

Energy Companies Obligation (ECO) Compliance Update

www.ofgem.gov.uk

Issued October 2014

Issue **15**

This compliance update shows energy companies’* progress towards their ECO obligations. It presents energy efficiency measures notified by energy companies to Ofgem by the end of August and approved by Ofgem by the end of September 2014. It also presents measures not yet notified but installed since 1 April in anticipation of amendments to the ECO Order (we refer to these as ‘interim’ measures). This report currently excludes excess measures carried forward from the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP), which are likely to be material for some companies.

The Department of Energy and Climate Change’s (DECC) latest monthly [Statistical Release](#) reports on all measures notified by energy companies to Ofgem to the end of August, including those which have not yet been processed by Ofgem.

What is new in this report?

DECC has proposed legislative changes to ECO (the ‘draft amendment Order’). These include the reduced CERO target, CERO levelisation uplift and interim measures. Figures 3 and 4 demonstrate our interpretation of the impact of these changes on energy companies’ progress towards their obligations**. For more information on these changes, please find a link to DECC’s consultation response in the ‘Further Information’ section on page three. Figures 1, 2 and 5 continue to represent only those measures approved under the current legislation.

Approved measures

Fig. 1) Approved measures by category

The table below shows cumulative measures approved by Ofgem. Please note that these figures may decrease if Ofgem revokes the approval of a measure***.

Measure Category	CERO	CSCO	HHCRO	Cumulative Total
Solid Wall Insulation	51,271	3,821	10	55,102
Park Home Insulation	203	-	-	203
Cavity Wall Insulation	1,064	47,261	9,938	58,263
HTTC Wall Insulation¹	115,976	4,580	8	120,564
Loft Insulation	22,551	98,814	33,617	154,982
Other Insulation²	2,069	3,644	90	5,803
Boiler – Replacement	N/A ⁴	N/A	252,334	252,334
Boiler – Repair	N/A	N/A	577	577
Other Heating³	N/A	N/A	56,124	56,124
District Heating System	1,155	2,136	-	3,291
Micro-generation	N/A	N/A	-	-
Total	194,289	160,256	352,698	707,243

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

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

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

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

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

**With the exception of excess measures from CERT and CESP.

***Ofgem may revoke the decision to approve any measure if, in the future, Ofgem establishes that the measure should not have been approved. For example, information may subsequently come to light which shows that information provided at the time of assessment was incorrect or which indicates that the measure is a duplicate.

Progress towards obligations

The scheme is currently 70%* of the way through phases 1-3 (which cover the period 1 January 2013 to 31 March 2015).

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

The chart below shows energy companies' cumulative monthly progress towards phase 1-3 obligations. When (and if) the draft amendment Order comes into force certain amendments will have the effect of increasing energy companies' progress towards their obligations. This is demonstrated in Figure 3 below.

