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Energy Companies Obligation (ECO): Guidance for Suppliers (version 1.2)

Response to consultation document

Publication: 6 November 2014

Team: ECO

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Overview:

The government is making changes to the Energy Companies Obligation (ECO). The first set of changes relate to the current obligation period, which ends in March 2015. These amendments are called 'ECO1.2'. The amending Order[1] which covers the ECO1.2 changes was laid in parliament on 22 July 2014 and is expected to come into force in late autumn 2014.

We recently consulted on the aspects of these changes where we are required to use our discretion as administrators of ECO.

Here, we summarise the responses to our consultation and, having reviewed all responses, detail our final policy for the *Energy Companies Obligation (ECO): Guidance for Suppliers (version 1.2)*. We also detail where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position. Lastly, we provide an overview of the changes made to our current guidance (version 1.1a) in developing the *ECO: Guidance for Suppliers (version 1.2).*

The ECO: Guidance for Suppliers (version 1.2) does not apply until the amending Order comes into force. It will then apply to all notified measures or applications made, on or after that date. Until then, suppliers should refer to the ECO: Guidance for Suppliers (version 1.1a), which is available on our website.

[1] The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014 http://www.legislation.gov.uk/ukdsi/2014/9780111118962

Associated documents

Ofgem Guidance
Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.1a)
https://www.ofgem.gov.uk/ofgem-publications/88469/energycompaniesobligationecoguidanceforsuppliersversion1.1a.pdf

Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.2)
https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-consultation-revisions-guidance-suppliers

Legislation (or draft legislation)

The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014
http://www.legislation.gov.uk/ukdsi/2014/9780111118962/pdfs/ukdsi_9780111118962_en.pdf

The Electricity and Gas (Energy Companies Obligation) Order 2012
http://www.legislation.gov.uk/uksi/2012/3018/pdfs/uksi_20123018_en.pdf

Ofgem consultation documents

ECO consultation on the changes to the Guidance for Suppliers (Version 1.2)
https://www.ofgem.gov.uk/ofgem-publications/89271/ecoconsultationonthechangestotheguidanceforsuppliers.pdf

Annex 1: Draft Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.2)
https://www.ofgem.gov.uk/ofgem-publications/89319/draftecoguidanceforsuppliersversion1.2.pdf

Consultation on specific HHCRO requirements (ECO2)
https://www.ofgem.gov.uk/ofgem-publications/90828/eco21consultation.pdf

DECC consultation response

Government response: Future of ECO
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/342178/The_Future_of_the_Energy_Company_Obligation_Government_Response.pdf

Other

Guidance on Ofgem's approach to Consultation
http://www.ofgem.gov.uk/About%20us/BetterReg/Pages/BetterReg.aspx

Contents

Executive summary

On 2 December 2013, the government announced plans to make changes to the Energy Companies Obligation (ECO) and extend it from April 2015 until March 2017. The changes are designed to reduce delivery costs for obligated suppliers and in turn reduce consumer energy bills. The government consulted on these proposals in early 2014 and will make two sets of changes to the scheme – called 'ECO1.2' and 'ECO2'.

The ECO1.2 changes relate to the current obligation period ending 31 March 2015. The amending legislation[2] introducing these changes was laid in parliament on 22 July 2014 and, if passed, is expected to come into force in late autumn 2014.

On 11 August 2014, Ofgem ('we', 'our' and 'us' in this document) launched a consultation on the areas of the ECO1.2 changes which require us to exercise some degree of discretion in administering them.

Our consultation consisted of four sets of questions:

1. **Carbon Emissions Reduction Obligation (CERO) primary measures**: minimum insulation levels to support a secondary measure

2. **Connections to a district heating system**: pre-conditions under Carbon Emissions Reduction Obligation (CERO) and Carbon Saving Community Obligation (CSCO)

3. **Compliance with building regulations**: installation of a measure

4. **General comments** on version 1.2 of our Guidance for Suppliers

Our consultation closed on 22 September 2014. We have considered all responses and sought further legal and technical advice, where appropriate, to finalise our position.

This document summarises the responses to our consultation and, having reviewed all responses, detail our final policy for the *Energy Companies Obligation (ECO): Guidance for Suppliers (version 1.2)*. We also detail where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position. Lastly, we provide an overview of the changes made to our current guidance (version 1.1a) in developing the *ECO: Guidance for Suppliers (version 1.2).*

Appendix 2 provides a chapter-by-chapter summary of the changes in version 1.2 of the guidance and an overview of the amendments to the Order.

[2] The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014 http://www.legislation.gov.uk/ukdsi/2014/9780111118962

1. Consultation overview

1.1. The consultation ran for six weeks and closed on 22 September 2014. The Guidance for Suppliers (version 1.2) has been published alongside this consultation response document.[3]

1.2. We received 29 responses to the consultation: eight from suppliers, four from installers, two from manufacturers, three from trade associations, three from certification and guarantee bodies, three from government bodies and six from consultancies. A full list of respondents can be found in Appendix 1.

1.3. During the consultation period, we hosted two stakeholder workshops in London.

- Workshop 1 focused on:
  - *Insulation pre-conditions for premises being connected to a district heating system (DHS)*

- Workshop 2 focused on:
  - *Minimum insulation levels for new CERO primary measures to support a secondary measure, and*
  - *Demonstrating compliance with building regulations for installation of measures.*

1.4. The purpose of these workshops was to brief stakeholders on the specific areas we were consulting on, discuss the consultation questions, and gather feedback where our guidance could be improved.

1.5. We remain committed to working with stakeholders to make the administration of ECO as effective as possible. Wherever possible, we will inform and consult when making significant changes to the scheme's administration and guidance.

1.6. The following chapters summarise the responses to the consultation questions on the proposed changes to the Guidance for Suppliers. Each question is addressed in a separate chapter, detailing our response to the points raised by stakeholders, changes to our policy based on the responses and our final policy position.

1.7. Any queries about our administration of the scheme should be directed to eco@ofgem.gov.uk.

Review of the scheme

1.8. Any formal review or evaluation of the ECO legislation is the responsibility of the Department of Energy and Climate Change (DECC). Direct any queries about this to deccecoteam@decc.gsi.gov.uk.

[3] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-consultation-revisions-guidance-suppliers.

2. Consultation responses to Question 1

New CERO primary measures: minimum insulation levels to support a secondary measure

Summary of responses

2.1. Twenty five stakeholders responded to Question 1.

Q1a) Do you agree that insulation of a cavity wall must be installed to at least 50% of the total exterior-facing wall area of the premises in order to support a secondary measure?

Q1b) Please give reasons for your answer (including any alternative suggestions for an acceptable minimum level)

Q1c) Do you agree that roof-space insulation must be installed to at least 50% of the total roof-space area of the premises in order to support a secondary measure?

Q1d) Please give reasons for your answer (including any alternative suggestions for an acceptable minimum level)

2.2. The majority of respondents agreed with our proposed minimum insulation level of 50% for new primary measures to support a secondary measure. Those who agreed supported our proposal mainly because it aligns with our current ECO requirements. They largely felt that maintaining consistency across all primary measures was a sensible and straightforward approach. Several respondents stated that even though installers would generally strive to insulate the maximum possible area, having a minimum level would meet the government's policy intent while offering flexibility where difficulties may prevent installation. For loft insulation, one respondent felt that a minimum level should also be set for the depth of insulation.

2.3. Of the respondents who disagreed with our proposal, most felt that the proposed minimum level would restrict the number of properties that could be insulated under Carbon Emissions Reduction Obligation (CERO). A few responses seemed to indicate that there is confusion about when the minimum insulation level applies to a primary measure, ie that it only applies when the primary measure is being used to support a secondary measure. One respondent felt that the economic incentive to insulate the maximum area would ensure that in the vast majority of cases at least 50% of the relevant area would be insulated (regardless of whether it was to support a secondary measure or not), and therefore there was no need for a minimum level for primary measures to support a secondary measure.

