

Energy Company Obligation 2015-2017 (ECO2): Specific HHCRO requirements

Consultation Response Document

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Overview:

The government is extending ECO through a new obligation period from April 2015 to March 2017 (termed 'ECO2'). The ECO Order 2014 sets out the requirements for ECO2.

We recently consulted on aspects of these requirements where we exercise some discretion in our administration and which relate to measures that suppliers may wish to credit towards their ECO2 HHCRO (Home Heating Cost Reduction Obligation). Some of these requirements will have an impact on measures delivered from 1 January 2015 and therefore require guidance ahead of the final ECO2 guidance.

Here, we summarise the responses to our consultation and, having reviewed all responses, detail our final policy for the three distinct areas of policy relevant to HHCRO for the upcoming ECO 2015-2017 obligation period. We also detail where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position.

Associated documents

Ofgem Guidance

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

<https://www.ofgem.gov.uk/ofgem-publications/91749/ecoguidanceforsuppliersversion12.pdf>

Legislation

The Electricity and Gas (Energy Company Obligation) Order 2014

The Electricity and Gas (Energy Companies Obligation) Order 2012

The Electricity and Gas (Energy Companies Obligation) (Amendment) Order 2014

The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014

The Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014

Copies of the legislation listed above can be found at:

<http://www.legislation.gov.uk/all?title=energy%20company>

Ofgem consultation documents

Consultation on specific HHCRO requirements

<https://www.ofgem.gov.uk/ofgem-publications/90828/eco21consultation.pdf>

Energy Company Obligation 2015-2017 (ECO2): ECO2.2 Consultation

<https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2015-2017-eco2-eco2.2-consultation>

DECC consultation response

Government response: Future of ECO

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/342178/The_Future_of_the_Energy_Company_Obligation_Government_Response.pdf

Other

Guidance on Ofgem's approach to Consultation

<http://www.ofgem.gov.uk/About%20us/BetterReg/Pages/BetterReg.aspx>

Contents

Context	4
1. Consultation overview	5
2. Consultation responses to Question 1	6
Non-gas fuelled properties	6
3. Consultation responses to Question 2	9
Qualifying warranties for replacement boilers	9
4. Consultation responses to Question 3	13
Warranties for replacement electric storage heaters	13
Appendices	16
Appendix 1 – Consultation respondents	17

Context

In early 2014, the government consulted on proposals to make changes to the Energy Company Obligation (ECO) and extend the scheme from April 2015 until March 2017. The ECO Order 2014, which sets out the requirements for this obligation period (ECO2), came into force on 5 December 2014.

On 17 October 2014, Ofgem ('we', 'our' and 'us' in this document) launched a consultation on three distinct areas that affect the delivery of HHCRO under ECO2 and require us to exercise some degree of discretion in administering them. We are publishing an early guidance note on these HHCRO requirements, ahead of publishing our main ECO2 Guidance, as some of these requirements relate to ECO1 measures delivered from 1 January 2015 which suppliers may wish to carry over to ECO2 as HHCRO surplus actions. The guidance, published in the guidance note¹, will be incorporated into the relevant sections of the final ECO2 guidance, which will be published in March 2015².

Our consultation was split into two sections. The first section consisted of three sets of questions on the following areas:

1. Demonstrating whether a premises is non-gas fuelled,
2. Qualifying warranties for replacement boilers,
3. Warranties for replacement electric storage heaters.

The second section provided additional information on HHCRO surplus actions for ECO2. This section was for information only and was not subject to consultation.

Our consultation closed on 1 December 2014. We have considered all responses and sought further legal and technical advice, where appropriate, to finalise our position.

This document summarises the responses to our consultation and, having reviewed all responses, details our final policy for the *Energy Company Obligation 2015-2017 (ECO2): Guidance note on specific HHCRO Requirements*. We also detail where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position.

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

¹ <https://www.ofgem.gov.uk/ofgem-publications/92439/energycompanyobligation2015-2017eco2guidancenoteonspecifichhcrorequirements.pdf>

² We are currently holding a second consultation on other areas of ECO2 which require us to exercise some degree of discretion in our administration.