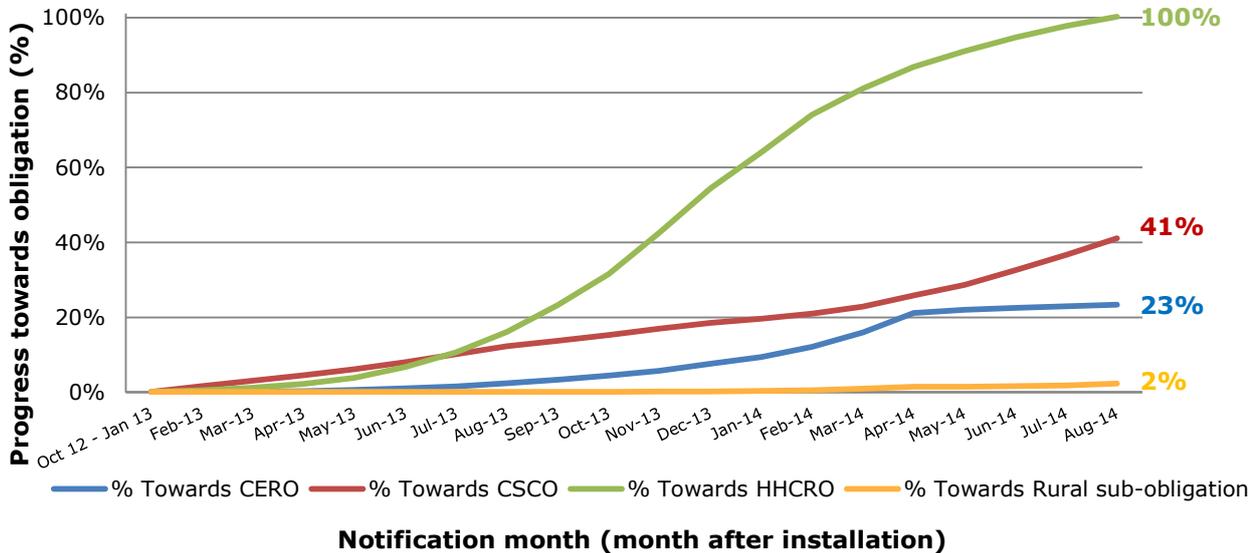
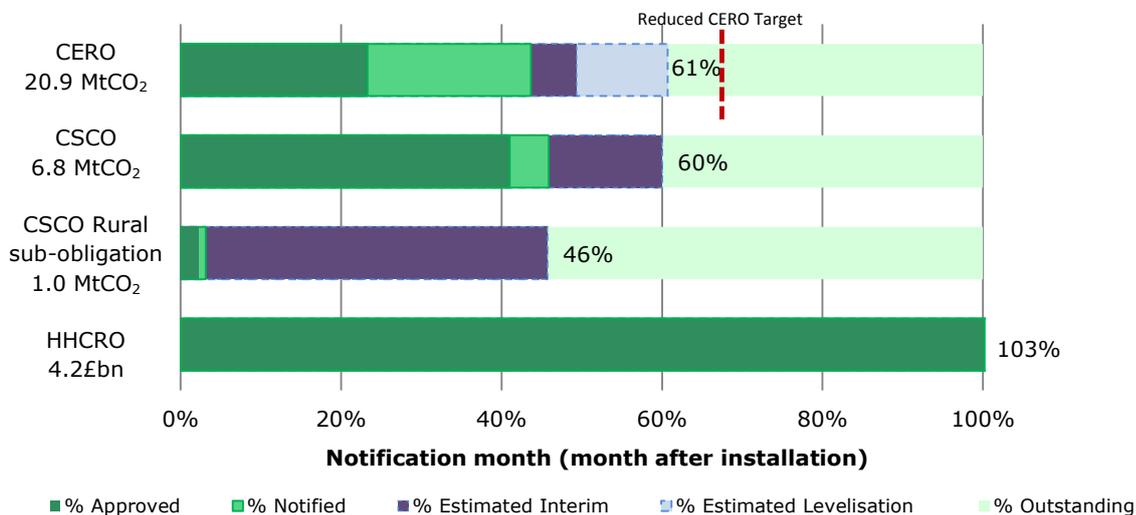


Fig. 3) Total progress towards ECO obligations (approved, notified and interim measures)

The chart below shows all measures notified to the end of August 2014 and approved by the end of September 2014 as a percentage of the total phase 1-3 obligations. It also shows the potential impact of interim measures, the CERO levelisation uplift and the reduced CERO target.



Please note that:

- Excess actions carried over from CERT and CESP are **not** shown in this graph. They will be included when (and if) the amending legislation comes into effect and the savings have been finalised.
- Estimated levelisation uplift has been calculated as set out in the draft amendment Order using the relevant CERO measures installed up to 31 March 2014. Figure 3 assumes that all of these measures will be approved (including hard-to-treat cavity wall insulation).
- It is possible that the draft amendment Order and in particular the provisions relating to interim measures, levelisation uplift and reduced CERO target will not come into force.
- If the draft amendment Order is passed it is possible that estimated interim measures reported to date will not be formally notified.

*In terms of installation months covered by this report i.e. measures installed to July 2014 (19 months of the scheme).

Notified measures

In addition to the approved measures (707,243), a number of measures have been notified to Ofgem under the current legislation but have not yet been approved (211,878). Together, these figures constitute the 919,121 measures published in DECC's September Statistical Release. This figure does not include interim measures.

Of the 211,878 measures notified to Ofgem under the current legislation but not yet approved:

- Circa 184,000 are currently undergoing further checks to ensure that they are valid measures under ECO; over half of these are hard-to-treat cavity measures in CERO and the other measures are undergoing scoring verification and duplicate checks.
- A further c. 19,000 have been sent back to energy companies for data correction or completion of missing information. These measures will be reassessed and approved (if appropriate) once they are re-submitted.
- Around 7,000 measures are currently being processed and are expected to be approved shortly if the necessary information is in order.
- Around 1,500 measures have had their approval refused or revoked during September as they are not valid measures under ECO*. The majority of these are interim measures incorrectly notified under current legislation. The remainder are duplicate measures.