2.4. A few respondents asked us to clarify how to calculate the percentage of an area insulated (in relation to the minimum insulation level) where there are different construction types or different insulation types on the same relevant area. Clarity was also requested regarding our definition of 'total exterior-facing wall area'.

2.5. Some respondents stressed that while they supported the new minimum levels, to minimise administrative burden, no new evidence requirements should be introduced. They felt the existing documentation being collected was sufficient to evidence compliance.

Ofgem's response and requirements for ECO1.2:

The required insulation levels to support a secondary measure:

2.6. As proposed in the consultation, and supported by most respondents, for CERO primary measures installed after 1 April 2014 we will require that:

a. **insulation of a cavity wall**[4] must be installed to at least 50% of the total exterior-facing wall area of the premises in order to support a secondary measure, and

b. **roof-space insulation**[5] must be installed to at least 50% of the total roof-space area of the premises in order to support a secondary measure.

2.7. We believe the industry is currently gathering sufficient evidence for measures that are installed to less than 100%. As such we are not requiring any additional evidence in relation to the above changes.

2.8. While we recognise that the value of the carbon saving against the cost of installation usually ensures a primary measure is installed to at least 50% of the relevant area, the inclusion of a minimum level further safeguards the intent of the legislation. It also ensures that secondary measures cannot be claimed where only a nominal level of the primary measure has been installed at the premises.

2.9. Furthermore, as stated in the draft ECO2 legislation[6] which was laid in parliament on 24 October 2014, all minimum insulation levels for primary measures to support a secondary measure will be included in legislation with effect from 1 April 2015. These levels are consistent with the levels we are including for ECO1.2 for measures installed after 1 April 2014. We discuss the ECO2 requirements further in paragraph 2.25 below.

[4]This insulation can be CWI, IWI or EWI.
[5]As specified in the draft ECO1.2 legislation for loft insulation to support a secondary measure there is an additional minimum level requirement in relation to insulation depth; insulation must be installed to lofts with no more than 150mm of insulation in place before installation and be installed to a depth of at least 250mm after insulation.
[6] Working Draft of the Electricity and Gas (Energy Company Obligation) Order 2014 as at 1 October https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360187/ECO2_Order_as_at_1_10_14_for_publication.pdf.

Clarification of the calculation of the percentage insulated

2.10. In ECO there are three similar but slightly different policies that relate to the percentage of a premises insulated or the percentage of a measure installed. We have adjusted the wording in our guidance to clarify these areas. The three areas are:

1) proportion of an installation that must be completed

2) percentage of a primary measure installed to support a secondary measure, and

3) percentage of wall or roof-space insulation installed for connections to DHS under CERO and CSCO.

2.11. Below we set out our requirements for the first two policies. We address the third in our response to Question 2 (paragraphs 3.34 to 3.42).

1) Proportion of an installation that must be completed:

2.12. Suppliers must install 100% of a measure at a premises, unless there are reasonable grounds for not doing so. This applies to all ECO measures.

2.13. '100%' refers to the total area available for the measure, ie the total area of the premises that is suitable for treatment with that measure. However, it may not always be possible to treat the total area of the premises. In such cases, there must be reasonable grounds to support installation to less than 100% of the total area available for the measure. Examples of such grounds are included in our guidance and include where a measure has already been partially installed, eg pre-existing insulation.

2.14. Like all ECO measures, 100% of a CERO primary measure should be installed. However, if there are reasonable grounds for not installing 100% of the CERO primary measure, the percentage that is installed can be claimed. There is no minimum level that must be installed.

Example 1:

A premises has 60% flat roof and 40% pitched roof. Flat roof insulation is installed to 100% of the flat roof area. 100% of this measure is installed. No reasonable grounds are required.

Example 2:

A premises has flat roof that has pre-existing loft insulation installed to 40% of the roof-space area. A supplier installs loft insulation to the remaining 60% of the roof-space area. This can still be claimed as a primary measure under CERO as there are reasonable grounds for not installing the measure to 100% of the roof-space area, ie due to pre-existing insulation.

2) Percentage of a primary measure installed to support a secondary measure:

2.15. The requirements set out here only apply to CERO primary measures if they are to support a secondary measure. As for all ECO measures, suppliers must install 100% of a measure at a premises, unless there are reasonable grounds for not doing so (as outlined above).

2.16. In relation to **wall insulation**, the minimum level for solid wall insulation is, and has always been, set out in the legislation. The legislation[7] states:

> '*Where solid wall insulation is installed at a domestic premises, for a [secondary] measure to be a qualifying action the solid wall insulation must be applied to at least 50% of the walls which are exterior-facing.'*

2.17. This means at least 50% of the total exterior-facing wall area (eg the four walls of a standard detached premises) must be insulated with solid wall insulation (SWI) to support a secondary measure. We have replicated this policy for the insulation of a cavity wall insulation to align with the legislation. If CWI is installed[8] at least 50% of the total exterior-facing wall area must be insulated to support a secondary measure. The area treated with CWI and SWI cannot be combined.

2.18. The 'total exterior-facing wall area' relates to walls that are fully-exposed to the elements and includes any wall areas not suitable for insulation, eg window openings.

Example 3:

A premises has 40% solid walls and 60% cavity walls. If CWI is applied to all of the cavity walls (60%), under ECO1.2 this can be used to support a secondary measure (as CWI is a primary measure under ECO1.2). If SWI is used to treat the solid walls only, this measure cannot be used to support a secondary measure as it does not exceed 50% of the total exterior-facing wall area (although it would still be considered an eligible CERO primary measure).

Example 4:

At the same premises, if SWI is used to treat both the solid walls and the cavity walls, this measure can be used to support a secondary measure because more than 50% of the total exterior-facing wall area is treated with the same measure. The SWI can be a combination of external and internal wall insulation.

[7] The Electricity and Gas (Energy Companies Obligation) Order 2012: http://www.legislation.gov.uk/uksi/2012/3018/pdfs/uksi_20123018_en.pdf.
[8] Where CWI refers to filling the cavity of a cavity wall.

2.19. For **roof-space insulation**, there is no minimum area level set in legislation[9] and therefore we have adopted a broader approach to meeting the minimum level. For roof-space insulation measures, at least 50% of the total roof-space area must be insulated to support a secondary measure. However, the area treated with different roof-space insulation measures can be combined.

2.20. The 'total roof-space area' includes any roof-space area not suitable for insulation eg a skylight in a flat roof.

Example 5:

A premises has 60% flat roof and 40% pitched roof. The flat roof is already partially insulated, accounting for 30% of the total roof-space area (reasonable grounds for not insulating that area). The rest of the total roof-space area is insulated with flat roof insulation and rafter insulation. The area treated with the two roof-space insulation measures combined is 70%. These measures can be used to support a secondary measure.

2.21. Note: For ECO2 the minimum insulation levels required to support a secondary measure will be included in legislation. We will provide guidance on our policy in relation to this ahead of the new ECO2 obligation period.

[9] A minimum level for the depth of loft insulation is set in legislation.

3. Consultation responses to Question 2

Connections to a DHS: pre-conditions for premises under CERO and CSCO

Summary of responses

3.1. Nineteen stakeholders responded to Question 2.

Q2a) Do you agree with the reasons we are proposing for judging why any of the roof space or exterior-facing wall area cannot be insulated?

3.2. The majority of respondents agreed with our proposed reasons for judging why a roof-space or exterior-facing wall area ('an area') cannot be insulated and recognised the need for us to outline reasons as to why an area *cannot be insulated,* which is stated in legislation.

