. As provided for in the Electricity and Gas (Carbon Emissions Reduction) Order 2008 S.I. 2008/188, as amended by the Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2009 (S.I. 2009/1904), the Electricity and Gas (Carbon Emissions Reductions (Amendment) Order 2010 (S.I. 2011/3062).

**CESP** is the Community Energy Saving Programme. As provided for in the Electricity and Gas (Community Energy Saving Programme) Order 2009 S.I. 2009/1905 as amended by the Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2011 (S.I. 2011/3062).

A **Chartered Surveyor**, for the purposes of ECO, is a RICS-qualified chartered surveyor.

A **Combination boiler** is a boiler with the capability to provide domestic hot water directly, in some cases containing an internal hot water store.

**Cost saving** means, in relation to a heating qualifying action;

- a) the heating saving; and
- b) where in addition to a heating saving the action also results in savings on the cost of heating water, the money that would have been saved by the action over its expected lifetime in heating water in that home.

**CSCO** is the Carbon Savings Community Obligation.

**CWI** is Cavity Wall Insulation.

## D

**Date of handover** is, for measures installed in accordance with PAS 2030:2012, the meaning of handover as defined within that Specification. For measures that do not need to be installed in accordance with PAS 2030:2012, or where no Declaration of Conformity is produced, the date of handover will be the date on which the measure is installed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.

**Date of completion** is the date on which installation of the measure was completed.

**DECC** is the Department of Energy and Climate Change.

**DHS** is a District Heating System.

**Domestic customer** means a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes

**Domestic energy user** means a person who uses energy in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes

**Domestic premises** means separate and self-contained premises used wholly or mainly for domestic purposes.

**DWP** is the Department for Work and Pensions.

## E

**ECO** is the Energy Companies Obligation.

**ECO Brokerage Mechanism** is an auction based mechanism designed to enable suppliers to buy contracts for carbon or cost savings arising from multiple installations planned by Green Deal Providers.

The **ECO Register** is the name of our IT system which suppliers can use to meet certain requirements of ECO.

**Ellexon** administers the wholesale electricity balancing and settlement arrangements for Great Britain, as set out in the Electricity and Balancing Code. Further information can be found at [www.ellexon.co.uk](http://www.ellexon.co.uk).

**EPC** is an Energy Performance Certificate.

**ESAS** is the Energy Saving Advice Service.

**EST** is the Energy Savings Trust.

**ETA** is a European Technical Approval, which is an approval based on testing carried out to agreed European levels.

An **Excess action** is set out in Chapter 11.

**Exposure Zones** 1 to 4 denote exposure of a region to wind driven rain. Properties in these regions can have severe or very severe exposure to wind driven rain due to several factors, such as orientation, shielding, building height, etc.

## F

**FENSA** is the Fenestration Self-Assessment Scheme, which was established by the Glass and Glazing Federation and other industry bodies in response to Building Regulations for double glazing companies in England and Wales.

## G

**GB/Great Britain** is England, Wales and Scotland.

**GDAR** is the Green Deal Advice Report.

**Gemserv** is the Green Deal Oversight and Registration Body (GD ORB).

**Green Deal** is a new market-led framework which operates alongside ECO and aims to improve energy efficiency throughout Great Britain. Further information on the Green Deal can be found at [www.gov.uk](http://www.gov.uk).

**Group** refers to the group of companies of which the licence-holder is a member.

**Group Company** means a licence-holder which is a member of a group of companies.

**Group of Companies** means a holding company and the wholly-owned subsidiaries of that holding company where 'holding company' and 'wholly owned' subsidiary have the same meaning as in section 1159 of the Companies Act 2006.

## H



A **Heating saving** is the money that would be saved by that action over its expected lifetime in heating a home to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas.

**HHCRO** is the Home Heating Cost Reduction Obligation.

**HMRC** is Her Majesty's Revenue and Customs.

A **Householder** is defined in Schedule 2 to the Order, and explained in Chapter 7 of this document.

## I

An **In-use factor** is the percentage by which savings calculated under SAP or RdSAP should be reduced, in order to reflect the likely in situ performance (as opposed to theoretical performance) of an energy efficiency measure.

## L

A **Licence-holder** means an electricity licence-holder, a gas licence-holder or a dual licence-holder.

**Lifetime** is the estimated lifetime for measures.

**Lifetime tonnes of carbon dioxide** is the amount in tonnes of carbon dioxide that is expected to be saved over the lifetime of a measure installed under the ECO Order

**LSOA** is a Lower Layer Super Output Area as defined by the ONS.

## M

A **Measure** is a qualifying action and adjoining installation.

**Mobile home** means a home which is:

- a) a caravan within the meaning of Part I of the Caravan Sites and Control of Development Act 1960(b) (disregarding the amendment made by section 13(2) of the Caravan Sites Act 1968(c)); and
- b) used as a dwelling for the purposes of Part I or II of the Local Government Finance Act 1992(d).

