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

Guidance

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

Ofgem E-Serve (on behalf of the Gas and Electricity Markets Authority) is the administrator for ECO. This document provides guidance on how we will administer ECO in line with the requirements of the Electricity and Gas (Energy Companies Obligation) Order 2012, following changes introduced 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.

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

Context

Energy efficiency is a key part of government policies for reducing the UK's greenhouse gas emissions. These policies contribute to the government's wider commitment to cut greenhouse gases by at least 34% by 2020 and at least 80% by 2050.[1]

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

The Energy Companies Obligation (ECO) is the successor scheme to CERT and CESP. It obliges larger domestic energy suppliers to introduce energy efficiency measures in domestic premises in Great Britain. ECO focuses on insulation and heating measures, and supporting vulnerable consumer groups. It will assist in reducing carbon emissions, maintaining security of energy supply and reducing fuel poverty.

The Energy Act 2011 and associated legislation established a new framework for energy efficiency, through the introduction of the Green Deal. The Green Deal is a market-led framework designed to help individuals and businesses make energy efficiency improvements to buildings. ECO is intended to work alongside the Green Deal in the domestic sector.[2]

This document provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer ECO in line with the requirements of the Electricity and Gas (Energy Companies Obligation) Order 2012, following changes introduced 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.

We have no role in administering the Green Deal or the ECO brokerage mechanism and this document does not address the requirements of either of these.

[1] The Carbon Plan: Delivering our low carbon future, December 2011. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/47613/3702-the-carbon-plan-delivering-our-low-carbon-future.pdf

[2] The Green Deal and Energy Company Obligation Consultation Document, Reference number 11D/886. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42980/3607-green-deal-energy-company-ob-cons.pdf

Associated documents

Legislation

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

Electricity and Gas (Energy Companies Obligation) (Amendment) Order 2014: http://www.legislation.gov.uk/ukdsi/2014/9780111109229/contents.

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

Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014: http://www.legislation.gov.uk/uksi/2014/2897/contents/made.

Documents referred to in the Order

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

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.

Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex (release date 28 September 2011 – marked as 'superseded')

SIMD Data Zone Lookup (version 3 published on 6 March 2012)

PAS 2030:2014 Improving the energy efficiency of existing buildings for installation process, process management and service provision. This is available for purchase from the BSI website: http://shop.bsigroup.com/ProductDetail/?pid=000000000030297314.

Appendix S of The Government's Standard Assessment Procedure for Energy Rating of Dwellings (2009 edition, version 9.91 applicable from April 2012; 2012 edition, version 9.92):
http://www.bre.co.uk/filelibrary/SAP/2009/SAP_2009_9.91_Appendix_S.pdf
http://www.bre.co.uk/filelibrary/SAP/2012/SAP-2012_9-92.pdf.

Supporting documentation

All supporting documentation referred to in this guidance can be accessed through our website at:
https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco.

Contents

Executive summary

This document provides guidance to suppliers on the requirements of the Energy Companies Obligation (ECO), as set out in the Electricity and Gas (Energy Companies Obligation) 2012 Order (referred to as 'the Order').

The Order puts obligations on licensed gas and electricity suppliers that, in any relevant year, have 250,000 domestic customers or more, and supply more than 400 gigawatt hours of electricity or 2,000 gigawatt hours of gas. Obligated suppliers must achieve carbon and cost savings in respect of three distinct targets – 14.0 $MtCO_2$ savings under the Carbon Emissions Reduction Obligation (CERO),[3] 6.8 $MtCO_2$ savings under the Carbon Saving Community Obligation (CSCO) and £4.2 billion savings under the Home Heating Cost Reduction Obligation (HHCRO). The targets are divided between obligated suppliers according to a formula proportionate to their share of domestic customers. **These targets must be achieved by 31 March 2015.**

The Order has been amended 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. These introduced a number of changes including (but not limited to): a reduced target under CERO (from 20.9 $MtCO_2$ to 14 $MtCO_2$), new CERO primary measures, changes to the CSCO areas of low income and simplification of the eligibility criteria for the rural sub-obligation, the introduction of an uplift in carbon savings for eligible CERO measures (known as levelisation) and the introduction of group excess actions from CERT.

Appendix 4 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.

This document (version 1.2) provides guidance on how we will administer ECO in line with all revisions to the Order.

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

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

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

[3] The original CERO target was 20.9 $MtCO_2$. The new target of 14 $MtCO_2$ was introduced as a result of the Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014.

1. Introduction

Chapter summary

Overview of the Energy Companies Obligation (ECO), the background to the scheme and its key features. Explains when this guidance will come into effect.

1.1. The Energy Companies Obligation (ECO) is a government energy efficiency scheme for Great Britain. It sits alongside the Green Deal and places obligations on larger domestic energy suppliers to deliver energy efficiency measures to domestic premises, with a focus on vulnerable consumer groups and hard-to-treat homes.

Date of effect for version 1.2 of the guidance

1.2. This guidance, version 1.2, will come into effect on [the day after the date that the Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014 is made]. All measures notified, and all applications made, on and after this date will be assessed in accordance with the amending Order. Appendix 4 provides a summary of the amendments to the Order and the changes made in this version of the guidance.

1.3. We will apply the processes and policies described in this version of the guidance to notifications and applications received from suppliers on and after [the date of effect].

Date of effect for previous versions of the guidance

1.4. **Table 1** lists previous versions of ECO guidance, with both the publication date and relevant date of effect of these documents.

Table 1: Summary of the previous versions of ECO guidance

Version	Publication date	Date of effect
Open letters for ECO[4]	November 2012	1 January 2013
1.0	March 2013	1 May 2013
1.1	July 2013	1 August 2013
1.1a	May 2014	1 May 2014

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

Open letters for ECO

1.5. Generally, any measures notified and applications made *before* 1 May 2013 should be in accordance with the policies and processes set out in our open letters. Any measures notified and applications made *after* 1 May 2013 should be in accordance with the policies and processes set out in the guidance.

1.6. There are, however, exceptions to the general rule. These are where work on the installation of a measure began after 1 May 2013, any related assessment as to whether a person is a member of the Affordable Warmth Group (AWG) or whether a boiler is a qualifying boiler should be in accordance with the policies and processes set out in the guidance – even if that assessment was first completed before 1 May 2013.

Summary of ECO

1.7. The Energy Companies Obligation (ECO) is a statutory scheme for Great Britain established by the Electricity and Gas (Energy Companies Obligation) Order 2012. It imposes a legal obligation on larger energy suppliers to deliver energy efficiency measures to domestic premises. This is realised through three distinct obligations:

a. **Carbon Emissions Reduction Obligation (CERO):** promotes the installation of wall and roof-space insulation measures[5] and connections to district heating systems, and other 'secondary measures' (see Chapters 4 and 5).

b. **Carbon Savings Community Obligation (CSCO):** promotes the installation of insulation measures and connections to district heating systems in areas of low income and rural areas (see Chapters 4 and 6).

c. **Home Heating Cost Reduction Obligation (HHCRO):** promotes the installation of heat saving measures, including insulation and the repair and replacement of boilers, to private homes in receipt of certain benefits (see Chapters 4 and 7).

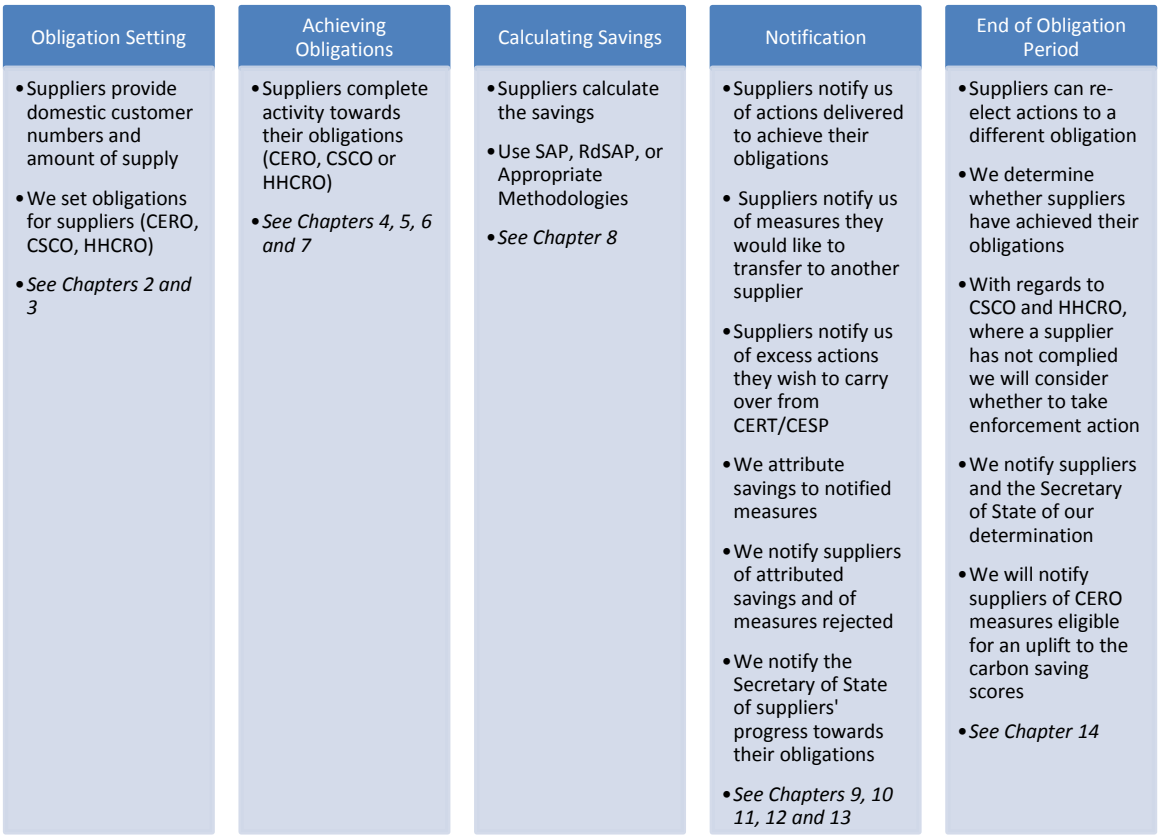
1.8. The Order sets overall targets for each of the above obligations, which are 14.0 $MtCO_2$ savings under CERO, 6.8 $MtCO_2$ under CSCO, and £4.2 billion savings under HHCRO. For each phase of ECO,[6] obligated suppliers will be allocated a proportion of the overall targets, depending on each supplier's relative share of the domestic gas and electricity market. Suppliers must achieve their individual targets by 31 March 2015.

[5] See Chapter 5 for more information on wall and roof-space insulation measures.
[6] Phase one – 1 January 2013 to 31 March 2013; phase two – 1 April 2013 to 31 March 2014; phase three – 1 April 2014 to 31 March 2015.

1.9. The primary way in which an obligated supplier can achieve its obligations is by promoting qualifying actions ('measures') at domestic premises.

1.10. The way ECO operates is shown in Figure 1.

Figure 1: High-level overview of ECO



Our role as Administrator of ECO

1.11. We will administer ECO for the overall obligation period, which will end on 31 March 2015.

1.12. The Order details our powers and functions for ECO. These functions include to:

a. determine supplier obligations for each phase of ECO[7]

b. notify suppliers of their obligations for each phase of ECO[8]

c. approve appropriate methodologies for suppliers to calculate carbon or cost savings[9]

[7] Article 8 of The Electricity and Gas (Energy Companies Obligation) Order 2012 ('the Order').
[8] Article 8(4) (a) (b) of the Order.

d. approve transfers of qualifying actions (including adjoining installations), excess actions and group excess actions from one supplier to another supplier[10]

e. approve a supplier's applications for excess actions, group excess actions or re-election[11]

f. attribute savings to completed qualifying actions

g. determine whether a supplier has achieved its total obligation for each of the obligations under ECO (CERO, CSCO and HHCRO)[12]

h. submit a report to the Secretary of State each month, detailing the progress which suppliers have made towards achieving their obligations[13]

i. submit a report to the Secretary of State after the end of the overall obligation period, detailing whether suppliers achieved the overall targets set for each obligation under ECO[14]

j. require information or evidence from suppliers, including information relating to the cost to the supplier of achieving its obligations

k. monitor compliance with the requirements under the Order and take enforcement action where appropriate.[15]

Role of obligated suppliers under ECO

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

a. notify us of the number of their domestic customers and amount of energy supplied to domestic customers before each phase of ECO begins

b. promote the installation of energy efficiency measures at domestic premises

c. notify us of completed qualifying actions

d. calculate the carbon or cost saving for each individual measure installed at a domestic premises

[9] Article 18(1) of the Order.
[10] Articles 20 and 21ZA(1) of the Order.
[11] Articles 21(9) and 21ZA(5) of the Order.
[12] Article 22 of the Order.
[13] Article 22(5) of the Order.
[14] Article 22(5) of the Order.
[15] Article 24 of the Order.

e. produce evidence relating to activity undertaken to achieve obligations under ECO

f. achieve their total carbon emissions reduction target, total carbon saving community target and total home heating cost reduction target by 31 March 2015

g. monitor activity under ECO (for example technical monitoring of installations) and report the results of monitoring to us.

Information gathering powers

1.14. Throughout this guidance we have indicated where we use our information gathering powers under the Order[16] to require suppliers to provide us with information (for example, the submission of technical monitoring reports). In addition to these instances, when appropriate, we may require a supplier to give us information about its proposals for complying with any requirement of the Order. We may also ask a supplier to produce specific evidence to demonstrate that it is complying with, or that it has complied with, any requirement under the Order. We may also require information relating to the cost to the supplier of meeting its obligations.

Relationship between the Green Deal and ECO

1.15. The Green Deal is a market-led framework, which aims to improve energy efficiency throughout Great Britain. A key part of this framework is the Green Deal financial mechanism, which allows consumers to pay for some or all of the cost of energy-saving property improvements over time, through savings on their energy bills. The costs of the measures are met by the resultant savings on that consumer's energy bill, rather than through full investment up-front. ECO operates alongside the Green Deal and places obligations on larger energy suppliers to deliver energy efficiency measures.

1.16. This guidance does not address the requirements of the Green Deal. Further information on the Green Deal can be found on the Department of Energy and Climate Change's area of the government website.[17]

ECO Brokerage

1.17. The ECO Brokerage is an auction-based mechanism to enable suppliers to buy contracts delivering ECO measures by participating Green Deal Providers.

[16] Article 23(1) of the Order.
[17] See: www.gov.uk/government/organisations/department-of-energy-climate-change.

1.18. We have no role in administering the ECO Brokerage and this guidance does not address the Brokerage or its administrative requirements. However we recognise that, on occasion, suppliers may seek credit for measures obtained through it. Any measures obtained through the ECO Brokerage must still meet the requirements of the Order and this guidance to be considered eligible under ECO.

Guidance review

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

Queries

1.19. Please email any queries about our guidance or our administration of the Order to eco@ofgem.gov.uk.

1.20. For further advice and referrals regarding energy efficiency, including ECO and the Green Deal, homes and businesses may also contact the Energy Saving Advice Service (ESAS) at 0300 123 1234 or www.energysavingtrust.org.uk. ESAS provides this service in England and Wales. Homes and businesses in Scotland should contact Home Energy Scotland (HES) at 0808 808 2282 or http://www.energysavingtrust.org.uk/scotland/Take-action/Home-Energy-Scotland.

1.21. For further information on the ECO Brokerage, please refer to https://www.gov.uk/energy-companies-obligation-brokerage or contact ECObrokerage@decc.gsi.gov.uk.

1.22. Please direct any queries about future changes to the ECO scheme, the Green Deal and wider policy to DECC at deccecoteam@decc.gsi.gov.uk.

2. Who is obligated under ECO? Definition of 'supplier'

Chapter summary

The definition of a 'supplier' as set out in the Order.

2.1. Only gas and electricity supply licence-holders that meet the definition of a 'supplier' will be subject to the requirements of ECO.

2.2. This chapter explains when a gas or electricity licence-holder will meet the definition of a 'supplier'. It also introduces the concepts of a dual-licence holder and a group company, and explains when these types of licence-holders will meet the definition of a 'supplier'.

When is a licence-holder a 'supplier'?

2.3. The Order establishes a threshold beyond which a licence-holder will be considered a 'supplier' for the purposes of ECO.

2.4. The threshold has two elements: number of domestic customers, and amount of supply to domestic customers, by reference to a given year. If a licence-holder is a member of a group of companies, the licence-holder will be a 'group company' and the customer numbers and amount of supply of the group of companies will be used to determine whether the threshold is exceeded. If a company holds both an electricity supply licence and a gas supply licence ('dual licence-holder'), the combined customer numbers of the two licences will be used to determine whether the threshold is exceeded.

2.5. Each licence-holder is responsible for determining whether it exceeds the threshold and is therefore a supplier. Licence-holders will need to consider this ahead of each 'phase' of ECO (see paragraph 3.5). The methodologies for determining domestic customer numbers and amount of supply are outlined in Chapter 3. A licence-holder that does not exceed the threshold for a given year may do so in a subsequent year.

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

Applying the threshold to different categories of licence-holder

2.7. Below is a list of the different types of licence-holders and the conditions under which each becomes a supplier under ECO, by reference to domestic customer numbers at 31 December 2011, 2012, or 2013 (each year being a 'relevant year')

and the amount of supply to domestic customers during the year ending on that date.

2.8. For any relevant year:

a. A licence-holder that is not a group company,[18] and holds an electricity supply licence only, is a supplier if it had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year.

b. A licence-holder that is not a group company, and holds a gas supply licence only, is a supplier if it had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

c. A licence-holder that is not a group company, and holds both a gas supply licence and an electricity supply licence, is a supplier if it had more than 250,000 domestic gas customers and domestic electricity customers[19] at 31 December of the relevant year, and it either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

d. A group company that holds an electricity supply licence only is a supplier if the group of companies had more than 250,000 domestic electricity customers at 31 December of the relevant year and supplied more than 400 gigawatt hours of electricity to domestic customers during that year.

e. A group company that holds a gas supply licence only is a supplier if the group of companies had more than 250,000 domestic gas customers at 31 December of the relevant year and supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

f. A group company that holds both a gas supply licence and an electricity supply licence is a supplier if the group of companies had more than 250,000 domestic gas customers and domestic electricity customers[19] at 31 December of the relevant year and the group of companies either supplied more than 400 gigawatt hours of electricity or supplied more than 2,000 gigawatt hours of gas to domestic customers during that year.

[18] A 'group company' is a licence-holder that is a member of a group of companies.
[19] A customer supplied with electricity and gas by the same licence-holder is to be counted as two customers.

Group of companies

2.9. Whether a licence-holder is a member of a group of companies with another licence-holder should be determined by reference to the membership of the group of companies on 31 December of the relevant year.

2.10. A group of companies comprises the holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly-owned' subsidiary have the same meaning as in section 1159 of the Companies Act 2006.[20]

2.11. If a licence-holder is a member of a group of companies on 31 December of a relevant year, the whole of the electricity or gas supplied by that licence-holder between 1 January and 31 December of that year must be taken into account when determining the group's supply. This is irrespective of whether that licence-holder was a member of the group for the whole of that year.

2.12. Because of the way in which supply and customer numbers are calculated for licence-holders that are members of a group of companies, if a licence-holder is a member of a group of companies and individually exceeds the threshold, then all the other licence-holders in that group that hold a licence of the same type will also meet the definition of 'supplier'.

2.13. A licence-holder that exceeds the threshold set under the Order is defined, under the Order, as a 'supplier'. Where a company holds both a gas supply licence and an electricity supply licence (ie is a dual licence-holder), that company (ie the dual licence-holder) will be a separate supplier in respect of each supply.

2.14. It is important to note that the requirements under ECO fall on suppliers rather than groups of companies. In the remainder of this guidance we use the word 'supplier' to refer to a licence-holder that is subject to the requirements of ECO.

[20] See: http://www.legislation.gov.uk/ukpga/2006/46/section/1159.

3. Notification of domestic customer numbers and supply: setting obligations

Chapter summary

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

3.1. If a licence-holder is a supplier for the purposes of ECO, ahead of each phase of ECO it must notify us of its own (and if the supplier is a group company, its group's) domestic customer numbers and amount of supply. We will then use this information to set obligations for suppliers.

3.2. This chapter provides information on a supplier's notification of domestic customer numbers and supply and explains how we use that information to determine a supplier's obligations. It also introduces the concept of 'zero' obligations.

The overall obligation period for a supplier and the period for achieving obligations

3.3. The overall obligation period for each licence-holder will vary depending on when that licence-holder becomes obligated under ECO.[21] That is, for a licence-holder that met the definition of a supplier on 31 December 2011 (see Chapter 2), its overall obligation period began on 1 January 2013 and ends on 31 March 2015.[22] If a licence-holder does not meet the definition of a supplier until 31 December 2012 or 2013 (a 'new supplier'), its overall obligation period commences on 1 April 2013 or 1 April 2014, respectively.[23]

3.4. The different overall obligation periods possible for a supplier are summarised in Table 2 below.

[21] Articles 6(1) (a) and (2) of the Order.
[22] Article 6(1) (a) of the Order.
[23] Article 6(2) of the Order.

Table 2: Summary of the overall obligation periods for suppliers

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

3.5. The Order establishes three phases of ECO:

a. **phase one:** 1 January 2013 to 31 March 2013

b. **phase two:** 1 April 2013 to 31 March 2014

c. **phase three:** 1 April 2014 to 31 March 2015.

3.6. We are required to determine a supplier's obligations for each phase of ECO. This means that a 'new supplier' for whom the overall obligation period began on 1 April 2013 will only ever be given obligations for phases two and three. A new supplier for whom the overall obligation period began on 1 April 2014 will only have an obligation for phase three.

3.7. The sum of a supplier's CERO, CSCO or HHCRO (as applicable) over phases one, two and three is referred to as its:

a. total carbon emissions reduction obligation

b. total carbon saving community obligation

c. total home heating cost reduction obligation.

3.8. A supplier must achieve each of its total obligations by the end of its overall obligation period (ie 31 March 2015).

3.9. The obligations set for each phase of ECO are cumulative and do not need to be met individually. This means, for example, that a supplier is not required to meet its CSCO for phase one by the end of phase one. Instead, the supplier's CSCO for phase one will be added to its CSCO for phases two and three. The cumulative total (ie its total carbon saving community obligation) must be met by 31 March 2015.

3.10. As explained in paragraph 3.27 below, in some cases we may determine that a supplier's obligation for a particular phase is zero. If we notify a supplier that it

has a zero obligation for a particular phase, the supplier will still need to meet its obligations from any previous or subsequent phases of ECO.

When suppliers must notify

3.11. Table 3 below shows the dates by which suppliers must notify us of their domestic customer numbers and supply, the period of time that notification must relate to, and the dates by which we will notify suppliers of their obligations. It also shows the date by which we will notify suppliers of their reduced phase three obligations for CERO.[24]

Table 3: Key dates for the notification of domestic customer numbers and supply

	Date by which suppliers must notify customer numbers and supply ('notification deadline')	Period of time notification relates to ('notification period')	Date by which we notify suppliers of their obligations
Phase one *1 January 2013 to 31 March 2013*	By the third working day after the day on which the Order is made	1 January 2011 to 31 December 2011	No later than the twelfth working day after supplier notification
Phase two *1 April 2013 to 31 March 2014*	1 February 2013	1 January 2012 to 31 December 2012	Last day of February 2013
Phase three *1 April 2014 to 31 March 2015*	1 February 2014	1 January 2013 to 31 December 2013	Last day of February 2014
CERO target reduction (only applies to phase three) *1 April 2014 to 31 March 2015*	N/A (based on data provided by 1 February 2014)	1 January 2013 to 31 December 2013	No later than 20 working days after amending Order[25] comes into force.

[24] Article 8A(3) of the Order.
[25] The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014.

What suppliers must notify

3.12. Each supplier must, by the notification deadline (see Table 3 above), notify us of the following:

a. the number of its domestic customers on 31 December of the notification period (see Table 3)

AND

b. the amount of gas or electricity (as applicable) supplied to its domestic customers during the notification period.

3.13. In addition to notifying its own customer numbers and amount of supply, if a supplier was a group company[26] on 31 December of the notification period, the supplier ('Supplier A') must also notify us of the following information relating to each of the other suppliers in the group of companies (on 31 December) that made the same type of supply (ie electricity or gas) as Supplier A:

a. the name of each of the other suppliers in the group

b. the company registration number for each of the other suppliers

c. the amount of electricity or gas (as the case may be)[27] supplied by the group from 1 January to 31 December of the notification period.

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

3.15. If a supplier fails to provide the notification required under the Order, or if we are satisfied that a notification is inaccurate, we may determine the matters that the notification related to.[28] We may also take enforcement action if appropriate.

Calculating domestic customer numbers

3.16. The Order defines a domestic customer as 'a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes'.

[26] For further information see Chapter 2 and Appendix 5 (the glossary to this Guidance).
[27] A supplier who is an electricity licence-holder notifies the amount of electricity supplied by the group. A supplier who is a gas licence-holder notifies the amount of gas supplied by the group.
[28] Articles 7(2) and (6) of the Order.

3.17. We recognise that suppliers cannot all use the exact same methodology to calculate their number of domestic customers without significant system changes. Suppliers must, however, use a reasonable methodology to accurately calculate domestic customer numbers. We will audit suppliers to ensure the methodology used is reasonable.

Calculating electricity supply

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

Methodology for calculating the amount of electricity supply

To maintain a consistent measurement among suppliers, ELEXON settlement data should be used, as it is considered the standard for settlements data across the industry. All notifications should be based on ELEXON data as detailed below. Suppliers should provide the total kilowatt hours (kWh) delivered to customers on Profile Classes 1 and 2. Suppliers should remove any unmetered supply from this data (ie unmetered supply within Profile Classes 1 and 2). This total kWh should be based on the settlement data available from 22 January of the year after the relevant year, split by licence and that has been provided to suppliers by ELEXON.

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

Calculating gas supply

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

Methodology for calculating the amount of gas supply

To maintain a consistent measurement among suppliers, aggregated Annual Quantity (AQ)[29] should be used as an approximation of gas delivered to domestic customers during the notification period.

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

1 January

[29] 'AQ' is the estimated annual gas consumption of a customer over a year under seasonal normal conditions. AQs are set annually by Xoserve in consultation with Gas Shippers.

1 April
1 July
1 October
31 December

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

Form of notification

3.20. The notification must be sent to us using the notification template on our website.[30]

3.21. Suppliers should use this template to notify the information listed in this chapter. We require two copies of this template by the notification deadline (see Table 3). These copies must be submitted as:

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

AND

b. an electronic version sent to eco@ofgem.gov.uk.

Setting supplier obligations

3.22. Before the beginning of each phase of ECO we will determine obligations for that particular phase for each supplier. The obligations will be determined using the formula in the amending Order[31] and based on the customer numbers and amount of supply notified to us for each phase. As identified in paragraph 3.15 above, if a supplier fails to notify us of these figures, or where we are satisfied that a notification is inaccurate, we may determine the figures ourselves.