3.3. However, most respondents indicated that we also need to be flexible here to take account of unforeseen circumstances not covered by our proposed reasons. Most respondents felt the reasons proposed go some way in capturing the scenarios when an area cannot be insulated, but that there are many other potential justifiable reasons beyond those listed. Some respondents pointed out that the diversity of DHS projects makes it difficult to prescribe a set framework to cover all possible difficulties, and that we should not prescribe an exhaustive list of reasons as to why an area cannot be insulated. Many respondents suggested that we allow suppliers to put forward reasons which may not have been set out in our guidance.

3.4. Several stakeholders said that our proposed reasons are not comprehensive enough and, specifically for multi-storey premises, do not fully reflect the difficulties of insulating an entire tower block. Several stakeholders asked Ofgem to consider the economic viability of insulation works when assessing whether a premises can or cannot be insulated. Many respondents indicated that cost is a factor in any reason put forward for cannot be insulated, including those reasons proposed by Ofgem (see *Question 2f*).

3.5. Some respondents remarked that our proposed reasons were quite subjective and that they may find it difficult to know whether their specific scenario would be significant enough for us to judge that the premises 'cannot be insulated'. One respondent said that this was particularly difficult when looking to get consent to install internal wall insulation (IWI) - trying to determine what level of disruption or inconvenience to a tenant was significant enough to judge that the premises cannot be insulated.

Q2b) Are there any other scenarios where the exterior-facing wall area of a premises being connected to a DHS cannot be insulated?

Q2d) Are there any other scenarios where the roof-space area of a premises being connected to a DHS cannot be insulated?

3.6. Several respondents put forward other scenarios where it could be judged that an area cannot be insulated. These included specific legal examples; such as where the premises are located in a listed heritage building and specific technical issues such as cold bridging issues related to the construction.

3.7. A few stakeholders requested that we should include legal reasons for roof-space areas, and gave examples of valid legal restrictions which would prevent the installation of roof-space insulation, eg if a loft is inhabited by a protected species.

3.8. Several stakeholders acknowledged that the legislation specifies that the pre-conditions apply on a premises by premises basis but highlighted that premises in multi-storey buildings cannot be assessed in isolation. In particular, this relates to external wall insulation (EWI) and cavity wall insulation (CWI) where it is not technically appropriate to insulate some premises and not others. One respondent pointed out that installing EWI or CWI to a building wall in this 'patchwork' way could result in cold bridging issues, and would most likely result in no guarantee being issued for the insulation.

Q2c) How can suppliers demonstrate for compliance purposes that the exterior-facing wall area cannot be insulated?

Q2e) How can suppliers demonstrate for compliance purposes that the roof-space area cannot be insulated?

3.9. Respondents suggested several forms of evidence that could be used to demonstrate that an area cannot be insulated. These varied depending on the reason but the main forms of evidence suggested were statements/declarations from the landlord or occupier (to show lack of consent), chartered surveyor reports (mainly to give evidence of access or technical issues) and letters from the local council or planning authority (for legal reasons).

3.10. Some respondents asked us to take into account the difficulties involved in gathering some forms of evidence. Four respondents explained that producing evidence of planning permission rejection (as a legal reason) can be difficult and time-consuming. They suggested that in such cases a letter from the local planning authority indicating the likelihood of gaining/not gaining planning permission should be sufficient. Others felt that documentation showing that a building was of heritage status should also be good enough evidence.

3.11. A few respondents pointed out that it can be difficult to show evidence of pre-existing cavity wall insulation, without using invasive methods. They asked us to take this into consideration when asking for evidence in these scenarios.

Q2f) Are there any additional factors that can affect the decision on whether or not to insulate a premises?

3.12. The majority of respondents highlighted that we should include costs as a separate valid reason to judge that an area cannot be insulated, given it is one of the main considerations in such projects, particularly ones that involve expensive insulation measures such as solid wall installation (SWI).

3.13. Many respondents felt it was unrealistic to expect that such high costs should be added to already expensive DHS projects. Most stakeholders specifically referred to the 'prohibitive' costs of installing SWI in multi-storey premises. One respondent considered the pre-requisite to install SWI to multi-storey buildings inappropriate on grounds of cost and highlighted the marked economic imbalance of meeting these pre-conditions compared to premises not located in a multi-storey building.

3.14. Several stakeholders said the high capital cost of insulating multi-storey buildings with EWI, where a DHS is being connected, usually far exceeds the potential value of the savings, with the £/tCO_2 ratio discouraging DHS connections for multi-storey buildings. Many believed that ultimately it should be the supplier or the housing provider's decision whether to insulate a premises based on the cost-effectiveness of the project. Other respondents suggested using a cost-effectiveness test to determine whether insulation should be installed. However, respondents did not provide sufficient detail on how such a test could work, taking into account all the parties and funders involved.

3.15. Two respondents also drew direct links between high insulation costs and being able to obtain consent to insulate a premises. They highlighted that where the insulation costs are borne by the consentee, including future maintenance costs, consent will often not be given and building work cannot go ahead. They indicated that the issue of consent is most prominent in multi-premises buildings, particularly if there are complex consent chains or difficulties in recovering costs by the consentee. One respondent gave details of the complexities, saying that before a measure can be installed in a multi-storey building, it may not only be the occupier and landlord that need to consent. Often there is a superior landlord and a freeholder who must also consent. The consent chain will depend upon the tenure, leases, property rights and the cost and nature of the works, which is particularly complicated within multi-premises buildings.

Q2g) Do you agree that, where the roof-space area or total exterior-facing wall area of the premises are insulated to less than 100% but more than a specified minimum level, a DHS connection should be eligible where the remaining area cannot be insulated?

Q2h) Do you agree that this minimum level should be set at 50%?

3.16. Most respondents agreed that DHS connections should still be eligible if less than 100% of the relevant area, but more than a specified minimum level, is insulated. These respondents generally believed this offered flexibility for scenarios where reasonable insulation restrictions applied.

3.17. In relation to our proposed minimum level of 50%, half of the respondents felt that this was a sensible level which maintained consistency with existing minimum insulation levels in ECO. Those who disagreed felt it would exclude certain premises from being connected to a DHS where more than 50% was not possible. Some also believed that including a minimum level was unnecessary as suppliers will always seek to install measures to as close to 100% to maximise the carbon saving achieved.

Other points raised by respondents:

3.18. Some respondents asked for further clarity on our requirements. These relate to:

a. how to calculate the percentage of the area insulated, taking into account different insulation measure types and new/pre-existing insulation

b. whether the ordering of the insulation and connection would affect eligibility under ECO, for example if the insulation was installed after, rather than before, the DHS connection

c. how to identify the top floor premises in unconventional multi-storey buildings, such as those with a stepped construction, and

d. whether premises receiving a DHS upgrade rather than a new connection would have different insulation pre-conditions.

Ofgem's response and requirements for ECO1.2:

3.19. Below we set out our position for ECO1.2, our requirements and provide further clarity about our policy. We also highlight where we have changed our policies, to take account of the issues raised by stakeholders through the consultation responses.

Reasons for 'cannot be insulated'

Non-exhaustive reasons

3.20. We have considered other scenarios put forward by respondents where it is deemed not possible to insulate the wall or roof-space area. Many of these scenarios fall under the reasons we have proposed (consent/legal/access) and would be considered acceptable reasons not to insulate. However, we also recognise that there are other scenarios, particularly involving project-specific technical issues that may prevent insulating the wall or roof-space area (or part of it) that are not captured by our reasons. While these scenarios do not fall directly under any of our reasons, this does not mean they will not be considered valid. We did not intend to provide an exhaustive list but rather to cover the main reasons that would prevent the insulation of an area. Similarly, the examples we have provided for each reason are not intended to be limiting, more to illustrate a typical scenario that would be considered acceptable.

3.21. If a supplier identifies a reason that it believes prevents the wall or roof-space area from being insulated, the supplier should raise this when they contact us about the DHS project. We will consider those reasons and judge whether or not the area can be insulated.