## N

A **new supplier** is a supplier whose overall obligation period commences on either 1 April 2013 or 1 April 2014 and ends on 31 March 2015 (i.e. a supplier who was not obligated for the first 'phase' of ECO).

The **Notification deadline** is the end of the calendar month after the month in which installation of the measure was completed.

**Notification period** means:

- a) 1 January 2011 to 31 December 2011 for phase 1;
- b) 1 January 2012 to 31 December 2012 for phase 2;
- c) 1 January 2013 to 31 December 2013 for phase 3.

The **Notification template** describes the information that suppliers must include as part of the monthly notification for a particular type of completed measure.

## O

An **Obligated supplier(s)** is a 'supplier' as defined in this Guidance.

The **Open Letters** set out information on our policies or processes for administering ECO. These letters will be superseded by our final Guidance document.

**ONS** is the Office of National Statistics.

The **Overall obligation period** is the period from 1 October 2012 and ending on 31 March 2015.

## P

A **Park Home** is a type of Mobile Home.

**PAS** means Publicly Available Specification 2030:2012 Edition 2.

**Phase** means one of the three phases of the scheme as follows:

- a) the period from 1 January 2013, ending 31 March 2013 (phase 1)
- b) the 12 months ending with 31 March 2015 (phase 2)
- c) the 12 months ending with 31 March 2016 (phase 3).

A **Primary Measure** is, under the CERO obligation, solid wall insulation and hard-to-treat cavity wall insulation.

**Promotion** is where a supplier is a cause of a measure being installed so that they can claim the associated carbon or cost saving against towards their ECO obligations.

## Q

**Qualifying action** means a carbon qualifying action, a carbon saving community qualifying action or a heating qualifying action.

**Qualifying boiler** is a boiler that meets the criteria under the HHCRO, as explained in Appendix 2.

**Qualifying supply** means the supply to domestic customers of 400 gigawatt hours of electricity or 2000 gigawatt hours of gas.

## R

**RdSAP is the Reduced data Standard Assessment Procedure**, a simplified version of SAP that requires fewer data inputs.

**Recommended measure** means a measure:

- recommended in a Green Advice Deal Report which has been produced in respect of a domestic energy user's premises; or
- recommended in a report by a chartered surveyor pursuant to an assessment of the domestic energy user's premises performed for the purpose of identifying measures for improving the energy efficiency of the premises.

A **Regular boiler** is a boiler which does not have the capability to provide domestic hot water directly (i.e. not a combination boiler). It may nevertheless provide domestic hot water indirectly via a separate hot water storage cylinder.

**Relevant year**, with respect to the notification period, means 2011, 2012 or 2013.

**RICS** is the Royal Institute of Chartered Surveyors.

**Rural areas** are described in the document entitled 'Energy Companies Obligation, Carbon Savings Community Obligation: Rural and Low Income Areas' as 'a settlement of fewer than 10,000 inhabitants'.

## S

**SAP** is the Standard Assessment Procedure.

A **secondary measure** is, under the CERO obligation, a recommended measure installed to improve the insulating properties of the premises; or a connection to a district heating system that is installed within six months of a primary measure.

**SoS** means Secretary of State responsible for Energy & Climate Change.

A **Supplier(s)** is a licence-holder where on 31 December any of the years 2011, 2012, or 2013:

5. it was supplying more than 250,000 domestic customers; and

6. had supplied more than 400 gigawatt hours of electricity, or 2000 gigawatt hours of gas, to domestic customers during the year ending on that date.

**SWI** is Solid Wall Insulation.

## T

**tCO<sub>2</sub>** is tonnes of carbon dioxide

**Technical Monitoring** includes site-based visits to verify whether a measure has been installed in accordance with the relevant standards. It is also a means of verifying that premises and measures are as notified by the supplier.

The **Total Obligation** is the cumulative obligation for each supplier for each phase of ECO.

## U

**U-value** means the measure in W/m<sup>2</sup>K of heat transmission through material.

**UKAS** is the United Kingdom Accreditation Service.

## W

A **Weather region** is a measure of the difference between typical and the actual outdoor temperature, multiplied by the number of days within a month that this difference occurs. A weather region is a region within Great Britain in which properties are assigned the same degree day.

**Working day** means any day other than a Saturday, Sunday, Good Friday, Christmas Day, or a day which is a bank holiday in England or Wales or Scotland under the Banking and Financial Dealings Act 1971.

## X

**Xoserve** is the Gas Transporters' Agent and delivers transportation transactional services on behalf of all the major gas network transportation companies. Further information can be found at [www.xoserve.com](http://www.xoserve.com).