

Energy Companies Obligation (ECO) Compliance Update

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Issue **18**

This compliance update shows energy companies’* progress towards the current ECO obligation period (which covers the period 1 January 2013 to 31 March 2015). It presents energy efficiency measures notified by energy companies to Ofgem by the end of November and approved by Ofgem by the end of December 2014. It also presents measures completed in anticipation of the legislative changes and installed between 1 April and 5 December when the amendment order came into force; we refer to these as ‘interim’ measures. This report currently excludes excess measures carried forward from the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP), which are likely to be material for some companies.

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

What is new in this report?

DECC has made legislative changes to the current ECO obligations (the ‘[amendment Order](#)’). Changes include the reduced CERO target, CERO levelisation uplift and changes to eligible measures under CERO and CSCO. Figure 3 demonstrates our interpretation of the impact of these changes on energy companies’ progress towards their obligations**. In response to this we have updated our [guidance](#) on how we will administer the scheme under the amended legislation.

DECC have also added a new obligation period from 1 April 2015 to 31 March 2017. We refer to this as ‘ECO2’. See the Further Information section in this report for details on the ECO2 targets.

Approved measures

Fig. 1) Approved measures by category

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

Measure Category	CERO	CSCO	HHCRO	Cumulative Total
Solid Wall Insulation	56,577	5,549	10	62,136
Park Home Insulation	203	-	-	203
Cavity Wall Insulation	1,723	61,949	10,158	73,830
HTTC Wall Insulation¹	179,491	5,631	47	185,169
Loft Insulation	30,321	116,833	34,952	182,106
Other Insulation²	2,221	5,240	91	7,552
Boiler – Replacement	N/A ⁴	N/A	267,355	267,355
Boiler – Repair	N/A	N/A	550	550
Other Heating³	N/A	N/A	63,524	63,524
District Heating System	1,253	2,874	-	4,127
Micro-generation	N/A	N/A	-	-
Total	271,789	198,076	376,687	846,552

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

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

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

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

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

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

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

Progress towards obligations

The scheme is 81%* of the way through the current obligation period (1 January 2013 to 31 March 2015).

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

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

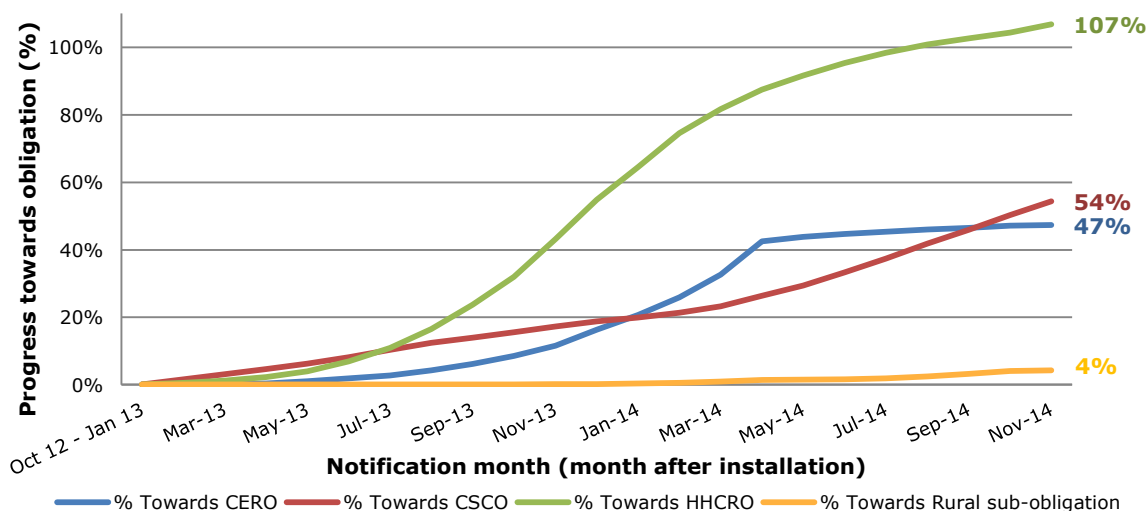
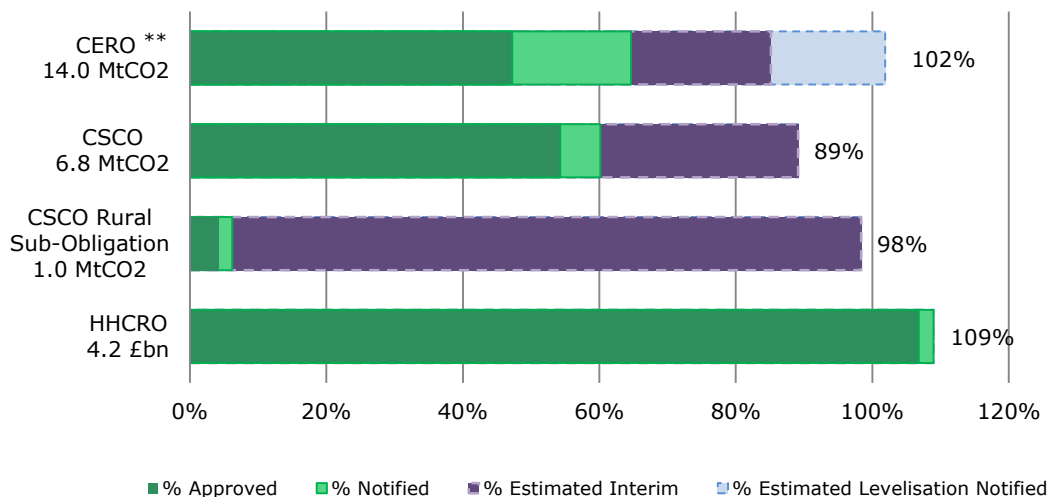