3.23. The amending Order (No. 2) introduced a reduction in the overall CERO target from 20.9 $MtCO_2$ to 14.0 $MtCO_2$.[32] This applies to phase three only, reducing the CERO for this phase from 8.36 $MtCO_2$ to 1.46 $MtCO_2$.[33]

3.24. Where a supplier has a phase three CERO greater than zero, we will determine the reduced phase three CERO using the calculations in paragraph 3.26 below. This is based on the customer numbers and amount of supply notified to us by suppliers for phase three. We will notify suppliers of their reduced phase three

[30] See: https://www.ofgem.gov.uk/publications-and-updates/eco-notification-template-v1.3.
[31] Articles 9, 10 and 11 of the Order.
[32] Article 3(1) (a) of the Order.
[33] Article 8A(2) of the Order.

CERO obligation within 20 working days of the date the amendments in the amending Order come into force.[34]

3.25. Where we have determined a reduced phase three CERO for a supplier, we will determine its CERO as the total of its phase one, two and reduced phase three obligation.

3.26. The formulas we use to calculate suppliers' obligations are below.

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

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

$$\left(\frac{A}{2}\right)\left(\frac{Tx}{T}\right)$$

Where: '**A**' is the value given in the following table[35]:

	CERO	CSCO	HHCRO
Phase one	4.18 $MtCO_2$	1.36 $MtCO_2$	£0.84bn
Phase two	8.36 $MtCO_2$	2.72 $MtCO_2$	£1.68bn
Phase three	8.36 $MtCO_2$	2.72 $MtCO_2$	£1.68bn
CERO target reduction (only applies to phase three)[36]	1.46 $MtCO_2$	N/A	N/A

'**Tx**' is the amount of electricity or gas supplied in the notification period by the supplier, and calculated using the formula in Figure 4.

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

[34] See: Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014:http://www.legislation.gov.uk/ukdsi/2014/9780111118962/contents.
[35] Note that 'A' is divided by two in this formula to reflect both gas and electricity licences.
[36] Article 8A of the Order.

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

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

$$J \times \left(\frac{H}{K}\right)$$

Where: '**J**' is the amount produced by applying the formula set out in Figure 2 above, except in this instance 'Tx' is the amount of electricity or gas supplied in the notification period by the *group* to which that supplier belongs and calculated using the formula in Figure 4.

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

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

Figure 4: Formula for determining supply

To calculate the amount of electricity or gas supplied by a supplier or group in a notification period for the purposes of determining its obligations, the below formula should be used.

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

$$(A\text{-}B) \times 2$$

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

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

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

Zero obligations

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

a. 400 gigawatt hours of electricity

OR

b. 2000 gigawatt hours of gas

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

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

a. 400 gigawatt hours of electricity (where the supplier is an electricity supplier)

OR

b. 2000 gigawatt hours of gas (where the supplier is a gas supplier)

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

4. Achieving obligations: general information relating to all obligations

Chapter summary

General information about achieving two or all of the obligations (CERO, CSCO and HHCRO).

4.1. Under the Order, each supplier has three distinct obligations – CERO, CSCO, and HHCRO.

4.2. This chapter provides information about requirements and matters that are relevant to two or all of the obligations. Chapters 5, 6 and 7 provide information about requirements and matters specific to CERO, CSCO and HHCRO respectively. The requirements and matters discussed in this chapter are:

a. promotion of a qualifying action

b. domestic premises

c. recommended measures

d. measures which are eligible under ECO

e. measures that improve the insulating properties of the premises

f. standards relating to the installation of a measure

g. installation by a person of appropriate skill and experience

h. proportion of installation that must be completed

i. extensions and 'new builds'

j. district heating systems

k. insulation of a cavity wall

l. solid wall insulation.

4.3. We may audit a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters in this chapter or Chapters 5 to 7. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for an audit or other compliance checks

are detailed in Appendix 1 of this guidance.

4.4. Ofgem does not require suppliers to hold or retain these documents and this data. A supplier may choose to enter into an arrangement with third parties (such as installers), under which the third party agrees to hold these documents and this data and make them available to the supplier whenever the supplier requests them. It is for each supplier to choose how they will ensure that they are in a position to make documents and data available to Ofgem auditors or officers. Please see Chapter 15 for further information on audit and technical monitoring.

Promotion of a qualifying action

4.5. A supplier achieves its obligations by promoting qualifying actions. In the case of HHCRO, a supplier achieves its obligation by promoting qualifying actions to a 'householder'. A qualifying action is the installation (or in the case of boilers, replacement or repair) of a measure that satisfies conditions in the Order. The act of promotion is therefore linked to the act of installing a measure.

4.6. A supplier promotes the installation of a measure if the supplier is a cause of that measure being installed.

4.7. The most obvious case of promotion is if a supplier engages an installer to carry out installation of a measure. However, the fact that a supplier has funded all or part of the installation of a measure will be sufficient to establish that the supplier was a cause of that measure being installed.

4.8. Funding the installation should be agreed before the installation of the measure begins. Further information on what documentation a supplier can provide to evidence this requirement at audit is provided in Appendix 1.

4.9. A supplier may jointly fund a measure with a third party (other than another supplier), for example local government or a devolved administration. In this case the supplier will still need to satisfy us that it was a cause of that measure being installed.

4.10. A supplier achieves its CERO and CSCO by promoting the installation of energy efficiency measures at domestic premises in Great Britain. The concept of *domestic premises* is explained below.

4.11. A supplier achieves its HHCRO by promoting the installation of energy efficiency measures to householders. A householder is a person who, among other things, occupies domestic premises. Further information on the concept of householder is in Chapter 7.

Domestic premises

4.12. A domestic premises is a separate and self-contained premises used wholly or mainly for domestic purposes. The premises must be 'self-contained' in the sense of containing kitchen facilities for occupants to prepare food. For the purpose of ECO, premises include the following:

a. a building, or part of a building (but not the land the building is situated on)

b. a mobile home, as defined in the Order (and as explained below).

4.13. Domestic purpose relates to the use of premises as a person's sole or main residence.

4.14. A structure will be a mobile home, as defined in the Order, if the structure is both 'a caravan' and 'used as a dwelling'.

4.15. In this context, 'caravan' means any structure designed or adapted for human habitation which can be moved from one place to another (whether by being towed, or by being transported on a motor vehicle or trailer) and any motor vehicle so designed or adapted, but does not include (a) any railway rolling stock which is for the time being on rails forming part of a railway system or (b) any tent.

4.16. In this context, 'used as a dwelling' means a structure is being used as a person's sole or main residence and it is connected to land in respect of which the person has some right of possession.

Recommended measures

4.17. For a measure (other than a district heating connection) to be a qualifying action under CERO and CSCO, it must be a 'recommended measure'. There are two ways a measure can be recommended – either in a Green Deal report or in a report by a chartered surveyor. Both of these are explained more below.

4.18. It is important to note that:

a. the report recommending installation of a measure must be completed before the measure is installed

b. it is insufficient for a measure to be recommended in an Energy Performance Certificate (EPC) – it must either be recommended in a Green Deal report or chartered surveyor's report

c. a measure installed for the purpose of HHCRO does not need to be

recommended in either type of report.

Green Deal Report

4.19. The first way a measure may be recommended is through a Green Deal Advice Report (GDAR). This is a report produced by a Green Deal Assessor[37] following a qualifying assessment[38] which is based upon an Energy Performance Certificate (EPC) and Occupancy Assessment. Each GDAR is therefore specific to the domestic premises where the measure is to be installed. The report is lodged with the appropriate Green Deal body.

4.20. In some cases, the Green Deal Assessor who prepared a GDAR may recommend additional measures in a document titled a Green Deal Improvement Package (GDIP). We consider a measure listed in a GDIP to be a 'recommended measure'.

Recommended Measure Report by a Chartered Surveyor

4.21. The second way a measure may be recommended is in a report by a chartered surveyor where the report is based on an assessment of a domestic premises to identify measures for improving the energy efficiency of the premises. The assessment must be a survey of the whole house. The assessment itself may be carried out by someone other than the chartered surveyor responsible for the report, provided that they have the appropriate skills and qualifications. The chartered surveyor should be satisfied that the report is accurate.

4.22. The report by the chartered surveyor must:

a. identify the premises that the report relates to

b. specify in detail the energy efficiency measure(s) recommended for the premises

c. contain all relevant information that the surveyor has used to inform their recommendation

d. contain a summary of the assessment of the premises

e. contain the name, registration number, qualifications and contact details of the chartered surveyor

f. if a person other than the chartered surveyor conducted the energy

[37] This can also be referred to as a Green Deal Advisor.
[38] A 'qualifying assessment' is an energy efficiency assessment of a property conducted in accordance with Regulation 7 of the Green Deal Framework (Disclosure, Acknowledgement, Redress etc) Regulations 2012.

efficiency assessment, contain the name and qualifications of that person

AND

g. be signed by the chartered surveyor.

4.23. A single report may be used for more than one premises as long as the report clearly states each premises that it relates to. If there is a row or block of largely identical premises, it is not necessary to carry out a survey of the whole house for each individual premises if there are reasonable grounds for judging that the measures being recommended are appropriate for each premises. However, it will usually be necessary to visit each premises in order to determine a few key factors for recommending energy efficiency measures, such as boiler efficiency and fuel type.

4.24. The person providing the report should be an appropriately qualified chartered surveyor. For example, a Chartered Building Surveyor or a chartered surveyor who has qualified through the residential survey and valuation pathway will be considered an appropriately qualified chartered surveyor for this purpose. If a report is provided by a chartered surveyor whom we do not consider appropriately qualified to recommend the measure(s) referred to in the report, we may determine that the measure is not a recommended measure. Suppliers should not rely on a report unless they are satisfied that the surveyor who completed it is appropriately qualified. For further information please visit the RICS website.[39]

Measures which are eligible under ECO

4.25. We have published a table setting out which types of energy efficiency measures are eligible under ECO.[40] This table identifies which of the obligations the measure is eligible for (ie CERO, CSCO or HHCRO), whether it qualifies as a primary or secondary measure under CERO, the relevant in-use factor, the relevant lifetime and other applicable information. This list is non-exhaustive and will be updated from time to time. Suppliers wishing to install measures which are not listed in the table (for example new or innovative measures) should contact us. The criteria that must be met for a type of measure to be eligible for CERO and CSCO are described below and in Chapter 7 for HHCRO.

Measures that improve the insulating properties of the premises

4.26. Qualifying actions[41] under CERO and CSCO must improve the insulating properties of the premises. The measures table referred to in paragraph 4.25 above includes

[39] See: www.rics.org.
[40] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures.
[41] Excluding connections to district heating systems which are detailed in paragraphs 4.47 – 4.61.

a non-exhaustive list of the measures that we consider 'improve the insulating properties of the premises'. These measures are described in the table as 'insulation measures' and are identified as eligible for CERO and CSCO.

Standards relating to installation of a measure

4.27. Suppliers should ensure that the installation of a measure is carried out in accordance with the relevant standards. How this is demonstrated will vary depending on whether the measure installed is referred to in the Publicly Available Specification 2030:2014 Edition 1 (PAS).[42] If a measure is referred to in PAS, the installation of the measure must be carried out in accordance with:

a. the provisions of PAS

AND

b. the building regulations and any other regulations that relate to the installation of the measure.

4.29. If a measure is not referred to in PAS 2030:2014, the installation of that measure must be carried out in accordance with building regulations and any other regulations that relate to the installation of the measure.

Demonstrating compliance with PAS

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

4.31. Suppliers should contact us directly to discuss alternative proposals for demonstrating compliance with PAS. Should a supplier use an alternative method, we may also require additional technical monitoring.

Demonstrating compliance with building regulations and other regulations

4.32. We will accept any reasonable means of demonstrating compliance with building regulations.

4.33. We require suppliers to demonstrate that a product or system used in the installation of a measure complies with building regulations. Ways in which suppliers can demonstrate this include:

a. UKAS (United Kingdom Accreditation Service) accredited body product

[42] Before 23 June 2014 (date of effect for PAS 2030:2014) measures should be installed according to PAS 2030:2012, Edition 2.

approval

OR

b. European Technical Approval with additional documentation to show compliance with building regulations.

4.34. For some measures self-certification schemes can provide evidence of compliance with building regulations. The building regulations list the types of measure this applies to and the requirements governing the person carrying out the work. Suppliers should refer to the building regulations for more information about suitable self-certification schemes.

4.35. Another way of satisfying us of building regulations compliance is through approval by a building control body.

4.36. Any certification or approval must be relevant to the conditions under which the product or system will be used, although the building control body is ultimately responsible for accepting that a measure complies with building regulations. We will assess compliance with the relevant standards through the audit of documents held by an installer. A supplier should have a contractual agreement or similar formal relationship with the installer that requires the installer to cooperate with our auditors or officers by providing documents that demonstrate compliance with standards of installation.

4.37. Suppliers will need to conduct technical monitoring of installation standards. Checking that a measure has been installed in accordance with PAS (where relevant), building regulations and other regulations will form part of technical monitoring. The scope of the monitoring exercise will depend on whether the measure is installed by a PAS-certified installer. See Chapter 15 for more information about technical monitoring and audits.

Installation by a person of appropriate skill and experience

4.38. For the purpose of HHCRO, excess actions and group excess actions installed from 1 October 2012, measures must be installed by someone with appropriate skill and experience.

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

a. for measures within PAS, measures must be installed by operatives who meet the operative competency requirements listed in the measure-specific annexes to PAS. Compliance with this requirement can be demonstrated if the installation is carried out by a PAS-certified installer

OR

b. for measures not in PAS, measures must be installed by operatives that meet industry competency standards to install that particular measure.

Proportion of installation that must be completed

4.40. Suppliers must install 100% of a measure at a premises, unless there are reasonable grounds for not doing so.

4.41. For clarity, below we provide some examples of what 100% means for different measures:

a. For loft insulation, 100% of the measure is the insulation of the entire loft, including the hatch. The loft may or may not constitute 100% of the roof-space area[43] of the premises.

b. For glazing or draught proofing of windows and doors in premises, 100% of the measure is the treatment of all windows and doors in the premises, rather than the treatment of a single window or door.

c. For cavity wall insulation, 100% of the measure is the insulation of all the cavity walls in the premises. The cavity walls may or may not constitute 100% of the exterior-facing wall area of the premises.

4.42. Planning restrictions, inability to gain access to necessary work areas, or lack of consent from the occupant (or landlord as appropriate) of the premises, are some examples of what we would consider to be reasonable grounds for not installing 100% of a measure. We also consider reasonable grounds to include if a measure has already been partially installed. Reasons relating to the cost of installing the measure alone will not be accepted as reasonable grounds for suppliers not installing 100% of a measure.

4.43. If lack of consent from the occupant (or landlord as appropriate) of the premises is the reason why 100% of a measure cannot be installed, the supplier must collect and hold on file a signed declaration stating this.

4.44. If a supplier is unclear as to whether the reason 100% of a measure is not installed constitutes reasonable grounds, it should contact us.

4.45. It is vital that, if less than 100% of a measure is installed, suppliers ensure that the saving attributed to the measure is reduced accordingly. Further guidance on calculating energy savings where less than 100% of a measure is installed is in Chapter 8.

Extensions and 'new builds'

[43] The term 'roof-space area' is explained in paragraph 4.56.

4.46. A supplier will not be seen as the cause of a measure being installed if the measure is part of the construction of an extension to existing premises, or a new build, and the measure merely meets the requirements of building regulations or any other legal requirements. However if the measure exceeds the requirements of building regulations or any other legal requirements, a supplier may get credit for the savings achieved by that part of the measure that exceeds the requirements of building regulations. See Chapter 8 for further information on scoring of extensions and new builds.

District heating systems

4.47. 'District heating connections' are eligible measures where they meet the relevant requirements of each obligation. The following measures will be deemed a connection to a district heating system (DHS):

a. new connections to domestic premises

b. upgrades of existing connections if substantial replacement work is carried out to the plant and/or pipework

c. fuel switching if work is also carried out to the system machinery (eg downsizing of boilers) and this results in improved efficiencies

d. upgrading a connection to a district heating system by the installation of heat meters.

4.48. Works where fuel switching or upgrades involve minimal plant or pipe replacement are not eligible as qualifying actions under CERO and CSCO.

4.49. Under HHCRO, measures relating to district heating systems are eligible if it can be shown they achieve a heating saving at a premises.

4.50. We recommend that suppliers liaise with us before installing a connection to a district heating system.

Insulation pre-conditions for premises being connected to a DHS under CERO and CSCO

4.51. There are two pre-conditions for domestic premises being connected to a DHS under CERO or CSCO:

a. **Pre-condition 1**: This pre-condition applies to all premises except premises in a multi-storey building that do not include the top floor of the multi-storey building. The premises must have either 'roof-space insulation' or 'wall insulation' in place.

OR

b. **Pre-condition 2**: This pre-condition applies to premises in a multi storey building that do not include the top floor of the multi-storey building. There is no requirement for roof-space insulation to be installed as this is not possible. As such, the walls must be insulated unless they *cannot be insulated*.[44] Where the walls *cannot be insulated* the premises can still be connected to a DHS with no wall insulation in place.

4.52. 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. Pre-condition 2 applies to these premises.

4.53. We use the terms 'roof-space insulation' and 'wall insulation' to refer to the following insulation measures:

a. roof-space insulation is flat roof insulation, loft insulation, rafter insulation or room-in-roof insulation

b. wall insulation is external wall insulation (EWI), internal wall insulation (IWI) or cavity wall insulation (CWI).

Meeting the Pre-conditions

4.54. We will consider that Pre-condition 1 is met if:

a. the total roof-space area or total exterior-facing wall area of the premises is insulated

OR

b. part of the total roof-space area or total exterior-facing wall area (not exceeding 50%) cannot be insulated then the remaining part is insulated.

4.55. We will consider that Pre-condition 2 is met if:

a. the total exterior-facing wall area of the premises is insulated

OR

b. part of the total exterior-facing wall area *cannot be insulated* then the remaining part is insulated

[44] See paragraph 4.66 for definition of "cannot be insulated".

OR

c. all of the exterior-facing wall area *cannot be insulated*.

4.56. We use the term 'roof-space area' to mean:

a. for loft insulation, the area of the floor of the loft

b. for rafter insulation, the area of the rafters (for clarification, this is the area of the rafters when measured from inside the roof space)

c. for flat roof insulation, the area of the roof

d. for room-in-roof, the area of the room-in-roof including the common walls, gable walls and ceiling.

4.57. The 'total roof-space area' includes any areas not suitable for insulation. For premises with more than one roof type, the total roof-space area is the sum of the areas as explained in a. to d. above.

4.58. The 'total exterior-facing wall area' refers to the total wall area of the premises that are fully exposed and includes any wall areas not suitable for insulation.

4.59. For premises with more than one roof type or wall type, the percentage of the total area insulated with each measure type should be aggregated. For example, where a premises has a flat roof and a pitched roof, the percentage insulated is the percentage of the total roof-space area insulated with flat roof insulation and rafter insulation.

4.60. The roof-space area or exterior-facing wall area may be insulated with new or pre-existing insulation, or a combination of both. For pre-existing wall insulation, the criteria set out in paragraphs 4.70 or 4.71 must be met.

4.61. In certain circumstances, it may be appropriate to connect the DHS before insulating the premises. In such instances, the insulation must be in place by the time the DHS measure is notified to Ofgem.[45]

Reasons for judging that any of the roof-space or exterior-facing wall area cannot be insulated

4.62. We will judge that a **roof-space area** *cannot be insulated* under the following circumstances:

a. It is not possible to access an area of the roof space in order to install the

[45] See Chapter 9 for information about notifying measures.

insulation. For example, there are separate areas within the roof space and one of these areas does not have a loft hatch.

b. It is unlawful to install the insulation. For example, where there is a protected species inhabiting the roof-space area.

c. The occupier or landlord of the premises, as applicable, refuses to consent to the installation on reasonable grounds other than cost. For example, the loft is used as a living space therefore loft insulation cannot be installed and there are physical obstructions to insulating the rafters.

4.63. A supplier may identify other reasons which it believes prevents a roof-space area from being insulated. In such instances we will consider those reasons and make a judgement as to whether or not the roof-space area can be insulated.

4.64. At least one reason must apply to **each type** of insulation measure that could be used to treat a roof-space area for it to be judged that the area cannot be insulated. For example, for premises with a flat roof and a pitched roof, at least one reason must be given for any insulation measure suitable for those roof types.

4.65. We will not accept the cost of the installation alone as a reason why the roof-space cannot be insulated.

4.66. We will judge that an **exterior-facing wall area** *cannot be insulated* where the following circumstances are in place:

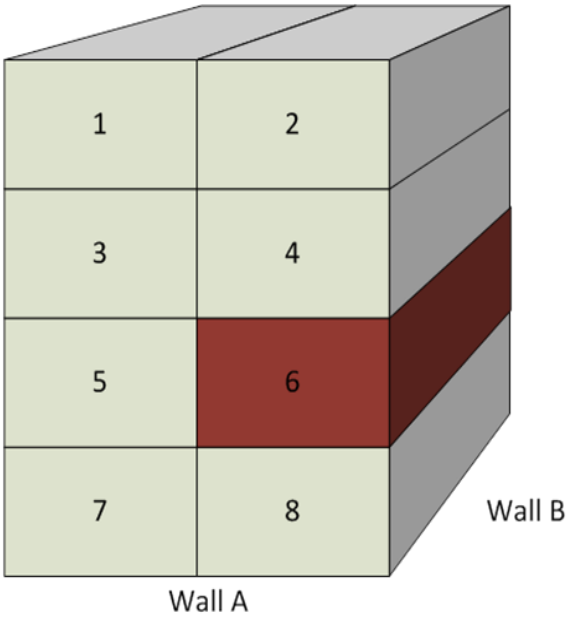
a. It is not possible to access the wall in order to install the insulation. For example, the space between the wall and another building is too small to allow access.

b. It is unlawful to install the insulation. For example, where planning permission to install external wall installation will not be granted.

c. The occupier or landlord of the premises, as applicable, refuses to consent to installing the insulation on reasonable grounds other than cost. For example, the occupier refuses to consent to internal wall insulation because it would cause too much disruption and/or inconvenience.

d. For a premises in a multi-storey building, part of the exterior-facing building wall on which the wall area of the premises is located cannot be insulated with EWI or CWI, based on one of the reasons (a, b or c) as stated above. This reason does not apply to IWI. An example of this is shown in Figure 5 below.

Figure 5: Example of circumstances where a building wall cannot be insulated with EWI or CWI



<u>For premises located on Wall A:</u>

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.

4.67. A supplier may identify other reasons which it believes prevent an exterior-facing wall area from being insulated. In such instances we will consider those reasons and judge whether or not the area can be insulated.

4.68. At least one reason must apply to **each type** of insulation measure that could be used to treat a wall area for it to be judged that the area cannot be insulated. For example, for premises with solid walls, at least one reason must be given for EWI and IWI.

4.69. We will not accept the cost of the installation alone as a reason why the wall cannot be insulated. Table 4 shows when a connection to a DHS is eligible under CERO or CSCO, based on the pre-conditions for the premises (explained below).

Table 4: Scenarios where connections to DHS are eligible under CERO and CSCO

Type of premises	Roof-space insulation (% of area insulated)	Wall insulation (% of area insulated)	DHS eligible under CERO or CSCO?
Most premises (including premises located on the top floor of a multi-storey building	100%	100%	Yes
	0-49%	100%	Yes
	100%	0-49%	Yes
	50-99%	0-49%	Yes, if we judge the uninsulated roof-space area *cannot be insulated*
	0-49%	50-99%	Yes, if we judge the uninsulated roof-space area *cannot be insulated*
Premises within a multi-storey building that are not located on the top floor	n/a	100%	Yes
	n/a	0-99%	Yes, if we judge the uninsulated roof-space area *cannot be insulated*

Pre-existing insulation

4.70. Where a wall has pre-existing insulation which was installed at a premises after 1983 in England and Wales, or after 1984 in Scotland, this is sufficient to demonstrate that the walls are insulated for the purposes of connection to a DHS.[46]

4.71. Where date of installation is unknown, or was installed prior to the dates in 4.70, a wall which has pre-existing insulation is considered insulated if:

a. the property has cavity walls that are adequately filled with cavity wall insulation

b. the property has cavity walls and the existing external wall insulation (EWI) or internal wall insulation (IWI) achieves a U-value of 0.60 W/m^{2}K or lower,

OR

c. the property has solid walls and the existing EWI or IWI achieves a U-value of 0.60 W/m^{2}K or lower.

[46] See Table S2 in Appendix S of The Government's Standard Assessment Procedure for Energy Rating of Dwellings 2009: http://www.bre.co.uk/filelibrary/SAP/2009/SAP_2009_9.91_Appendix_S.pdf.

Solid wall insulation

4.72. Under the Order, solid wall insulation (SWI) is defined as:[47]

a. internal or external insulation which lowers the U-value of the treated walls

OR

b. in the case of a mobile home,[48] internal or external insulation applied to the ceiling, floor or walls, which lowers the U-value of those parts of the mobile home to which the insulation is applied.

4.73. As detailed in Chapter 8, the in-use factor for SWI depends on the age of the building and construction type. In order to be able to accurately calculate the carbon or cost saving for the measure, suppliers must ensure they note the age and construction type of the building when installing SWI.

4.74. If the installation of SWI is accompanied by an appropriate guarantee, the standard lifetime of the measure will be deemed to be 36 years, or 30 years for park home external wall insulation systems. See Chapter 8 for more information on guarantees.

4.75. Suppliers should be aware that inconsistent or discontinuous solid wall insulation will mean there are gaps which will result in heat loss and could lead to condensation and mould growth over time. Insulation should therefore be continuous and properly installed to ensure that this does not occur.

Insulation of a cavity wall

4.76. Cavity walls can be treated with any wall insulation measure as appropriate for that wall, including:

a. Cavity wall insulation (CWI), where the cavity of the wall is filled

b. External wall insulation (EWI), where insulation is installed to the exterior face of the wall,

OR

c. Interior wall insulation (IWI), where insulation is installed to the interior face of the wall.

[47] Article 2 of the Order.
[48] This includes park homes.

5. Carbon Emissions Reduction Obligation

Chapter summary

Information about achieving the Carbon Emissions Reduction Obligation (CERO).

5.1. The Carbon Emissions Reduction Obligation (CERO) focuses on the installation of wall and roof-space insulation measures and connections to district heating systems (DHS). Under CERO, these measures are referred to as 'primary measures'.[49] Other insulation measures such as glazing and draught proofing are also eligible as 'secondary measures'[50] if they are promoted at the same premises as a 'primary measure'. This chapter provides information about how suppliers can achieve their CERO.

5.2. We use the term 'wall insulation' to refer to: internal wall insulation (IWI), external wall insulation (EWI) or cavity wall insulation (CWI).

5.3. We use the term 'roof-space insulation' to refer to: flat roof insulation, loft insulation, rafter insulation or room-in-roof insulation.

5.4. We may audit a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for an audit or other compliance checks are detailed in Appendix 1 of this guidance.

5.5. Ofgem does not require suppliers to hold or retain these documents and this data. A supplier may choose to enter into an arrangement with third parties (such as installers), under which the third party agrees to hold these documents and this data and make them available to the supplier whenever the supplier requests them. It is for each supplier to choose how they will ensure that they are in a position to make documents and data available to Ofgem auditors or officers. Please see Chapter 15 for further information on audit and technical monitoring.

5.6. Below we set out information relating to qualifying actions under CERO including the requirements surrounding eligible wall and roof-space insulation measures and connections to DHS.

Qualifying actions under CERO

5.7. A supplier can achieve its CERO by promoting carbon qualifying actions.

[49] Note that this terminology is not used in the Order.
[50] Article 12(12) (a) (b) of the Order.