1. Consultation overview

- 1.1. This consultation ran for six weeks and closed on 1 December 2014.
- 1.2. We received 18 responses to the consultation: seven from suppliers, two from installers, three from the industry network including managing agents and a trade association for the energy industry, and six from other interested parties, including accreditation bodies, a warranty provider and a government body. A full list of respondents can be found in Appendix 1.
- 1.3. During the consultation period, we hosted a stakeholder workshop in London. This workshop focused on all areas of the consultation. The purpose of this workshop was to brief stakeholders on the specific areas we were consulting on, discuss the consultation questions, and gather feedback on what level of guidance stakeholders required.
- 1.4. The following chapters summarise the responses to the consultation questions. Each set of questions is addressed in a separate chapter, detailing our response to the points raised by stakeholders, changes to our policy based on the responses and our final policy position.

2. Consultation responses to Question 1

Non-gas fuelled properties

Summary of responses

2.1. Fifteen stakeholders responded to Question 1.

Q1a) Do you agree with our proposed test to identify the main space heating system of a premises? If not, can you suggest any alternative ways of identifying the main space heating system?

Q1b) Can you suggest any alternative ways that suppliers can demonstrate the fuel type of the main space heating system of a premises?

2.2. The majority of respondents agreed with our proposed test for identifying the main space heating system of a premises. Those who agreed supported our proposal mainly because they felt our test was similar to SAP³ and would therefore be well understood by the supply chain. However, some of these respondents asked us to clarify where our test differed from the SAP approach to defining the main space heating system of a premises.

2.3. A few of these respondents also felt that further clarification was required to define a 'fixed room heater', for example whether an open fireplace would be considered a fixed room heater.

2.4. A few respondents disagreed with our proposed test, stating that the test added complexity by deviating from SAP/RdSAP⁴. The respondents felt that as SAP already has conventions designed to handle unusual situations, such as a premises with two main space heating systems, these same conventions should be utilised in our test. One of these respondents also expressed concern that the test may provide opportunities for premises with gas fuelled heating systems to meet the definition of non-gas fuelled premises.

Q1c) Do you agree that an accredited OCDEA/DEA should conduct the assessment of the fuel type of the main space heating system of the premises where a SAP or RdSAP calculation is used to demonstrate this?

2.5. The majority of respondents agreed that an OCDEA/DEA should conduct the assessment of the fuel type of the main space heating system of a premises where a SAP or RdSAP calculation is used to demonstrate this. Those who agreed supported our proposal of using lodged EPCs, which are often used to demonstrate the score for

³ The Standard Assessment Procedure (SAP)

⁴ The Reduced Data Standard Assessment Procedure (RdSAP)

an ECO measure, are produced by accredited assessors. Two respondents felt that these assessments should always be demonstrated by a lodged EPC to ensure the assessment can be verified. One respondent emphasised that lodged EPCs are necessary for quality assurance and Ofgem could require redacted xml files in place of an EPC.

- 2.6. One stakeholder highlighted that the terms OCDEA/DEA do not apply to accredited assessors in Scotland, and therefore EPC assessors who are members of Approved Organisations that have entered into protocols with Scottish Ministers should be added to cover the requirements in Scotland.

Q1d) Are there any other aspects relating to non-gas fuelled premises in ECO2 that you think we should consider?

- 2.7. A few stakeholders requested that Ofgem create a boiler checklist for non-qualifying boilers, stating that this would support the proposed method of identifying the fuel type of the main space heating system.

Ofgem's response and requirements:

Identifying the main space heating system

- 2.8. The consultation responses indicated that our test for identifying the main space heating system in a premises required further clarification.
- 2.9. Based on these responses we have expanded our test in the guidance to clarify the different possible types of heating systems in a premises and explain which of these would be considered the main space heating system for the purpose of identifying whether the premises is non-gas fuelled. Paragraphs 1.4-1.11 in the guidance note contain the full test, amending our consultation proposal slightly. These amendments remove any ambiguity over gas-fuelled premises meeting the definition of non-gas fuelled premises.
- 2.10. The test in the guidance is standalone and therefore Appendix A of SAP does not need to be consulted to identify the main space heating system of a premises for the purpose of identifying non-gas fuelled premises. The overall approach of the test is similar to SAP, however, we have simplified some aspects to reduce complexity and administrative burden.