Cost of insulation

3.22. We will not judge cost alone a valid reason not to insulate a premises being connected to a DHS under CSCO or CERO. As acknowledged by many respondents, cost is intertwined with most of the acceptable reasons not to insulate. However, we maintain that cost alone should not be considered a valid reason, ie the cost of insulating is too high.

3.23. Insulating the premises is a pre-condition set out in legislation, recognising, as it has done throughout ECO (for CSCO and CERO), that it is best practice to insulate premises being connected to a DHS. The conditions in the legislation clearly include the insulation of premises in multi-storey buildings with EWI, which will often involve substantial costs. Therefore, using cost alone as a reason would potentially exempt these premises from receiving insulation, which is not the aim of the legislation for ECO1.2.

3.24. Introducing DHS as a primary measure under CERO was not intended to remove the requirement to insulate the premises in order for DHS to be an eligible CERO measure (as suggested by two respondents). The intent was to allow DHS to also be eligible under CERO when connecting to premises that were already insulated, broadening the number of premises that could connect to a DHS.

3.25. In the government response[10], DECC outlined that they were:

> *"…considering with the Administrator a test to ensure that installation of SWI is not required [where the project is no longer cost-effective], and depending on whether such a test can be developed in practice, we are considering exempting solid walled properties, with effect from 1 April 2015, from the requirement to install wall insulation alongside a district heating system in certain circumstances."*

3.26. In this response, DECC indicated clearly that if such a policy was introduced, it would have effect from 1 April 2015. Some responses suggest that this was understood to relate to ECO1.2, which was not the government's intention. In line with its response, DECC has amended this provision for ECO2, as set out in the laid legislation. Acknowledging the difficulties involved in devising an economic test, given the multiple funding strands involved in these projects, for ECO2 DECC has directly set out exemptions to the insulation pre-conditions. Most notably, it will exempt walls in multi-storey buildings with any part solid wall. This legislative

[10]The Future of the ECO – Government Response to the 5 March 2014 consultation: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/342178/The_Future_of_the_Energy_Company_Obligation_Government_Response.pdf.

change for ECO2 addresses the issues raised by many of the respondents regarding the high 'prohibitive' costs to insulating these solid walls.

New legal reason when roof-space area cannot be insulated

3.27. We acknowledge that there could be scenarios where a legal restriction will prevent the insulation of a roof-space area, as indicated by several respondents. For ECO1.2, we have now included this as a valid reason for not insulating a roof-space area.

Clarity on reason of consent

3.28. We understand that consent may not be granted in situations where the occupier (or landlord, as applicable) deems that there is unacceptable inconvenience or disruption involved. Based on responses received we recognise that this is an issue most often related to the installation of internal wall insulation. We have added some further detail to this reason in our Guidance for Suppliers (version 1.2) for clarity.

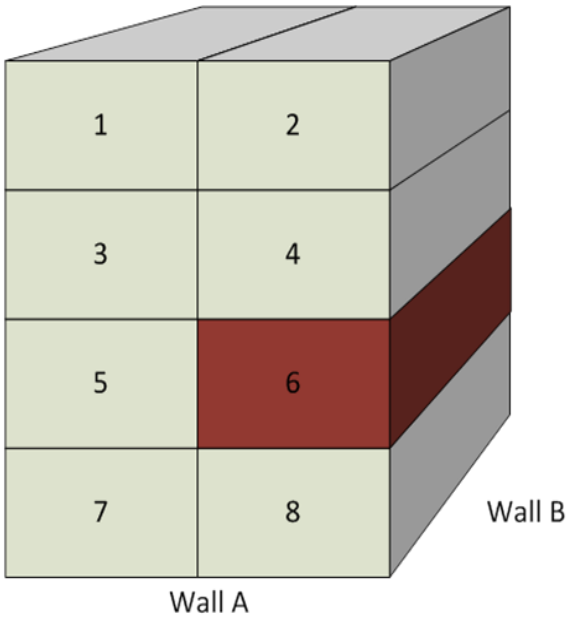
New reason when exterior-facing wall area cannot be insulated

3.29. As indicated by some respondents, it is inappropriate from a technical perspective to insulate multi-storey buildings in a patchwork way, ie insulating some premises but not others. This creates difficulties when multi-storey buildings are considered on a premises-by-premises basis. For example, there may be scenarios where one or more premises in a multi-storey building cannot be insulated with EWI or CWI (supported by a valid reason such as lack of consent) however, there is no valid reason not to insulate the other premises.

3.30. Taking this into account we have specified an additional reason for 'cannot be insulated'. We will judge that the exterior walls of these **other** premises also cannot be insulated if they are located on the same exterior-facing building wall as at least one premises that cannot be insulated with EWI or CWI (supported by a valid reason). This test applies on a wall-by-wall basis, not on a premises-by-premises basis. See our example in Figure 1 below.

3.31. This reason only applies in relation to EWI or CWI in multi-storey buildings with more than one premises. As set out in our Guidance for Suppliers (version 1.2), if a premises cannot be insulated with EWI or CWI, it may still be possible to insulate with IWI, unless there is a separate reason to justify not doing so.

Figure 1: Example of applying the 'cannot be insulated' rule to for premises located on the exterior wall of a multi-storey building.



For premises located on Wall A:

The exterior-facing wall (Wall A) of Premises 6 *cannot be insulated* with EWI (supported by a valid reason).

We will judge that the exterior-facing wall (Wall A) of Premises 1, 2, 3, 4, 5, 7 and 8 also *cannot be insulated* with EWI as they are located on the same exterior-facing building wall (Wall A) as Premises 6.

Premises 1-8 may still be eligible for IWI unless there is a separate valid reason to judge that each of these premises *cannot be insulated.*

The same test must be applied for Wall B.

Evidence to demonstrate an area cannot be insulated

3.32. Gathering evidence to demonstrate that an area *cannot be insulated* has not previously been raised as an issue in ECO. Therefore, we do not wish to become more prescriptive in our evidence requirements. Due to the size of DHS projects we are in contact with suppliers at an early stage in the project development process and as always we will be happy to discuss the appropriateness of the evidence being gathered at that time.

3.33. For pre-existing insulation, suppliers should gather evidence which satisfies them that the area is insulated to the necessary standards. This does not need to involve invasive drilling.

The minimum insulation level required for DHS connections under CSCO and CERO

3.34. For multi-storey premises (except those located on the top-floor) there is no pre-condition to insulate the roof space as this is not possible. Furthermore, for these premises the minimum wall insulation level requirement is not applicable as it may be acceptable to insulate less than 50% of the exterior-facing wall area of a premises, if supported by a valid reason.

3.35. For all other premises, the legislation states that these must be insulated with flat roof, loft, rafter, room-in-roof or wall insulation. Strict interpretation of this wording could suggest that 100% of the area must be insulated for a DHS connection to be

an eligible CSCO or CERO measure. However, we recognise that in many cases insulating 100% is not possible, and believe some flexibility is required for this pre-condition, which is why we included a minimum insulation level.

3.36. Some respondents maintained that suppliers will always attempt to insulate the maximum area of a premises and no minimum level should be specified. This point was also put forward in response to Question 1 (minimum insulation levels to support a CERO secondary measure), but there are important differences for DHS connections. For these projects, the DHS connection is the 'primary' measure that is being claimed under ECO, whereas the insulation (whether new or pre-existing) is a supplementary requirement to support the DHS connection. As indicated by many respondents the main aim is to claim the DHS connection as an ECO measure and therefore it will often be easier or more economically viable not to insulate the property to the maximum level possible. Pre-existing insulation can also be included in the calculation of the percentage insulated to support a DHS connection, but cannot be claimed under ECO. This could also influence whether a supplier will be sufficiently incentivised to 'complete' the insulation of the premises, given the ECO score for doing so may not be a significant enough economic driver. For these reasons, we believe a minimum insulation level is required.