5.8. A carbon qualifying action is the installation, at a domestic premises,[51] of a measure that meets the criteria and conditions specified in the Order.[52]

5.9. The measures that may be carbon qualifying actions can be divided into two types, and we use the terms 'primary measure' and 'secondary measure' to describe these two types.

Primary measures

5.10. A *primary measure* is:

a. solid wall insulation (including insulation of a mobile home), installed on or after 30 September 2012, where that is a recommended measure[53]

b. insulation of a hard-to-treat-cavity wall,[54] installed on or after 30 September 2012 and before 1 April 2014, where that is a recommended measure

c. insulation of a cavity wall, installed on or after 1 April 2014, where that is a recommended measure[55]

d. flat roof insulation, installed on or after 1 April 2014, where that is a recommended measure

e. loft insulation, installed on or after 1 April 2014, where that is a recommended measure

f. rafter insulation, installed on or after 1 April 2014, where that is a recommended measure

g. room-in-roof insulation, installed on or after 1 April 2014, where that is a recommended measure

OR

h. a connection to a DHS, installed on or after 1 April 2014, where the domestic premises meets the pre-conditions[56] to support the connection to a DHS.

[51] See Chapter 4 for information about 'domestic premises'.
[52] Article 12(3) of the Order
[53] See Chapter 4 for information about recommended measures.
[54] For more information on HTTCs refer to ECO Guidance for Suppliers version 1.1a.
[55] HTTCs will fall under the category of 'insulation of a cavity wall' on or after 1 April 2014.
[56] See Chapter 4 for information about preconditions for connections to a district heating system.

5.11. In addition, the measure should be installed in accordance with the standards relating to the installation of the measure.[57]

Secondary measures

5.12. A *secondary measure* is:

a. a recommended measure installed to improve the insulating properties of the premises[58]

OR

b. a connection to a DHS[59]

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

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

a. at the same premises where a primary measure has been or will be installed

AND

b. by the same supplier that installs the primary measure.[60]

5.14. In addition, secondary measures must be installed no more than six months before or after the date on which the primary measure is installed. This does not apply to connections to DHS or any secondary measure that is supported by a connection to a DHS as a primary measure; these can be installed at any point during the obligation period.

5.15. Suppliers wishing to notify a connection to a DHS as a secondary measure should contact us prior to notification.

[57] See Chapter 4 for information about standards relating to installation of a measure.
[58] See Chapter 4 for information about measures that improve the insulating properties of the premises.
[59] From 1 April 2014 a connection to a DHS is eligible as a primary measure but can still be claimed as a secondary measure where it is installed at the same premises as solid wall insulation or insulation of a hard-to-treat cavity. Refer to ECO Guidance for Suppliers (version 1.1a) for more information on hard-to-treat cavities.
[60] This does not mean that the measure needs to be installed by the same installer.

Conditions for primary measures to support a secondary measure

5.16. As explained above, a measure cannot be a secondary measure unless installed at the same premises as a primary measure. In this section we explain the conditions that the primary measure must meet in order to support the 'secondary measure' status of a measure at that premises. These conditions only apply to primary measures which are used to support a secondary measure.

Wall insulation

5.17. Solid wall insulation (SWI) (excluding insulation of a mobile home), *or* cavity wall insulation (CWI),[61] must be installed to at least 50% of the total exterior-facing wall area of the premises in order to support a secondary measure. The 'total exterior-facing wall area' refers to the walls that are fully exposed and includes any wall areas not suitable for insulation.

5.18. If a premises has a hybrid construction, ie both solid and cavity walls, and it is treated with a combination of SWI and CWI, the percentages of each cannot be aggregated to meet the 50% threshold.

5.19. However, if SWI (EWI, IWI or both) is used to treat both solid and cavity walls then the percentage of each can be aggregated to meet the 50% threshold, and therefore used to support a secondary measure.

5.20. A measure installed to less than 50% of the exterior-facing wall area may still be a primary measure under CERO (subject to the requirements relating to the proportion of a measure that must be installed).[62] However, the primary measure will not be able to support a secondary measure.

5.21. Insulation of a mobile home must be installed to 50% of the total exterior-facing area of the mobile home in order to support a secondary measure. The 'total exterior-facing area' includes any area that is not suitable for insulation.

Roof-space insulation

5.22. Roof-space insulation must be installed to at least 50% of the 'total roof-space area'[63] of the premises in order to support a secondary measure. The 'total roof-space area' includes any area not suitable for insulation.

5.23. If the roof-space area of a premises is treated with different types of roof-space insulation (eg loft insulation and rafter insulation), the percentages of each can be aggregated to meet the 50% threshold.

[61] Where CWI refers to filling the cavity of a cavity wall.
[62] See Chapter 4 for information about the proportion of installation that must be completed.
[63] See paragraph 4.56 for the meaning of 'roof-space area'.

5.24. Roof-space insulation installed to less than 50% of the total roof-space area of the premises may still be a primary measure under CERO (subject to the requirements relating to the proportion of a measure that must be installed). However, the insulation will not be sufficient to support a secondary measure.

5.25. For loft insulation to support a secondary measure it must also be:

a. insulated to a depth of no greater than 150mm before installation

AND

b. insulated to a depth of at least 250mm after insulation.

6. Carbon Saving Community Obligation

Chapter summary

Provides information about achieving the Carbon Saving Community Obligation (CSCO).

6.1. The Carbon Saving Community Obligation (CSCO) focuses on the installation of insulation measures and connections to district heating systems (DHS) at domestic premises within an area of low income or a rural area. This chapter provides information about achieving CSCO.

6.2. A supplier achieves its CSCO mainly by promoting carbon saving community qualifying actions in an area of low income. From 1 April 2014 an area of low income is as listed in the *2014 low income and rural document* published on the government's website.[64]

6.3. A supplier must achieve at least 15% of its total CSCO by promoting carbon saving community qualifying actions to members of the Affordable Warmth Group (AWG)[65] living in a rural area or, from 1 April 2014, to any domestic premises in a deprived rural area.[66] We refer to this requirement as a supplier's 'rural sub-obligation'.[67]

6.4. We may audit a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for an audit or other compliance checks are detailed in Appendix 1 of this guidance.

6.5. Ofgem does not require suppliers to hold or retain these documents and this data. A supplier may choose to enter into an arrangement with third parties (such as installers), under which the third party agrees to hold these documents and this data and make them available to the supplier whenever the supplier requests them. It is for each supplier to choose how they will ensure that they are in a position to make documents and data available to Ofgem auditors or officers. Please see Chapter 15 for further information on audit and technical monitoring.

6.6. There is information below about qualifying actions under CSCO, explaining the requirements relating to measures promoted in areas of low income, adjoining areas and rural areas.

[64] 2014 low income and rural document is the document titled "The Future of the Energy Company Obligation: Small Area Geographies Eligible for ECO CSCO Support", published by the Department of Energy and Climate Change on 18 July 2014.
[65] See Chapter 7 for information about membership of the Affordable Warmth Group.
[66] 'Deprived rural area' as defined in Article 13 of the Order.
[67] The Order refers to this as the 'rural requirement' but for the purposes of our guidance we use the term 'rural sub-obligation'.

Qualifying actions under CSCO

6.7. A qualifying action under CSCO is the installation, at a domestic premises, of a measure that meets the criteria and conditions specified in Article 13(6) and 13(7) of the Order.

6.8. Two types of measure may be a qualifying action under CSCO:

a. a recommended measure installed to improve the insulating properties of the premises[68]

OR

b. a connection to a DHS, where the domestic premises meets the pre-conditions to support the connection to a DHS.[69]

In each case, the measure must be installed after 30 September 2012 and in accordance with the standards relating to installation of the measure.[70]

Areas of low income

6.9. Under CSCO, the majority of measures must be installed at domestic premises in an area of low income.[71] From 1 April 2014 an area of low income is as listed in the *2014 low income and rural document*.[72]

Adjoining installations

6.10. A supplier may achieve part of its obligation under CSCO by carrying out qualifying actions in a specified adjoining area.[73] This is an area that adjoins (ie shares a border with) an area of low income. Under the Order, this type of qualifying action is referred to as an 'adjoining installation'.

6.11. In England and Wales, areas are described as lower level super output areas (LSOAs). In Scotland, areas are described as data zones.

6.12. LSOAs and data zones are included in the following documents respectively:

[68] See Chapter 4 for information about recommended insulation measures.
[69] See Chapter 4 for information on the DHS pre-conditions.
[70] See Chapter 4 for information about standards relating to installation of a measure.
[71] The exceptions being measures delivered in adjoining and rural areas.
[72] For information on areas of low income before 1 April 2014 refer to the ECO Guidance for Suppliers (version 1.1a).
[73] Provided that the supplier has also installed measures in that area of low income.

a. Mid-2010 Population Estimates for Lower Layer Super Output Areas in England and Wales by Broad Age and Sex (release date 28 September 2011 – marked as 'superseded')

b. SIMD Data Zone Lookup (version 3 published on 6 March 2012).

6.13. A data zone in Scotland cannot 'adjoin' an area of low income in England, and a LSOA in England cannot adjoin an area of low income in Scotland.

6.14. If a supplier notifies us of a measure installed in an adjoining area, it must notify us of the area of low income to which the adjoining area relates.

6.15. Information about when suppliers should notify us of adjoining installations is provided in Chapter 9.

6.16. A supplier is not permitted to achieve part of its rural sub-obligation by delivering adjoining installations to areas adjoining a rural area.

The limit of carbon savings attributable to adjoining installations

6.17. There is a limit to the carbon savings that a supplier may claim for adjoining installations. If a supplier carries out a qualifying action in an area of low income (area A), it may claim savings for adjoining installations carried out in all the areas adjoining area A (and which it notifies in relation to area A) but only to the extent that the total carbon savings of those adjoining installations do not exceed 25% of the total carbon savings of the qualifying actions carried out in area A. The determination of whether or not the total carbon savings of the adjoining installations exceed 25% of the total carbon savings of the qualifying actions carried out in area A is referred to as the '25% determination'.[74]

6.18. For example, assume that measures delivered to a particular area of low income achieve a total of 100,000 tCO_2 savings. The adjoining installations delivered to all the areas adjoining that area of low income cannot achieve more than 25,000 tCO_2 savings, ie 25% of the total carbon savings achieved through measures delivered to the area of low income.

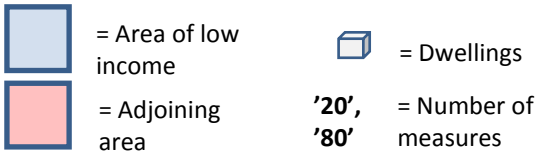
6.19. We will carry out the 25% determination for all adjoining installations ahead of determining whether a supplier has achieved its obligations. Where the carbon savings for a supplier's adjoining installations exceed the 25% limit (in relation to the relevant area of low income) we will revoke our earlier approval of some of the adjoining installations, with savings equal to the amount the limit was exceeded by. If we are required to revoke approval of measures, we will work with suppliers on the process of selecting which measures this will apply to.

[74] See Article 14(4) in the Order.

6.20. The three diagrams below illustrate the operation of the 25% limit on carbon savings attributable to adjoining installations.

6.21. For the purpose of the diagrams *we have assumed all measures have an equal carbon saving score.*

Key:



1.

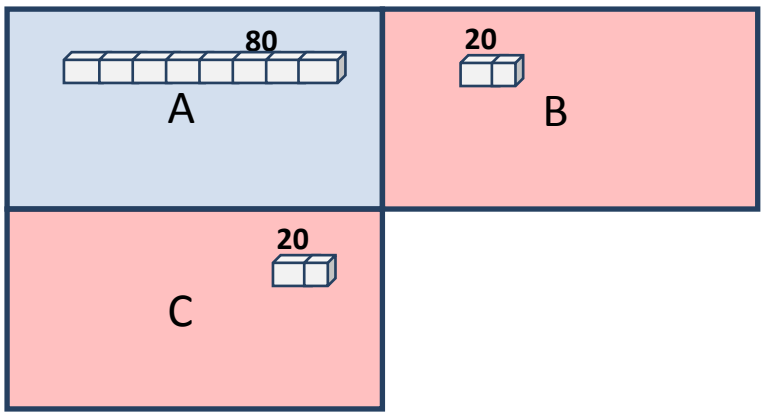


Diagram 1: Areas B and C are both adjoining to area of low income A. They do not adjoin any other areas of low income apart from A. The savings from the 40 measures in the adjoining areas exceed 25% of the savings from measures in the area of low income. Therefore, we will not award carbon savings to all measures (only those which have total carbon savings not exceeding the 25% limit).

2.

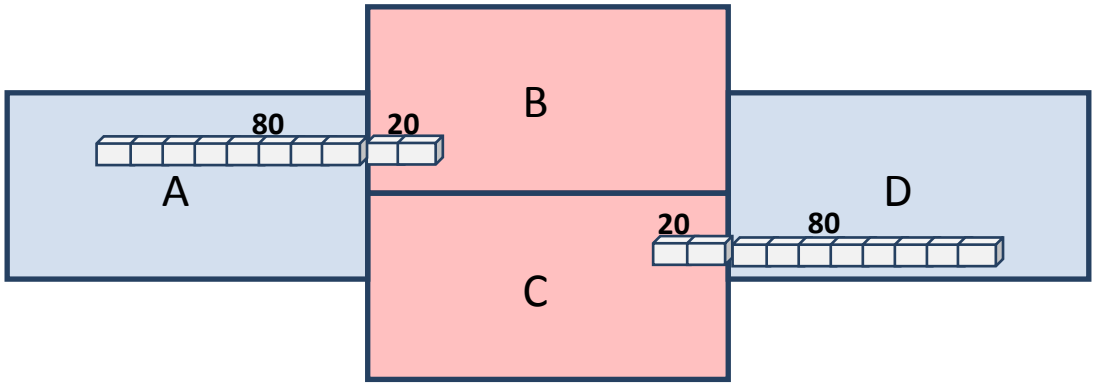


Diagram 2: Areas B and C are both adjoining the areas of low income A and D. The savings from the 20 measures in adjoining area B were identified by the supplier as relating to area of low income A. The savings from the 20 measures in adjoining area C were identified by the supplier as relating to area of low income D. In both cases, the

savings from measures in each adjoining area equals 25% of the savings from measures in its related area of low income. Therefore, based on the 25% determination we will award carbon savings to all measures.

3.

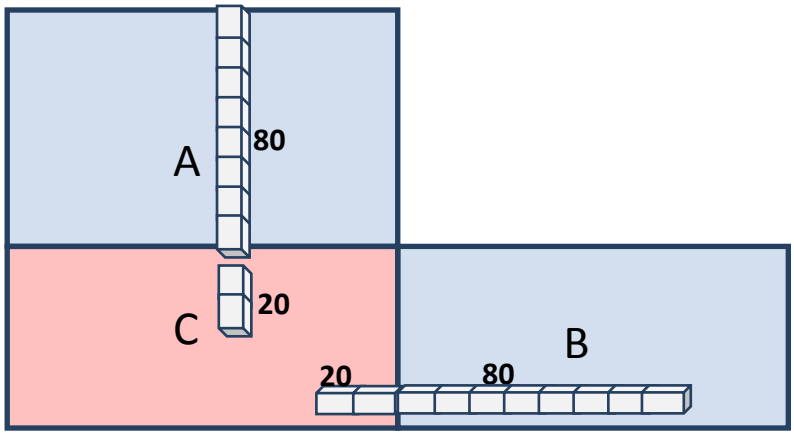


Diagram 3: Area C is adjoining areas of low income A and B. There are 40 measures in area C; 20 were identified by the supplier as relating to area A, and 20 were identified by the supplier as relating to area B. In both cases, the savings from both sets of measures in the adjoining area C equals 25% of the savings from measures in their related areas of low income. Therefore, based on the 25% determination we will award carbon savings to all measures.

The limit of carbon savings attributable to adjoining installations in areas that changed status on 1 April 2014

6.22. The amending Order increased the number of areas that are areas of low income for the purpose of CSCO. The change applies in relation to measures installed after 1 April 2014. As a result of this change, some areas that were adjoining areas before 1 April 2014 became areas of low income from 1 April 2014. Here we show how the 25% limit applies with respect to areas whose status has changed from adjoining area to area of low income.

6.23. The diagram below illustrates the operation of the 25% limit on carbon savings attributable to adjoining installations where the status of the adjoining area has changed.[75]

[75] As for diagrams 1, 2 and 3, we have assumed all measures have an equal carbon saving score.

KEY:

= area of low income

= adjoining area from 1 April 2014

= adjoining area before 1 April 2014 / new area of low income from 1 April 2014

= Dwellings with measures installed from 1 April 2014

= Dwellings with measures installed before 1 April 2014

'20', '10' = Number of measures

4.

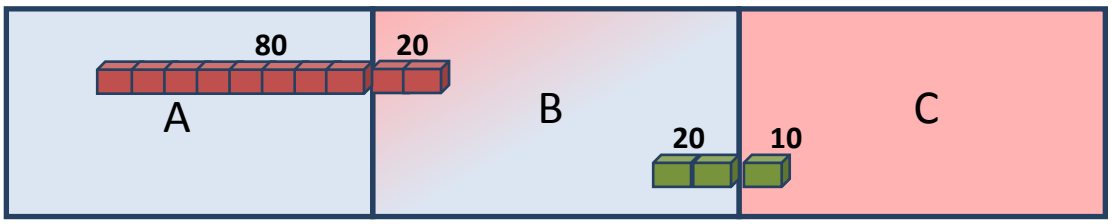


Diagram 4:

Area A was an area of low income before 1 April 2014, and retains this status from 1 April. There are 80 measures installed in area A.

Area B was an adjoining area before 1 April 2014, but changes status to become a new area of low income from 1 April. Twenty measures were installed in area B before 1 April and 20 were installed after 1 April.

Area C becomes an adjoining area from 1 April 2014, because it adjoins a new area of low income (area B). Ten measures were installed in area C after 1 April.

To calculate the 25% limit for area A: When calculating the total savings of adjoining installations relating to area A, a supplier should not count the measures installed in area B after that area became a new area of low income. These measures are not adjoining installations. Eighty measures were delivered in area A and 20 measures were delivered as adjoining installations in area B. The measures delivered in area B equate to 25% of the measures delivered in area A. Therefore, based on the 25% determination, we will award carbon savings to all measures.

To calculate the 25% limit for area B: When calculating the total savings of qualifying actions in area B, a supplier should not count the measures installed before 1 April 2014. These measures are adjoining installations. Twenty measures were delivered in area B after it became an area of low income (these are not adjoining installations). Ten measures were delivered as adjoining installations in area C. The adjoining installations delivered in area C equate to 50% of the measures delivered in area B. Therefore, we will not award carbon savings to all measures (only those which have total carbon savings not exceeding the 25% limit).

6.24. Adjoining installations that exceed the 25% limit will not be eligible to count towards a supplier's obligation. Suppliers should carry out their own calculations to determine the limit of carbon savings for adjoining installations, before the end of the obligation period, to ensure that they do not exceed these limits. The 25% limit is based on the carbon savings of the measures in the low income area and this applies to all adjoining areas notified in relation to that area of low income.

The rural sub-obligation

6.25. Suppliers must achieve at least 15% of their total CSCO by promoting qualifying actions to members of the Affordable Warmth Group living in a rural area or to domestic premises within deprived rural areas. We refer to this as the rural sub-obligation. At notification, suppliers will need to state whether they intend to claim a measure against their rural sub-obligation. Measures can be claimed against the rural sub-obligation by promoting qualifying actions to either:

a. a member of the Affordable Warmth Group (AWG) living in a rural area as described in the *2012 low income and rural document*[76]

OR

b. a domestic premises in a deprived rural area as listed in the *2014 low income and rural document*.

6.26. The *2012 low income and rural document* does not contain a list of rural areas, instead it describes rural areas as areas with 'a settlement of fewer than 10,000 inhabitants'. Suppliers may refer to the *2014 low income and rural document* for a list of areas that are rural areas. This list contains areas that meet the description of rural area contained in the *2012 low income and rural document*.

6.27. Suppliers should refer to the 2012 and 2014 documents (as above) to ensure measures are installed in eligible rural areas.

6.28. Certain excess actions and group excess actions can count towards the rural sub-obligation. See Chapters 10 and 11 for further information.

[76] '2012 low income and rural document' means the document titled "Energy Company Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas", first published on 12 June 2012 and revised on 29 October 2012, ISBN 9780108511608.

7. Home Heating Cost Reduction Obligation

Chapter summary

Information about achieving the Home Heating Cost Reduction Obligation (HHCRO).

7.1. Under HHCRO, suppliers must deliver measures which result in heating cost savings and improve the householder's ability to affordably heat their home. HHCRO focuses on low income and vulnerable householders, living in private housing (generally), where residents are in receipt of specific benefits and meet other related conditions (the 'Affordable Warmth Group' or 'AWG'). This chapter provides information about achieving HHCRO.

7.2. A supplier achieves its HHCRO by promoting heating qualifying actions to householders who:

a. are members of the Affordable Warmth Group

OR

b. reside in the same home as a member of the Affordable Warmth Group, provided that the action is carried out in that home.

7.3. This chapter has information about:

a. qualifying actions under HHCRO

b. householder overview

c. Affordable Warmth Group overview

d. ways to evidence AWG and householder eligibility.

7.4. We may audit a qualifying action promoted by a supplier, and that audit may relate to any one or more of the requirements or matters in this chapter. The documents and data that a supplier will need to make available to an Ofgem auditor or officer for an audit or other compliance checks are detailed in Appendix 1 of this guidance.

7.5. Ofgem does not require suppliers to hold or retain these documents and this data. A supplier may choose to enter into an arrangement with third parties (such as installers) under which the third party agrees to hold these documents and this data, and make them available to the supplier whenever the supplier requests them. It is for each supplier to choose how they will ensure that they are in a position to make documents and data available to Ofgem auditors or officers. Please see Chapter 15 for further information on audit and technical monitoring.

Qualifying actions under HHCRO

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

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

a. the installation of a measure that will result in a heating saving

b. the repair of a qualifying boiler where the repair will result in a heating saving and where the repair is accompanied by a warranty for one or two years

c. the replacement of a qualifying boiler which will result in a heating saving

if the measure is installed after 30 September 2012, in accordance with the standards relating to installation of the measure[77] and by someone with the appropriate skill and experience.[78]

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

7.9. A table of measures that are eligible as heating qualifying actions can be found on our website.[79]

Boiler repair and replacement

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

7.11. The installation of a new boiler, even where it is not replacing a qualifying boiler, is an eligible measure under HHCRO. It should be scored the same way as other measures under HHCRO.

7.12. No more than 5% of a supplier's total HHCRO can be achieved by the repair of a qualifying boiler.

[77] See Chapter 4 for information about standards relating to installation of a measure.
[78] See Chapter 4 for information about installation by a person of appropriate skill and experience.
[79] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures.

7.13. For information on the definition of, evidentiary requirements for, and how to score a qualifying boiler, see Appendix 2. For information about how to calculate the cost savings for repair or replacement of a qualifying boiler, see Chapter 8.

Promotion of qualifying actions to householders

7.14. Under HHCRO, suppliers must promote energy efficiency measures to eligible householders living at domestic premises. It is not necessary that the householder lives at the domestic premises throughout the entire course of promotion. We will deem that this requirement is met if, at some point during the course of promotion, the householder occupies the premises.

7.15. For the purpose of determining whether a supplier has promoted to a householder, we take the course of promotion to:

a. begin with the supplier's (or agent's) first engagement with the householder about the installation (for example a letter from the landlord of the premises to the tenant announcing the proposed work)

b. end with the completion of work on the installation of the measure.

Householder overview

7.16. A supplier should, before installing a measure for the purpose of its HHCRO, satisfy itself that the person receiving the measure is a 'householder'.

7.17. The term householder is defined in Schedule 2 to the Order. There is a definition of householder that applies for England and Wales and a separate definition of householder that applies for Scotland. Each definition is concerned with the nature of a person's right to occupy the domestic premises at which the person lives. These premises must be the premises where the measure is being installed.

7.18. If a property is subject to a shared ownership arrangement between a private individual and a housing association, we consider the private individual to be a 'householder' by virtue of being a 'freeholder' or 'owner' of the premises.

7.19. The following information about 'householder' is a general guide only. Suppliers should use the Order itself, Schedule 2 in particular, to determine whether a person is a householder.

England and Wales: Householder

7.20. In England and Wales, a person living at a domestic premises will be a householder if they fall within one of the six categories of occupier listed in paragraph 1 of Schedule 2 to the Order.

The categories of occupier are:

a. a freeholder

b. a leaseholder with a term of 21 years or more unexpired at the time a supplier offers to carry out an action

c. a tenant (including a sub-tenant), but not an 'excluded tenant'. Further information about this category of tenant is in Appendix 3

d. a holder of a licence to occupy, if the licence is for occupancy in 'an almshouse' maintained by a charity. This is a summary only of the relevant statutory provision and suppliers should look at paragraph 12(a) and (b) of Schedule 1 to the Housing Act 1985 to determine whether a person falls within the scope of this category

e. a holder of an 'assured agricultural occupancy' under Part IV of the Housing Act 1988

f. a 'protected tenant' under section 1, Part 1 of the Rent Act 1977.

Scotland: Householder

7.21. In Scotland, a person living at a domestic premises will be a householder if that person falls within one of the two categories of occupier listed in paragraph 2 of Schedule 2 to the Order.

The categories of occupier are:

a. an owner of domestic premises

b. a tenant (including sub-tenant) of domestic premises, but not an 'excluded tenant'.

Tenant includes a person who occupies premises:

a. under the term of the person's contract of employment

b. under a licence to occupy

OR

c. as a cottar (within the meaning of section 12(5) of the Crofters (Scotland) Act 1993).

7.22. There is more information about the category of tenant in Appendix 3.

Affordable Warmth Group overview

Relationship between householder and the Affordable Warmth Group

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

a. a member of the Affordable Warmth Group (the 'AWG')

OR

b. residing with a member of the AWG.

7.24. In other words, the measure must be delivered to a householder at a domestic premises where a member of the AWG resides.

7.25. Suppliers should be able to evidence that, where the AWG member is not the householder, the AWG member is also in residence at the premises.

7.26. Under CSCO the rural sub-obligation can be met by promoting qualifying actions to a member of the AWG. In this case the person does not need to be a householder.

Membership of AWG

7.27. The term 'AWG' is defined in Schedule 1 to the Order. The definition applies across England, Wales and Scotland. It is primarily concerned with whether a person receives a benefit from the Government and the nature of that benefit. In some cases it is also concerned with the person's annual income, and whether they are responsible for a child or young person.

7.28. In the first instance, it is for the supplier to satisfy itself that a person is a member of AWG. When identifying a person who is potentially a member of the AWG, the information below should not be relied upon as the basis of determining whether a particular person is a member of the AWG. Suppliers must use the Order itself – Schedule 1 in particular – for that purpose. The criteria of AWG eligibility are detailed below.