Fig. 3) Total progress towards ECO obligations (approved, notified and interim measures)

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



Please note that:

- Interim measures are still described as 'estimated' as they had not been formally notified at the time of data extraction.
- Excess actions carried over from CERT and CESP are **not** shown in this graph. They will be included once the savings have been finalised.
- Estimated levelisation uplift has been calculated as set out in the amendment Order using the relevant CERO measures installed up to 31 March 2014. Figure 3 assumes that all of these measures will be approved (including hard-to-treat cavity wall insulation).

*In terms of installation months covered by this report i.e. measures installed to October 2014 (22 months of the scheme).

**Previously 20.9 MtCO₂

Notified Measures

In addition to the approved measures (846,552), a number of measures have been notified to Ofgem but have not yet been approved (142,051). Together, these figures constitute the 988,603 measures published in DECC's December Statistical Release. This figure does not include the estimated 204,336 interim measures energy companies installed between April and October 2014.

Of the 142,051 measures notified to Ofgem but not yet approved:

- Circa 94,000 are currently undergoing further checks to ensure that they are valid measures under ECO; almost three quarters of these are hard-to-treat cavity measures in CERO and the other measures are undergoing scoring verification and duplicate checks.
- A further c. 19,000 have been sent back to energy companies for data correction or completion of missing information. These measures will be reassessed and approved (if appropriate) once they are re-submitted.
- Around 19,000 measures are currently being processed and are expected to be approved shortly if the necessary information is in order.
- Circa 10,000 measures were refused approval or had their approval revoked in December. The majority of these (83%) were as a result of a failure to conduct technical monitoring on HTTC measures.

To date a total of around 15,000 measures have had their approval refused or revoked by Ofgem, amounting to 1.5% of all notified measures. We are working closely with energy companies to resolve any issues relating to the notification of measures.

Further information

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

The three obligations under ECO are:

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

ECO2:

DECC have added a new obligation period from 1 April 2015 to 31 March 2017. We refer to this as 'ECO2'. The legislation ([ECO Order 2014](#)) came in to force on 5 December 2014. Ofgem aims to publish the ECO2 guidance in early March.

