

All obligated parties

Email: ecocompliance@ofgem.gov.uk

Date: 13 March 2015

Dear Supplier,

Ofgem's¹ approach during closedown of Electricity and Gas (Energy Companies Obligation) Order 2012 (ECO 1)

As we move towards the closedown of ECO 1, we believe it would be helpful to suppliers to outline our approach to some of the decisions that will be required in order to make a final determination of the scheme. As such, this letter outlines our proposed approaches in general terms. However, note that any savings decision will be based on the individual circumstances of the measure(s).

Appendix one to this letter sets out a summary of the key compliance issues, and our clarification of the existing guidance, including deadlines where applicable, on the approach to be taken by Ofgem and obligated parties as applicable.

Appendix two provides an updated timetable of key milestones and dates for the closedown of ECO 1.

Please contact ecocompliance@ofgem.gov.uk should you have any further questions.

Yours sincerely,

Mary Smith
Head of ECO Operations

¹ Ofgem is the office of the Gas and Electricity Markets Authority (GEMA) and the terms "Ofgem" and "GEMA" are used interchangeably in this document

Appendix 1: Ofgem guidance on our approach to the closedown of ECO 1²

	Issue	Standard approach
1.	De-duplication – duplicate measures still exist on 30 June 2015	<p>If intra supplier (or within a group of suppliers) – refuse/revoke savings for measure notified second.</p> <p>If inter supplier (and not part of a group of suppliers)– refuse savings for both suppliers and issue “minded to” letters three weeks prior to 30 June 2015, in order that we can make a decision on that date.</p>
2.	Score verification – scores not verified for measures by 23 June 2015	To refuse/revoke savings for measures where the score has not been verified.
3.	ESAS verification – ESAS number not verified and other AWG evidence not provided for measures by 23 June 2015	<p>To refuse savings for measures where the ESAS number has not been verified and alternative evidence not provided.</p> <p><i>Please see Supplier Guidance section 7.47 – 7.52 for further details on ESAS verification.</i></p>
4.	Residual addresses – addresses not verified by 23 June 2015	To refuse savings for measures where address has not been verified.
5.	Measure amendments – amendment not approved (outstanding queries with request) or still ‘with supplier’ (measure not resubmitted) by 23 June 2015	<p>If amendment request relates to eligibility criteria and a supplier has not satisfied us that these are met, to refuse/revoke savings for the measure.</p> <p>If amendment request does not relate to eligibility criteria, to attribute savings for the measure.</p>
6.	Secondary measures – secondary measures notified and the corresponding primary has not been notified by 23 June 2015	<p>To refuse savings for secondary measures where there is no approved primary measure, applying the six month rule where applicable.</p> <p><i>Please see Supplier Guidance section 5.12 – 5.15 for further details on secondary measure eligibility.</i></p>
7.	Wall Insulation Guarantees – wall insulation measures do not have an appropriate guarantee in place by 23 June 2015	<p>To adjust lifetime for wall insulation measures where appropriate guarantee not in place. It is likely measure savings will be changed as a result.</p> <p><i>Please see Supplier Guidance section 8.22 – 8.24 for further details on guarantees.</i></p>
8.	Technical Monitoring (remedials) – failed measure not remediated by 23 June 2015	<p>To be treated case-by-case.</p> <p>If fail is deemed material, to refuse/revoke savings for the measure.</p> <p><i>Please see Supplier Guidance section 15.20 – 15.41 and Ofgem’s letter to suppliers on 12 November 2014 for further details on</i></p>

² Certain of the functions set out below are matters of discretion for Ofgem. As such, Ofgem reserves the right to either vary or revoke the guidance set out in this letter as required

	Issue	Standard approach
		<i>technical monitoring.</i>
9.	Technical Monitoring (scoring) – measures that failed TM scoring checks not rescored by 23 June 2015	To be treated case-by-case. If fail affects the score awarded, to refuse/revoke savings for the measure. <i>Please see Supplier Guidance section 15.20 – 15.41 and Ofgem’s letter to suppliers on 12 November 2014 for further details on technical monitoring.</i>
10.	Re-election requests – outstanding re-election requests at 30 April 2015	To approve these requests for approved measures, subject to satisfaction that the obligation from which the measure is re-elected will be met. <i>Please see Supplier Guidance section 14.16 – 14.33 for further details on re-elections.</i>
11.	Transfer requests – outstanding transfer requests at 30 April 2015	To approve these requests for approved measures, subject to satisfaction that the obligation from which the measure is transferred will be met. <i>Please see Supplier Guidance section 12 for further details on transfers.</i>
12.	Extension requests – insufficient information to make decision on extension requests by 31 May 2015	Approve request if sufficient evidence provided by 31/05/2015; Refuse request if insufficient evidence provided by 31/05/2015. <i>Please see Supplier Guidance section 9.25 – 9.37 for further details on extension requests.</i>
13.	Boiler repairs – the percentage of savings in HHCRO for boiler repairs exceeds 5%	We will refuse or revoke savings on relevant measures, working backwards from the most recently installed, until the percentage of savings for boiler repairs is equal to, or less than, 5%. <i>Please see Supplier Guidance paragraph 7.12.</i>
14.	Adjoining areas - volume of carbon installed in adjoining areas exceeds permitted percentage at time of final adjoining area determination (July 2015)	We will revoke savings for measures that exceed the limit, with suppliers to select measures. If suppliers do not provide their selection, measures will be removed in order of date installed, working backwards from the most recent. <i>Please see Supplier Guidance section 6.10 – 6.24 for further details on adjoining areas and our determination.</i>
15.	Levelisation – suppliers do not submit measures for levelisation	Ofgem will make measure selection for levelisation in installation date order,

	Issue	Standard approach
	by requested deadline	working backwards from the most recent. <i>Please see Supplier Guidance section 13.19 – 13.25 for further details on the levelisation process.</i>
16.	Incomplete installations – installations incomplete at 31 March 2015	If measures are not complete, suppliers should consider their eligibility for ECO2 and notify them in accordance with that legislation. <i>Please see our Supplier Guidance (sections 9.6 – 9.13) for information on when we consider measures are complete.</i> <i>Eligible measures under ECO2 are referenced in the ECO2 Order³.</i>
17.	Installers/3rd parties go into administration – suppliers unable to evidence that measures comply with ECO requirements	To be treated case-by-case: Allow suppliers opportunity to provide whatever alternative evidence they can and judge on this basis; if unable to produce relevant documentation then refuse/revoke savings.

³ http://www.legislation.gov.uk/ukxi/2014/3219/pdfs/ukxi_20143219_en.pdf

Appendix 2 – Key milestones (correct as at the date of this letter)

Date	Event	Area	Action by
31/03/2015	Last installation date for ECO1 measures	ECO1	Suppliers
30/04/2015	Last notification of ECO1 measures by suppliers	ECO1	Suppliers
30/04/2015	Last notification of ECO1 transfers or re-elections by suppliers	ECO1	Suppliers
31/05/2015	Last date for submission of extension requests	ECO1	Suppliers
31/05/2015	Last date for submission of TM reports	ECO1	Suppliers
23/06/2015	Last date for suppliers to upload measure corrections/submit evidence/verify scores	ECO1	Suppliers
30/06/2015	Duplicates resolved	ECO1	Suppliers
Jul-15	Provisional final decision to approve/reject measures	ECO1	Ofgem
Jul-15	Adjoining area determination	ECO1	Ofgem
Jul-15	Boiler repair percentage determination	ECO1	Ofgem
30/09/2015	Final determination on ECO1	ECO1	Ofgem
30/09/2015	Final report on ECO 1	ECO1	Ofgem