To date a total of around 3,000 measures have had their approval refused or revoked by Ofgem. We are working closely with energy companies to resolve any issues relating to the notification of measures.

Further information

The Energy Companies Obligation (ECO) is a government scheme which places obligations on larger energy companies to deliver energy efficiency measures to domestic premises in Great Britain. Ofgem is responsible for administering ECO on behalf of DECC. Each month energy companies notify Ofgem of measures installed in the previous month. Ofgem will then assess these measures for eligibility under the scheme and, if satisfied, will award credit to the energy company to claim towards their obligations.

The three obligations under ECO are:

- **Carbon Emissions Reduction Obligation (CERO):** solid wall and hard-to-treat cavity wall insulation alongside secondary measures including other insulation and district heating systems;
- **Carbon Saving Community Obligation (CSCO):** insulation and district heating measures in low income areas, including a minimum requirement in rural areas; and
- **Home Heating Cost Reduction Obligation (HHCRO):** insulation and heating measures delivered to low income and vulnerable households.

Links:

- For further information about the current ECO scheme, please visit our website www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco.
- For information regarding the proposed legislative changes, please see DECC's [consultation response](#).
 - Reduced CERO target; pages 9-10.
 - CERO levelisation uplift; pages 48-50.
 - Interim measures refer to those measures installed from 1 April 2014 which are eligible under the ECO amendment Order. For example, standard cavity wall insulation as a primary measure under CERO and measures installed in the new CSCO areas.
- For the draft legislation please see the [ECO Order amendment](#).
- For our consultation and draft guidance on how we propose to administer ECO in line with the ECO amendment Order, please see [here](#).

*These measures are included in the 211,878 measures mentioned above.

Quarterly Annex: Energy Company Progress

This is an annex to the **October Energy Companies Obligation (ECO) Compliance Update (Issue 15)** and is based on the same data.

Fig 4) Energy company progress towards ECO obligations (approved, notified & interim measures)

The charts below show energy company progress for all measures notified to the end of August and those which were approved by the end of September, as a percentage of their entire phase 1-3 obligations. The potential impact of interim measures, the CERO levelisation uplift and the reduced CERO target are also shown. The levelisation uplift has been estimated using the relevant CERO measures installed up to 31 March 2014 and assumes that all of these measures will be approved (including hard-to-treat cavity wall insulation). The CERO target reduction varies between energy companies as it only reduces phase 3 of ECO; companies with a greater proportion of their total obligation in phase 3 may have a larger reduction. The figures do not include excess actions from CERT and CESP, which are likely to be material for some energy companies.