7.29. A person living at a domestic premises will be a member of the AWG if the person receives:

a. Child tax credit and has a relevant income of £15,860 or less

b. Income-related employment and support allowance and:

(i) is receiving a work-related activity or support component

OR

(ii) is responsible for a qualifying child

OR

(iii) is in receipt of a qualifying component.

c. Income-based job seeker's allowance and:

(i) is responsible for a qualifying child

OR

(ii) receives a qualifying component.

d. Income support and:

(i) is responsible for a qualifying child

OR

(ii) receives a qualifying component.

e. State pension credit

f. Working tax credit and has a relevant income of £15,860 or less and:

(i) is responsible for a qualifying child

OR

(ii) receives a disability element or severe disability element

OR

(iii) is aged 60 years or over.

g. Universal credit[80] and:

(i) received a net monthly earned income of £1,167 or less in any assessment period in the previous 12 months

AND

(ii) meets one of the following criteria:

- is responsible for a child or qualifying young person

[80] Universal Credit is provided for in Part 1 of the Welfare Reform Act 2012 (c.5).

- has limited capability for work, or limited capability for work and work-related activity
- is in receipt of disability living allowance
  OR
- is in receipt of personal independence payment.

7.30. Under (b) income-related employment and support allowance, (c) income-based job seeker's allowance and (d) income support above, 'qualifying component' means:

a. child tax credit which includes a disability or severe disability element

b. a disabled child premium

c. a disability, enhanced disability or severe disability premium

OR

d. a pensioner, higher pensioner or enhanced pensioner premium.

7.31. Later in this chapter we refer to these as 'AWG benefits'.

Routes for evidencing householder and Affordable Warmth Group eligibility

7.32. This section details the ways in which suppliers can evidence the eligibility of householders and AWG members. Although suppliers can adopt whichever approach they prefer for identifying householder and AWG eligibility, a supplier must be able to satisfy us that the person to whom the measure was delivered was a householder and an AWG member, or resides with an AWG member.

7.33. Eligibility of both householder and AWG can be evidenced through either an audit regime or a monitoring regime.

7.34. In addition, AWG eligibility can also be evidenced with a Warm Home Discount (WHD) core group notice or through a matched Energy Saving Advice Service (ESAS) or Home Energy Scotland (HES) reference number.

7.35. Details of each of these routes of evidencing are below.

Audit Regimes – applicable to both householder and AWG

7.36. Suppliers can satisfy us that a measure was installed to a relevant person who is a householder or member of the AWG by ensuring that a copy of the eligible

documents[81] are available at audit.[82] These documents do not need to be retained by suppliers and can be checked at the time of audit.

7.37. The size of the initial audit sample will be a maximum of 5% or a statistically significant amount, whichever is the lowest.

7.38. Appendix 1 shows which other document details should be produced at audit. These documents must establish that the relevant person was a householder or member of the AWG at some point during the course of promotion of the measure.

7.39. Eligible documents for evidencing householder and AWG status must not be dated more than 18 months before the date of completion of the qualifying action. If documents are older, updated evidence must be made available.

7.40. If a supplier is unable to satisfy us of the relevant person's status as a member of the AWG, then we may be unable to credit the savings associated with that measure against the supplier's HHCRO or CSCO rural sub-obligation.[83]

7.41. Suppliers wishing to use other documents as proof of eligibility should contact us to discuss.

Monitoring Regimes – applicable to both householder and AWG

7.42. A supplier may choose to use a monitoring regime to satisfy us of a person's status as a householder or member of the AWG.

7.43. A monitoring regime is an alternative to audit, so once a supplier has defined the categories of measures to be monitored for a particular quarter[84] it cannot then notify them under an audit regime.

7.44. Our requirements for delivering an AWG monitoring regime are detailed in *Energy Companies Obligation (ECO): Monitoring Regime for Affordable Warmth Group (AWG) Members.*[85]

7.45. Our requirements for delivering a householder monitoring regime are detailed in *Energy Companies Obligation (ECO): Monitoring Regime for Householder Status.*[86]

[81] For more information on eligible documents refer to Appendix 1 or see our supplementary guidance note, available at: https://www.ofgem.gov.uk/publications-and-updates/guidance-note-affordable-warmth-group-eligibility.
[82] For more information on audits refer to Chapter 15.
[83] This is not necessary for CSCO measures installed in a deprived rural area.
[84] As described in the Monitoring Regimes for AWG members and Householder Status.
[85] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-monitoring-regime-affordable-warmth-group-awg-members.
[86] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-

Producing a matched WHD 'Core Group' Notice at audit – applicable to AWG only

7.46. A supplier can produce a Warm Home Discount Scheme 'Core Group' Notice[87] at audit to satisfy us that a relevant person is receiving state pension credit and is therefore a member of the AWG.

Provision of an ESAS/HES reference number at notification – applicable to AWG only

7.47. The Energy Saving Trust (EST) operates a referrals service to direct people to energy efficiency opportunities, including ECO. For England and Wales this service is the Energy Saving Advice Service (ESAS), and in Scotland it is Home Energy Scotland (HES).

7.48. A person who contacts ESAS/HES is allocated a unique seven- or eight- digit reference number respectively. ESAS/HES then check the benefit status of the person with the Department of Work and Pensions (DWP) to confirm whether the person receives an eligible AWG benefit under ECO.[88]

7.49. ESAS/HES refer two categories of people to suppliers:

a. a person that is confirmed by DWP to be receiving an AWG benefit ('matched')

OR

b. a person that may be receiving an AWG benefit but DWP is unable to confirm ('unverified') or the customer did not consent to the DWP check ('no consent').

7.50. If ESAS/HES refer a person to a supplier with confirmation that the person receives an AWG benefit, then the supplier may rely on this matched referral as a way of demonstrating that a person is a member of the AWG. If a supplier wishes to rely on a matched referral, the supplier must include the ESAS/HES reference number when notifying Ofgem of completion of the measure delivered to the person.[89] Where a matched seven-digit ESAS or eight-digit HES number is provided, suppliers can rely on this at audit and no documentation will be needed to demonstrate AWG. We may contact ESAS/HES to check that the notified number relates to a person confirmed by ESAS/HES to be receiving an AWG benefit.

monitoring-regime-householder-status.

[87] See Regulation 6(1) of the Warm Home Discount Regulations 2011 for further details.

[88] As explained under 'membership of AWG' above.

[89] For further information on notification of completed measures see Chapter 9.

7.51. Suppliers may only rely on an ESAS/HES referral issued within 18 months before the date of completion of a measure.

7.52. An ESAS/HES referral will not be enough to satisfy Ofgem that a person is a member of the AWG if the referral is 'unverified' or 'no consent' (ie relates to a person falling into the second of the categories mentioned above). In this case, the supplier should not include the ESAS/HES reference number when notifying Ofgem of completion of the measure delivered to the person. The supplier should satisfy us that the relevant person is a member of the AWG in one of the other three ways detailed above and should ensure that any additional evidence that demonstrates AWG status[90] is made available on request.

[90] A full list of the documents and data a supplier may use to demonstrate AWG status is contained in Appendix 1 or see our supplementary guidance note, available at: https://www.ofgem.gov.uk/publications-and-updates/guidance-note-affordable-warmth-group-eligibility.

8. Calculating savings

Chapter summary

Guidance on how to calculate carbon and cost savings when notifying completed measures. Information on software tools and our determination of attributing savings to measures.

8.1. For each measure that a supplier notifies, it must provide the carbon or cost saving associated with that measure.

8.2. A supplier must calculate the carbon or cost saving for each measure by using one of the following methodologies:

a. Standard Assessment Procedure (SAP)

(i) SAP 2009 (version 9.90)[91]

(ii) SAP 2012 (version 9.92) (not available for use in Scotland)[92]

b. Reduced data Standard Assessment Procedure (RdSAP)

(i) RdSAP 2009 (version 9.91)[93]

(ii) RdSAP 2012 (version 9.92)[94]

c. in the case of the repair or replacement of a qualifying boiler, according to the formula in paragraph 8.35

OR

d. an appropriate methodology.

8.3. The latest version of SAP (SAP 2012, version 9.92) has already been published and implemented in England and Wales.[95] RdSAP 2012 (version 9.92) is expected to be published in December 2014.[96] As stated in the Order,[97] suppliers can use either version (2009 or 2012) of SAP or RdSAP to calculate savings until the end

[91] 2009 edition, as amended in October 2010.
[92] 2012 edition. See: http://www.bre.co.uk/filelibrary/SAP/2012/SAP-2012_9-92.pdf.
[93] 2009 edition (version 9.91 applicable from April 2012). See: http://www.bre.co.uk/filelibrary/SAP/2009/SAP_2009_9.91_Appendix_S.pdf.
[94] 2012 edition. See Appendix S: http://www.bre.co.uk/filelibrary/SAP/2012/SAP-2012_9-92.pdf.
[95] SAP 2012 was released in England on 6 April 2014 and in Wales on 31 July 2014.
[96] RdSAP 2012 will be released for England, Wales, Scotland and Northern Ireland on this date.
[97] As amended by The Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014, see: http://www.legislation.gov.uk/uksi/2014/2897/contents/made.

of the current ECO obligation period, 31 March 2015. However, suppliers should be aware that RdSAP 2009 may no longer be available when industry moves over to the latest version of RdSAP (the 'switchover date').[98]

8.4. SAP 2012 is not yet available for use in Scotland. Therefore, if calculating savings for measures installed in Scotland using SAP, suppliers can only use SAP 2009.

8.5. Unless specified, references to SAP and RdSAP in this document refer to either version of these methodologies.

Calculating both cost and carbon savings

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

8.7. At a later date suppliers may wish, where a measure qualifies, to re-elect the obligation that the measure counts towards, credit it towards a different obligation under the next phase of ECO (ECO2) or transfer the measure to another supplier for election against a different obligation that requires a different type of saving. If so, we will require that the cost or carbon saving is calculated using the fuel prices[99] or carbon coefficients which were relevant at the time of initial assessment or installation.

SAP and RdSAP

8.8. The starting point for calculating cost and carbon savings under ECO is SAP and RdSAP. SAP is a methodology developed by the Building Research Establishment (BRE) on behalf of the government, to calculate the energy and environmental performance of dwellings. RdSAP is a simplified version of SAP that requires fewer data inputs. Both of these tools can be used to calculate the cost and carbon savings resulting from a particular measure.

[98] DECC, in consultation with DCLG and other stakeholders, administer the switchover from RdSAP 2009 to 2012. On a pre-agreed date before the end of 2014, RdSAP software will upgrade from 2009 to 2012 version with new features and additional data collection requirements.
[99] For SAP and RdSAP, these are the fuel prices contained within the product characteristics data file (PCDF) that was valid at either the time of assessment or installation.

8.9. Where SAP or RdSAP contain a methodology for calculating savings for a particular measure, it must be used to determine the savings associated with that measure.[100] Only if neither SAP nor RdSAP can be used may suppliers use an appropriate methodology.

8.10. The following reasons are insufficient for a supplier to obtain approval to use an appropriate methodology:

a. the measure produces higher savings when calculated using an appropriate methodology than when calculated using SAP or RdSAP

OR

b. aspects of the SAP or RdSAP methodology are inaccurate for the measure.

8.11. From time-to-time, SAP is updated to include new technologies. In between updates, measures which have been approved for the purposes of SAP are listed in 'SAP Appendix Q'.[101] Where a measure is included in SAP Appendix Q, we consider that SAP contains a methodology for calculating the savings for that measure and therefore an appropriate methodology cannot be used.

Using SAP or RdSAP

8.12. When using SAP or RdSAP to calculate a carbon or cost saving under ECO, suppliers must follow industry SAP or RdSAP guidelines for the use of those methodologies, unless our guidance specifically states otherwise. When using SAP and RdSAP, suppliers must ensure they take the following into account:

a. Location – savings must be calculated using the appropriate weather region, wherever the methodology allows

b. Occupancy assessment – suppliers should not calculate scores for ECO in the occupancy assessment 'mode'

c. Product Characteristics Data File (PCDF) – this is updated every month and contains information such as up-to-date boiler efficiencies and fuel prices for use in conjunction with RdSAP. Fuel prices in the PCDF change every six months and SAP/RdSAP cost saving scores must be calculated using the PCDF which was valid at either the time of assessment or installation. If 'before' and 'after' scores are used to calculate cost savings, the before and after cases must both use the same PCDF, and

[100] Article 18(3) of the Order.
[101] Further information on SAPQ can be found at www.ncm-pcdb.org.uk/sap/.

d. Extent of the measure installed – calculations for partial installations can be carried out using any method as long as it forms part of SAP/RdSAP standard practices.

8.13. We are aware that there are existing guidelines for England and Wales for using a sample of EPC assessments to create EPCs for dwellings of a similar type and construction ('sampling' or 'cloning'). Suppliers should note the following when deciding whether to use sampling. If technical monitoring or audit of a property shows that information derived from sampling and entered into a SAP or RdSAP calculation was inaccurate (for the actual characteristics of the property), we will treat the technical monitoring or audit as having failed, even if industry guidelines for sampling were followed.[102]

Calculating a carbon or cost saving using SAP or RdSAP

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

Formula for calculating a carbon saving using SAP or RdSAP

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

<u>If using SAP or RdSAP 2009 (version 9.90 and version 9.91 respectively):</u>

$$(A - (A \times B)) = \text{carbon saving } (tCO_2)$$

Where:

'A' is the lifetime carbon saving (ie the annual carbon saving calculated in accordance with SAP/RdSAP 2009 multiplied by the lifetime (in years)[103] of the measure;
AND

'B' is the in-use factor (IUF) of the measure (by percentage).[104]

<u>If using SAP/RdSAP 2012 (version 9.92):</u>

$$(A - (A \times B)) \times 0.925 = \text{carbon saving } (tCO_2)$$

Where:

[102] For instance: A guide to energy performance certificates for the construction, sale and let of dwellings (DCLG, 2008): https://www.gov.uk/government/publications/energy-performance-certificates-for-the-construction-sale-and-let-of-dwellings.
[103] Standard lifetimes are available in the ECO Table of Measures. See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures.
[104] See Table 5 below for in-use factors.

'A' is the lifetime carbon saving (ie the annual carbon saving calculated in accordance with SAP/RdSAP 2012 multiplied by the lifetime (in years) of the measure);

'B' is the in-use factor (IUF) of the measure (by percentage)

AND

0.925 is the weighted average conversion factor

Formula for calculating a cost saving using SAP or RdSAP

(For calculating a cost saving for a qualifying boiler see paragraph 8.35 below).

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

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

Where:

'S' is the annual cost saving calculated in accordance with SAP or RdSAP

AND

'L' is the lifetime of the measure.

Weighted average conversion factor

8.15. SAP and RdSAP 2009 calculate emissions in terms of carbon dioxide (CO_2). However, SAP and RdSAP 2012 calculate emissions in terms of carbon dioxide equivalent (CO_2e). CO_2e incorporates the global warming effects of methane, nitrous oxide and carbon dioxide (CO_2).

8.16. ECO carbon reduction targets were calculated on the basis of the emission factors in SAP/RdSAP 2009 (ie CO_2). Therefore, savings reported in CO_2e will not be in line with the ECO targets and must be converted into CO_2. This conversion is done by applying a weighted average conversion factor of 0.925[105] to the carbon savings calculated; it is not applied to cost savings.

[105] The weighted average conversion factor is the ratio of the emission factors used by SAP/RdSAP 2009 to those used by SAP/RdSAP 2012, weighted by carbon savings from CERO and CSCO measures notified to Ofgem for primary fuel types. For more information see DECC's response to the discussion paper on converting SAP/RdSAP 2012 CO_2e to SAP/RdSAP 2009 CO_2: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/359744/Government_Response_on_ECO_Conversion_Factor.pdf.

Lifetime of a measure – 'L'

8.17. We have published a measures table on our website[106] which provides the standard lifetime for each measure listed. This list will change from time-to-time as new measures are added, and occasionally existing information may change. We deem the lifetimes on this table as 'standard' and they should be used by suppliers when calculating the carbon saving or cost saving for an installed measure.

8.18. Suppliers can apply, in writing, to use a 'non-standard lifetime' in two cases:

a. where a supplier wishes to install a measure that is not listed in our published measures table

OR

b. where a supplier wishes to install a product that falls within a category of measure listed in our table but the supplier believes that the standard lifetime set for that category of measure is not accurate for the product.

8.19. A supplier must apply to us for the approval of a non-standard lifetime before installing a measure that is intended to be scored using that lifetime. They should make the application in writing, and include the information needed for us to decide whether to approve or reject the application. We will acknowledge receipt of the application.

8.20. We will notify the supplier of the outcome of their application for a non-standard lifetime.

8.21. When we award a non-standard lifetime for a measure or product, we will publish that lifetime on our website. Another supplier may then use that lifetime when installing the measure or product.

Guarantee-dependent lifetimes for wall insulation

8.22. Wall insulation measures receive the relevant standard lifetime[106] if the installations are accompanied by an appropriate guarantee.

8.23. An appropriate guarantee is one which meets the following criteria:

a. Financial assurance: there must be a mechanism that gives assurance that funds will be available to honour the guarantee

[106] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures.

b. Duration: lasts for 25 years or longer

c. Coverage: results in the failed measure being replaced and covers costs of remedial and replacement works plus materials

d. Quality Assurance Framework: there must be an assurance framework for the quality of the installation and the product used in the installation. We will assess the suitability of this framework and we may require verification through independent assessment by an independent UKAS-accredited or other appropriate body.

8.24. There is a list available on our website with details of guarantees which we have reviewed and consider meet the criteria for an appropriate guarantee.[107] This list is updated regularly. Suppliers are not required to use a guarantee included on the list. If suppliers choose to use another guarantee which they consider meet these criteria, we will, when assessing the savings notified by the supplier, make a judgement as to whether the guarantee is an appropriate guarantee. If the guarantee does not meet the criteria for an appropriate guarantee, we will be unable to attribute the savings notified by the supplier.

In-use factor – IUF

8.25. An in-use factor is the percentage by which savings calculated under SAP or RdSAP should be reduced, in order to reflect the likely in situ performance (as opposed to theoretical performance) of an energy efficiency measure. Under ECO, in-use factors are only applied to measures installed under CERO and CSCO.

8.26. The in-use factors for most measures are listed in Schedule 3 to the Order and are replicated in Table 5 below. Any measure not listed has an in-use factor of 15%.[108]

[107] See: http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/ECO/INFO-FOR-SUPPLIERS/Documents1/ECO%20Appropriate%20Guarantees%2008%20Apr%2013.pdf.
[108] See definition of 'relevant in-use factor' in Article 2 of the Order.

Table 5: Relevant in-use factors for measures installed in CERO and CSCO

Measure	In-Use Factor (percentage)
Cavity wall insulation (including insulation of hard-to-treat cavities)	35%
Connection to a district heating system	10%
Draught proofing	15%
External solid wall insulation for a mobile home	25%
Flat roof insulation	15%
High performance external doors and passageway walkthrough doors	15%
Loft or rafter insulation	35%
Pipework insulation	15%
Room-in-roof insulation	25%
Secondary or replacement glazing	15%
Solid wall insulation for a solid brick wall built before: a) 1967, if situated in England or Wales; b) 1965, if situated in Scotland	33%
Solid wall insulation for: a) a solid wall which is not built of brick; b) a solid brick wall built in (i) 1967 or later, if situated in England or Wales; (ii) 1965 or later, if situated in Scotland	25%
Under-floor insulation	15%

Decimal places

8.27. Annual and lifetime carbon saving scores should be expressed in tonnes of carbon dioxide (tCO_2) to three decimal places. Lifetime cost saving scores should be expressed in pounds sterling to zero decimal places. Annual cost savings should be expressed in pounds and pence to two decimal places.

8.28. If savings are calculated by comparing 'before' and 'after' data, rounding should occur after the comparison is carried out, not before. Any rounding should occur before multiplying by lifetime and IUF.

Calculating savings

Calculating savings for packages of measures using SAP and RdSAP

8.29. Suppliers must calculate (and then notify) the savings for each measure installed at domestic premises. These savings must be notified to us in the month following the month in which the measure was installed (see Chapter 9).

8.30. If a supplier installs a package of measures in a domestic premises, the savings attributable to each measure must be notified on a measure-by-measure basis.

8.31. Where two (or more) measures are installed in the same property, the calculation for the second measure installed must take into account that the first measure has already been installed.

8.32. The order in which measures are scored must be the same as the order of installation. Suppliers must ensure that measures are not scored using systems that automatically use the default order of installation within SAP/RdSAP because where this is different to the actual order of installation the individual measure scores will be inaccurate.

8.33. However, where heating controls are installed at a premises by the same supplier in the same calendar month as a qualifying boiler replacement or repair is conducted, the following sequence of installation must be assumed:

a. Qualifying boiler repair or replacement, and

b. Installation of compatible heating controls.

Calculating savings for extensions and 'new builds'

8.34. In the case of a measure installed as part of the construction of an extension to existing premises, or the construction of a new build, we will award a score only to the savings achieved by that part of the measure that exceeds the requirements of building regulations or any other legal requirements. For

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

Calculating savings for qualifying boilers

8.35. Under the Order, there is a specific formula which suppliers must use to calculate savings resulting from the replacement or repair of qualifying boilers. This is replicated below.[109]

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

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

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

Where:

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

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

AND

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

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

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

8.36. The repair or replacement of a qualifying boiler should be scored from the starting position of 'no heating system present'. The SAP/RdSAP conventions for this situation are as follows:[110]

a. Space heating system: direct-acting on-peak portable electric heaters throughout; ignore any secondary heating system which may be present

[109] Article 17(1) of the Order.
[110] References: SAP 2009 sections S10.1, S10.5, S10.6, Table 4a, Table 4e, Table S17 and Table S18.

b. Space heating controls: none

c. Hot water:

(i) if actually from the broken boiler or from the (ignored) secondary heating system: enter as "no water heating system", ie electric immersion heater (dual or single depending on the actual system installed or the type of electricity meter)

(ii) if from any other source (eg 'multipoint gas instantaneous', 'electric instantaneous') etc, enter as is.

8.37. For the avoidance of doubt:

a. If the dwelling has two main heating systems (as opposed to a main and a secondary), the broken main system should be entered as above, and the working one entered as it is

b. Section A3.2 of SAP 2009 and 2012 regarding partially heated dwellings should be disregarded for the purposes of scoring qualifying boilers

c. Sections A3.4 and S10.1 (yellow box) of SAP 2009 and 2012, which suggest that a non-working boiler should be entered as if it were working, do not apply to ECO scoring of qualifying boilers.

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

Appropriate methodologies

8.39. If SAP or RdSAP do not contain a methodology for calculating the carbon and cost saving for a particular measure, a supplier may apply to us for approval of an appropriate methodology to calculate the saving.

8.40. To use an appropriate methodology to calculate the saving for a measure, it must first be approved by us. We will only approve an appropriate methodology if we consider that SAP or RdSAP do not contain a methodology for determining the savings associated with the measure that a supplier is seeking approval for.

8.41. An appropriate methodology must include a lifetime for the measure, and it must consider the likely performance of the measure once installed in the domestic premises.

8.42. A supplier must apply to us for the approval of an appropriate methodology before installing a measure that is intended to be scored using that methodology.

They should apply in writing, and include the information needed for us to decide whether to approve or reject the application. We will acknowledge receipt of the application.

8.43. We will notify the supplier whether the appropriate methodology has been approved or rejected.

8.44. A supplier may install measures that require an appropriate methodology from the day after they submit the application. However, the supplier will be carrying out this activity at its own risk until such date that we approve the appropriate methodology.

8.45. When we approve an appropriate methodology for a particular supplier we will publish that methodology on our website. Another supplier may then apply to us to use that methodology. Apply in writing to use an approved appropriate methodology and send it to eco@ofgem.gov.uk.

Software and tools for calculating savings

8.46. Suppliers may use software or other tools to calculate ECO scores. Some tools may perform other functions in addition to calculating ECO scores, but that additional functionality is not considered in this guidance.

8.47. Irrespective of whether calculations are done manually or via software, the calculations must be carried out according to the information in this chapter. Some tools that suppliers may use to calculate savings are discussed below.

SAP or RdSAP software

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

Bespoke ECO tools based on SAP or RdSAP software

8.49. Suppliers, and other stakeholders working on behalf of suppliers, may wish to utilise software tools that are based on approved SAP or RdSAP software but that also carry out additional calculations based on the ECO-specific information provided in this chapter (for example multiplying a score by the appropriate in use factor and lifetime).

8.50. We will require evidence that such bespoke ECO systems are robust and meet the requirements in this chapter. Suppliers and software companies should give us details of a system specification showing any adjustments that have been made from the approved SAP and RdSAP software. If we determine that changes to

approved SAP and RdSAP software are significant, we will require that the software is approved by an appropriate UKAS-accredited body.

8.51. To help with the development of bespoke scoring software, we have published a technical summary of the information provided in this chapter on our website.[111]

8.52. Suppliers can use a bespoke tool to calculate scores before the tool has been approved by an appropriate UKAS-accredited body, if details of the system specification can be given to us demonstrating that the tool meets the requirements of this guidance.

8.53. Note that if at a later date we require that software to be approved and, in the course of approval, changes are made to the software which result in the score originally notified being incorrect, then these scores will need to be recalculated and re-notified.

8.54. It will be the software providers' responsibility to assure themselves that their systems meet the requirements of the legislation and our guidance.

8.55. We would expect suppliers to carry out their own checks of software systems to ensure they are compliant with the legislation and our guidance.

8.56. Suppliers are advised to consult their software/ tool providers to check the availability of software and tools based on RdSAP 2009 after the switchover date.[112]

8.57. Although we understand that in many cases the calculation of the score will take place at one time it is possible that the score calculation may not have been fully completed before the RdSAP switchover date. For example, a supplier may have carried out the pre-installation calculations for a measure using RdSAP 2009 but may not have completed the post-installation calculations before the new 2012 version is released.

8.58. It is also possible that a measure notified with savings calculated using RdSAP 2009 will need to be rescored after the switchover date. In this case the measure may be rescored using either RdSAP 2009 or 2012.

8.59. In both of these situations a supplier must ensure that the pre and post installation calculations are done using the same version of SAP/RdSAP. Further information on how to score measures in such instances is available on our website.

[111] See: https://www.ofgem.gov.uk/ofgem-publications/59020/bespokeecoscoringsoftwareversionjuly.pdf.
[112] See paragraph 8.3.

Energy Performance Certificates (EPCs) and Green Deal Reports

8.60. Suppliers will not be able to use the saving scores identified on an EPC, GDAR or GDIP. This is because the scores do not meet one or more of our requirements described earlier in this chapter, including:

a. to calculate scores to the specified number of decimal places

b. to provide measure-by-measure carbon saving scores

AND/OR

c. to score measures in the order of installation.

8.61. However, you may choose to use the inputs used to produce the EPC, GDAR and/or GDIP as the basis of a separate calculation to create an ECO score. If technical monitoring or audit of a property shows that information derived from an EPC and entered into a SAP or RdSAP calculation was inaccurate (with respect to the actual characteristics of the property), we will treat the technical monitoring or audit as having failed.

The ECO Administrator's determination of savings attributable to qualifying actions, excess actions and group excess actions

8.62. While suppliers are required to notify the cost saving or carbon saving for a completed qualifying action[113] it is the duty of the ECO Administrator to attribute savings to a notified action. In addition, we will attribute savings to excess actions and group excess actions.

8.63. To attribute a saving we must be satisfied that the carbon or cost saving has been accurately calculated. If we are not satisfied that a supplier has calculated a saving accurately we will attribute what we consider to be the correct saving, if it had been accurately calculated. If we have grounds to doubt that a supplier has calculated a saving accurately, we will ask the supplier to provide the information we need to determine the correct savings. Until we receive this information, we will be unable to attribute savings to a qualifying action.

