

# Energy Companies Obligation (ECO) Compliance Update

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Issued December 2014

Issue **17**

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 October and approved by Ofgem by the end of November 2014. It also presents measures completed in anticipation of the legislative changes and installed between 1 April and the amendment order coming into force; 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 September, including those which have not yet been processed by Ofgem.

## What is new in this report?

DECC has made legislative changes to ECO (the '[amendment Order](#)'). Changes include the reduced CERO target, CERO levelisation uplift and changes to eligible measures under CERO and CSCO. Figure 3 demonstrates our interpretation of the impact of these changes on energy companies' progress towards their obligations\*\* ; the reduced CERO target shows the most obvious change from the previous report (issue 16). In response to this we have updated our [guidance](#) on how we propose to administer the scheme under the amended 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
<b>Solid Wall Insulation</b>	55,825	4,822	10	<b>60,657</b>
<b>Park Home Insulation</b>	203	-	-	<b>203</b>
<b>Cavity Wall Insulation</b>	1,554	57,516	10,172	<b>69,242</b>
<b>HTTC Wall Insulation<sup>1</sup></b>	159,006	5,422	47	<b>164,475</b>
<b>Loft Insulation</b>	28,051	111,328	35,126	<b>174,505</b>
<b>Other Insulation<sup>2</sup></b>	2,201	4,697	90	<b>6,988</b>
<b>Boiler – Replacement</b>	N/A <sup>4</sup>	N/A	261,358	<b>261,358</b>
<b>Boiler – Repair</b>	N/A	N/A	578	<b>578</b>
<b>Other Heating<sup>3</sup></b>	N/A	N/A	60,215	<b>60,215</b>
<b>District Heating System</b>	1,253	2,517	-	<b>3,770</b>
<b>Micro-generation</b>	N/A	N/A	-	<b>-</b>
<b>Total</b>	<b>248,093</b>	<b>186,302</b>	<b>367,596</b>	<b>801,991</b>

<sup>1</sup> 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.

<sup>2</sup> Includes hot water cylinder insulation, draught proofing and window glazing.

<sup>3</sup> Includes heating controls, heat recovery ventilation and warm air units.

<sup>4</sup> 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.

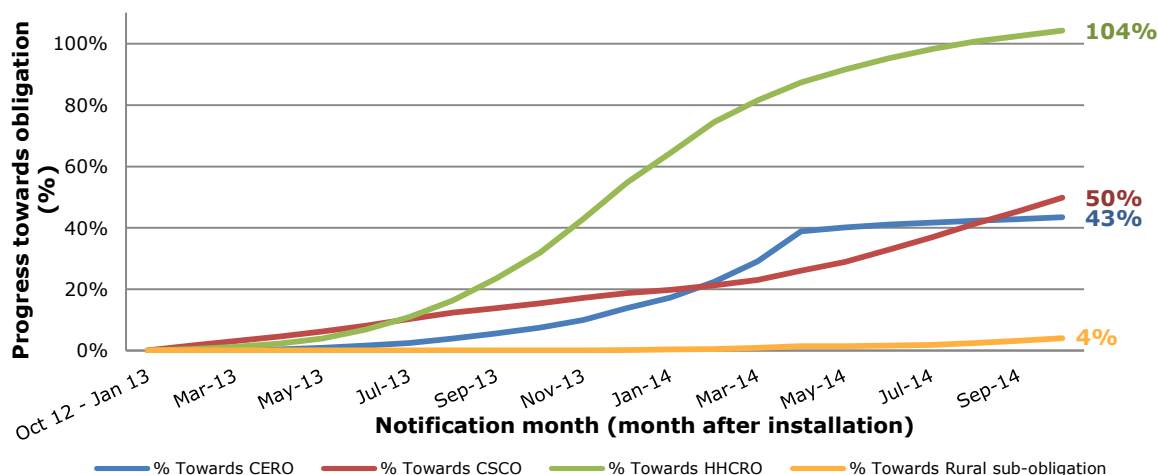
\*\*\*Ofgem may revoke the decision to approve any measure if, in the future, Ofgem establishes that the measure should not have been approved. For example, information may subsequently come to light which shows that information provided at the time of assessment was incorrect or which indicates that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

## Progress towards obligations

The scheme is currently 78%\* of the way through phases 1-3 (which cover the period 1 January 2013 to 31 March 2015).