Fig 4.1 CERO¹

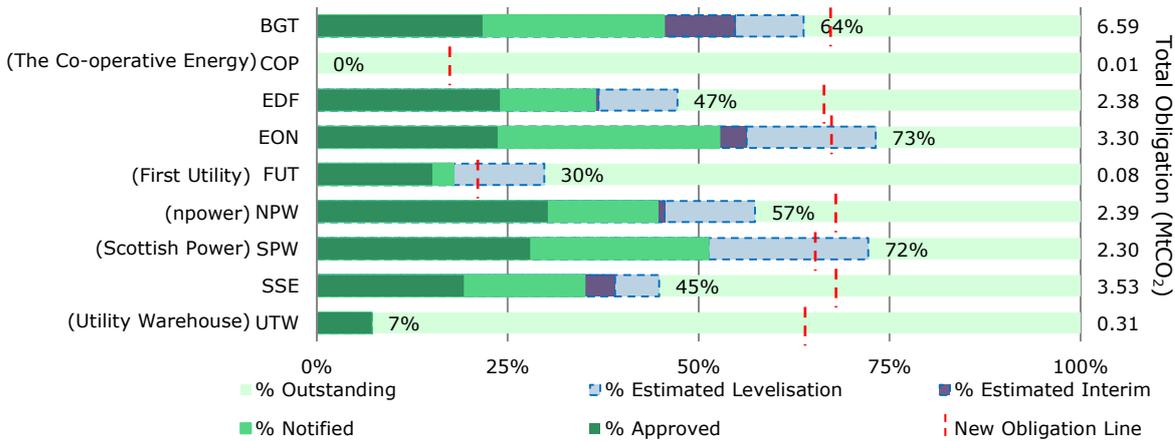


Fig 4.2 CSCO

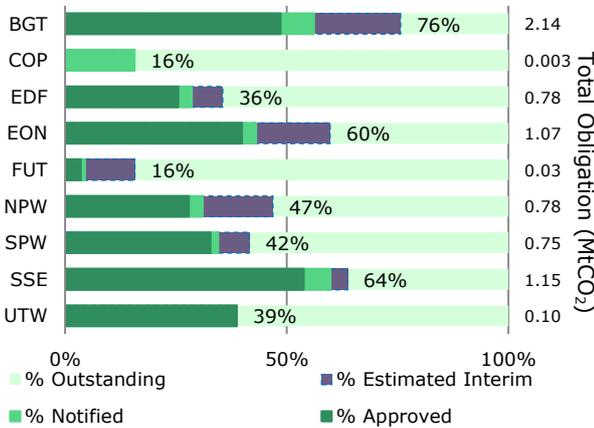


Fig 4.3 CSCO Rural sub-obligation

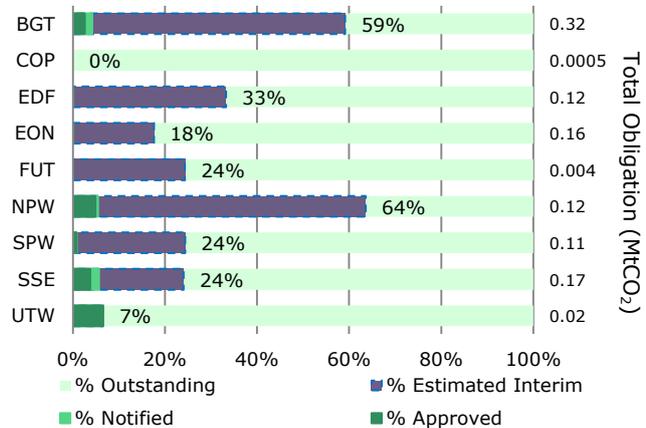
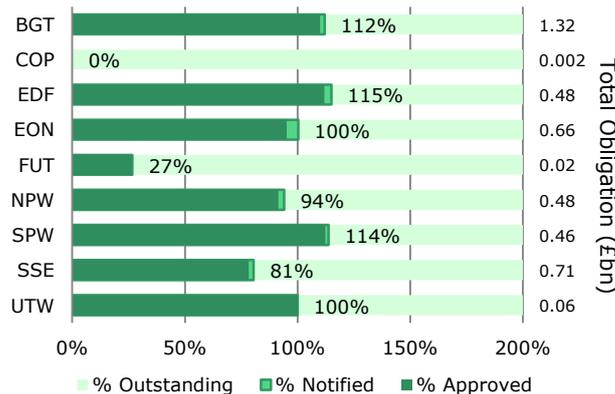


Fig 4.4 HHCRO



¹The Co-operative Energy was first obligated under Phase 3 of ECO.

Fig 5) Monthly progress by energy company towards ECO obligations (approved measures)

The charts below show the cumulative monthly progress of energy companies towards their ECO obligations for phases 1-3. They are based on **approved measures only** and do not include interim measures, levelisation or excess actions from CERT and CESP. The rural sub-obligation is not included here as the percentages currently approved remain very low. As shown in Figure 4 above, energy companies have chosen to deliver the majority of the rural sub-obligation through interim measures, which will only be processed when (and if) the amending legislation comes into effect. Please note the differing vertical axis scales.