8.64. We will take into account various matters when judging whether savings have been calculated accurately, including:

a. the accuracy of the data entered into the calculation

b. the accuracy of the methodology used to perform the calculation (for

[113] See Chapter 9 for information about notifying savings.

example, whether the methodology used is in accordance with SAP, RdSAP, or the appropriate methodology as approved by us).

8.65. If a supplier transfers a completed action to another supplier,[114] or re-elects the obligation against which a completed action is to be counted,[115] we may need to attribute an alternative form of saving to the form originally notified. For example, if we originally attributed a carbon saving, the transfer or re-election may require us to attribute a cost saving.

Demonstrating the accuracy of calculations

8.66. Technical monitoring agents will check the accuracy of calculations when assessing installations. Also, we will audit a sample of calculations to assess their accuracy. The documents and data that must be produced to our auditor or officer will depend on what software or tool has been used to calculate the savings for the measure. Please see Appendix 1 for further information on what documents and data must be produced.

8.67. Furthermore, where inputs to an EPC have been used for an RdSAP calculation and the EPC has been lodged, this will provide additional assurance that the scores have been calculated using accurate input data. Where the EPC has not been lodged or where a calculation is not done by an accredited SAP/RdSAP assessor, we may increase the size of the sample that we audit, and we will increase the size of the sample that must be technically monitored. Therefore we encourage suppliers use accredited SAP/RdSAP assessors to do calculations and to lodge EPCs where the inputs are used to calculate a carbon or cost saving score.

8.68. Please see Chapter 15 for more information on audit and technical monitoring.

[114] See Chapter 12 for further information about transfers.
[115] See Chapter 14 for further information about re-election.

9. Monthly notification of completed measures

Chapter summary

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

9.1. Suppliers must notify completed qualifying actions and adjoining installations to us by the end of the month following the month in which installation of the relevant measure was completed.

9.2. This chapter explains what information must be notified for each measure, when these measures must be notified to us, how they should be notified, what happens when a successful notification contains errors and our approach to requests for extensions. It also explains our requirement to report information to the Secretary of State, as well as guidance about the notice suppliers must give consumers to tell them how their data will be processed.

When a supplier must notify us of completed measures

9.3. A completed measure is a qualifying action once the installation is complete. Subject to paragraph 9.5 below, in order for a completed measure to be able to count towards a supplier's obligations under ECO, the supplier must notify us of that completed measure by the end of the calendar month after the month in which installation of the measure was completed (the 'notification deadline'). For example, if a measure is completed during August 2014, its notification deadline will be 30 September 2014.

9.4. The amending Order introduced a number of changes for measures installed under CERO and CSCO on or after 1 April 2014. We refer to the period from 1 April 2014 (when these changes could first apply to installations) to the end of the calendar month in which the amending Order comes into force as the 'interim period'.

9.5. Suppliers must notify any CERO or CSCO measures installed during the interim period, but not already notified to us, by the end of the calendar month after the month in which the amending Order comes into force. This notification arrangement does not apply to HHCRO.

When is installation of a measure complete?

9.6. The installation of a measure is deemed to be complete on the date it can deliver savings at, or around, a level expected for that measure. This will normally be the date on which the installer finishes work on the measure.

9.7. However, for the monthly notification we will generally consider the measure to be completed on the date on which it is effectively handed over to the occupant of the premises or, if unoccupied at the time of handover, to the landlord(s). For measures installed in accordance with PAS 2030:2014 Edition 1, the meaning of handover is defined within that Specification,[116] and the date of handover must be specified in the Declaration of Conformity.[117]

9.8. For measures that do not need to be installed in accordance with PAS 2030:2014 Edition 1, or if no Declaration of Conformity is produced, the date of handover will be the date on which (a) work on the installation of the measure is finished, and (b) any relevant information or documents relating to operating and maintaining the measure have been provided to the consumer. In this case, a declaration of completed installation should be obtained instead.[118]

9.9. We expect handover to take place within four calendar weeks of the installer finishing work on each measure.

9.10. The only exception to this requirement is where a supplier installs a particular type of measure in multiple premises (such as a block of flats, or a row of houses, or where flats and/or houses are on the same estate) where those premises are owned by the same landlord(s). In this instance the installer may handover to the landlord(s) or its agent (rather than to the tenants of the premises) and may do a single handover for all measures installed of that type. As such all the measures of that type can be notified in the same monthly notification because all the measures will have the same handover date. We expect handover to take place within four weeks of the installer finishing work on the last measure.

9.11. Under CERO, there is a category of measures (secondary measures) that are only qualifying actions if, among other requirements, they are installed before or after the date a supplier installs a 'primary measure'. A primary measure is wall insulation, roof-space insulation or a connection to a district heating system.[119]

9.12. If a supplier installs a secondary measure *before* the installation of a primary measure, the secondary measure is not complete until the primary measure is installed and the requirement to notify does not arise until then. Secondary

[116] Paragraph 4.12, PAS 2030:2014.
[117] Chapter 7, PAS 2030:2014.
[118] The declaration must be signed by the occupant, or if unoccupied, the landlord, to confirm the date on which the installer finished work on the installation of the measure as well as the date the measure was handed over.
[119] See Chapter 5 for further information.

measures notified before the primary measure will not be approved until the primary measure is.

9.13. Suppliers must be able to evidence the date on which a measure was completed. The documentation we expect a supplier to retain to do this is explained in Appendix 1.

Information suppliers must include as part of notification

9.14. For the notification of a completed measure by a supplier to be successful, the supplier must give the following information.[120] **If the supplier does not provide this information by the notification deadline, notification of the measure will be unsuccessful and the carbon or cost savings associated with the measure will be lost:**

a. the name or ECO reference of the obligated supplier (ie licence-holder) that promoted the installation of the completed measure

b. the address where the measure was installed

c. the type of measure installed

d. the date on which the installation of the measure was completed

e. the obligation the measure is intended to be credited towards

AND

f. the carbon or cost saving as appropriate.[121]

9.15. A copy of the notification template suppliers may use for monthly notification is on our website.[122] We will look at each measure identified in a notification separately when determining whether notification of that measure has been successful.

9.16. In certain circumstances, we may grant suppliers an extension to the notification deadline for this information. This is discussed under the heading *Applications for an extension to the notification deadline* below.

[120] This information is required under Article 16 of the Order.
[121] Where a supplier anticipates that it may transfer a measure between obligations or to another supplier, the supplier should include both the carbon and cost saving as appropriate in the notification template. For further information please see Chapter 8 of this Guidance.
[122] See: https://www.ofgem.gov.uk/publications-and-updates/eco-notification-template-v1.3.

9.17. In addition to the information listed in paragraph 9.14 above, we also require suppliers to notify other information when submitting their monthly notification of a completed measure. We require suppliers to submit all of this further information by the notification deadline. Failure to do so will not render notification of that measure unsuccessful. However, failure to provide this information will mean we are unable to process a supplier's notification, as some of this information is required in order for us to be able to determine whether a qualifying action can be credited towards a specific obligation. Failure to provide this information may be treated as a failure to comply with a relevant requirement for which our enforcement powers are available.[123]

9.18. This further information is in the notification template and associated data dictionary which are available on our website.[124] Suppliers should refer to the most recent version of the notification template to understand what this information comprises.

How to notify a measure

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

9.20. A notification of a completed measure must be made using the notification template and using the formatting prescribed within the data dictionary.[125] Suppliers will need to provide this information to us securely through our secure web upload facility, the 'ECO Register'. We will review each measure that is successfully notified to us and will inform suppliers of the savings attributed to that measure.[126] We may require a supplier to clarify the information notified or provide further information for a notification before we can attribute savings for the notified measure.

9.21. We intend to process notified measures in a reasonable timeframe, to inform suppliers about the measures we have attributed savings against. Our ability to process measures will depend on the quality and completeness of the information provided at notification.

[123] We are requiring this information from suppliers pursuant to our information gathering powers under Article 23 of the Order and Article 24 of the Order for information on enforcement.
[124] See: https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/information-suppliers.
[125] We require this in order to automate part of our verification process. We can stipulate this requirement as part of our powers set out in Article 23(1) of the Order.
[126] Where a supplier notifies us of a measure that is an adjoining installation under CSCO (see Chapter 6) we will inform suppliers of the savings attributed to that measure. However our decision to attribute savings will be conditional on the adjoining installation being within the 25% limit on savings attributable to adjoining installations (see paragraphs 6.17-6.24).

Errors in successful notifications

9.22. Before a notification deadline, a supplier may make corrections to a notification that it has submitted to us. For example, for a measure installed on 15 August 2014 and notified on 10 September 2014, an error in the notification template should be corrected at any time up to and including 30 September 2014.

9.23. After the relevant notification deadline (in the above example, after 30 September 2014), the notification may only be corrected with our consent, and in some cases, may require an extension request.

9.24. It is the responsibility of each supplier to ensure that the information contained in all notifications is true and to manage any third parties involved in delivery. Errors in the notification of a completed measure may result in the respective carbon or cost saving for that measure not being attributed towards a supplier's obligation and may lead to enforcement action.

Applications for an extension to the notification deadline

9.25. Suppliers can apply to us for an extension to the notification deadline for a completed measure. The application must be in writing and must include a reason explaining why an extension is being requested. The reason should be supported by evidence. A request for an extension should be made promptly by the supplier when it first becomes aware that it has failed, or will fail to notify a measure by the notification deadline.

9.26. Once a supplier becomes aware that it has, or will, fail to notify a measure by the notification deadline the supplier should take all reasonable steps to ensure that the measure is notified as soon as possible. Such steps, of themselves, will not guarantee that an application for extension will be approved.

9.27. Suppliers are expected to be able to notify us of completed measures by the notification deadline. We are not obliged to grant an extension to suppliers and we will consider each application on its merits. We will grant an extension to the notification deadline if a supplier satisfies us that it has or had a reasonable excuse for failing to submit notification by the notification deadline. Further information about 'reasonable excuse' is provided below.

9.28. We are unable to grant an extension to the notification deadline for the notification of a completed measure where the reason given is 'administrative oversight on the part of the supplier'. There is more information below on what we consider to be 'administrative oversight'.

9.29. Suppliers should submit a request for an extension using the template 'Application for Extension'. We will process applications for extensions within a reasonable timeframe.

9.30. Suppliers may submit a completed notification template for the measure(s) they are seeking an extension for at the same time as they submit the application for the extension. If they do not, a supplier's application must identify the measure(s) (including the address at which the measure is installed) that it wants an extension for.

Reasonable excuse for failing to submit notification by the notification deadline

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

a. that is either unforeseeable or beyond the supplier's control

AND

b. which prevents the supplier from submitting a notification by the notification deadline.

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

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

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

Determining the period of extension

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

Administrative oversight on the part of the supplier

9.36. Administrative oversight includes instances when the supplier fails to carry out an administrative task for reasons within its control and if the cause of that failure

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

a. sending the notification to the wrong email address

b. forgetfulness

c. if the person with the relevant knowledge or login details is sick or absent, if it is reasonable to expect the supplier to have a secondary person with the necessary authority and knowledge to submit the notification

d. routine maintenance of IT systems

e. misplacing of password and/or login details.

9.37. The above list is not exhaustive and all applications for extension will be assessed case by case. We will take into account the degree of control exercised by the supplier over the administrative oversight when deciding whether it is on the part of the supplier. For example, we will generally consider the administrative oversight to be on the part of the supplier if one of its employees is responsible for the administrative oversight.

Monthly report to the Secretary of State

9.38. One of our duties under the scheme is to submit a report to the Secretary of State each month from March 2013. These reports will show the progress that suppliers have made towards meeting their obligations.

9.39. The reports, published on our website, contain aggregated measure data from the information notified to us by suppliers each month and include information on supplier progress towards achieving their obligations.[127] Please see Chapter 14 for more information on our final report to the Secretary of State.

[127] See: https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/public-reports.

Fair Processing

9.40. In the course of fulfilling their obligations under ECO, suppliers may get information about the occupant of the premises. Some of this information will need to be provided to us either as part of the monthly notification or in the course of our audits. In addition, in the course of transfer of a qualifying action, one supplier will disclose this information to another supplier. Suppliers should ensure that their processing of this information complies with all applicable data protection laws.

9.41. In particular, it is the responsibility of suppliers to ensure the person who lives at the premises where the ECO measures are delivered knows how their information will be processed and why, including who the information will be disclosed to. This includes telling them that their data will be shared with us.

9.42. In general, the Data Protection Act 1998 requires anyone collecting personal data to give the data subject a Notice of Fair Processing, also known as a Privacy Notice.

9.43. So that we are able to process the data that we receive from suppliers, we require the following wording to be included in every Privacy Notice that suppliers provide to the occupant under ECO:

> 'Some of the information you have provided to [name of supplier/energy company who funded the measure] ('your personal information') may be disclosed to Ofgem as Administrator of the ECO scheme. Ofgem is the Office of Gas and Electricity Markets. Further information about Ofgem can be found at http://www.ofgem.gov.uk.
>
> Ofgem may use your personal information to determine whether a supplier is achieving its obligations under the scheme and to comply with its own statutory duties. Ofgem is required to disclose your personal information to the Secretary of State. Ofgem may seek to verify your personal information by contacting you directly or by checking it against existing Government records.
>
> If you would like to know more about what information Ofgem holds about you, or the way it uses your information, full details of Ofgem's ECO Privacy Policy can be found at:
>
> https://www.ofgem.gov.uk/ofgem-publications/59016/eco-privacy-policy-08-apr-13.pdf. You can also contact Ofgem directly at eco@ofgem.gov.uk or 9 Millbank, London, SW1P 3GE.'

9.44. This wording is intended to discharge some of our obligations under the Data Protection Act 1998. It is not intended, and should not be relied upon, to discharge suppliers' obligations for the same or other data protection laws. Further guidance on what information Fair Processing Notices should contain can be found on the Information Commissioner's Office website at: http://ico.org.uk/.

10. Excess actions

Chapter summary

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

Introduction

10.1. Excess actions are measures that are approved and installed under CERT and CESP, but which are not required by the supplier to meet its CERT and CESP obligations.[128]

10.2. This chapter explains what an excess action is, when a supplier can use excess actions to claim credit towards its ECO obligations,[129] what an application for excess actions should include,[130] and the grounds on which we will approve an application.

10.3. The Order now allows for group excess actions. A group of companies can reallocate measures across its suppliers which were obligated under CERT and apply to carry forward these group excess actions against their ECO obligations. Group excess actions are distinct from excess actions, described in this chapter. See Chapter 11 for further information on group excess actions.

What is an excess action?

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

The core requirements

10.5. The core requirements are that the measure:

a. is approved and installed under CERT or CESP

b. is installed from and including 2 January 2012

c. if installed between 1 October and 31 December 2012, is installed:

(i) by a person of appropriate skill and experience

[128] Its obligations under the Electricity and Gas (Carbon Emissions Reduction) Order 2008 and the Electricity and Gas (Community Energy Saving Programme) Order 2009 as amended.
[129] Namely, the total CERO, total CSCO or total HHCRO.
[130] The application deadline for excess actions was 1 June 2013.

AND

(ii) in accordance with PAS 2030:2012[131] (where the measure is referred to in that Specification).

AND

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

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

a. the measure is reported in the final notification submitted by suppliers (and generators, in the case of CESP) by 31 January 2013

AND

b. we judge the measure to be a qualifying action for the purposes of CERT or CESP.

When is a measure not required under CESP or CERT?

10.7. In relation to core requirement (d), below we explain when a measure is *not* required by a supplier to satisfy its CERT or CESP obligation. This is usually when the CERT or CESP obligations have either been met, or if that measure cannot be attributed to any sub-obligation or obligation under those obligations, as applicable.

When is a measure not required under CESP?

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

a. the supplier achieved the obligation

AND

b. the measure was not counted towards achievement of the obligation.

10.9. However this is subject to the rule below.

[131] See Chapter 4 for an explanation of PAS.

Measures that exceed a limit on qualifying action under CESP

10.10. Where qualifying actions under CESP exceed the following limits, the CESP Order prevents us from counting the qualifying actions that exceed the limits towards achieving the obligation for CESP:

a. no more than 4% of an obligated party's obligation may be achieved by the provision of loft insulation

b. no more than 4% of an obligated party's obligation may be achieved by the provision of cavity wall insulation

AND

c. no more than 1% of an obligated party's obligation may be achieved by the provision of home energy advice packages.

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

When is a measure not required under CERT?

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

a. the insulation obligation

b. the priority group obligation

AND

c. the super priority group obligation.

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

a. the supplier achieved that obligation

AND

b. the measure was not counted towards achievement of the obligation.

10.14. However, this rule is subject to the rules described in paragraphs 10.15 – 10.23.

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

10.15. Under CERT, a supplier must achieve each of its sub-obligations in order to achieve its main obligation. In this guidance, we refer to the part of the main obligation that is not included within a particular sub-obligation as '*the remainder of the main obligation*'.

10.16. A supplier may fail to achieve its main obligation because it fails to achieve a particular sub-obligation, even though it delivered sufficient measures within *the remainder of the main obligation* to meet its main obligation. If the measures delivered to *the remainder of the main obligation:*

a. cannot count towards achievement of that sub-obligation

AND

b. are surplus to achieving *the remainder of the main obligation*

we will judge that a measure is not required by the supplier to meet its main obligation.

10.17. For example, if a supplier does not meet its super priority group obligation, but does meet *the remainder of its main obligation*, then a measure that is not required to meet *the remainder of the main obligation* and does not qualify for the super priority group will be deemed surplus. Therefore, as long as the measure does not qualify for any other unachieved sub-obligations, the measure is not required by a supplier to meet its main obligation.

Measures that exceed a limit on qualifying actions under CERT

10.18. Where a qualifying action under CERT exceeds:

a. the limit on market transformation action and demonstration action[132]

OR

b. the limit on priority group flexibility action[133]

the CERT Order prevents us from counting the qualifying action towards achievement of an obligation.[134]

[132] Article 9(3) of the CERT Order.
[133] Article 14 of the CERT Order.
[134] We have not described treatment of a qualifying action that exceeds the limit on real-time displays and home energy advice packages. This is because the Order restricts suppliers from carrying these measures across to ECO. In most circumstances, suppliers will be unable to calculate savings for these measures.

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

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

a. the qualifying action involving the measure exceeded one of the two limits described in paragraph 10.18

AND

b. the status of that qualifying action could have been changed to make the action count towards the main obligation or a sub-obligation that the supplier failed to achieve.

10.21. To clarify, if a qualifying action under CERT exceeded the limits in paragraph 10.18, a supplier must first establish whether that qualifying action can be changed to count towards the main CERT obligation, or one of the sub-obligations described in paragraph 10.12, before submitting an application for excess action.

The additional requirements

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

10.23. These depend on which scheme the measure was originally approved and installed under (ie CERT or CESP), and which of the ECO obligations the supplier intends the measure to be credited against. Some of these are below.

Measures approved and installed under CESP

10.24. If the measure is intended to contribute towards either CERO or CSCO, there are no additional requirements.[135]

10.25. If the measure is intended to contribute towards HHCRO, it must have been installed to a householder as defined in the ECO Order.[136]

[135] For an excess action to be credited against the rural sub-obligation (referred to as the 'rural requirement' in Article 2 of the Order) further conditions must be met. See paragraphs 11.24 – 11.26.
[136] Further information on the definition of a householder is provided in Chapter 7.

Measures approved and installed under CERT

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

a. if a supplier intends the measure to contribute towards CERO, it must either have been installed to a member of the super priority group[137] or be solid wall insulation

b. if a supplier intends the measure to contribute towards CSCO, it must have been installed in an area of low income[138] (as described in the *2012 low income and rural document*[139])

c. if a supplier intends the measure to contribute towards HHCRO, it must have been promoted and installed to a householder who was a member of the super priority group.

10.27. Table 6 below summarises the additional requirements.

Table 6: Summary of additional requirements for a measure installed and approved under CERT or CESP to qualify as an excess action

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

[137] As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.
[138] For information about areas of low income see Chapter 6.
[139] '2012 low income and rural document' means the document titled "Energy Company Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas", first published on 12 June 2012 and revised on 29 October 2012 (ISBN 9780108511608).

Audit of the additional requirements

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

a. Demonstrating installation to a member of the super priority group: Suppliers must be able to demonstrate that a measure has been installed to a member of the super priority group in the same way as they do under CERT

b. Demonstrating installation to a householder and to an area of low income: Information on these requirements is included in Appendix 1.

Calculating savings for excess actions

10.29. When a supplier applies to us to credit an excess action[140] to one of the three obligations under ECO,[141] it must provide a calculation of the carbon or cost saving for that excess action in its application.

10.30. Savings must be calculated using either SAP or RdSAP.

10.31. CERT and CESP scores differ from ECO savings in (at least) three key ways:

a. Different lifetimes for measures are assumed in CERT and CESP

b. Different in-use factors are used in CERT and CESP

c. The Order requires scores in ECO to be based on SAP/RdSAP 2009 or 2012. CERT and CESP scores are not based on these methodologies.

10.32. Suppliers will therefore need to recalculate the score for each excess action for which they are making an application to carry over from CERT or CESP. This is to provide a carbon or cost saving that can be awarded under ECO.

10.33. We will work with suppliers to produce look-up tables based on the tables used under CERT and CESP for scoring measures. Suppliers will be able to use these tables to calculate the cost and carbon savings they will receive for excess actions under ECO.

10.34. When suppliers are calculating cost savings using SAP or RdSAP they need to consider the relevant fuel prices (see paragraph 8.12(c) above).

[140] Article 21(3) of the Order.
[141] Article 21(1) of the Order.

Submitting an application for excess action

10.35. An application for excess action must be made in writing by 1 June 2013. Suppliers will have a limited ability to amend their applications after this date.

10.36. A template and associated data dictionary are available on our website.[142] Suppliers should use this template in making an application for excess action. In addition to these resources, we provide a series of scoring tables which we recommend suppliers use to calculate the score for each excess action.

10.37. Suppliers should be aware that in making an application for excess action, they will be required to provide information relevant to both ECO and the scheme the measure was installed under (ie either CERT or CESP). This may require suppliers to collect additional information not provided in the original notification of the measure, for example the address of the premises where the measure was installed.

Approval of applications for excess action

10.38. Where we are satisfied that an application for excess action contains the correct information, meets all of the core requirements and any applicable additional requirements, we will approve the application.

10.39. As outlined above, a core requirement for a measure to be considered an excess action is that a supplier does not require that measure to meet its CERT or CESP obligations. Therefore, we will be unable to approve any applications for excess action until a final determination has been made under CERT and CESP.

10.40. Suppliers should note that approval of an application for excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the elected ECO obligation. After approving an application for excess action we will then determine the saving to be attributed to the excess action. We will make this determination by referring to the considerations described in Chapter 8 under the heading 'The ECO Administrator's determination of savings attributable to qualifying actions, excess actions and group excess actions'.

10.41. Once approved, an excess action carried over from CERT or CESP into ECO cannot be used:

a. to count towards the rural sub-obligation (unless we are satisfied that the approved excess action also meets additional criteria, as outlined in paragraphs 10.44 – 10.45)

[142] See: https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/information-suppliers.

b. to link against a measure in an adjoining area, even if it is installed in an ECO-defined area of low income

OR

c. as a primary to support a secondary measure in CERO.

10.42. An excess action can be re-elected[143] to a different obligation from the one identified in the application for excess action. An excess action can also be the subject of transfer[144] to another supplier.

10.43. An application for excess action will not be approved if we receive an application for a group excess action from the supplier (A) that submitted the application for excess action or a supplier who was a member of the same group of companies as A on 31 December 2012.

The rural sub-obligation

10.44. The Order[145] states that an excess action credited against CSCO (an approved excess action) may be credited against the rural sub-obligation if the measure was promoted to a member of the super priority group living in a rural area.

10.45. If a supplier wishes to credit an approved excess action against their CSCO rural sub-obligation, they should contact us to discuss the information requirements in relation to excess actions.

[143] Refer to Chapter 14 for more information on re-elections.
[144] Refer to Chapter 12 for more information on transfers of excess actions.
[145] Article 21(9B) of the Order.

11. Group excess actions

Chapter summary

Explains how CERT actions can be reallocated and carried forward as group excess actions. It also covers 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. **Group excess actions are only applicable to CERT actions.**

Introduction

11.1. Suppliers who previously submitted an application for excess action[146] may have found that the allocation of CERT actions, within their group of companies, limited how much excess action could be carried forward into ECO. A number of suppliers were unable to realise the full benefit of their CERT overachievement due to the way the CERT actions were allocated across the group of companies against their CERT sub-obligations.

11.2. Under CERT, measures could contribute to more than one CERT sub-obligation (for example a measure might count towards the Super Priority Group (SPG) and Insulation Obligation (IO) sub-obligations). For some groups of companies this meant that the volume of excess IO and volume of excess SPG did not balance across their CERT suppliers. As a result the volume of excess actions available for carry forward was limited by the sub-obligation with the lowest volume of excess. If a higher volume was carried forward the sub-obligation with the lowest volume of over-achievement would not have been met. This could happen in multiple ways across sub-obligations and across CERT suppliers within the same group of companies. For example, where the carryover of SPG was restricted by the volume of excess against the insulation obligation (IO) this could limit a supplier's carry forward to CERO and HHCRO.

11.3. The situation could be resolved if a group of companies was able to reallocate its CERT actions across its CERT suppliers to equalise the volume of excess against each of its obligations (including its sub-obligations) for each CERT supplier. This would allow the maximum amount of excess to be carried forward to ECO.

11.4. The Order[147] now allows a group of companies to reallocate measures across its CERT suppliers before carrying forward these measures against their ECO obligations.[148] This means that a group of companies can optimise the volume of excess actions that can be carried forward and claimed against their ECO obligations.

11.5. This provision does not affect any applications already submitted for CESP excess actions.

[146] See Chapter 10 for details.
[147] Article 21ZA of the Order.
[148] If the conditions and requirements set out in this chapter are met.

11.6. Measures included in a group excess action application must meet *all* of the 'core requirements' *and* those of the additional requirements that are relevant (see paragraphs 11.18 – 11.23).

Reallocation and carry forward of group excess actions

Reallocation of CERT actions

11.7. Group excess actions differ from excess actions in that the CERT actions to be carried forward to ECO can first be reallocated across the 'relevant companies'. Relevant companies are the CERT suppliers which were members of the same group of companies on 31 December 2012 and that claimed the measures under CERT.

11.8. Relevant companies are the suppliers that claimed the measures under CERT but may not be a supplier under ECO.

11.9. When a group of companies is reallocating its CERT actions across its relevant companies it must ensure that all CERT obligations (including all sub-obligations) are *still* met for each relevant company.

Carry forward of CERT actions as group excess actions

11.10. Once a group of companies is satisfied with the allocation of its CERT actions across its relevant companies it can carry forward these actions as group excess actions into ECO.

11.11. Two or more ECO suppliers, which were members of the same group of companies on 31 December 2012, may make an application for group excess actions.

11.12. A single application can relate to several suppliers however only one application can be made per group of companies.

11.13. A group excess action reallocated to a particular CERT supplier may only be carried forward to the same supplier (ie after reallocation there can be no transfer between suppliers). For this reason a group of companies should not reallocate group excess actions to a relevant company that was a supplier under CERT but is not a supplier under ECO.