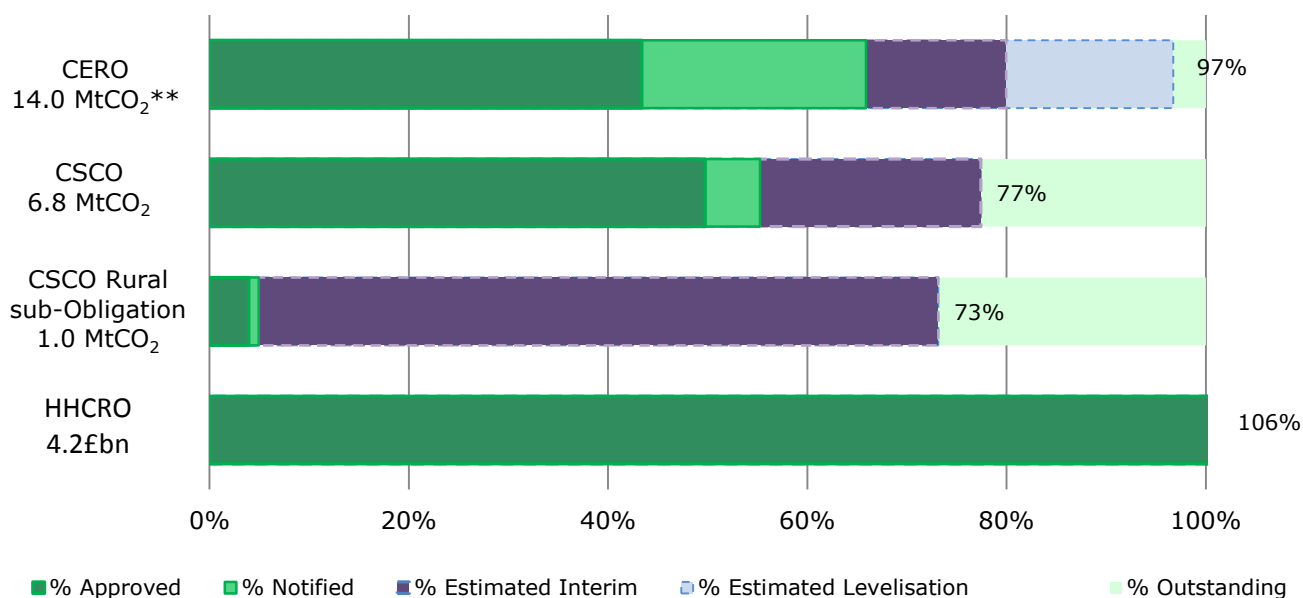
**Fig. 2) Cumulative monthly progress towards ECO obligations (approved measures only)**

The chart below shows energy companies' cumulative monthly progress towards phase 1-3 obligations based on approved measures only. It takes into account the reduced CERO obligation as specified by the amended ECO Order but not excess measures carried over from CERT and CESP.



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

The chart below shows measures notified to the end of October 2014 and approved by the end of November 2014 as a percentage of the total phase 1-3 obligations. It takes into account the reduced CERO obligation as specified by the amended ECO Order. It also shows the potential impact of interim measures and the CERO levelisation uplift.



Please note that:

- Interim measures are still described as 'estimated' as they have not yet been formally notified.
- Excess actions carried over from CERT and CESP are **not** shown in this graph. They will be included once the savings have been finalised.
- Estimated levelisation uplift has been calculated as set out in the 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).

\*In terms of installation months covered by this report i.e. measures installed to September 2014 (21 months of the scheme).

\*\*Previously 20.9 MtCO<sub>2</sub>

## Notified Measures

In addition to the approved measures (801,991), a number of measures have been notified to Ofgem but have not yet been approved (162,410). Together, these figures constitute the 964,401 measures published in DECC's November Statistical Release. This figure does not include the 150,925 interim measures energy companies have installed between April and September.

Of the 162,410 measures notified to Ofgem but not yet approved:

- Circa 136,000 are currently undergoing further checks to ensure that they are valid measures under ECO; over two-thirds of these are hard-to-treat cavity measures in CERO and the other measures are undergoing scoring verification and duplicate checks.
- A further c. 20,000 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 4,000 measures are currently being processed and are expected to be approved shortly if the necessary information is in order.
- Circa 1,800 measures were refused approval or had their approval revoked in November due to incorrect early notification of interim measures.

To date a total of around 4,900 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):**
  - From 1 October 2012 to 31 March 2014 eligible measures included solid wall and hard-to-treat cavity wall insulation alongside secondary measures including other insulation and district heating systems.
  - From 1 April 2014 onwards eligible measures included loft insulation, standard cavity wall insulation and district heating systems alongside secondary measures including other insulation.
- **Carbon Saving Community Obligation (CSCO):** insulation and district heating measures in low income areas, including a minimum requirement in rural areas.
- **Home Heating Cost Reduction Obligation (HHCRO):** insulation and heating measures delivered to low income and vulnerable households.

For further information about the current ECO scheme, please visit [www.ofgem.gov.uk/eco](http://www.ofgem.gov.uk/eco)