Demonstrating the fuel type of the main space heating system

- 2.11. As proposed in the consultation and supported by the majority of respondents, demonstrating that the main space heating system of a premises is not fuelled by mains gas or is not a district heating system can be evidenced at audit using one of the following methods depending on the measure type:

- SAP or RdSAP assessments where the assessment is conducted by an accredited SAP or RdSAP assessor⁵, and
 - the boiler assessment checklist where the operative has recorded the fuel type before and after the measure has been completed.
- 2.12. In cases where a SAP or RdSAP assessment is used the assessment should be a lodged EPC. Accredited assessors produce lodged EPCs and therefore this should be an efficient way of demonstrating that the assessment has been conducted by an accredited assessor.
- 2.13. Our guidance includes reference to the requirements in Scotland for accredited SAP and RdSAP assessors.
- 2.14. Our guidance also includes a post-installation SAP or RdSAP assessment as an additional option for evidencing that measures which improve the insulating properties of a premises have been installed at a non-gas fuelled household.

Additional aspects relating to non-gas fuelled premises

- 2.15. There is no requirement in our guidance to demonstrate that non-qualifying boiler replacements have been installed in non-gas fuelled premises as the ECO2 Order does not set out uplifts or conversion factors for these measures. As such, a checklist for non-qualifying boilers is not necessary for this purpose although the need for a non-qualifying boiler checklist will be considered for ECO2.

⁵ A SAP or RdSAP assessor in England and Wales is either an On Construction Domestic Energy Assessor or a Domestic Energy Assessor (OCDEA/DEA) or in Scotland those who are members of Approved Organisations. Approved Organisations are those that have entered into protocols with Scottish Government to deliver Energy Performance Certificates.

Consultation responses to Question 2

Qualifying warranties for replacement boilers

Summary of responses

2.16. Fourteen stakeholders responded to Question 2.

Q2a) Do you agree with our proposal to use the boiler definition from Appendix 2 of the ECO Guidance? If not, can you suggest an alternative definition?

Q2b) Do you agree with our definition of a heating system and the components a heating system comprises? If not, can you suggest an alternative definition?

2.17. The majority of respondents agreed with our proposed definitions of boilers and heating systems. However, most respondents indicated that not all boilers and heating systems will include all of the components listed in the definition. Many also highlighted that, in most cases, installers will only work on some of the components listed in the definition during a boiler replacement, and that our policy should take this into account.

2.18. A number of respondents suggested that requiring the warranty to cover the rectification of any problem that affects the functioning of the replacement boiler or heating system is excessive. These stakeholders requested that the scope of the warranty is limited to those parts of the boiler and heating system specified by the manufacturer's instructions and section 4 of PAS 2030:2014 Edition 1.

2.19. Two respondents requested that we clarify that 'programme/timer' means one that is integral to the boiler, as opposed to any programmers or timers on the heating system.

2.20. One respondent requested that the word 'working' in the definition⁶ of a heating system and boiler was removed. This stakeholder felt that the term 'working' is open to interpretation and could result in cases whereby one installer would determine that work is required to upgrade a heating system to meet the definition of 'working', while another installer may determine that the system is 'working' without the need for upgrade.

⁶ 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.

Q2c) Do you think that there are alternative ways to demonstrate that a qualifying warranty has been provided to the occupier?

2.21. The majority of respondents agreed that a customer declaration was necessary to evidence that a one year warranty has been provided free of charge to the occupier. However, many of these stakeholders disagreed with the proposal to include the declaration on a copy of the qualifying warranty. These stakeholders argued that the warranty would often not be available on the day of handover for the occupier to sign, but would be made available at a later date. Further to this, stakeholders highlighted that they are likely to be working with a variety of warranty providers and therefore providing the same declaration on each variation of a qualifying warranty to Ofgem could result in additional administrative work. Based on this, several stakeholders suggested that the customer declaration be added to an existing document such as the ECO Reporting Working Group declaration of conformity and completed installation. A few of the respondents asked that we are not prescriptive in how stakeholders evidence the customer declaration.

Ofgem's response and requirements:

Boiler and heating system definitions

2.22. In line with the consultation responses, we have refined our definition of boilers and heating systems to state that they may comprise some or all of the components listed. We have also clarified that the 'programme/timer' listed in the boiler definition relates to one that is integral to the boiler.