For example:

CERT Supplier A and *CERT Supplier B* are relevant companies within the same group of companies. *CERT Supplier A* is also a supplier under ECO (*Supplier A*), CERT *Supplier B* is not. To carry forward group excess actions to ECO CERT *Supplier B*'s excess CERT actions are reallocated to CERT *Supplier A* (ensuring

that CERT Supplier B can still meet its CERT obligations after the actions are reallocated). *Supplier A* then makes a group excess action application and indicates that these CERT actions are to be credited as group excess actions against *Supplier A*'s CERO.

Do suppliers have to apply for group excess actions?

11.14. Suppliers are not required to submit an application for group excess action.

11.15. If suppliers submit an application for group excess action, the CERT excess action applications previously submitted by any supplier within that group of companies will not be approved.

11.16. If suppliers choose not to submit an application for group excess action by the deadline, any previously submitted CERT excess action applications will stand.

What is a group excess action?

11.17. For a measure to be considered a group excess action it must meet *all* of the core requirements *and* those of the additional requirements below.

The core requirements for a group excess action

11.18. The core requirements are that the measure:

a. is approved and installed under CERT

b. was achieved by a relevant company

c. was installed after 1 January 2012

d. if installed between 1 October 2012 and 31 December 2012, was installed

(i) by a person of appropriate skill and experience

AND

(ii) in accordance with the Publicly Available Specification if the installation is referred to in the Specification.

AND

e. following the reallocation of CERT actions, would not have been required for all the relevant companies to have met their CERT obligations (this is more fully explained below).

11.19. In relation to core requirement (a), we will deem a measure to have been 'approved and installed' under CERT if:

a. the measure is reported in the final notification submitted by CERT suppliers by 31 January 2013

AND

b. we judge the measure to be a qualifying action for the purposes of CERT.

11.20. In relation to core requirement (e), see paragraphs 10.12 – 10.22 in Chapter 10 which explains when a measure is not required by a CERT supplier to meet its CERT obligation. Broadly, a measure is not required if, following the reallocation of CERT actions, the CERT obligation is met; *or* if any sub-obligation is not met, the *remainder of the main obligation*[149] is met *and* the measure does not qualify for any unachieved sub-obligations. This assessment should be made taking into account the reallocation of CERT actions between the relevant companies.

The additional requirements for a group excess action

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

11.22. The additional requirements that are relevant will depend on which of the ECO obligations the measure is intended to be credited against.

11.23. To qualify as a group excess action, a measure approved and installed under CERT (in addition to meeting the core requirements above) must meet the following conditions as applicable (see Table 7):

a. if a supplier intends the measure to contribute towards CERO, it must either have been installed to a member of the super priority group[150] or be solid wall insulation

b. if a supplier intends the measure to contribute towards CSCO, it must have been installed in an area of low income[151] (as described in the *2012 low income and rural document*[152])

c. if a supplier intends the measure to contribute towards HHCRO, it must have been promoted and installed to a householder[153] who was a member of the super priority group.[154]

[149] See paragraph 10.15 in Chapter 10.
[150] As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.
[151] Further information on areas of low income is provided in Chapter 6.
[152] "2012 low income and rural document" means the document titled "Energy Company Obligation, Carbon Saving Community Obligation: Rural and Low Income Areas", first published on 12 June 2012 and revised on 29 October 2012 (ISBN 9780108511608).

Table 7: Summary of additional requirements for a measure installed and approved under CERT to qualify as a group excess action

ECO obligation	Summary of Additional Requirements
CERO	Super Priority Group OR Solid Wall Insulation
CSCO	Area of Low Income (as defined in ECO)
HHCRO	Householder (as defined in ECO) AND Super Priority Group

The rural sub-obligation

11.24. Suppliers wishing to credit a group excess action against the rural sub-obligation[155] must first have the action approved as a CSCO group excess action (meeting all the core and additional requirements for a CSCO group excess action).

11.25. The approved CSCO group excess action may then be credited against the rural sub-obligation if the measure was promoted to a member of the super priority group living in a rural area.

11.26. Despite the two-stage approval process for such group excess actions we will not require two separate applications in respect of the rural sub-obligation. Suppliers may submit all relevant information in one application. See '*Submitting an application for group excess actions'* below.

Audit of the additional requirements and calculating savings for group excess actions

11.27. Please see Chapter 10 for information on audit of the additional requirements and calculating savings for excess actions. This information is also applicable in relation to group excess actions.

Submitting an application for group excess action

[153] Further information on the definition of a householder is provided in Chapter 7.
[154] As defined in Article 2 of the Electricity and Gas (Carbon Emissions Reduction) Order 2008.
[155] Referred to as the 'rural requirement' in Article 2 of the Order.

11.28. Suppliers who choose to make an application for group excess action must do so in writing no later than 10 working days after the amending Order[156] comes into force.

11.29. Only one application for group excess action can be made by a group of companies.

11.30. The application must:

a. state how the group of companies wishes to reallocate its CERT actions

b. identify the CERT actions that are to be considered as group excess actions

c. state the correct ECO cost or carbon score for CERT actions that are to be considered as group excess actions

d. detail the supplier to which the group excess action is to be credited

AND

e. detail the relevant ECO obligation that the group excess action is to be credited towards (CERO, CSCO, HHCRO or CSCO rural sub-obligation).

11.31. A template and data dictionary are available to suppliers wishing to apply for group excess action, and suppliers should use this template when doing so.[157] In addition to these resources, we have provided a series of scoring tables which we recommend suppliers use to calculate the score for each group excess action.

11.32. Suppliers should be aware that in making a group excess action application, they will be required to give us information relevant to both ECO and CERT. This means additional information not in the original notification of the measure under CERT, such as the address of the premises where the measure was installed.

Approval of applications for group excess action

11.33. If we are satisfied that an application for group excess action contains the correct information, each action meets all of the core requirements and any additional requirements, and each relevant company consents, we will approve the application.

[156] See: Electricity and Gas (Energy Companies Obligation) (Amendment No. 2) Order 2014: http://www.legislation.gov.uk/ukdsi/2014/9780111118962/contents.
[157] https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/information-suppliers.

11.34. Suppliers should note that approval of an application for a group excess action does not automatically mean that the full amount of savings notified by a supplier will be attributed towards the elected ECO obligation. After approving an application for a group excess action we will determine the saving to be attributed to the group excess action. We will make this determination by reference to the considerations described in *'The ECO Administrator's determination of savings attributable to qualifying actions, excess actions and group excess actions'* in Chapter 8.

11.35. Once approved, a group excess action carried over from CERT into ECO cannot be used:

a. to support a measure in an adjoining area, even if the group excess action is installed in an ECO-defined area of low income

OR

b. as a primary measure to support a secondary measure in CERO.

11.36. A group excess action can be re-elected[158] to a different obligation from the one identified in the application for group excess action. A group excess action can also be transferred[159] to another supplier.

[158] Refer to Chapter 14 for more information on re-elections.
[159] Refer to Chapter 12 for more information on transfers of group excess actions.

12. Transfers of qualifying actions, excess actions and group excess actions

Chapter summary

Explains what a transfer is, how suppliers can apply for our approval to transfer to another supplier qualifying actions (including adjoining installations), excess actions or group excess actions, and the factors we consider when deciding whether to approve a transfer.

12.1. Under the Order, a supplier is permitted to transfer qualifying actions (including adjoining installations), excess actions or group excess actions to another supplier, provided we approve the transfer.

12.2. This chapter explains the process for making an application for approval to transfer, the factors we consider when deciding whether to approve a transfer, and the effect of a transfer.

12.3. We have no part in arranging, adjudicating or transacting any commercial agreement that is entered into as part of the transfer of measures.

Making an application for approval to transfer

12.4. The application process set out in this chapter applies to all transfers regardless of whether the transfer is between two suppliers within the same group of companies, or two suppliers from different groups of companies. See Chapter 2 for further information on the definition of 'supplier' under ECO.

12.5. Suppliers can apply for approval to transfer a qualifying action (ie measure) after the measure has been notified, determined to be a qualifying action and had a saving attributed to it. An adjoining installation is a type of qualifying action and so suppliers may also apply for approval to transfer an adjoining installation (after we have attributed a saving to it).

12.6. Suppliers are able to apply for approval to transfer an excess action or a group excess action (ie measure) after the measure has been approved by us pursuant to an application for excess action. See Chapters 10 and 11 for information about applications for excess actions and group excess actions.

12.7. A supplier may make an application for approval to transfer a qualifying action, excess action or group excess action at any time up to and including 30 April 2015.

12.8. Applications for approval to transfer a qualifying action, and applications for approval to transfer an excess action or group excess action, are made under

different provisions of the ECO Order. Applications must be completed via the ECO Register, which allows suppliers to simultaneously submit applications for qualifying actions and those for excess actions.

12.9. When making an application for approval to transfer, the supplier selling ('the seller') and the supplier buying ('the buyer') should follow these steps:

a. The seller and the buyer should identify:

(i) the actions (if any) that will transfer between the same obligation. For example, the suppliers may intend that an action credited against the seller's CERO will transfer to the buyer's CERO. We refer to these actions as 'simple-transfer actions'. The administrative process for requesting approval of simple-transfers actions is explained in b. below

(ii) the actions (if any) that will transfer from one obligation to a different obligation. For example, the suppliers may intend that an action credited against the seller's CERO will transfer to the buyer's CSCO. We refer to these actions as 'trans-elect actions'. The administrative process for requesting approval of trans-elect actions is explained in c. below.

Suppliers should then raise separate requests for approval of transfers for simple-transfers and trans-elect actions following the processes below.

b. For simple-transfer actions, suppliers should use the function within the ECO Register for raising a request for approval to transfer. There is more information about using this function in the User Guide for the ECO Register. An application relating to simple-transfer actions will be complete when the seller has requested approval of transfer in the ECO Register and the buyer has accepted the request for approval through the ECO Register. We cannot accept an application that is only partially complete by the statutory deadlines referred to above.

c. For trans-elect actions, suppliers should follow these steps:

(i) The seller should email us, applying to Ofgem for approval to transfer the actions listed in the spreadsheet attached to the email (please contact us for help in preparing this email). The buyer should be copied into this email.

(ii) The buyer should consider the contents of the email. If satisfied that the email accurately records the actions to be transferred, the buyer should email us confirming that it is applying to Ofgem for approval to transfer the actions listed in the spreadsheet attached to the email. An application relating to trans-election actions will be

complete when we receive this confirmation from the buyer. We cannot accept an application that is only partially complete by the statutory deadlines referred to above.

(iii) Next, we will facilitate the editing of these measures by changing the status of the measures to 'with supplier' in the ECO Register. The seller should then request a re-election of the measure (see Chapter 14 for information about Re-election of Obligations). There is more information about using this function in the User Guide for the ECO Register. We will then assess whether each action meets the relevant eligibility criteria against the new obligation. If an action is suitable to transfer to the new obligation, we will give *provisional* approval for this aspect of the overall transfer and the ECO Register will show the action as credited towards the new obligation (but otherwise the action will remain with the seller). Our approval will be *provisional* in the sense that it will become void if we refuse to approve the overall transfer of the action to the buyer. If a *provisional* approval becomes void we will work with the seller to correct the ECO Register to return the action to the old obligation.

(iv) Next, suppliers should use the function in the ECO Register for raising a request for approval to transfer. Further information about using this function is available within the User Guide for the ECO Register.

12.10. In the course of approving an application for approval to transfer, we may ask the seller and/or the buyer to provide additional information in support of its application.

12.11. There is no limit on the number of actions a supplier can seek to transfer in any one application. Nor is there any limit on the number of applications a supplier can make before the relevant statutory deadlines for applications.

12.12. A supplier can withdraw an application for approval to transfer at any time before the transfer is approved by us. If a supplier wants to withdraw an application, they should contact us as soon as possible.

Transferring between obligations with different savings

12.13. Where suppliers apply for approval to transfer an action between obligations that have different savings (eg from a carbon saving to a cost saving), the seller must provide the carbon or cost saving for the obligation the action is to be transferred to.

12.14. For qualifying actions, where the carbon or cost saving was not included in the original notification, the seller must recalculate the carbon or cost saving (as appropriate) for the obligation the measure is intended to be credited against.

The saving should be calculated in accordance with relevant provisions of Article 16 of the Order, but taking into account the premises as it was when the measure was installed (that is, discounting any later installations). The calculation should also use the carbon coefficients or fuel prices that were in force at the time the measure was carried out.

12.15. As outlined in Chapter 9, we recommend that a supplier provides both the carbon and cost saving when it notifies a measure in anticipation of transfer (or re-election of an obligation, see Chapter 14).

Approving transfer of an action

12.16. Under the Order, we may decide not to approve a transfer of an action if we have reasonable grounds to believe that, if approved, the transfer would result in the seller being unable to meet one of its total obligations.[160]

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

12.18. Under the Order, we may not approve a transfer of an excess action or a group excess action to a different obligation unless we are satisfied that the measure meets the additional requirements (if any) that are relevant to that obligation. See Chapters 10[161] and 11[162] for information about additional requirements.

12.19. The Order does not allow Ofgem to refuse to approve a transfer of a qualifying action that does not meet the eligibility criteria of the obligation the action is being transferred to. However, if we approved a transfer in this circumstance the buyer would be unable to claim the transferred action against the new obligation. In practice, we will always advise suppliers to amend an application to ensure that qualifying actions do not transfer in this circumstance.

Following a transfer

12.20. If we approve a transfer, we will notify both suppliers of the approval.

12.21. If we decide not to approve a transfer, we will notify both suppliers of the reasons for our decision.

[160] That is, the supplier's total CERO, total CSCO or total HHCRO.
[161] Paragraphs 10.22 – 10.23.
[162] Paragraphs 11.21 – 11.23.

12.22. Once approved, the actions that have been transferred are treated as being achieved by the buyer and not by the seller.[163] The buyer accepts a transfer at its own risk. If, for example, an action transferred to the buyer later fails an audit, the buyer will be responsible for remedying the measure (or it will lose the savings).

12.23. The buyer will need to make sure it can produce the documents and data necessary to demonstrate to an auditor that a transferred action meets the eligibility criteria for the obligation that action is to be credited against.

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

[163] Article 20(5) of the Order.

13. The levelisation process

Chapter summary

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. It also details how measures are selected to receive the uplift and how the uplift is attributed.

Introduction

13.1. The Order establishes a process ('the levelisation process') that takes into account suppliers' early delivery under CERO.[164] This process is intended to ensure that those suppliers who made greater progress against their phase one and two CERO before 31 March 2014 are recognised for this early achievement. The process varies based on whether or not a supplier is a group company.[165]

13.2. The levelisation process specifies that selected CERO measures[166] will each receive an additional 75% of the carbon savings already attributed to that measure. We refer to this adjustment as an 'uplift'.

13.3. The total carbon savings of the CERO measures to receive an uplift relates to suppliers' progress towards their CERO – either at supplier level, or if the supplier is a group company, at group of companies level.

13.4. For a supplier, such early progress is determined based on the carbon savings achieved from solid wall insulation and hard-to-treat cavities installed up to 31 March 2014 ('eligible CERO actions') which exceed 35% of a supplier's phase one and two CERO ('the CERO threshold'). The carbon savings from eligible CERO actions which exceed the CERO threshold are referred to as the 'qualifying CERO achievement'.

13.5. For a supplier which is a group company, the group of companies' progress is determined based on the carbon savings achieved by eligible CERO actions for the entire group of companies ('eligible group CERO actions') which exceed the cumulative CERO threshold across all suppliers in the group of companies ('the group CERO threshold'). This is referred to as the 'group qualifying CERO achievement'.

13.6. The total carbon savings of the CERO measures selected to receive an uplift cannot exceed the qualifying CERO achievement or group qualifying CERO achievement. Suppliers or Ofgem will select the CERO measures to receive the

[164] Articles 19A, 19B, 19C and 19D of the Order.
[165] For more information on whether a supplier is a group company refer to Chapter 2, paragraphs 2.9 – 2.14.
[166] For a measure to receive an uplift it must be an eligible CERO action or an eligible group CERO action.

uplift and we will attribute the uplift to these measures. For more information on the selection of measures refer to paragraphs 13.19 – 13.25.

13.7. This chapter focuses on the levelisation process for suppliers which are group companies. Suppliers should contact us if they want more information on the process for suppliers which are not group companies.

The group qualifying CERO achievement

13.8. Where a supplier is a member of a group of companies ('the group') on 30 April 2015 we will determine the total carbon savings in relation to the eligible group CERO actions of all suppliers in the group.[167] The carbon savings which exceed the group CERO threshold indicate the maximum amount of carbon savings for the actions which can receive an uplift. These carbon savings are referred to as the group qualifying CERO achievement.

13.9. If the total carbon savings from eligible group CERO actions do not exceed the group CERO threshold, the group qualifying CERO achievement will be zero. In such instances no uplift will be attributed to any eligible group CERO actions for that group.

What are eligible group CERO actions?

13.10. As part of the levelisation process, uplifts will be attributed to selected eligible group CERO actions.[168]

13.11. For a measure to be considered an eligible group CERO action it must:

a. be an approved qualifying action under CERO

b. be solid wall insulation or the insulation of a hard-to-treat cavity

c. have been installed before 1 April 2014

AND

d. be credited against the CERO of a group company.

13.12. Excess actions or group excess actions cannot be eligible group CERO actions.

[167] The carbon savings attributed by us under Article 19 of the Order to qualifying actions for that group which are group eligible CERO actions.
[168] Further information on the selection of group eligible CERO actions to be attributed with an uplift is provided in paragraphs 13.19 – 13.25.

The group CERO threshold

13.13. The group CERO threshold is equal to 35% of the sum total of the phase one and two CERO determined for each supplier in the group.[169]

Calculation of the group qualifying CERO achievement

13.14. After 30 April 2015 we will determine whether a group's total carbon savings from its eligible group CERO actions exceed the group CERO threshold. We will also determine the size of the group qualifying CERO achievement, ie the value of the carbon savings for eligible group CERO actions which can receive an uplift.

13.15. For suppliers that are members of a group, the below calculation will be based, as explained above, on the entire group's eligible group CERO actions and the total phase one and two CERO for each supplier in the group.

13.16. We will calculate the group qualifying CERO achievement using this formula:[170]

B – C = Q

Where:

'B' is the sum total of carbon savings from eligible group CERO actions

'C' is the group CERO threshold,

AND

'Q' is the group qualifying CERO achievement.

Notification of the group qualifying CERO achievement

13.17. Once calculated we will notify all suppliers which are members of a group, of their group qualifying CERO achievement.

13.18. We will engage with suppliers on this process before notifying them of their group qualifying CERO achievement. This should enable suppliers to adequately prepare for nominating the eligible group CERO actions they wish to receive an uplift.

[169] Further information on how suppliers' obligations are determined is provided in Chapter 3.
[170] This formula is based on the formula provided in Article 19C(4) of the Order.

Selection of eligible group CERO actions to be attributed with an uplift

13.19. Once we have notified suppliers of their group qualifying CERO achievements, one or more suppliers within the group may nominate the eligible group CERO actions they wish to be attributed with an uplift. Only one nomination may be made per group.

13.20. To nominate eligible group CERO actions, suppliers must submit details of their nominated measures to us within 15 working days from the date we notify the suppliers of their group qualifying CERO achievement. A template will be made available for suppliers to nominate their eligible group CERO actions.

13.21. Suppliers must also ensure that the sum total of carbon savings of the nominated eligible group CERO actions does not exceed their group qualifying CERO achievement.

If no group eligible CERO actions are nominated

13.22. If no nomination is made by any supplier within a group by the deadline, we will select the measures that are to be attributed with an uplift.

13.23. As specified in the amending Order[171], we will select the most recently installed eligible group CERO actions (before 1 April 2014) with a total carbon saving not exceeding the group qualifying CERO achievement. We will start our selection on 31 March 2014 and continue to select eligible group CERO actions on and before this date, until we reach the group qualifying CERO achievement for that group.

13.24. In our selection, on the date we reach the group qualifying CERO achievement we will only select eligible group CERO actions up to the point when the group qualifying CERO achievement is met (but not exceeded). This means not all eligible group CERO actions installed on that date will be selected. On this date we will select eligible group CERO actions in numerical order based on their measure reference numbers.

13.25. We encourage suppliers to nominate the eligible group CERO actions they wish to receive an uplift, as this will allow suppliers to optimise the distribution of measures to receive an uplift across the group. If suppliers rely on us to nominate the eligible group CERO actions, we will follow the process above which does not consider the optimal distribution of measures.

[171] Article 19D(4).

Attributing the uplift to eligible group CERO actions

13.26. Each selected eligible group CERO action receives an uplift of 75% (0.75) of its original carbon savings.[172]

13.27. This means that these eligible group CERO actions will each contribute 1.75 times their original carbon score towards a supplier's total carbon emissions reduction obligation.

13.28. We will calculate this contribution using the following formulae:

A x 0.75 = U

A + U = C

Where:

'A' is the carbon savings attributed by us to that action under Article 19 of the Order

'U' is the total uplift (tCO_2),

AND

'C' is the contribution (tCO_2) that the selected eligible group CERO action makes towards a supplier's total carbon emissions reduction obligation.

13.29. By no later than 30 September 2015, we will notify suppliers of:

a. the eligible group CERO actions which have received an uplift

AND

b. the contribution that each eligible group CERO action has made towards a supplier's total carbon emissions reduction obligation.

[172] The carbon savings attributed by us under Article 19D of the Order to qualifying actions for that group which are group eligible CERO actions.

14. End of the overall obligation period

Chapter summary

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

14.1. The overall obligation period for each supplier ends on 31 March 2015.[173] A supplier must achieve each of its total obligations by this date.

14.2. Before this date, a supplier is able to apply to re-elect a qualifying action, excess action or group excess action to be credited against a different obligation to the one that it initially elected in its monthly notification or application for excess action.

14.3. Following the end of the overall obligation period, we will determine whether a supplier has met its obligations under ECO and notify both the supplier and the Secretary of State of that determination.[174]

14.4. This chapter provides information about the end of the overall obligation period. It also outlines how suppliers can apply to re-elect actions against different obligations.

The end of the overall obligation period

14.5. As outlined above, the overall obligation period for each supplier ends on 31 March 2015.[175] A supplier must achieve its total obligation under CERO, CSCO and HHCRO by 31 March 2015.[176]

The final months of the overall obligation period

14.6. Suppliers must notify us of all measures completed in March 2015 by the end of April 2015.

14.7. The installation of a measure cannot count towards achievement of an ECO obligation unless installation is complete before 31 March 2015 (ie the end of the overall obligation period). For this purpose, a measure will be considered complete on the date that it is capable of delivering savings at, or around, a level that is to be expected for that measure. This will normally be the date on which

[173] Article 6(1) (b) of the Order.
[174] Article 22(4) and (6) of the Order.
[175] Article 6(1) (b) of the Order.
[176] Articles 12, 13 and 15 of the Order.

the installer finishes work on the measure. Please refer to Chapter 9 for more information on the date of completion.

Ahead of our final determination

14.8. We will engage with suppliers throughout the remaining months of the scheme on our administrative requirements, ahead of our final determination on whether or not a supplier has achieved its ECO obligations.

14.9. After the transfer, re-election and final notification deadlines, and ahead of our final determination, we will carry out a number of compliance checks and processes.

14.10. These include, but are not limited to, the following:

a. **The 25% determination:** As detailed in Chapter 6, a supplier may claim savings for adjoining installations carried out in areas which adjoin areas of low income. The total carbon savings for adjoining installations (in all areas adjoining the low income area) cannot exceed 25% of the total carbon savings of qualifying actions in the area of low income. Where the carbon savings for a supplier's adjoining installations exceed the 25% limit we will revoke our earlier approval of some of the adjoining installations.

b. **The levelisation process:** As detailed in Chapter 13, where a supplier has delivered over 35% of its phase one and two CERO through solid wall insulation and hard-to-treat cavities installed by 31 March 2014, they may receive an additional 75% of the carbon savings already attributed to selected measures. By 30 September 2015, we will notify suppliers of the measures which have received an uplift and the total contribution these measures have made to each supplier's CERO.

Final determination

14.11. Under the Order, we must determine whether a supplier has achieved its obligations under ECO, including its:

a. total carbon emissions reduction obligation

b. total carbon saving community obligation

AND

c. total home heating cost reduction obligation.

14.12. Suppliers will be notified of our determination by no later than 30 September 2015.

14.13. Where a supplier has not met its CSCO or HHCRO by 31 March 2015, we may consider taking enforcement action. This may include deciding whether to impose a penalty for failing to achieve the obligation(s). As per Article 24 of the Order, we will not take enforcement action where a supplier does not meet its CERO by 31 March 2015.

Our final report to the Secretary of State

14.14. No later than 30 September 2015, we must submit a report to the Secretary of State showing whether suppliers achieved:

a. the overall carbon emissions reduction target

b. the overall carbon saving community target

AND

c. the overall home heating cost reduction target.

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

Re-election of obligations

14.16. As outlined in Chapter 9, when a supplier notifies a qualifying action,[177] it must identify which obligation that qualifying action is intended to be credited against (ie CERO, CSCO, or HHCRO). As outlined in Chapters 10 and 11, when a supplier makes an application for excess action or group excess action, it must identify which obligation that action is intended to be credited against (ie CERO, CSCO, or HHCRO).

14.17. Under the Order, a supplier may apply to credit a qualifying action, excess action or group excess action against a different obligation.[178]

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

[177] Under Article 16(1) or 16(2) of the Order.
[178] Article 22(2) of the Order.

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

14.19. At any time up to and including 30 April 2015, a supplier may apply to credit a qualifying action, excess action or group excess action against a different obligation. For example, if a measure is credited against CERO, a supplier can apply to have that measure credited against HHCRO.

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

14.21. A supplier may apply to re-elect the obligation for an excess action or group excess action after we have approved the application for excess action or group excess action.

Submitting an application for re-election

14.22. A supplier may make an application for re-election at any time up to and including 30 April 2015. Suppliers wishing to make an application should contact us.

14.23. We may also ask the supplier to provide additional information in support of its application. For example, a supplier may need to provide evidence of future installations planned or contracted, or other details around proposals for meeting its obligation.

Re-election to an obligation with a different saving

14.24. A supplier may choose to re-elect a qualifying action, excess action or group excess action to an obligation that has a different saving (eg from a carbon saving to a cost saving). In this case, the supplier must provide the carbon or cost saving for the obligation the qualifying action, excess action or group excess action will be attributed to.

14.25. If the carbon or cost saving was not included in the original notification the supplier must recalculate the carbon or cost saving (as appropriate) for the obligation the action is to be attributed to. The saving should be calculated in accordance with Article 16 of the Order, but taking into account the premises at the time the measure was installed (that is, discounting any later installations). The calculation should also use the carbon coefficients or fuel prices that were in force at the time the measure was carried out.

14.26. As outlined in Chapter 9, we recommend that a supplier provides both the carbon and cost savings when it notifies a measure.

14.27. For excess actions and group excess actions, when the carbon or cost saving was not included in the earlier application for excess actions, or group excess actions,

the supplier should use the Excess Actions Scoring Tables to provide the carbon or cost saving (as appropriate) for the obligation the excess action is intended to be credited against. See Chapter 10 for information on scoring excess actions.

Approving an application for re-election

14.28. An application for re-election will be approved when

a. we are satisfied that the action is a qualifying action, excess action or group excess action in respect of the obligation the supplier wishes to credit the action towards (and was so at the time of installation)[179]

AND

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

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

14.30. We will process all applications for re-election promptly and ensure that the supplier is kept informed of progress.