3.37. In line with our other policies that include a minimum insulation level and for consistency with the current insulation requirements for DHS connections under CSCO and CERO, for ECO1.2 we will require a minimum insulation level of 50% for all premises not located in a multi-storey premises and top floor multi-storey premises.

Clarification on the 'percentage insulated' in relation to DHS connections

3.38. Based on responses received, further clarity is needed on how to calculate the percentage of an area insulated, specifically to meet the insulation pre-conditions for DHS connections. Clarity on other similar (but slightly different) policies is provided in our response to Question 1 (paragraphs 2.12 to 2.25).

3.39. For roof-space insulation:

a. The full roof-space area must first be calculated. This may be a combination of different types of roof space such as flat roof and pitched roof area. These should be added together. This calculation should also include all areas that are not suitable for insulation.

b. Next, the percentage insulated must be calculated. Unlike our other policies, this can include pre-existing insulation. The area insulated can be a combination of new and pre-existing insulation. The percentage insulated can also be a combination of different measure types, eg flat roof insulation and rafter insulation. It is not sufficient to just insulate one type of roof space – the full roof-space area (as calculated in a. above) must be insulated, unless there is a valid reason not to do so.

3.40. For roof-space insulation, 100% of the roof-space area must be insulated, or, if a valid reason is provided, at least 50%.

3.41. For exterior-facing wall insulation:

a. The full exterior-facing wall area must first be calculated. This may be a combination of different types of wall area such as cavity wall and solid wall. These should be added together. This calculation relates to walls that are fully-exposed to the elements and should also include all areas not suitable for insulation.

b. Next, the percentage insulated must be calculated. Unlike in other cases, this can include pre-existing insulation. The area insulated can be a combination of new and pre-existing insulation. The percentage insulated can also be a combination of different measure types, eg EWI and CWI.[11] It is not sufficient to just insulate one type of wall area, the full exterior-facing wall area (as calculated in a. above) must be insulated, unless there is a valid reason not to do so.

3.42. For solid and cavity wall insulation, 100% of the exterior-facing wall area must be insulated, or, if a valid reason is provided, at least 50%. No minimum level applies to multi-storey premises (except premises on the top floor) if a valid reason is provided.

Other points of clarification

Insulating before or after connecting to a DHS

3.43. We recognise that in certain circumstances it is more appropriate to connect the DHS before insulating the premises, particularly in relation to EWI. We have provided further clarification in our Guidance for Suppliers (version 1.2) on the ordering of insulation with DHS connections. The specific ordering of the insulation should be appropriate to the project, ie before or after the DHS connection. However, suppliers must ensure that the insulation is in place at the time the DHS measure is notified to us. All notification/ handover requirements (as set out in Chapter 9 of our Guidance for Suppliers (version 1.2)) should be adhered to for any ECO measures being claimed.

Top floor of a multi-storey building

3.44. The top floor of a multi-storey building is the highest floor in that building. Premises which are not on the highest floor, but may have some roof area (eg in tiered buildings), are not considered the top floor. The insulation pre-condition relating to premises in a multi-storey building (excluding the top floor) applies to these premises.

[11] This differs from our current policy on the minimum insulation level required to support a secondary measure. For that policy SWI (IWI and EWI) and CWI cannot be combined.

Insulation pre-conditions related to DHS upgrades

3.45. The current legislation sets out that a district heating system is 'a system that delivers heat through pipes or conduits to two or more domestic premises'. At the start of ECO, we consulted on our interpretation of this definition, which we expanded to include upgrades of existing systems etc. Therefore, as DHS upgrades are a type of DHS connections, premises receiving a DHS upgrade must meet the same insulation pre-conditions as those receiving a new DHS connection.

Ongoing projects

3.46. The insulation requirements for premises being connected to a DHS under ECO1.2 are generally the same as the current requirements (as outlined in the current Guidance for Suppliers (version 1.1a)). Therefore, there should be no significant changes for projects that began before 1 April 2014 but that will be notified after the amending legislation (with the ECO1.2 changes) comes into force. However, please contact us if you have any concerns or questions on the requirements for an ongoing project.

4. Consultation responses to Question 3

Compliance with building regulations: installation of a measure

Summary of responses

4.1. Twenty one stakeholders responded to Question 3.

Q3a) Do you agree with our proposal to require evidence that the installation of a measure complies with building regulations? Please give reasons.

4.2. Most respondents agreed that the quality of installations in ECO could and should be improved.

4.3. A few respondents welcomed our proposal to require this evidence, noting that installers were already required to notify Building Control or their relevant Competent Persons Scheme (CPS) about the installation of most energy efficiency measures. They felt that requiring this evidence for each installation would reduce the risk of non-compliant work being done under ECO and provide more consumer protection, while introducing little additional burden to the supply chain.

4.4. However, the majority of respondents, including all suppliers, were opposed to us requiring this evidence. Of these, most felt that current requirements are adequate and provide sufficient evidence that building regulations, including those relating to the installation of the measure, are being met. PAS-certified installers are already required to hold measure-specific accreditations which, many respondents felt, implies that the measures they install are in line with building regulations. Many respondents believed the proposed evidence requirement was therefore duplicating checks already covered by PAS2030.

4.5. Some of the respondents who disagreed with our proposal also questioned whether requiring this evidence would actually address the quality issues referred to in our consultation document. They argued that compliance with building regulations does not necessarily take into account the quality of the installation. They provided the example that drill holes in cavity wall insulation which are not properly filled after installation (a common defect), would not necessarily be picked up by building regulations, unless the defect seriously reduced the thermal efficiency of the measure.

4.6. Most respondents also felt that asking suppliers to obtain evidence of building regulation compliance would put an unnecessary burden on the supply chain. Many felt the cost and burden of such a requirement would far outweigh what they perceived as little additional benefit. Some respondents highlighted a few potential issues that could arise, such as, the cost of compliance rising (particularly where providing certificates from Building Control or Approved Inspectors), more documentation requests from the consumer, difficulties in obtaining relevant

evidence in time for the notification deadline and potentially overstretching the bodies in charge of issuing certificates.

4.7. Respondents largely felt that if we are particularly concerned with the quality of installations, this should be addressed more broadly within the industry rather than Ofgem focusing on building regulations compliance and duplicating the requirements of other bodies. Most suppliers believed that if we are not confident enough that the certification bodies are operating effectively, we (and DECC) should work with them to strengthen the processes, involving the wider industry.

4.8. Several suppliers indicated the quality of ECO installations should already be sufficiently addressed in the current technical monitoring (TM) regime, but that they would be happy to engage with us ahead of ECO2 to discuss further improvements. One respondent suggested that additional questions related to quality should be included in TM, while others believed we could better use the cross-supplier TM results to tackle any wider quality issue.

Q3b) If this requirement was introduced, how could compliance be demonstrated?

Q3c) Are you aware of any other means of evidencing compliance with building regulations other than those listed (for either the installation or the product and system, or both)? If so, please provide details

4.9. Almost all respondents indicated that, if the proposed requirement was introduced, a compliance certificate issued by a CPS would be the best way to demonstrate compliance. Compared to the two alternative evidence routes also proposed (an approval certificate by a Building Control body or an Approved Inspector), most respondents believed this was the most cost-effective and workable. Several respondents considered the cost, burden and potential reporting impact of the other two routes made them impractical and unworkable.

4.10. For the CPS, one respondent considered that, due to the restrictive timings for notification and difficulties obtaining certificates, it should be sufficient to just provide evidence that the certificate had been applied for.

4.11. Many respondents, while indicating that a compliance certificate issued by a CPS would be their preferred option, highlighted that such a scheme is only available in England and Wales, not Scotland. Similarly, Approved Inspectors are not licenced to operate in Scotland, where local authorities continue to be the only approved verifiers of Scottish Building Regulations. One respondent explained that in Scotland currently, a building warrant is required for certain works (eg EWI). A building warrant is issued if a local authority is satisfied with the submitted Completion Certificate, which confirms the works are in line with Scottish Building Regulations. However, it was noted that some types of installations for ECO are exempt from the need for building warrants. Therefore, for these measures, local authority verifiers will have no role in confirming compliance with building regulations.