2.23. The reference to a 'working domestic central heating system' has been removed from our guidance on the boiler definition for qualifying warranties. This is not relevant for the purpose of defining a boiler for a qualifying warranty. However, a replacement boiler that is not connected to a working heating system will not be eligible under ECO as heating savings will not be achieved if the heating system is not working.

Qualifying warranty declaration

2.24. The ECO2 Order states that a replacement boiler must be accompanied by a qualifying warranty and that this warranty must be accompanied by a declaration from the occupier demonstrating that the warranty was provided free of charge. Whilst we recognise that there may be difficulties in providing a copy of the warranty for the occupier to sign if the warranty is not available on the day of completed installation, the Order is prescriptive about the way the declaration is completed.

2.25. Our guidance requires a copy of the warranty with the signed declaration on it to be made available at audit.

Qualifying warranty requirements

2.26. To provide further detail on the scope of the warranty in relation to installation and design work we have clarified that, generally, the scope of work required to install a boiler is as described in the manufacturer's instructions. Design work is defined as the suitability of the replacement boiler for the heating system it is intended to serve, including appropriate sizing.⁷

Q2d) Are there any other aspects relating to qualifying warranties for replacement boilers in ECO2 that you think we should consider?

2.27. Other points raised by stakeholders included:

- One respondent requested that wording should be added to the customer declaration to indicate that the occupier has been shown the correct way to operate the new system.

Ofgem's response: Both PAS and manufacturer's instructions require that the operation of the boiler and system controls are demonstrated to the occupier, we therefore do not think it is necessary to add this requirement to the occupier declaration. This will also be considered for the technical monitoring questions under ECO2.

- One respondent suggested that the warranty should relate to the property and, more specifically, to the meter (as per the Green Deal). Another stakeholder also requested clarification on the transfer conditions of the warranty.

Ofgem's response: We have reviewed existing boiler warranties available across the industry. As we understand, the validity of a warranty is conditional on the boiler not being moved without authorisation once installed. Suppliers should therefore follow industry standards where the warranty is tied to the original installation work in terms of the property and location in which it is installed. We do not think it is appropriate to require the warranty to relate to the property's meter as the savings under ECO are not linked to the meter specifically as they are in the Green Deal.

- Some respondents asked for the warranty to be backed by an independent provider.

Ofgem's response: We do not require a qualifying warranty to be backed by an independent provider, such as an insurance provider. However, the

⁷ The definition of 'design work' encompasses, but is not limited to, the requirements under section 4 of PAS 2030:2014 Edition 1.

requirements of the warranty do not prevent independent backing if suppliers wish to have this additional assurance.

- One respondent requested further clarification of the terms 'misuse' and 'negligence'.

Ofgem's response: *As these are frequently used legal terms we do not believe they require further clarification.*

- One stakeholder sought reassurance on whether the fuel source of a boiler includes bio-fuels, and therefore how this will affect the definitions.

Ofgem's response: *The definition of a boiler in our guidance refers to gas, liquid and solid fuelled appliances which includes bio-fuels. Please note, the definition of a boiler lists some of the most common components found in domestic boilers run on various fuel types and is non-exhaustive.*

- One respondent requested that the customer declaration could be signed by either the landlord or tenant.

Ofgem's response: *The ECO Order specifies that the declaration must be from the occupier of the premises.*

3. Consultation responses to Question 3

Warranties for replacement electric storage heaters

Summary of responses

3.1. Fifteen stakeholders responded to Question 3.

Q3a) Do you agree that the warranty should be for the functioning of the entire electric storage heater installed and that this can be demonstrated by a manufacturer's warranty?

Q3b) If more than one electric storage heater is installed in the premises, do you agree that one warranty covering all of the replacement electric storage heaters is sufficient?

3.2. The majority of respondents agreed that a manufacturer's warranty would sufficiently cover the entire replacement electric storage heater, although they asked for clarification on the scope of the warranty.

3.3. Conversely, a number of stakeholders believed that a separate installation warranty was needed for the replacement electric storage heater to ensure that:

- the electric storage heater is appropriately sized
- an assessment of the existing electrics is carried out
- electrical wiring to the system is correctly carried out, and
- the manufacturer's instructions have been followed.

3.4. Several respondents requested that electric storage heater warranties be subject to the same exclusions as boiler warranties, in that only the components installed or checked prior to installation should be included in the scope of the warranty.