Following re-election

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

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

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

[179] Where the eligibility criteria for the new obligation have changed, we will approve the application for re-election if the measure met the eligibility criteria at the time of installation. For example, a measure installed before 1 April 2014 under CERO and re-elected to CSCO in January 2015 must have been in a CSCO area at the time of installation.

15. Audit and technical monitoring

Chapter summary

Information about technical monitoring by suppliers and our auditing procedures.

15.1. Generally, we will attribute savings to completed qualifying actions on the basis of information provided by suppliers through monthly notification (as described in Chapter 9). We will establish a system of checks to confirm that the information provided by suppliers is reliable. This system will include audits and technical monitoring.

15.2. We will audit a sample of notified measures (ie completed qualifying actions that have been notified to us in a monthly notification, as described in Chapter 9), or measures that have been approved as excess actions or group excess actions, as described in Chapters 10 and 11. An audit may look at any or all aspects of the promotion of the measure. The purpose of an audit will be to determine whether the information that a supplier has provided about the promotion of a measure is accurate.

15.3. We will also require suppliers to conduct technical monitoring of a sample of notified measures. Technical monitoring is focussed on the standards of installation of measures. It also verifies that the premises and measures are as notified by the supplier.

15.4. All aspects of supplier activity under ECO could be subject to audit or technical monitoring. Whenever a supplier is working with a third party to achieve their obligations, it is the supplier's responsibility to ensure that the third party delivers actions in accordance with the Order and this guidance. We expect suppliers to be able to demonstrate good processes for managing this third party delivery in the event that this is audited.

Audit

15.5. One way we will check the information provided to us by a supplier is through audit. Below we explain our approach to conducting audits under ECO.

Our response to audit results

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

a. revoke an earlier decision to attribute savings to the measure

b. consider taking enforcement action under our powers

AND/OR

c. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

Technical monitoring

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

15.8. Technical monitoring reports may be subject to audit to ensure accuracy.

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

15.10. Additional technical monitoring requirements are in place for hard-to-treat cavities. For more information, suppliers should refer to *Energy Companies Obligation (ECO): Supplementary guidance on hard-to-treat cavity wall insulation.*[180]

Who conducts technical monitoring?

15.11. Technical monitoring must be done by a suitably qualified third party, who is independent from the supplier, installer or any other party involved in the installation of the measure ('monitoring agent').[181]

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

What is technical monitoring?

15.13. Technical monitoring is focussed on the standard of installation of a measure. Monitoring is designed to verify whether a measure has been installed to the relevant standards. There is information about this in Chapter 4. Technical monitoring is also a way to verify that premises and measures are as notified by the supplier.

[180] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-supplementary-guidance-hard-treat-cavity-wall-insulation.
[181] This may be subject to audit.

15.14. Any measure installed under ECO might be subject to technical monitoring. For each measure type, the sample of measures that a supplier chooses to monitor should represent all activity completed under ECO by a supplier in that quarter. For example, the sample should include inspection of all installers, geographical areas, and obligations (including sub-obligations).[182]

15.15. If measures included in PAS 2030:2014 Edition 1 are not installed by a PAS-certified installer, we may require suppliers to do more monitoring. Undertaking additional monitoring will not in itself demonstrate compliance with PAS.

15.16. As noted in Chapter 8, we require suppliers to do more monitoring if scores are calculated using non-accredited SAP or RdSAP assessors, or based on Energy Performance Certificates that have not been lodged with the appropriate body. The additional monitoring must be focused on the inputs used to calculate the carbon or cost saving.

15.17. If a measure has been installed under both the Green Deal and ECO and monitored under the Green Deal, it should not be monitored again for the purpose of ECO.

Technical monitoring questions

15.18. To ensure that monitoring is comparable across all suppliers and appropriate for each type of measure, we have a list of technical monitoring questions to be used by the monitoring agent doing the technical monitoring. These questions are on our website, along with guidance on how to use them.[183]

15.19. The ECO technical monitoring questions are for use on all technical monitoring conducted after 1 July 2013. Before this date, suppliers did technical monitoring using the relevant questions from CERT and CESP.

Results of technical monitoring

15.20. We require suppliers to report quarterly on the results of technical monitoring to us, unaltered. Each report should be submitted in the month following the end of the quarter, and contain the results for all measures assessed during that quarter. The first quarter was 1 January to 31 March 2013 (and so reports should be submitted in April 2013). This information is required as part of our information gathering powers under the Order.[184]

15.21. We request that suppliers use the technical monitoring reporting template provided by us. Suppliers may also report on the number of properties to which

[182] Geographical areas in this context, means the different regions of Great Britain where a particular supplier has installed measures under ECO.
[183] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-technical-monitoring-questions.
[184] Article 23(1) (b) of the Order.

monitoring agents were not granted access if they choose to. We will publish the results of technical monitoring reports.

15.22. If technical monitoring establishes that a measure installed under ECO fails to comply with a standard relating to its installation, we will allow a supplier to remedy this and so avoid losing savings for that measure. If a supplier chooses to remedy a failure, it should re-inspect the installation after remedial work is completed and confirm to us that the remedial work is complete. Where possible, the failure should be remedied within two months of the issue being discovered.

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

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

15.25. We will publish a supplementary document on our website explaining what we will do in response to the results of monitoring.

Rate of technical monitoring under ECO

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

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

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

15.29. We will assess the rate of failure measure by measure. For example, whether a supplier has a failure rate of above or below 5% in relation to solid wall insulation.

Base Level – First Three Quarters

15.30. Suppliers are to undertake technical monitoring on 5% of all installations completed under ECO, assessed by measure type. As noted above, the sample should represent all installers who installed that measure type, of geographical region and all obligations (including sub-obligations).

15.31. This level of technical monitoring should continue for the first three quarters of ECO, beginning 1 July 2013. The ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below 5%.

a. If, over the first three quarters, a supplier achieves an average failure rate of below 5%, it will be required to carry out Level 1 monitoring.

b. If, over the first three quarters, a supplier achieves an average failure rate of 5% or above, they will continue to Level 2 monitoring requirements.

Level 1 technical monitoring

15.32. If a supplier achieves an average failure rate of *below 5%* over the first three quarters of ECO, it will be required to undertake Level 1 technical monitoring. At this level, 1% of all measures installed under ECO should be technically monitored.

15.33. This level of technical monitoring should continue for the second three quarters of ECO. The ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below 5%.

a. If, after three consecutive quarters, a supplier achieves an average failure rate of 5% or above, it will be required to carry out Level 2 monitoring.

b. If, after three consecutive quarters, a supplier achieves an average failure rate of below 5%, it will be required to continue at Level 1 monitoring.

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

Level 2 technical monitoring

15.35. If, over three quarters, a supplier achieves an average failure rate of 5% or above, it will be required to undertake Level 2 technical monitoring. At this level, 5% (or a statistically significant sample[185] – whichever is less) of all measures installed under ECO must be technically monitored.

15.36. Level 2 monitoring will continue for three consecutive quarters. Following this three quarter period, the ongoing rate of inspection will vary depending on whether the average failure rate of installations over three quarters is above or below 5%. Where a supplier demonstrates:

[185] For guidance on calculating a statistically significant sample, please contact the ECO team.

a. improved performance (ie the average failure rate of a measure is below 5%), that supplier will return to Level 1 technical monitoring

b. improved performance, but continues to fail greater than 5% of installations, that supplier will remain at Level 2 technical monitoring for a further three quarters

OR

c. no improvement or reduced performance, that supplier will be expected to undertake Level 3 monitoring.

Level 3 technical monitoring

15.37. Where a supplier has completed Level 2 technical monitoring for three consecutive quarters and does not demonstrate improved performance, it will be expected to undertake Level 3 technical monitoring. At this level, a supplier is expected to continue to monitor either 5% (or a statistically significant sample, whichever is less).

15.38. In addition, the supplier is expected to:

a. provide us with assurance that it is implementing processes to increase the standard of installations

AND

b. provide us with assurance that it will be increasing its own, internal, monitoring to investigate the issue. The results of this investigation should be formally submitted to us.

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

15.40. Level 3 technical monitoring will continue until the average failure rate of installations returns to less than 5% and we consider that issues have been addressed. After which point, suppliers will return to Level 2 technical monitoring.

Our response to technical monitoring results

15.41. If technical monitoring establishes that the installation of a measure does not meet the relevant standards of installation, or that the premises and measure are not as notified by the supplier we may:

a. revoke an earlier decision to attribute savings to the measure or refuse to attribute savings to a measure that has been notified but not yet approved

b. initiate an investigation to determine whether enforcement action is warranted

AND/OR

c. initiate further auditing or monitoring of the supplier, if the results of the earlier audit indicate an area of risk in relation to that supplier.

Fraud prevention

15.42. Preventing fraudulent activity under ECO (including misreporting) is key to minimising the risk of non-compliance. As such, there is a dedicated Counter Fraud team assigned to the ECO programme.

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

a. identification and mitigation of fraud risks

b. controls to ensure calculations of savings using SAP/RdSAP/appropriate methodology are correct

c. sufficient requirements within third party contracts to ensure that work is completed in accordance with legislation and supplier guidance

d. robust processes for getting regular, reflective activity reports from in house installers and third party bodies

e. the continued scrutiny of in house and third party activity to ensure compliance with legislation and supplier guidance

f. suitable, senior manager oversight of activity and reporting

AND

g. processes to ensure accurate and reflective reporting to us.

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

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

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

Appendices

Index

Appendix 1 – Documents and data to be made available on request

1.1. In this Appendix we list and explain the documents and data referred to in paragraphs 5.4, 6.4 and 7.5 of this guidance. These are the documents and data that a supplier will need to make available to an Ofgem auditor or officer for the purpose of an audit or other compliance check.

1.2. The information in this Appendix is organised into a table (Table 8 below):

- The first column refers to the relevant provision of ECO
- The second column refers to the documents (if any) that a supplier will need to make available to demonstrate compliance with that provision
- The third column refers to the data (if any) that a supplier will need to make available to demonstrate compliance with that provision

For the purposes of ECO, we may require these documents and data to be produced at any time before 30 September 2015.

Table 8 is followed by:

(i) **Documents for evidencing AWG eligibility.** This supports information provided in Chapter 7 on the eligibility of the Affordable Warmth Group

(ii) **Documents for evidencing householder status.** This supports information provided in Chapter 7 on the eligibility of householders.

Table 8: Documents and data suppliers to be made available to us on request

Legislative provision of ECO	Documents to be made available to Ofgem on request	Data to be made available to Ofgem on request
Promotion of the measure	Documents sufficient to establish 'promotion'. For example, in the case where a supplier engages a person to install a measure at a property, a supplier should produce: • The contract(s) or other document(s) which established the relationship, between the supplier and the installer, under which the installation was performed (this includes documents evidencing that the installation was completed under an oral contract) AND • Where appropriate, evidence of the supplier's payment of, or contribution towards, the fees and other costs of the installation: for example, an invoice and a payment slip.	N/A
Specification of the measure	Documentation, if any required, to be determined on a case by case basis	To include: • Measure type • Manufacturer name • Product name • Product serial number (where available)
Installing to an appropriate standard	The contractual agreement or equivalent (containing the requirement to cooperate with an Ofgem auditor). Suppliers may demonstrate that a product or system used in installation is compliant with building regulations by producing documentary evidence that the product or system complies with building regulations.	PAS certification number and/or certificate where relevant

	Examples of the documentation to be produced by suppliers include: UKAS product approval and ETAs (that are suitable for the conditions under which the product will be used/installed).	
Installation by a person with appropriate skill and experience	The contractual agreement (containing the requirement to cooperate with an Ofgem auditor).	PAS certification number and/or certificate where relevant
Address at which the measure is installed	Documentation, if any required, to be determined on a case by case basis	• House/Flat number • Street • Town/City • Country • Postcode • Unique property reference number
Date of completion	Either: • A copy of the *Declaration of conformity* described at clause 7.2 of PAS 2030:2014, where such declaration has been produced and signed by the installer. OR • A declaration including the details below. In each case the declaration must be signed by the occupant, or if unoccupied, the landlord, to confirm the date on which the installer finished work on the installation of the measure as well as the date the measure was handed over. This can be retained in electronic form (we understand that some suppliers will capture this information electronically).	N/A

	We recommend the following be added to the declaration of conformity for the purpose of obtaining the confirmation of the occupant, or if unoccupied, the landlord: ***For completion by the occupant, or if unoccupied the landlord:*** • *Confirmation that information provided by the installer is accurate* • *Date the installer finished work on the measure:* • Date of handover *of all information relating to the measure:* • *Occupant/landlord (print):* • *Occupant/landlord signature:* • *Dated:*	
A recommended measure	• The Green Deal Advice report (GDAR) or the Green Deal Improvement Package (GDIP) produced following a qualifying assessment • Recommended measure report by a chartered surveyor	• The EPC reference number (for all cases where an EPC has been conducted) • GDAR number (for all cases where a Green Deal Advice Report has been carried out). • GDAR reference number (for all cases where a Green Deal Improvement Package has been prepared).
Insulation of standard cavity walls	Evidence that an appropriate guarantee has been applied for and/or provided to the *occupant/landlord* where relevant.	N/A

Insulation of solid walls	Documentation or other evidence that an appropriate guarantee has been applied for and/or provided to the *occupant/landlord* where relevant.	• Property age • Whether the treated walls are built of solid brick
Insulation of hard-to-treat cavity walls[186]	The chartered surveyor's report, where one is required, should cover each property being treated. In all cases where a chartered surveyor's report is required it must specifically recommend the suitable insulation type for the property. The report must contain the address of each property which it covers. A template for a chartered surveyor's report for hard-to-treat cavity wall insulation is available on our website.[187] Documentation or other evidence that an appropriate guarantee has been applied for and/or provided to the *occupant/landlord* where relevant.	A record identifying the location of the measured section of sub-50mm cavities
District heating system connection (all three obligations)	Documentation, if any required, to be determined on a case by case basis	To include: • Specification of the existing heating system – fuel type, supply, controls, efficiency. • Specification of the replacement system – fuel type, supply, controls, efficiency • Heat load before and after installation.

[186] Insulation of a hard-to-treat cavity wall is no longer a separate primary measure, however documents must still be made available on request.
[187] See: https://www.ofgem.gov.uk/publications-and-updates/chartered-surveyor-report-hard-treat-cavity-wall-insulation.

District heating system connection (CERO and CSCO) – insulation preconditions for the premises	Documentation, if any required, to be determined on a case by case basis	• The percentage of the total exterior-facing walls or total roof-space area of the premises that is insulated. • The reason(s) the wall or roof-space area of the premises cannot be insulated (if applicable).
Qualifying boilers	The accurate, complete and signed Boiler Assessment Checklist[188] (please see the Qualifying Boiler Information Pack at Appendix 2 and the Boiler Assessment Checklist on our website). A copy of the qualifying boiler warranty.	Information relating to operative competency (see Appendix 2)
Proportion of installation that must be completed	Documentation, if any required, to be determined on a case by case basis	The reason why 100% of a measure was not installed
Primary measures under CERO	Documentation, if any required, to be determined on a case by case basis	The percentage of the total exterior facing walls that is insulated, split by wall type (solid/cavity) or the percentage of the roof-space area of the premises that is insulated. Date of completion (see above).

[188] See: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-boiler-assessment-checklist-0.

Secondary measures under the CERO	Documentation, if any required, to be determined on a case by case basis	Date of completion (see above).
Affordable Warmth Group (AWG)	See 'Documents for Evidencing AWG Status' below.	The category of AWG eligibility: • Low Income • Disabled • Elderly
Householder	See 'Documents for evidencing householder status' below.	N/A
Areas of low income	Documentation, if any required, to be determined on a case by case basis	The LSOA code for measures installed in England and Wales. The data zone code for measures installed in Scotland.
Adjoining areas	Documentation, if any required, to be determined on a case by case basis	The LSOA code for measures installed in England and Wales. The data zone code for measures installed in Scotland.
Rural areas	Documentation, if any required, to be determined on a case by case basis	The reference to the rural area or deprived rural area.
The carbon or cost saving of a measure	1) SAP/RdSAP (including bespoke tools that use a SAP/RdSAP engine) Report(s) or screen shots showing: • Input data	N/A

	• Output data (including 'before' and 'after' cases where relevant) • Cost and/or carbon saving • Software information (name of the software organisation, software name, version) • Name of assessor, assessor number (where applicable) and company • Documentation of additional calculations (lifetime, in-use factor) • Ofgem approval for bespoke system (where applicable) 2) Appropriate methodology • Input data • Output data • Cost and/or carbon saving • Appropriate methodology ID • Documentation of additional calculations (lifetime, in use factor) • Independent report on the methodology • Ofgem approval for appropriate methodology	

Documents for evidencing AWG status

1. Introduction

As outlined in Chapter 7 above, these are the documents and data that a supplier will need to make available to an Ofgem auditor or officer to demonstrate AWG status. These documents do not need to be retained by the supplier.

Documents must establish that the relevant person was an AWG member at some point during the course of promotion of the measure.

All documents evidencing AWG status must be dated within 18 months before the completion of the measure. If the documents are older, updated evidence must be made available. The relevant documents are detailed in each section below.

For AWG benefits, only official HMRC or DWP (including Jobcentre Plus and The Pension Service as relevant) documents are deemed acceptable. Any other documents used must have been agreed in writing by us before monitoring confirming alternative documents are eligible.

The AWG benefit types for the purposes of ECO[189] are:

1. Child Tax Credit
2. Income-Related Employment and Support Allowance (ESA)
3. Income-Based Jobseeker's Allowance (JSA)
4. Income Support (IS)
5. State Pension Credit
6. Working Tax Credit
7. Universal Credit

This section details the evidencing options for each of the above benefit types and the necessary information which needs to be seen on eligible AWG benefit documents. Further information is available in our supplementary guidance note, available at: https://www.ofgem.gov.uk/publications-and-updates/guidance-note-affordable-warmth-group-eligibility.

[189] Provided that all applicable criteria laid out in Schedule 1 of the Order are met.

1. **<u>Evidencing Receipt of Child Tax Credit</u>**

One of the following:

- A HMRC Child Tax Credit, Working Tax Credit or Tax Credit award notice, or an amended or annual notice confirming receipt of Child Tax Credit and stating that the relevant income is under £15,860 or that they receive the maximum amount of tax credits,

  OR

- A HMRC or DWP/Jobcentre Plus 'proof of benefit' letter confirming receipt of Child Tax Credit and that the AWG member's relevant income is under £15,860 or that they receive the maximum amount of tax credits.

If the above award letter is dated more than 18 months before the completion of the ECO measure, it must be accompanied by:

- An annual review notice from HMRC, an amended notice from HMRC or a 'proof of benefit' letter from DWP/Jobcentre Plus, dated within 18 months before the completion of the ECO measure. In the case of an annual review letter that does not state the relevant income, a review letter dated within 18 months and the most recent award/entitlement letter confirming relevant income

NB: The presence of a means tested benefit on a child tax credit award notice, which does not state the relevant income, may still be used as evidence of eligibility under section 2 below.

2. **<u>Working Age 'Out of work' AWG benefits</u>**

The income related benefit types (listed 2-4 above) have been grouped for ease and cover the following:

- **Income-Related Employment and Support Allowance (ESA)**
- **Income-Based Jobseeker's Allowance (JSA)**
- **Income Support (IS)**

One of the following documents:

- Benefit entitlement letter from DWP/Jobcentre Plus confirming receipt of one of the above stated benefits,

- A Tax Credit, Working Tax Credit or Child Tax Credit, or an amended or annual review Tax Credit notice confirming receipt of one of the above stated benefits,

  OR

- A DWP/Jobcentre Plus 'proof of benefit' letter confirming receipt of one of the above stated benefits.

The above document(s) must be accompanied by evidence of one of the following:

a. The benefit recipient is responsible for a qualifying child[190] under the age of 16 who resides with them, or between 16-20yrs who resides with them and is in full time education or approved training,

b. The benefit recipient receives Child Tax Credit with a disability or severe disability element,

c. The benefit recipient receives a disabled child premium,

d. The benefit recipient receives a pension premium, a higher pensioner premium, or an enhanced pensioner premium,

e. The benefit recipient receives a disability premium, an enhanced disability premium/disability income guarantee, or a severe disability premium,

OR

f. ***For Income-Related Employment and Support Allowance only:*** The benefit recipient receives a work related activity or support component.

If the above document is dated more than 18 months before the completion of the ECO measure, it must be accompanied by:

- An annual review notice from HMRC or DWP, or a 'proof of benefit' letter from DWP/Jobcentre Plus, dated within 18 months before the completion of the ECO measure. This must indicate that the AWG member's circumstances have not changed.

3. <u>State Pension Credit</u>

One of the following documents:

- Pension Credit award notice from DWP/The Pension Service confirming receipt of State Pension Credit,

OR

- Warm Home Discount (WHD) core group 'matched' notice from HM Government. The reference number on this notice should start with 'M' or 'DM'.

If the above award letter is dated more than 18 months before the completion of the ECO measure, it must be accompanied by:

- An annual review or amended notice from HMRC or a 'proof of benefit' letter from DWP/Jobcentre Plus/The Pension Service dated within 18 months before the completion of the ECO measure.

[190] Child Tax Credit or Child Benefit can also be used to evidence "Qualifying Child".

4. Working Tax Credit

One of the following documents:

- A HMRC Working Tax Credit or Tax Credit award notice or an amended or annual review notice confirming receipt of Working Tax Credit stating that the relevant income is under £15,860 or that they receive the maximum amount of tax credits,

OR

- A HMRC or DWP/Jobcentre Plus 'proof of benefit' letter confirming receipt of Working Tax Credit stating that the AWG member's relevant income is under £15,860 or that they receive the maximum amount of tax credits.

The above document(s) must be accompanied by evidence of one of the following:

a. The benefit recipient has responsibility for a qualifying child under the age of 16 who resides with them, or between 16-20yrs who resides and is in full time education or approved training,

b. The benefit recipient receives a disability element or severe disability element,

OR

c. The benefit recipient is aged 60 years or over (if this is not present on the above documents, other valid proof of age can also be accepted).[191]

If the above document is dated more than 18 months before the completion of the ECO measure, it must be accompanied by:

An annual review notice from HMRC or a 'proof of benefit' letter from DWP/Jobcentre Plus dated within 18 months before the completion of the ECO measure. In the case of an annual review letter that does not state the relevant income, a review letter dated within 18 months and the most recent award/entitlement letter confirming relevant income.

5. Universal Credit

The following document:

- Confirmation of receipt of Universal Credit through a DWP Universal Award notification from DWP, showing that the recipient has had a net earned income that does not exceed £1,167 in any one of the twelve months (before the point at which they are assessed as AWG eligible).

[191] For example driving licence, passport, birth certificate.

The above document(s) must be accompanied by evidence of one of the following:

a. The benefit recipient has responsibility for a child or qualifying young person (a child or disabled child element on the Universal Credit notice),

b. The benefit recipient has limited capacity for work, or limited capacity for work and work-related activity (a limited capacity for work element, or limited capacity for work and work-related activity element, on the Universal Credit notice; or is paid a carer's element and can provide another DWP notification which confirms underlying entitlement to a limited capacity for work element, or limited capacity for work and work-related activity element),

c. The benefit recipient is in receipt of disability living allowance,

OR

d. The benefit recipient is in receipt of personal independence payment.

Documents for evidencing that a person is a householder

As outlined in Chapter 7 above, these are the documents and data that a supplier will need to make available to an Ofgem auditor or officer to demonstrate householder status. These documents do not need to be retained by the supplier.

This section details the relevant documentation which is eligible as evidence of householder status.

Documents must establish that the relevant person was a householder at some point during the course of promotion of the measure.

There may be cases where the relevant documents described here are not available. In such a case, before installing a measure, we may agree to accept other documents as evidence of householder status. In these instances, a supplier will need to produce the agreed document to Ofgem on request.

The information below is ordered under the headings:

1. England and Wales
    a. Documents that demonstrate that an occupier is a freeholder
    b. Documents that demonstrate that an occupier is a leaseholder
    c. Documents that demonstrate that an occupier is a tenant (including a sub-tenant, but not an excluded tenant)
    d. Documents that demonstrate occupancy of an almshouse
    e. Documents that demonstrate an assured agricultural tenancy
    f. Documents that demonstrate a protected tenancy.

2. Scotland
    a. Documents that demonstrate that an occupier is an owner
    b. Documents that demonstrate that an occupier is a tenant (including a sub-tenant, but not an excluded tenant).

3. All jurisdictions
    a. Householders who are not AWG members: documents that demonstrate the householder occupies the premises
    b. Documents that demonstrate an occupier of a park home is a householder
    c. Documents relating to a change of name.

England and Wales

Freeholder

One of the following documents:

- A Land Registry search on the property naming the occupier as the freeholder/owner. The search must be dated within 18 months before the date of completion of the measure, or

- A mortgage statement for the property naming the occupier as the mortgagor. The statement must be dated within 18 months before the date of completion of the measure.

Where the land is unregistered ONLY –

1. A copy of the title deeds naming the occupier as the freeholder/owner,

2. A completed Ofgem template[192] which provides a declaration from a professional third party confirming he/she holds the Title Deeds for the property and those deeds name the occupier as the freeholder/owner,[193]

3. A completed Ofgem template[192] which provides a declaration from a professional third party confirming that, following an investigation, the Title Deeds have been lost or destroyed, and he/she is satisfied that the occupier is the freeholder/owner.[193]

   The statements must be dated within 18 months before the date of completion of the measure.

Leaseholder

One of the following documents:

- A Land Registry search on the property naming the occupier as the leaseholder. The search must be dated within 18 months before the date of completion of the measure,

- A mortgage statement for the property naming the occupier as the mortgagor. The statement must be dated within 18 months before the date of completion of the measure,

  OR

- Where the land is unregistered ONLY – a copy of the lease naming the occupier as the leaseholder.
-

Tenants

One of the following documents:

- An extract from a current written tenancy agreement. The extract must show:

[192] See: https://www.ofgem.gov.uk/publications-and-updates/home-heating-cost-reduction-obligation-hhcro-templates-evidence-householder.
[193] For example a solicitor, land conveyor, banker, accountant, mortgage lender.

- Address of the property
- Term of the tenancy
- Name of the landlord and the tenant
- Signatures of tenant and landlord.

The end of the tenancy must not be earlier than 18 months before the date of completion of the measure.

- If a written tenancy agreement between the landlord and the tenant has expired, a completed Ofgem template[194] signed by both landlord and tenant confirming the occupancy agreement. The statement must be dated within 18 months before the date of completing the measure.

- If a written tenancy agreement between the landlord and the tenant has never existed, a completed Ofgem template[194] signed by both landlord and tenant confirming the occupancy agreement. The statement must be dated within 18 months before the date of completing the measure.

Occupancy of an almshouse

A supplier will need to produce both of the following documents:

- A copy of the licence to occupy, naming the occupier as the licensee. The end of the term of the licence must not be earlier than 18 months before the date of completion of the measure,

  AND

- A copy of the constitution of the charity that operates the almshouse.

An assured agricultural tenancy

The following document:

- A supplier will need to produce the agreement that establishes the assured agricultural tenancy

A protected tenancy

The following document:

- A supplier will need to produce the agreement that establishes the protected tenancy.

Scotland

Owner

One of the following documents:

- A land registry search on the property naming the occupier as the owner. The search must be dated within 18 months before the date of completion of the measure,

[194] See: https://www.ofgem.gov.uk/publicatpions-and-updates/home-heating-cost-reduction-obligation-hhcro-templates-evidence-householder.