Q3d) Do you think we should introduce this requirement from the date version 1.2 of the guidance takes effect or for the next ECO obligation period (2015-2017)? Please give reasons for your answer.

4.12. The majority of respondents agreed that the next ECO obligation period (2015-2017) would be the most appropriate time to introduce new evidence requirements. They said this would cause the least disruption for the supply chain and would provide a sufficient lead time for implementation. One respondent who supported an earlier introduction date believed this should not cause major disruption for the supply chain as installers should already be notifying their relevant work and collecting such information.

Ofgem's response and requirements for ECO1.2:

4.13. For ECO1.2 we have decided not to introduce any new evidence requirements to demonstrate that the installation of a measure complies with building regulations. We have not yet made a decision on whether this requirement, or a similar requirement, will be introduced for ECO2. We maintain that this requirement should not cause significant burden for the supply chain (see paragraph 4.16). However, we appreciate that there are a number of issues and suggestions raised by respondents which need to be considered further before we can make a decision.

4.14. As explained in our consultation document, certain building works have to comply with building regulations, regardless of whether they are carried out under ECO. Therefore, evidence of compliance is, or should be, available for relevant measures anyway. By requiring evidence of building regulations compliance for such measures, we are not causing duplication of effort. We are simply asking suppliers to collect copies of evidence that should *already* be available.

4.15. Some respondents indicated that compliance with building regulations does not necessarily take into account the quality of the installation. We believe that requiring evidence of building regulations compliance as part of ECO would undoubtedly improve the standard of installations in most scenarios. The administrative procedures of the Competent Persons Scheme (CPS), which includes the requirement that schemes be UKAS-accredited, specifically provide assurance of good quality.

4.16. In our consultation document we proposed three types of evidence that could be used to demonstrate that the installation of a measure complies with building regulations. Most respondents indicated that, of these three, obtaining a compliance certificate from a CPS is significantly more practical and cost-effective. We agree that requiring Building Control or Approved Inspector sign-off for all ECO measures would be very costly on the supply chain (if such sign-off was not otherwise being provided). However, in some cases they may be appropriate or convenient, and so were proposed as options. We would expect that, if this requirement was introduced, most installers would obtain certification via a CPS, which is unlikely to introduce either additional cost or delays.

4.17. As highlighted by several respondents, Scotland does not have a CPS or equivalent and its system of building warrants is different to the building regulations system in

England and Wales. We will need to consider these differences before we introduce any new evidence requirements.

4.18. Ahead of ECO2, we will take on board all points raised by respondents and will review how we approach these issues. As always, we continue to look at how we can work with suppliers and industry to improve the quality of ECO measures, including the quality of installations. As suggested by a number of respondents, there may be several approaches we can take in the longer term.

5. Consultation responses to Question 4

General comments on our draft Guidance for Suppliers (version 1.2)

Summary of responses

5.1. Nineteen stakeholders responded to Question 4.

Q4a) Please provide any further comments on the changes to our Guidance for Suppliers (version 1.2) document.

5.2. Here are our responses to some of the main points raised by respondents[12]:

5.3. Several respondents asked when we intended to provide guidance on the HHCRO requirements for **surplus actions** for ECO2, particularly for replacement boiler warranties. Some suggested that this information should be in the Guidance for Suppliers (version 1.2) given that these measures will need to be delivered before 31 March 2015.

Ofgem's response: *Surplus actions are included in the ECO2 legislation and therefore are not referred to in our Guidance for Suppliers (version 1.2), which is based on legislation for the current obligation period. Furthermore, some of the HHCRO requirements for surplus actions require us to use our discretion in administering them, and as such we will need to consult ahead of issuing any guidance. Nevertheless, we recognise that many suppliers and much of the supply chain would like to have guidance on these areas as soon as possible. In response to this, we aim to produce early guidance on ECO2 changes which relate to surplus actions, in particular:*

- *Demonstrating whether a premises is non-gas fuelled*
- *Introducing qualifying warranties for boiler replacements, and*
- *Introducing warranties for electric storage heater replacements.*

A six week consultation on these changes has now been launched.[13] Following this consultation we will produce a focused guidance note, which we expect to publish in January.

5.4. A few stakeholders also asked for clarity on how scores will be calculated for **surplus actions** installed before 1 April 2015.

[12] Where respondents raised points related to previous questions, we have reviewed their responses under the specific questions to which they relate. These points have not been included in our Question 4 summary.
[13] https://www.ofgem.gov.uk/ofgem-publications/90828/eco21consultation.pdf.

Ofgem's response: *The ECO2 focused guidance note (discussed above) will clarify scoring for surplus actions. However, it should be noted that measures notified before 1 April 2015 must meet ECO1 rules and must be scored in line with these requirements. The surplus action application and scoring process will take place as part of ECO2.*

5.5. Some respondents asked whether Ofgem would be publishing any guidance on the version **switchover for RdSAP/ SAP** which is due to happen before the end of the year.

Ofgem's response: Information on the RdSAP/SAP version switchover is included in Chapter 8 of our Guidance for Suppliers (version 1.2). This covers:

- *Using both versions of SAP/RdSAP*
- *Converting from SAP/RdSAP 2012 CO_2e to SAP/RdSAP 2009 CO_2, and*
- *Rescoring measures after the switchover.*

5.6. Some respondents were keen to know when we would publish a **list of postcodes for the new CSCO areas**.[14]

Ofgem's response: We expect the new CSCO tool will be available in November. This online tool will allow users to identify all postcodes within each CSCO area (areas of low income, rural areas, deprived rural areas and adjoining areas).

5.7. Some respondents felt the reference to *insulation of hard-to-treat cavity walls* (HTTCs) should be removed from **Appendix 1** of the Guidance for Suppliers (version 1.2) as HTTCs are no longer a separate CERO primary measure but are included under 'insulation of a cavity wall'.

Ofgem's response: *Appendix 1 lists the documents which a supplier will need to make available to Ofgem for the purpose of audit. While HTTCs are no longer a separate measure category under ECO1.2, as with all ECO measures we may still conduct an audit and as such could request documentation on any HTTC installed from 1 October 2012.*

5.8. One respondent suggested that our guidance document should clearly state which requirements are **legal requirements** and which have been developed by Ofgem to help suppliers interpret the ECO Order.

Ofgem's response: *Our Guidance contains:*

- *our explanation of the legislative requirements in the ECO Order*

[14] The Future of the Energy Company Obligation: Small Area Geographies Eligible for ECO CSCO Support (published 2014): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/286814/Future_of_the_Energy_Company_Obligation_Small_Geographies_Eligible_for_CSCO_support.xlsx.

- *our policies/rules/criteria for exercising any discretion or judgement conferred on the Administrator by the ECO Order, and*
- *our processes for administering its functions under the ECO Order.*

As noted on the front cover of all current and previous versions of the Guidance for Suppliers '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'.

5.9. Some respondents commented on the amended paragraph we have included at the start of Chapters 5, 6 and 7 on **holding or retaining documents and data**.

Ofgem's response: *We added an amended paragraph to the start of Chapters 4, 5, 6 and 7 in the Guidance for Suppliers (version 1.2) (paragraphs 4.4, 5.2, 6.5 and 7.6). These paragraphs do not set out any additional requirements to the existing Guidance for Suppliers (version 1.1a). It is intended to clarify that we will not specify how documents and data are held but that suppliers must be able to make this information available to Ofgem in the event of an audit and, where necessary, make arrangements with third parties accordingly.*

5.10. A few respondents suggested ways to improve our **technical monitoring** regime and asked whether we intended to review our technical monitoring process and questions. Some felt changes here could lead to improvements on the installation quality issues raised in Question 3.