Figure 5.1 CERO

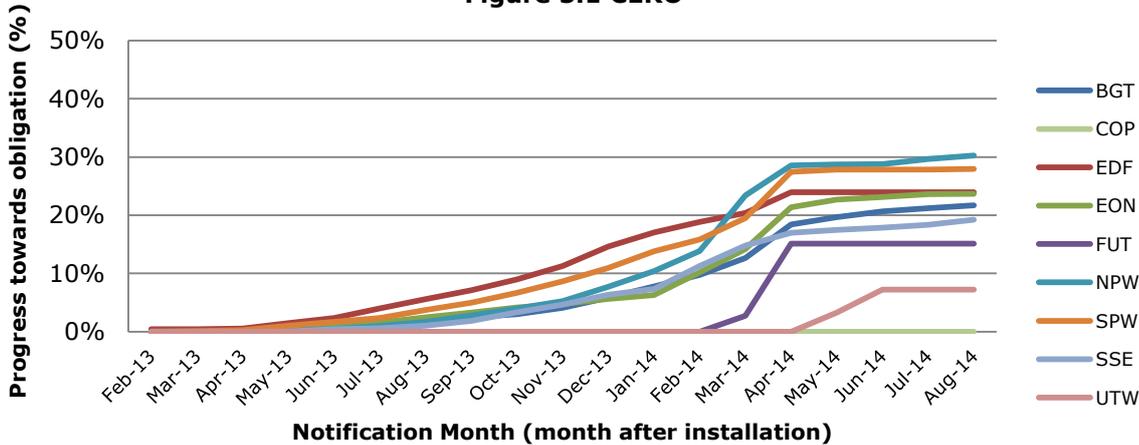


Figure 5.2 CSCO

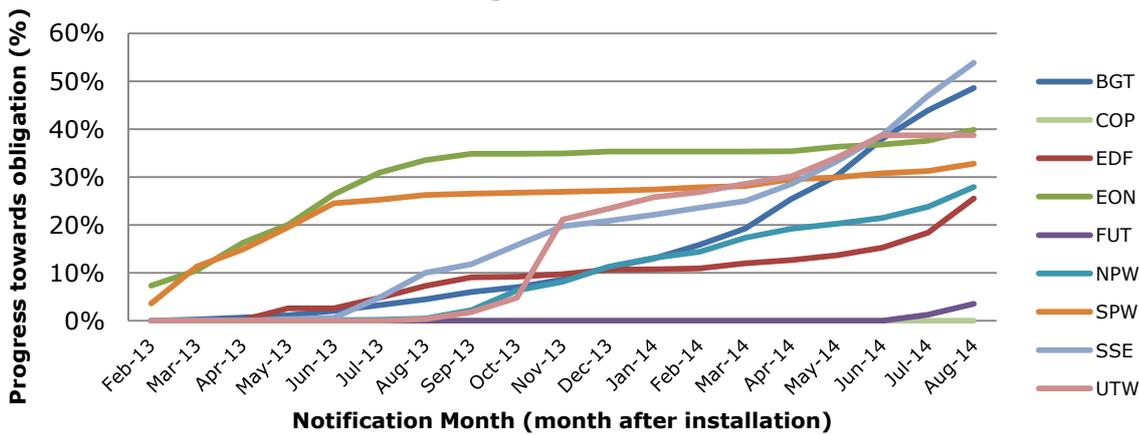
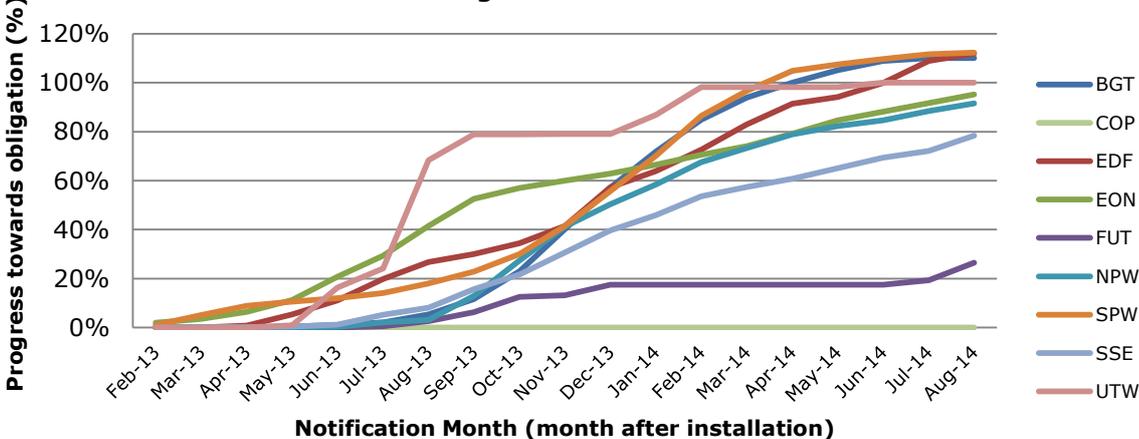


Figure 5.3 HHCRO



Still have questions?

For enquiries regarding ECO (with the exception of the media), please contact the ECO team via email at ECO@ofgem.gov.uk. For all media enquiries, please contact the press office on 0207 901 7246.