- A mortgage statement for the property naming the occupier as the mortgagor. The statement must be dated within 18 months before the date of completion of the measure,

- Where the land is unregistered ONLY –

1. A copy of the title deeds naming the occupier as the owner,

2. A completed Ofgem template[195] which provides a declaration from a professional third party confirming he/she holds the Title Deeds for the property and those deeds name the occupier as the freeholder/owner[196],

   OR

3. A completed Ofgem template[195] which provides a declaration from a professional third party confirming that, following an investigation, the Title Deeds have been lost or destroyed and he/she is satisfied that the occupier is the freeholder/owner.[196,]

The statements must be dated within 18 months before the date of completion of the measure.

Tenant

One of the following documents:

- An extract from a current written tenancy agreement, or written licence to occupy. The extract must show:

  - Address of the property
  - Term of the tenancy/licence to occupy
  - Name of the landlord and the tenant/licensee
  - Signatures of tenant/licensee and landlord

  The end of the tenancy/licence to occupy must not be earlier than 18 months before the date of completion of the measure

- If a written tenancy agreement or licence to occupy has expired, a completed Ofgem template signed by both landlord and tenant/licensee. The statement must be dated within 18 months before the date of completing the measure[197]

- If a written tenancy agreement or licence to occupy has never existed, a completed Ofgem template signed by both landlord and tenant/licensee. The statement must be dated within 18 months before the date of completion of the measure.[197]

- A contract of employment containing a term permitting the occupier to live in the premises

  OR

[195] See: https://www.ofgem.gov.uk/publications-and-updates/home-heating-cost-reduction-obligation-hhcro-templates-evidence-householder.
[196] For example a solicitor, land conveyor, banker, accountant, mortgage lender.
[197] See: https://www.ofgem.gov.uk/publications-and-updates/home-heating-cost-reduction-obligation-hhcro-templates-unwritten-tenancy-agreements.

- Where the occupier is occupying premises as a cottar, a statement of occupancy signed by both landlord and tenant/licensee. The statement must be dated within 18 months before the date of completion of the measure.[197]

All jurisdictions

If the householder is a member of the AWG, documents demonstrating receipt of AWG benefits will normally be sufficient to evidence that the householder resides at the relevant domestic premises.

Householders who are not AWG members: documents that demonstrate the householder occupies the premises.

If the householder is not a member of the AWG, a supplier will need to produce one of the following documents to demonstrate that the householder lives at the relevant domestic premises:

- Utility bill, phone bill or TV licence
- Council tax letter or letter from the council
- Mortgage Statement or bank statement
- Extract from electoral or open register

OR

- Other official documentation as agreed with Ofgem.

The document must be dated within 18 months before the date of completion of the measure.

Occupier of a mobile home

Scenario 1: The occupier owns the mobile home and rents the pitch on which the home is situated. In this scenario a supplier will need to produce both of the following documents:

a) A signed pitch agreement based on the 'Written Statement under the Mobile Homes Act' naming the owner as the occupier renting the pitch,

AND

b) Official correspondence evidencing that the premises is the person's sole or main residence. Official correspondence, as listed above, must be dated no earlier than 18 months before the completion of the measure.

Scenario 2: The occupier rents the mobile home from a person who owns the home, and that owner rents the pitch on which the home is situated. In this scenario a supplier will need to produce both of the following documents:

a) A current written tenancy agreement. If the written tenancy agreement has expired, or if no written tenancy agreement was or is in place, a completed Ofgem template signed by both landlord and tenant confirming

the occupancy agreement,[198]

AND

b) Official documentation evidencing that the premises are the person's sole or main residence. Official documentation, as listed above, must be dated no earlier than 18 months before the completion of the measure.

Documents relating to a change of name

There are cases where a person who is the householder changes his or her name, with the result that:

- the person's old name appears on the document that demonstrates the person's householder status (eg the registry search, title deeds or mortgage statement if the person is a freeholder/leaseholder/owner or the tenancy agreement if the person is a tenant),
  AND
- the person's new name appears on AWG benefit documents or other official documents (described above).

In such a case, a supplier will need to produce a signed declaration from the person that their name has changed. The declaration should be prepared using the template provided on our website.[198]

[198] See: https://www.ofgem.gov.uk/publications-and-updates/home-heating-cost-reduction-obligation-hhcro-templates-unwritten-tenancy-agreements.

Appendix 2 – Qualifying boiler information pack

1. Introduction

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

2. Qualifying boilers

Under HHCRO, the repair or replacement of a boiler that meets the definition of a 'qualifying boiler' is an eligible measure.[199]

A qualifying boiler is:

a. In the case of a boiler to be repaired, a boiler which:

- is not functioning efficiently or has broken down

  AND

- has a seasonal energy efficiency value of not less than 86% when assessed against SAP.[200]

b. in the case of a boiler to be replaced, a boiler which:

- is not functioning efficiently.

  OR

- has broken down.

and which cannot be economically repaired.

The repair of a qualifying boiler must also be accompanied by a one- or two-year warranty (see section 3.8 below).

[199] Note that there is no requirement for the replacement boiler to use the same fuel type as the original boiler. Where a fuel switch is delivered alongside a boiler replacement, the fuel switch should adhere to the building regulations (where applicable). The fuel switch should be appropriate for the property and should not lead to any increase in heating costs for the householder.

[200] The 86% minimum efficiency for qualifying boiler repairs under ECO should not be confused with the current building regulations minimum efficiency for new boilers.

3. Boiler assessment and operative competency

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

3.1 Operative competency

The assessment and the repair or replacement of a qualifying boiler must be carried out by someone with the appropriate skill and experience (the 'operative'). For boilers that are replaced and referred to within PAS 2030:2014, the boiler must be assessed and replaced by operatives who meet the competency requirements listed in the boiler-specific annex to that specification. For boilers not in PAS 2030:2014, and for boiler repairs, the assessment and repair must be carried out by operatives who meet industry competency standards for that particular fuel type.

All operatives undertaking boiler repair or replacement work must also meet regulatory requirements to work with the relevant fuel type. For example, in the case of gas-fuelled boilers, operatives must be Gas Safe registered in accordance with Regulation 3 of the Gas Safety (Installation and Use) Regulations 1998. There is no requirement for the assessment and any repair/replacement to be carried out by the same person. Each appropriately qualified operative should sign the relevant section of the Boiler Assessment Checklist.

3.2 Boiler Assessment Checklist

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

The Checklist is on the ECO website. Suppliers may adapt the format of the Checklist to match their own systems, as long as the content is not changed. Suppliers may submit adapted checklists to us before use for confirmation that the content is acceptable.[201]

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

Monitoring and auditing will be undertaken by Ofgem to ensure that boiler assessments are done in accordance with our requirements. To effectively protect

[201] See: https://www.ofgem.gov.uk/ofgem-publications/59021/boiler-assessment-checklist-v1-april-2013-final.pdf.

against fraudulent activity, monitoring initiatives will include inspection of boilers before they are repaired or replaced.

3.3 'Broken down'

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

3.4 'Not functioning efficiently'

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

a. boiler heat exchanger corrosion or fouling,

b. no boiler ignition or unstable firing,

c. flue gas analyser combustion results outside boiler manufacturer tolerance,

d. gas supply rate outside boiler manufacturer tolerance,

e. gas supply pressure outside boiler manufacturer tolerance,

f. burner pressure outside boiler manufacturer tolerance,

g. boiler and system sludge,

h. poor flue condition,

i. primary flow rate outside boiler manufacturer tolerance or unsatisfactory,

j. primary flow temperature outside boiler manufacturer tolerance or unsatisfactory,

   OR

k. for combination boilers only, unsatisfactory hot water flow rate or temperature.

These faults are listed in the Checklist, and the relevant box should be ticked if found during the boiler assessment. If operatives identify additional faults, they should list the symptoms observed. In all cases, the operative should state the steps taken to reach his/her conclusion in the Checklist.

If these or other faults are found, the operative must use their expertise to assess whether the faults identified have resulted in a 'significant' deterioration in boiler performance. This can be indicated by a 'poor' boiler condition according to the boiler condition assessment (outlined in section 3.7 below). If not, the boiler

cannot be described as 'not functioning efficiently'. Please note that we may revise the list of faults in the Checklist following monitoring of fraudulent activity.

3.5 'Economically repaired'

Boilers which have a seasonal energy efficiency value of less than 86% (when assessed against SAP/PCDF (2009 or 2012)) 'cannot be economically repaired'. This means that, subject to being broken down or not functioning efficiently, all such boilers can be replaced as qualifying boilers.

Boilers which have a seasonal energy efficiency value of 86% or more[202] can be replaced as qualifying boilers, but only if they 'cannot be economically repaired'. Because the cost of repair of these boilers will usually be much lower than the cost of replacement, such boilers will only be eligible for replacement as qualifying boilers in certain circumstances. These are where:

a. The required replacement parts for the boiler are not available (ie unavailable for purchase at a reasonable cost or within a reasonable timeframe. What is a reasonable timeframe and cost will depend on all the circumstances including the nature of the repair required),

b. The actual cost of repair is greater than the cost of replacing the boiler,

   AND/ OR

c. The actual cost of repair is greater than the relevant threshold on the Economic Repair Cost Comparison Tables.

3.6 Economic Repair Cost Comparison Tables

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

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

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

[202] When assessed against SAP/PCDF. If SAP/PCDF does not provide an efficiency rating, operatives may use an alternative to estimate the rating. That methodology must be described in the checklist.

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

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

3.7 Assessing boiler condition

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

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

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

3.8 Boiler warranty

In the case of repair of a qualifying boiler, the repair must also be accompanied by a one or two-year warranty. The warranty must be for the proper functioning of the entire boiler (see Schedule 1), and must not be limited to the part of the boiler that has been repaired or replaced. Warranties should not include any unusual or otherwise unreasonable exemptions. The cost of a one or two-year warranty should be included when calculating the cost of a boiler repair (see section 3.5 and 3.6) and also must be provided in the Checklist. The warranty should at minimum provide cover for total repair works, during the life of the warranty, valued up to the greater of:

- the financial level indicated in the Economic Repair Cost Comparison Tables, for a boiler of that type, age and condition,

  AND

- £500 (excluding VAT).

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

qualifying boiler warranty provided to the householder must be retained and made available to us on request.

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

Where the supplier is aware that the repair or replacement of the existing boiler is covered by a guarantee or warranty provided under ECO or another government scheme (eg Warm Front), the savings from the measure cannot be claimed under ECO.

Schedule 1: Boiler definition

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

1. heat exchanger,
2. the fuel supply system,
3. boiler and burner control system,
4. air supply and exhaust fans,
5. flue connections within the boiler case,
6. expansion vessel and/or fill and expansion header tanks,
7. programmer/timer,
8. circulation pump,
9. condensate drain system,

   AND

10. ancillary equipment and any connections within the case necessary to supply central heating and / or instantaneous hot water.

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

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

Appendix 3 – Tenant

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

Introduction

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

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

a. Establish that the person is a tenant (including a sub-tenant),

   AND

b. If the person is a tenant, establish that the person is not an excluded tenant.

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

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

Tenant: England and Wales

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

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

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

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

Excluded Tenant: England

Establishing that a person is not an excluded tenant

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

a. A protected tenant under section 1, Part 1 of the Rent Act 1977. (To note, this kind of tenant does fall within the category of householder by virtue of being listed in paragraph 1 of Schedule 2 to the Order),

   AND

b. A tenant of 'low cost rental accommodation' as defined in section 69 of the Housing and Regeneration Act 2008.

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

<u>*Protected tenant under the Rent Act 1977*</u>: Although a protected tenant is excluded from the category of tenant (as described at paragraph 1(1) (c) of Schedule 2 to the ECO Order), a protected tenant is nevertheless specified as a separate category of occupier that will be a householder (see paragraph 1(1) (f) of Schedule 2 to the ECO Order). In most cases, the inclusion of protected tenant as a separate category functions to 'cancel out' the exclusion of protected tenant from the category of tenant – with the result that there is no need for a supplier to establish whether a tenant is a protected tenant and thus excluded from the category of tenant. This is because the tenant will fall into one or other of the two categories, and there is no need to distinguish which.[203]

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

a. it is made available for rent,

b. the rent is below the market rate,

   AND

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

c. The accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

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

a. All private accommodation (ie accommodation other than accommodation rented from a local authority, housing cooperative, housing association or charity) is not low-cost rental accommodation,

AND

b. All accommodation rented from a local authority, housing cooperative, housing association or charity is low-cost rental accommodation. Suppliers may demonstrate to the contrary – for example, by producing statistics showing that the rent paid for accommodation is market rate.

Ofgem consider market rate to be any monthly rent that is equal to or greater than the lower quartile value for a property with the same number of bedrooms in the most recent table of VOA Private Rental Market Statistics for the administrative area that the property is located in.[204]

In instances where the rent paid is below these figures and a supplier believes that this rent is market rate, a supplier may provide alternative statistics to Ofgem for consideration. Suppliers should get alternative statistics approved by us before delivering a measure to that tenant.

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

a. 'Local authority' means the council of a county or county borough, the council of a district, the Council of the Isles of Scilly, the council of a London borough or the Common council of the City of London

b. 'Housing cooperative' means a society, body of trustees or company that manages accommodation under an agreement with a local authority

c. 'Housing association' means a society, body of trustees or company (1) which is established for the purpose of, or amongst whose objects or powers are included those of, providing, constructing, improving or

[204] This data is available at: http://www.voa.gov.uk/corporate/statisticalReleases/131212_PrivateRentalMarket.html.

managing, or facilitating or encouraging the construction or improvement of, housing accommodation and (2) which is non-profit making

d. 'Charity' means an organisation as defined at section 1 of the Charities Act 2011. A list of registered charities is available at:

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

Not all charities must register.

Excluded Tenant: Wales

Establishing that a person is not an excluded tenant: Wales

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

a. a tenant of a dwelling-house let under Part IV of the Housing Act 1985

b. a protected tenant under section 1, Part 1 of the Rent Act 1977

c. a tenant of a dwelling let by a landlord registered as a social landlord under Chapter 1 of Part 1 of the Housing Act 1996

AND

d. a tenant of a local authority, other than under Part IV of the Housing Act 1985.

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

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

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

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

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

a. a local authority
b. a development corporation
c. a housing action trust
d. a housing cooperative where the dwelling house is comprised in a housing co-operative agreement
e. in limited cases, the Homes and Communities Agency, and the Welsh Ministers.[205]
f. where the tenancy was created before 15 January 1989:[206]

    (i) a housing trust which is a charity
    (ii) a housing association, which is a private registered provider of social housing or a registered social landlord but which is not a cooperative housing association
    (iii) a cooperative housing association which is neither a private registered provider of social housing nor a registered social landlord.

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

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

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

a. a registered charity which is a housing association

b. a society or a company, where the body:

    (i) is principally concerned with Welsh housing,
    (ii) is non-profit making,
    AND

[205] That is, in the case of a tenancy falling within section 80(2A) to (2E) Housing Act 1985.
[206] See modification of provisions of section 80 Housing Act 1985, effected by section 35 of the Housing Act 1988.

(iii) is established for the purpose of, or has among its objects or powers, the provision, construction, improvement or management of houses for let, houses occupied by members or hostels.[207]

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

http://wales.gov.uk/topics/housing-and-regeneration/publications/registered-social-landlords-in-wales/?lang=en

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

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

Tenant: Scotland

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

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

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

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

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

[207] Any additional purposes or objects must be of a kind specified at section 2(4) Housing Act 1996.

a. A person who occupies a dwelling under the terms of a contract of employment: In this case, the supplier should sight the terms of the employment contract to establish that those terms give the person the right to occupy the premises

b. A person who has a licence to occupy a dwelling: A licence to occupy is distinguishable from a lease or tenancy. Generally, a tenancy is considered to exist where the agreement to occupy (for a term, at a rent) gives the occupier the right to exclusive possession of premises. Where the occupier does not have this right, the agreement is a licence to occupy. (Generally, 'exclusive possession' equates to possession and control of an area/premises). Including this type of occupier within the category of tenant has the effect of relieving suppliers of the need to make a judgement as to whether a particular occupancy agreement is a tenancy or a licence to occupy – since both types of agreement fall within the category of tenant (in Scotland)

c. A person who is a cottar within the meaning of section 12(5) of the Crofters (Scotland) Act 1993: Section 12(5) defines 'cottar' to mean:

   (i) 'the occupier of a dwelling-house situated in the crofting counties with or without land who pays no rent',

   OR

   (ii) 'the tenant from year to year of a dwelling-house situated as aforesaid [in the crofting counties] who resides therein and who pays therefore [sic] an annual rent not exceeding £6, whether with or without garden ground but without arable or pasture land.'

d. Suppliers may contact the Crofting Commission to determine the boundaries of the crofting counties:

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

In cases where a tenancy or licence agreement is in place it will be unnecessary for a supplier to establish that a person occupies premises as a cottar, because that person will otherwise fall within the category of tenant (unless that person is an excluded tenant – see explanation below).

Excluded Tenant: Scotland

Establishing that a person is not an excluded tenant

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

a. A registered social landlord

b. A local authority landlord

c. A local authority which provides housing services.

Information about each type of social landlord is provided below.

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

http://www.esystems.scottishhousingregulator.gov.uk/register/reg_pub_dsp.home

The bodies entitled to register are:

a. Principally concerned with Scottish housing

b. Non profit-making

c. Established for the purpose of, or have among its objects or powers, the provision, construction, improvement or management of houses for let, houses occupied by members or hostels.

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

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

A local authority landlord: a landlord which is:

a. A local authority (ie a local government council),

b. A joint board or joint committee of two or more local authorities,

c. 'The common good of a local authority', [208]

OR

d. A trust controlled by a local authority.

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

[208] The common good is a fund of money and assets (including land), formerly owned by the burgh, and now owned by the relevant Scottish unitary local authority.

Appendix 4 – 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 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[209]	Article	Related amendments to the Order[210]
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.[211]		
	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.[212]	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 domestic premises being connected to a district heating system (DHS) under CERO and CSCO and how these can be met.	12(5A) 13(5)	For a connection to a DHS to be eligible under CSCO or CERO the 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		

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

	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 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
	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'.		

	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.		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.[213]
	Explains how a connection to a DHS can still be eligible as a secondary measure.		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.
	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 income (as of 1 April 2014).	2	An area of low income is defined as an area in GB which is described 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.

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

	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	Removal of 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	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.
	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		
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[214] 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.
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.**	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
	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		

[214] Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014.

	we will approve group excess actions.		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.** 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. Focuses predominantly on the process for group companies.	19C 19D	Suppliers that are member of a group of companies (G) on 30 April 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 one and two 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.*
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	Only minor changes.		

Appendix 5 – Glossary

A

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

Affordable Warmth Group (AWG) means a group of people receiving the benefits outlined in Schedule One to the Order.

Annual quantity (AQ) is the estimated annual gas consumption of a customer over a year under seasonal normal conditions. AQs are set annually by Xoserve in consultation with Gas Shippers.

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

- For qualifying actions installed on or before 31 March 2014: an area in Great Britain which is described as an area of low income in the *2012 low income and rural document*
- For qualifying actions installed on or after 1 April 2014: an area in Great Britain which is described as an area of low income in the *2014 low income and rural document.*

B

BRE is the Building Research Establishment.

Building regulations, in reference to this guidance, covers the Building Regulations 2013 enforced across England and Wales, and the Building (Scotland) Regulations 2004 enforced across Scotland.

C

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

CERO is the Carbon Emissions Reduction Obligation.

CERO target is the reduced Carbon Emissions Reduction Obligation for ECO (reduced from 20.9 $MtCO_2$ to 14.0 $MtCO_2$). The reduction applies to phase three only.

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

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

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

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

Cost saving means, in relation to a heating qualifying action:

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

CSCO is the Carbon Savings Community Obligation.

CWI is Cavity Wall Insulation.

D

Date of handover is, for measures installed in accordance with PAS 2030:2014, the meaning of handover as defined within that Specification. For measures that do not need to be installed in accordance with PAS 2030:2014, or where no Declaration of Conformity is produced, the date of handover will be the date on which the measure is installed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.

A **deprived rural area** is an area in Great Britain which is described as a deprived rural area in the *2014 low income and rural document*.

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

DECC is the Department of Energy and Climate Change.

DHS is a district heating system.

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

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

DWP is the Department for Work and Pensions.

E

ECO is the Energy Companies Obligation.

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

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

Elexon administers the wholesale electricity balancing and settlement arrangements for Great Britain, as set out in the Electricity and Balancing Code. Further information can be found at www.elexon.co.uk.

EPC is an Energy Performance Certificate.

ESAS refers to the Energy Saving Advice Service and the Energy Saving Scotland advice service collectively.

EST is the Energy Savings Trust.

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

An **excess action** is a measure that was approved and installed under CERT and CESP, but which was not required by the supplier to meet its CERT and CESP obligations. To be considered an excess action a measure must meet all of the core requirements and the relevant additional requirements as specified in Chapter 10.

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

G

GB/Great Britain is England, Wales and Scotland.

Green Deal report refers to either a Green Deal Advice Report or a Green Deal Improvement Package.

GDAR is the Green Deal Advice Report.

GDIP is the Green Deal Improvement Package.

Green Deal is a new market-led framework which operates alongside ECO and aims to improve energy efficiency throughout Great Britain. Further information on the Green Deal can be found at https://www.gov.uk/green-deal-energy-saving-measures/overview.

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

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

A **group excess action** differs from an excess action in that the CERT actions to be carried forward to ECO can first be reallocated across the relevant companies. To be considered a group excess action a measure must meet all of the core requirements and the relevant additional requirements as specified in Chapter 11.

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

H

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

HHCRO is the Home Heating Cost Reduction Obligation.

HMRC is Her Majesty's Revenue and Customs.

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

I

The **interim period** is the period from 1 April 2014 to the end of the calendar month in which the amending Order comes into force.

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

L

The **levelisation process** is a process that takes into account suppliers' early delivery under CERO and is intended to ensure that those suppliers who made greater progress against their phase one and two CERO before 31 March 2014 are recognised for this early achievement.

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

Lifetime is the estimated lifetime for measures. Standard lifetimes are available in the ECO Table of Measures, in the following location: https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures

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

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

M

A **measure** is a qualifying action, including adjoining installations.

Mobile home means a home which is:

- a caravan within the meaning of Part I of the Caravan Sites and Control of Development Act 1960(b) (disregarding the amendment made by section 13(2) of the Caravan Sites Act 1968(c)); and
- used as a dwelling for the purposes of Part I or II of the Local Government Finance Act 1922(d).

N

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

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

Notification period means:

- 1 January 2011 to 31 December 2011 for phase one.
- 1 January 2012 to 31 December 2012 for phase two.
- 1 January 2013 to 31 December 2013 for phase three.

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

NRS is the National Records for Scotland.

O

An **obligated supplier** is a 'supplier' as defined in this guidance.

The **open letters** set out information on our policies or processes for administering ECO. These letters were superseded by our guidance document from 1 May 2013.

ONS is the Office of National Statistics.

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

P

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

PAS means Publicly Available Specification 2030:2014.

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

- the period from 1 January 2013, ending 31 March 2013 (phase one)
- the 12 months ending with 31 March 2014 (phase two)
- the 12 months ending with 31 March 2015 (phase three)

A **primary measure** under CERO is: solid wall insulation, insulation of a hard-to-treat cavity,[215] insulation of a cavity wall, flat roof insulation, loft insulation, rafter insulation, room-in-roof insulation and a connection to a district heating system.

Promotion is where a supplier is a cause of a measure being installed so they can claim the associated carbon or cost saving towards their ECO obligations.

Q

Qualifying action means a carbon qualifying action, a carbon saving community qualifying action or a heating qualifying action.

Qualifying boiler is a boiler that meets the criteria under the HHCRO, as explained in Appendix 2.

Qualifying supply means the supply to domestic customers of 400 gigawatt hours of electricity or 2000 gigawatt hours of gas.

R

RdSAP is the Reduced data Standard Assessment Procedure, a simplified version of SAP that requires fewer data inputs.

Recommended measure means a measure:

- recommended in a Green Deal report which has been produced in respect of a domestic premises, or
- recommended in a report by a chartered surveyor pursuant to an assessment of the domestic premises performed for the purpose of identifying measures for improving the energy efficiency of the premises.

Reduced phase three obligation is the reduction to the CERO phase three obligation from 8.36 $MtCO_2$ to 1.46 $MtCO_2$.

A **regular boiler** is a boiler which does not have the capability to provide domestic hot water directly (ie not a combination boiler). It may nevertheless provide domestic hot water indirectly via a separate hot water storage cylinder.

[215] From 1 April 2014 insulation of a hard-to-treat cavity will not be a separate primary measure but will be included under 'insulation of a cavity wall'.

Relevant companies, for the purpose of group excess actions, were members of the same group of companies on 31 December 2012 and were obligated under CERT.

Relevant year, with respect to the notification period, means 2011, 2012 or 2013.

RICS is the Royal Institution of Chartered Surveyors.

Roof-space area is:

- for loft insulation, the area of the floor of the loft
- for rafter insulation, the area of the rafters
- for flat roof insulation, the area of the roof
- for room-in-roof, the area of the room-in-roof including the common walls, gable walls and ceiling
- for properties with more than one roof type, and/or more than one type of roof-space insulation installed, the sum of the areas as explained above.

Roof-space insulation is flat roof insulation, loft insulation, rafter insulation or room-in-roof insulation.

A **rural area** is an area in Great Britain which is described as a rural area in the *2012 low income and rural document*.

The **rural sub-obligation** is the 'rural requirement' as defined in the Order and is explained in Chapter 6

S

SAP is the Standard Assessment Procedure.

A secondary measure is, under CERO, a recommended measure installed to improve the insulating properties of the premises within six months of a primary measure; or a connection to a district heating system that is installed by 31 March 2015.

SoS means Secretary of State responsible for Energy and Climate Change**.**

A **supplier** is a licence-holder where on 31 December any of the years 2011, 2012, or 2013:

- it was supplying more than 250,000 domestic customers, and
- had supplied more than 400 gigawatt hours of electricity, or 2000 gigawatt hours of gas, to domestic customers during the year ending on that date.

SWI is solid wall insulation.

T

tCO_2 is tonnes of carbon dioxide.

Technical monitoring includes site-based visits to verify whether a measure has been installed in accordance with the relevant standards. It is also a means of verifying that premises and measures are as notified by the supplier.

The **total obligation** is the cumulative obligation for each supplier for each phase of ECO.

U

U-value means the measure in W/m^2K of heat transmission through material.

UKAS is the United Kingdom Accreditation Service.

W

Wall insulation is external wall insulation (EWI), internal wall insulation (IWI) or cavity wall insulation (CWI).

A weather region is a measure of the difference between typical and the actual outdoor temperature, multiplied by the number of days within a month that this difference occurs. A weather region is a region within Great Britain in which properties are assigned the same degree day.

Working day means any day other than a Saturday, Sunday, Good Friday, Christmas Day, or a day which is a bank holiday in England or Wales or Scotland under the Banking and Financial Dealings Act 1971.

X

Xoserve is the Gas Transporters' Agent and delivers transportation transactional services on behalf of all the major gas network transportation companies. Further information can be found at www.xoserve.com.

OTHER

The **25% determination** is the determination of whether or not the total carbon savings of adjoining installations exceed 25% of the total carbon savings of the qualifying actions in the area of low income the adjoining installations are related to.