Ofgem's response: *We will not change technical monitoring as part of ECO1.2 (and no changes will be made to Chapter 15 of the existing Guidance for Suppliers (version 1.1a)). However, we are currently reviewing our technical monitoring process and questions ahead of ECO2. We intend to consult on several changes to the technical monitoring process in our ECO2 consultation at the end of the year. Changes may relate to:*

- *Monitoring rates*
- *The monitoring process to verify:*
  - *Accuracy of scores, and*
  - *Installation quality and compliance*
- *Consequences of failure*
- *Monitoring timelines, and*
- *Reporting of results*

We will also hold a workshop with suppliers and industry representatives to get input on the technical monitoring questions. This will take place before the end of the year.

5.11. Two respondents suggested that if an **EPC/GDAR is lodged** and the inputs have been used in the score calculation, energy suppliers should not be required to check these scores again at the technical monitoring stage. They felt the scoring element of technical monitoring could be removed by mandating the lodging of EPCs.

Ofgem's response: It has often been suggested that the technical monitoring questions on scoring could be removed if lodging EPCs was mandatory. Currently the legislation doesn't give us power to require this; however we do recommend that suppliers lodge EPCs where the inputs have been used to calculate the cost or carbon score (as indicated in Chapter 8 of the existing Guidance for Suppliers (version 1.1a)). Until the lodgement is mandatory we will continue to include scoring in our technical monitoring questions.

Appendices

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Appendix 1 – Consultation respondents

We received 29 responses. Of these, three respondents asked that their responses remain confidential. We have published the remaining 26 responses on our website, which are available at: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-consultation-revisions-guidance-suppliers

The 26 responses on our website came from the following stakeholders:

1. British Board of Agrément (BBA)
2. British Gas Ltd
3. Cavity Insulation Guarantee Agency (CIGA)
4. Cenergist Ltd
5. Certsure LLP
6. City Energy South Wales Ltd
7. Cofely UK – GDF SUEZ
8. Combined Heat & Power Association
9. EDF Energy
10. Energy UK
11. First Utility
12. Glass and Glazing Federation
13. Llewellyn Smith Ltd
14. Mark Group Ltd
15. National Insulation Association
16. Rockwool Ltd
17. RWE npower
18. Saint-Gobain Delegation UK
19. Scottish Government
20. Scottish Power Energy Retail Limited
21. SSE Energy Supply Ltd
22. Sustain Ltd
23. The Co-Operative Energy
24. Warm Front Ltd
25. Westminster City Council
26. Worley Parsons Ltd

Appendix 2 - Summary of changes to our guidance and the ECO Order

This Appendix summarises the changes we have made to our guidance based on changes introduced to the Order by the Electricity and Gas (Energy Companies Obligation) (Amendment) (No.2) Order 2014 and the Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014.

Ch	Main changes to our guidance[15]	Article	Related amendments to the Order[16]
1	Only minor changes.		
2	Only minor changes.		
3	Includes the reduction in the overall CERO target.	2 3(1) 8A	The overall carbon emissions reduction target is reduced from 20.9 $MtCO_2$ to 14 $MtCO_2$. This reduction is applied to the CERO obligation for phase three, reducing it from 8.36 to 1.46 $MtCO_2$. The Administrator must calculate each supplier's reduced phase three CERO and notify each supplier of this within 20 days of the amending Order coming into force.
	Explains how we will determine each supplier's reduced phase three CERO obligation.[17]		
	Details when we will notify suppliers of their reduced phase three obligation.		
4	Minor clarification on holding and retaining information for audit.		
	Refers to the new version of PAS.[18]	2	The installation of qualifying actions is carried out in accordance with PAS 2030:2014, Edition 1(d).
	Clarification on the proportion of installation that must be complete for all ECO measures.		
	Explains the insulation pre-conditions for	12(5A)	For a connection to a DHS to be eligible under CSCO or CERO the

[15] These changes do not include formatting, grammatical, phrasing and punctuation changes.
[16] See: http://www.legislation.gov.uk/ukdsi/2014/9780111118962/contents and http://www.legislation.gov.uk/uksi/2014/2897/contents/made.
[17] For suppliers with a phase three CERO obligation greater than zero.
[18] Publicly Available Specification 2030:2014 Edition 1.

	domestic premises being connected to a district heating system (DHS) under CERO and CSCO and how these can be met.	13(5)	connection is made to premises that have flat roof, loft, rafter, room-in-roof or wall insulation; or, if the premises is not located on the top floor of a building, wall insulation, unless the walls cannot be insulated.
	Clarification on the definitions of the 'total roof-space area' and the 'total exterior-facing wall area'.		
	Sets out when we will judge the wall or roof-space area cannot be insulated.		
	Includes information on insulation of a cavity wall.		
	Existing sections of guidance moved: *Information on solid wall insulation* (moved from Chapter 5).		
5	Defines 'wall insulation' and 'roof-space insulation'.		
	Minor clarification on holding and retaining information for audit.		
	Provides information on the new primary measures introduced from 1 April 2014: insulation of a cavity wall (which will include hard-to-treat cavities (HTTCs)), flat roof insulation, loft insulation, rafter insulation, room-in-roof insulation and connection to a DHS.	12 16(9)	Insulation of a cavity wall, flat roof insulation, loft insulation, rafter insulation, room-in-roof insulation and connections to a DHS installed on and after 1 April 2014 can be claimed as primary measures under CERO. These primary measures (with the exception of connections to DHS) must be recommended and in accordance with PAS. In relation to the new primary measures, secondary measures can become qualifying actions under CERO if installed at the same premises as the primary measure, by the same supplier who installed the primary measure and within six months of the installation date of the primary measure (the six month condition
	Clarification on how to achieve the 50% minimum insulation threshold for wall and roof insulation		

	Removal of section on HTTCs. From 1 April 2014 HTTCs will not be a separate primary measure but will be included under 'insulation of a cavity wall'.		does not apply to connections to a DHS). They must also improve the insulating properties of the premises, be in accordance with PAS, be recommended and be installed on or after 1 April 2014. In addition to the above, loft insulation, as the primary measure, must also be installed in lofts with no more than 150mm of insulation before the installation takes place and results in the loft being insulated to a depth of no less than 250mm. Insulation of a hard-to-treat cavity (HTTC) is a primary measure if installed before 1 April 2014.[19] Connections to a DHS continue to be an eligible secondary measure if installed at the same premises as solid wall insulation or insulation of a HTTC.
	Sets out the de minimis levels for all primary measures, including the new primary measures (with the exception of a connection to a DHS), to support a secondary measure.		
	Explains how a connection to a DHS can still be eligible as a secondary measure.		
	Existing sections of guidance moved: *Information on solid wall insulation* (moved to Chapter 4).		
6	Minor clarification on holding and retaining information for audit.		
	Removal of reference to online tools for identifying areas of low income.		
	Removal of section on connection to a DHS (information now provided in Chapter 4), refers to pre-conditions as set out in Chapter 4.	13(5)	As above (for Chapter 4).
	Provides information on new areas of low	2	An area of low income is defined as an area in GB which is described

[19] HTTCs will fall under the category of 'insulation of a cavity wall' after this date.

	income (as of 1 April 2014).		as an area of low income in the *2014 low income and rural document*, in relation to carbon saving qualifying actions carried out on or after 1 April 2014.
	Explains the 25% determination in relation to adjoining areas, including adjoining areas that changed status from 1 April 2014.	14	The 25% determination is the determination of whether or not the total carbon savings of the adjoining installations exceed 25% of the total carbon savings of the relevant area of low income. For the purpose of the 25% determination, if the installation of the measure was carried out before 1 April 2014, it was carried out in an area of low income if it is described as such in the *2012 low income and rural document*; or it was carried out in an adjoining area if it adjoins an area of low income described as such in the *2012 low income and rural* document.
	Outlines the new criteria for measures being credited towards the rural sub-obligation (as of 1 April 2014).	2 13(4) 13(8)	15% of a supplier's CSCO must be met by promoting carbon saving qualifying actions to members of the affordable warmth group (AWG) living in a rural area (as described in the *2012 low income and rural document*), or by installing carbon saving qualifying actions on or after 1 April 2014 in a deprived rural area (as described in the *2012 low income and rural document*).
7	Minor clarification on holding and retaining information for audit.		
	Refers to change in AWG requirement in relation to the CSCO rural sub-obligation.	2 13(4) 13(8)	As above (for Chapter 6).
	Provides information on audit requirements in relation to ESAS/HES reference numbers.		