Fig. 4) ECO targets per obligation period

Obligation Category	Obligation Period		Total
	1 January 2013 – 31 March 2015 (ECO)	1 April 2015 – 31 March 2017 (ECO 2)	
CERO (MtCO₂)	14.0	12.4	26.4
CSCO (MtCO₂)	6.8	6.0	12.8
CSCO Rural (MtCO₂)	1.0	0.9	1.9
HHCRO (£bn)	4.2	3.7	7.9

Quarterly Annex: Energy Company Progress

This is an annex to the **January Energy Companies Obligation (ECO) Compliance Update (Issue 18)** and is based on the same data.

Fig 5) Energy company progress towards ECO obligations (approved, notified & interim measures)

The charts below show energy company progress for all measures notified to the end of November and those which were approved by the end of December, as a percentage of their current obligations. The potential impact of interim measures and the CERO levelisation are also shown. The levelisation uplift has been estimated using the relevant CERO measures installed up to 31 March 2014 and assumes that all of these measures will be approved. The figures do not include excess actions from CERT and CESP, which are likely to be material for some energy companies.

Fig 5.1 CERO

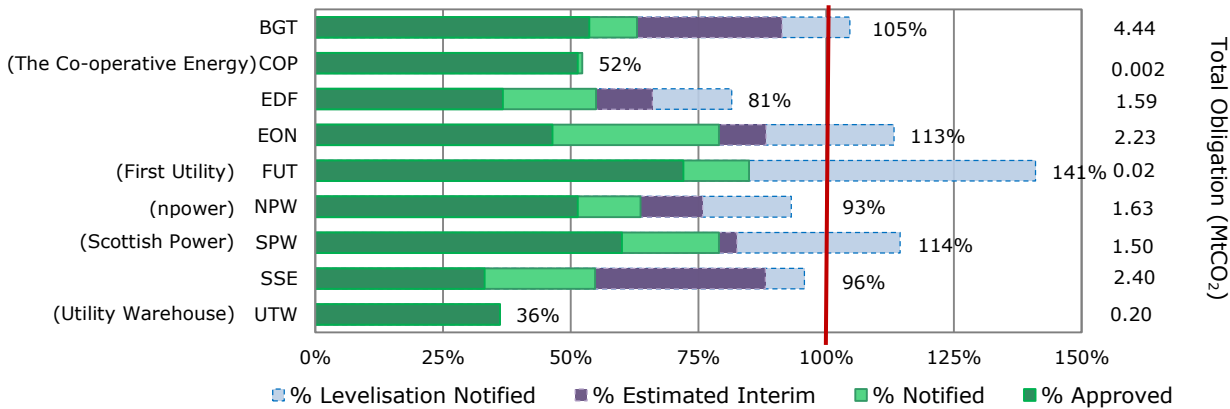


Fig 5.2 CSCO

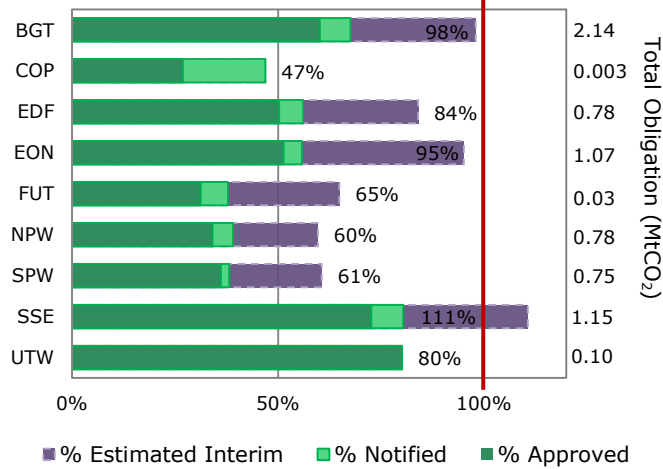


Fig 5.3 CSCO Rural sub-obligation

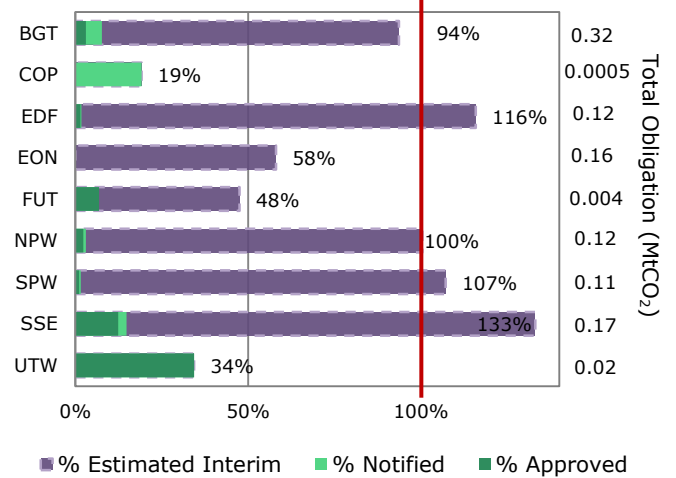
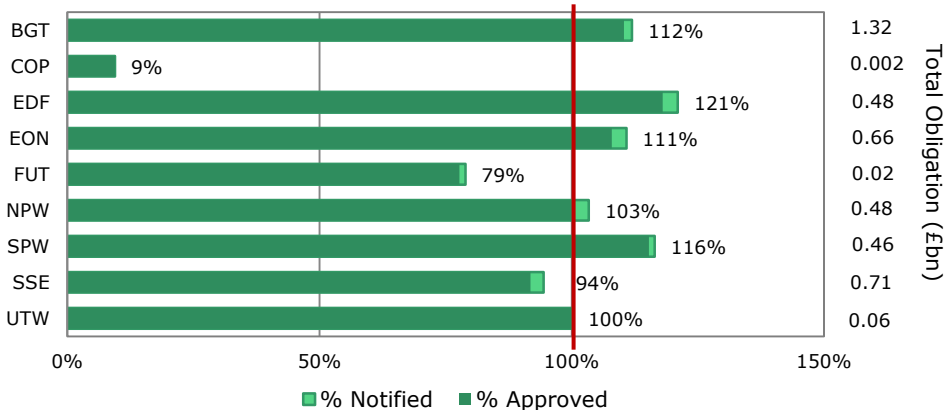


Fig 5.4 HHCRO



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

Fig 6) Monthly progress by energy company towards ECO obligations (approved measures)

The charts below show the cumulative monthly progress of energy companies towards the current ECO obligation period. They are based on **approved measures only** and do not include interim measures, levelisation or excess actions from CERT and CESP. The rural sub-obligation is not included here as the percentages currently approved remain very low. As shown in Figure 5 above, energy companies have chosen to deliver the majority of the rural sub-obligation through interim measures. Please note the differing vertical axis scales.

