

Energy Company Obligation (ECO)

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ECO1 Closedown Update

Lifetime for wall insulation measures without an ECO appropriate guarantee

Under ECO1, wall insulation measures which are delivered without an appropriate guarantee will be awarded a default lifetime of **2 years**, unless alternative assurance is available.

We will consult on this position in autumn 2015 for the purposes of measures delivered under ECO2.

Introduction

It is our interpretation that the policy intent under ECO is for wall insulation measures to be accompanied by a 25 year guarantee for the purposes of consumer protection and to protect the associated lifetime savings.

Wall insulation measures can achieve significant carbon savings (and heating cost savings) in domestic premises across several decades. This is recognised by standard lifetimes of up to 42 years for measures delivered under ECO.

However, where these measures are installed poorly or in unsuitable premises, there is a risk of potentially serious problems developing, which undermines the savings achievable and could cause damage to the fabric of the building and distress to its occupants.

To mitigate against these risks and to protect consumers from any associated costs, the Green Deal Code of Practice requires a 25 year guarantee for wall insulation measures; where a compliant guarantee is not provided, the measure is not eligible under relevant parts of the Green Deal.

The standard lifetimes for ECO wall insulation measures are supported by an 'appropriate' guarantee which meets four criteria including; financial assurance, 25 year duration, covers repair or replacement, and installation in accordance with a suitable quality assurance framework.

ECO Appropriate Guarantees

Under ECO, the 25 year guarantee gives assurance in two key ways that the standard lifetime savings will be achieved:

- There is a mechanism in place to ensure these measures will be repaired or replaced in the event that the measure fails within 25 years. This in turn gives us confidence that the measure is likely to achieve savings for the full lifetime of the measure.
- These guarantees are issued on the basis of a quality assurance framework which addresses installer competence, product quality and the suitability of installations for the premises being treated. This gives us assurance that there is a mechanism in place to reduce the risk of the measures failing.

Reduced ECO Lifetime

Where wall insulation measures are notified under ECO without an accompanying appropriate guarantee, we will contact the energy company to identify key information that will help us determine the lifetime to be awarded for that measure. The lifetime will depend on which of the four scenario types outlined below the measure fits into.

	Scenario type	Details	Approach
1	Not eligible ECO measure	<ul style="list-style-type: none"> • The installer is not PAS 2030-certified • There is no evidence the measure has been installed in accordance with building regulations • Other core ECO eligibility criteria are not met 	This is not an eligible ECO measure. To be rejected through our standard rejections process.
2	Limited assurance that standard lifetime savings will be achieved	<ul style="list-style-type: none"> • The installer conceals lack of guarantee from energy company • Guarantee was applied for but not issued due to concerns about quality and/or suitability of the installation • Guarantee was applied for but not issued as no system certificate was valid for the measure and no equivalent assurance provided • Guarantee not issued as applied for retrospectively 	We have limited assurance regarding the quality of installation of the measure. These measures will receive the default lifetime of 2 years.
3	Some assurance that standard lifetime savings will be achieved	<ul style="list-style-type: none"> • Proactive discussions pre-installation to find alternative route to supporting lifetime • Guarantee quality assurance rules were followed but guarantee was not issued and installer now ceased to trade 	There is some assurance regarding the quality of installation of the measure. There <i>may</i> be sufficient assurance for these measures to have up to the applicable standard lifetime. Measures will be assessed on a case-by-case basis
4	No guarantee available	<ul style="list-style-type: none"> • It is not possible to obtain a guarantee for this measure type as no appropriate guarantee is available <p><i>[Note: we are not currently aware of any wall insulation measure types where a guarantee is not available]</i></p>	Ofgem to engage guarantee companies to anticipate such cases in advance. If presented, identify whether this is something that could receive a guarantee either in this instance or in future. If not, consider whether additional assurance is available for this measure type. Award up to the applicable standard lifetime for the measure, subject to no other concerns.

Our analysis shows that scenario type 2 is most common. For these measures, a 2 year lifetime is awarded to take account of the following factors:

- **Failure more likely**

Scenario type 2 measures are more likely to have been installed poorly or to unsuitable premises and are therefore more likely to fail. Of those measures which do fail, we understand that over 10% are likely to present within the first two years; the most serious problems relating to water penetration are likely to present after this period.

- **Length of scheme**

Each ECO obligation period lasts for approximately 2 years.

- **Replacement and double-counting under future schemes**

Wall insulation measures which do not have a guarantee may be eligible for funding for replacement under ECO2 or a future government scheme (in the event of measure failure). This should offer a route to these measures being repaired or replaced if they fail. We will consider whether standard lifetimes for replacement measures should be reduced if notified under ECO2.

A lifetime of 2 years will help avoid double-counting of carbon savings across ECO and subsequent schemes.