8	Removed paragraph on when we can attribute savings to adjoining installations.	13	**Changes relating to the Electricity and Gas (Energy Companies Obligation) (Amendment) (No.2) Order 2014** The Administrator no longer needs to carry out the 25% determination (and wait until 31 March 2015 to do so) before an adjoining installation is considered a qualifying action. Savings can be attributed to qualifying action, including adjoining installations.
	Clarification on scoring in relation to the order for installation for heating controls.		
	Includes SAP/ RdSAP 2012 for calculating carbon or cost savings Updates formulae used to calculate a carbon saving using SAP and RdSAP Explains the weighted average conversion factor for converting savings in CO2e to CO2. Explains which versions of SAP/RdSAP to use before and after the switchover date	2 16 17 18	**Changes relating to the Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014** RdSAP and SAP 2012 can be used for scoring ECO measures from the date this amending Order comes into force.
9	Explains when suppliers can notify CERO and CSCO measures installed during the interim period (the period from 1 April 2014 to the end of the calendar month in which the amending Order comes into force).	16(2A)	A supplier must, by the end of the calendar month after the month in which the amending Order[20] comes into force, notify any CERO or CSCO qualifying actions installed in the period from 1 April 2014 to the end of the calendar month in which the amending Order comes into force.

[20] Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014: http://www.legislation.gov.uk/ukdsi/2014/9780111118962/contents.

10	**Change to chapter ordering (previously Chapter 11).** Refers to group excess actions, as distinct from excess actions.		
	Explains that a supplier's (A's) excess action application will not be approved if a group excess action application is submitted by any supplier in the same group of companies as A.	21(9A)	The Administrator must not approve an application for excess actions, that were approved and installed under CERT, if it receives an application for group excess actions from that supplier (A) or any supplier in the same group of companies as A.
	Explains how an excess action may be credited against the rural sub-obligation.	21(9B)	An approved excess action credited against a supplier's CSCO can be credited against a supplier's rural requirement (the 'rural sub-obligation') if the Administrator is satisfied it was promoted to a member of the SPG living in a rural area.
11	**New chapter.** Explains what group excess actions are and how CERT actions can be reallocated and carried forward as group excess actions. Sets out what criteria a group excess action application will need to meet in order to be approved by us and the process by which we will approve group excess actions.	2 21ZA	Suppliers who were members of the same group of companies on 31 December 2012 can make an application (one per group of companies) to credit the savings achieved by group excess action against one of their ECO obligations. A group excess action must be a relevant CERT action achieved by a relevant company and its reallocation must still allow all relevant companies to have met their CERT obligations. CERO, CSCO and HHCRO criteria are consistent with Article 21 (unchanged). An application for group excess actions must be made no later than 10 working days after the amending Order comes into force and must: describe the reallocation of CERT actions; identify the relevant CERT actions which are to be considered group excess actions; and state to which supplier and to which obligation the saving of that action (specified) is to be credited against.

			An approved group excess action credited against a supplier's CSCO can be credited against a supplier's rural requirement if the Administrator is satisfied it was promoted to a member of the SPG living in a rural area. If the application is made as required; meets the relevant criteria for CERO, CSCO or HHCRO; contains group excess actions; and has the consent of each relevant company, the Administrator must approve the credit of the group excess actions as set out in the application. *See Article 21ZA for full information.*
12	**Change to chapter ordering (previously Chapter 10).** Includes group excess actions in this chapter.	21A(1) 21A(3)	A supplier (A) may apply to transfer a group excess action to another supplier if: A has achieved the action; it has been approved by the Administrator under 21ZA; and all other conditions for transfers are met.
	Explains why suppliers can also now apply to transfer adjoining installations.	13	The Administrator no longer needs to carry out the 25% determination (and wait until 31 March 2015 to do so) before an adjoining installation is considered a qualifying action. Suppliers can apply to transfer qualifying actions, including adjoining installations.
	Includes the new transfer deadline for qualifying actions of 30 April 2015 (this was already the deadline for excess actions).	20(2)	If supplier A wishes to transfer a measure to supplier B, they both must apply for approval to the Administrator by 30 April 2015.
13	**New chapter.**	19C	Suppliers that are member of a group of companies (G) on 30 April

	Explains the levelisation process – including the CERO threshold, how the qualifying CERO achievement is calculated and how eligible CERO measures can qualify for a carbon saving uplift. Details how measures are selected to receive the uplift and how the uplift is attributed.	19D	2015 will be notified by the Administrator (after 30 April 2015) of their group qualifying CERO achievement ('achievement'). G's achievement is equal to the total relevant carbon savings of the eligible group CERO actions ('actions') that exceed 35% of the total Phase 1 and 2 CERO obligations of all suppliers in G. One or more suppliers that are members of G must nominate the actions they wish to be attributed with an uplift within fifteen days of being notified of their achievement. The total carbon savings of the nominated actions must not exceed G's achievement. Only one nomination can be made for G. If no nomination is made, the Administrator will select the actions to be attributed with an uplift, selecting the most recently installed actions. The Administrator will attribute an uplift (of 0.75 of the relevant carbon saving of each action) to each selected or nominated action. The Administrator must notify each supplier in G by no later than 30 September 2015 of the actions which have been attributed with an uplift and the contribution each action (with uplift) has made towards a supplier's total CERO. *See articles 19A, B, C, D for information on suppliers which are not group companies and further information on the summary above.*
	Focuses predominantly on the process for group companies.		
14	Provides further information on some of the processes and compliance checks we will put in place ahead of our final determination.		
	Sets out when we will notify suppliers of our final determination and submit a report to the Secretary of State on this determination (30 September 2014).	22(6)	The Administrator must notify a supplier of its determination on whether a supplier has achieved its total CERO, CSCO and HHCRO by no later than 30 September 2015. The Administrator must submit a report to the Secretary of State by no later than 30 September 2015 setting out whether suppliers

			achieved the total targets for CERO, CSCO and HHCRO.
	Explains that we will not take enforcement action if a supplier does not achieve its total CERO obligation.	24	The requirement placed on a supplier to achieve its total CERO by 31 March 2015 is not a requirement for the purpose of: - Part I of the Electricity Act 1989, and - Part I of the Gas Act 1986.
	Includes group excess actions in the re-election section.	22(2) 22(3)	A supplier may apply to the Administrator, by 30 April 2015, for a qualifying action, excess action or group excess action to be credited against a different obligation to the one it is credited against at the time the application is made.
	Includes the new re-election deadline of 30 April 2015.	22(2)	
	Explains that suppliers can apply to credit measures against a different obligation (including the obligation identified in the original notification or application).	22(2)	
15	No changes.		

Appendix 3 - Feedback questionnaire

1. We believe that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about how this consultation has been conducted. We are also keen to get your answers to the following questions:

   a. Do you have any comments about the overall process used for this consultation?
   b. Do you have any comments about the overall tone and content of the report?
   c. Was the report easy to read and understand? Could it have been better written?
   d. Did the report's conclusions provide a balanced view?
   e. Did the report make reasoned recommendations for improvement?

2. Please send your answers to the above questions, and any further comments to:

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