3.5. Most stakeholders agreed that one warranty would be sufficient to cover all replacement electric storage heaters in a premises where more than one has been installed. However, one respondent believed that each electric storage heater would need to have its own warranty as they have individual serial numbers.

3.6. One stakeholder asked for further guidance on how to evidence which electric storage heaters are covered by the warranty where it covers more than one heater.

Ofgem's response and requirements:

Electric storage heater warranty requirements

- 3.7. We have considered the issues raised by respondents on the limitations of a manufacturer's warranty. However, we are satisfied that a manufacturer's warranty meets the legislative requirements for a warranty for replacement electric storage heaters and will cover the functioning of the entire electric storage heater.
- 3.8. A checklist will be produced for 'qualifying electric storage heaters' and we will consider including questions about the size and suitability of the replacement electric storage heater in this checklist to ensure that appropriate measures are installed.
- 3.9. We are currently revising the technical monitoring questions for replacement electric storage heaters under ECO2 and we will ensure that the questions relating to installation quality are included.
- 3.10. Manufacturers have confirmed that where one warranty covering more than one replacement electric storage heater is provided, information on the various models and serial numbers of each storage heater will be made available and can be included on the warranty.

Q3c) Are there any other aspects relating to warranties for replacement electric storage heaters in ECO2 that you think we should consider?

3.11. Other points raised by stakeholders included:

- One stakeholder suggested that the warranty should relate to the property and, more specifically, to the meter.

Ofgem's response: This will be determined by the manufacturer's warranty for the product.

- Some respondents asked that the warranty be backed by an independent provider.

Ofgem's response: We do not require the warranty to be backed by an independent provider such as an insurance provider. However, the requirements of the warranty do not prevent independent backing if suppliers wish to have this additional assurance.

- A number of respondents asked that an electric storage heater checklist is created to enable installers to declare that the installation has been sized correctly, has been installed in line with manufacturer's instructions and to capture pre and post installation location to mitigate duplication of measures notified under ECO.

Ofgem's response: *We will create a checklist for qualifying electric storage heaters to demonstrate eligibility for repair or replacement.*

- A few stakeholders requested guidance on how to identify qualifying and non-qualifying electric storage heaters and how to evidence a broken down electric storage heater.

Ofgem's response: *This will be covered in our second ECO2 consultation which can be found [here](#). The deadline for responses is 21 January 2015.*

- One respondent asked how to score electric storage heaters that are not included in SAP/RdSAP.

Ofgem's response: *As we understand, SAP/RdSAP covers all types of electric storage heaters currently available on the market. If a particular type of heater cannot be scored in SAP/RdSAP, it will require an appropriate methodology. Suppliers should contact us before installing such measures.*

- Further clarification was sought on how to calculate the cost scores for qualifying electric storage heater repairs and replacements, in particular, on how we expect suppliers to evidence the number of electric storage heaters already in the property and the proportion of the property that they heat.

Ofgem's response: *This will be covered in our final ECO2 guidance as qualifying electric storage heaters are only introduced from 1 April 2015.*

- One respondent questioned why a customer declaration stating that a warranty had been provided free of charge is required for boiler replacements but not required for electric storage heater replacements.

Ofgem's response: *The ECO Order states that a replacement boiler must be accompanied by a declaration from the occupier stating that a warranty has been provided free of charge, this is not the case for electric storage heater replacements. We do not think it is necessary to add this requirement for electric storage heater warranties.*

Appendices

Index

Appendix	Name of Appendix	Page No.
1	Consultation respondents	17

Appendix 1 – Consultation respondents

We received 18 responses; we have published these on our website, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-consultation-revisions-guidance-suppliers>

The 18 responses on our website came from the following stakeholders:

1. British Gas Ltd
2. Climate Energy Ltd
3. EDF Energy
4. Energy UK
5. Elmhurst Energy
6. E.ON
7. First Utility
8. GDC Group Ltd
9. Glass and Glazing Federation
10. Green Deal Consortia
11. Help Link
12. Quidos Limited
13. RWE npower
14. Scottish Government
15. Scottish Power Energy Retail Limited
16. SSE Energy Supply Ltd
17. Sustain Ltd
18. Warranty Services Limited