Fig 6.1 CERO

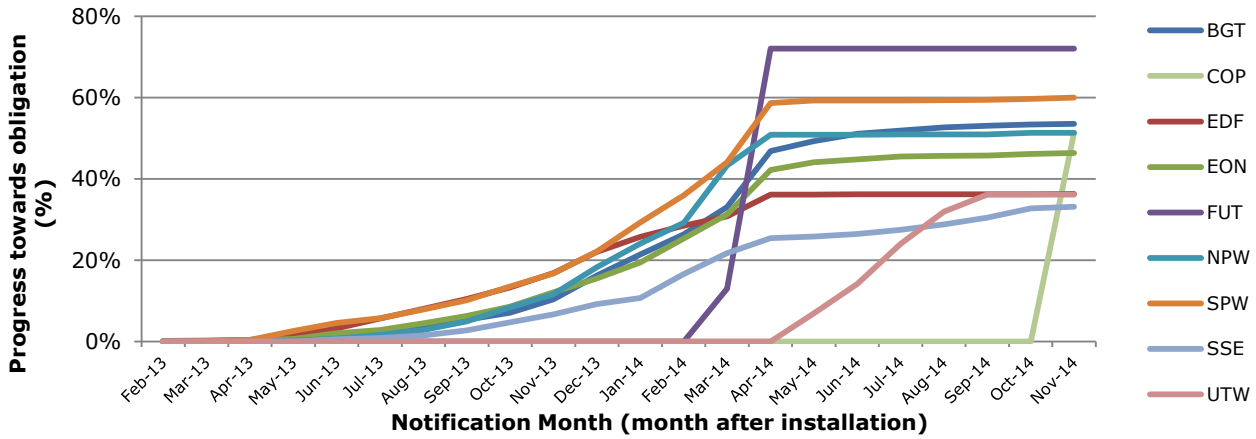


Fig 6.2 CSCO

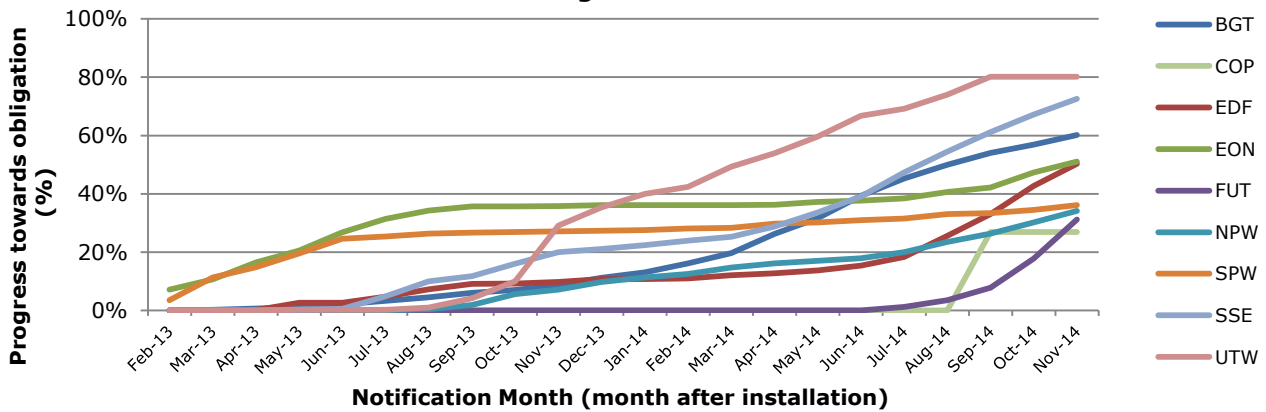
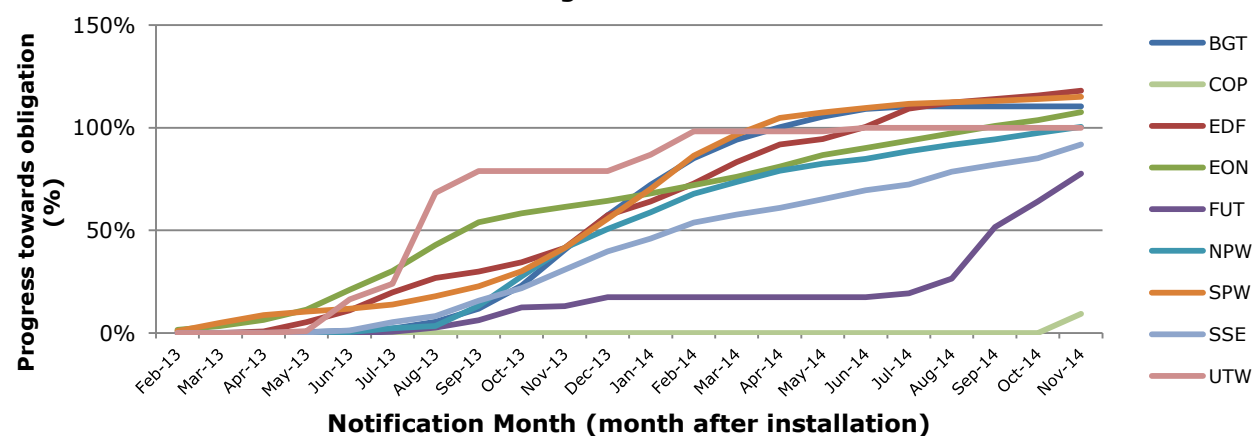


Fig 6.3 HHCRO



Still have questions?

For further information about the current ECO scheme, please visit www.ofgem.gov.uk/eco. For enquiries regarding ECO (with the exception of the media), please contact the ECO team via email at ECO@ofgem.gov.uk. For all media enquiries, please contact the press office on 0207 901 7246.