

Energy Company Obligation (ECO)

October 2015

www.ofgem.gov.uk/eco

ECO2 guidance note

Pathways to compliance with the requirements for monitoring: Information for the ECO supply chain

Background

This note explains what we will do in response to poor performance for both technical and score monitoring. Poor performance is where the monitoring requirement is not met or failure rates are unsatisfactory (collectively referred to as the requirements for monitoring). The pathways explain when we will act, and what suppliers need to do to avoid approval of measures being rejected or revoked.

The pathways to compliance process provides for Ofgem to take action in response to poor performance for individual quarters and across consecutive quarters.

What are the pathways to compliance?

Technical and score monitoring help to ensure that measures notified under ECO meet the required standards and are scored accurately. Where we encounter poor performance in relation to our requirements for monitoring, the pathways to compliance detail the steps we will take to gain confidence that ECO measures are installed to a sufficient standard and scored accurately. The pathways do not introduce any new requirements; they build on the core principles of our response to poor performance contained in Chapter 9 (page 81) of the [ECO2 Guidance: Delivery](#), which we consulted on in December 2014.

Why is Ofgem doing this?

We are publishing this information in the interests of clarity and transparency to show which pathways will be triggered where the requirements for monitoring are not met. This helps the supply chain understand how we will respond to poor performance.

We expect to follow these pathways in the majority of cases; however, where there are exceptional circumstances we will take this into account. This flexible approach allows us to be targeted and proportionate in tackling poor performance, so that installers that comply with the required standards are not subject to any further action.

The pathways will not come into effect until we receive the results of monitoring conducted on ECO measures in the second quarter of ECO2 (July to September 2015). We will, however,

take into account any concerns raised in the first quarter of ECO2 regarding particular subsets of measures when considering whether to take 'consecutive quarters' action.

What are the requirements for monitoring?

Monitoring requirement

The monitoring requirement is the level of monitoring a supplier must report to us each quarter. There are two components, which are considered separately:

- 5% monitoring per measure type ('measure type rate'), and
- 3% monitoring per installer ('installer rate').

A pathway to compliance will be triggered where the measure type rate or installer rate is not achieved by a supplier. Where applicable, pathways will be followed for both score and technical monitoring, but with the results of each considered independently.

If an installer is responsible for fewer than 100 measures in a quarter, for one supplier, at least one measure must be monitored. Where this is not achieved *for two consecutive quarters*, the action we will take is determined by the number of measures notified by a supplier for that installer.

Satisfactory failure rates

Monitoring is designed to ensure that measures are installed to a high standard (technical monitoring) and scored accurately (score monitoring).

A technical monitoring failure rate of more than 10% per installer or per measure type per installer will trigger further action. For score monitoring we have initially set the trigger failure rate at 20% per installer. However, given the changes introduced for ECO2 score monitoring we will review how appropriate this trigger rate is based on the results we receive.

The failure rate will determine the pathway(s) we will follow, and the time suppliers will have to give us confidence in the remaining measures in that subset.

How do the pathways to compliance affect me?

It is important that all members of the supply chain are aware of our requirements for monitoring and how we will respond to poor performance. It is the supplier's responsibility to meet the requirements for monitoring, but we understand that sometimes suppliers ask installers to arrange monitoring on their behalf. Where a supplier fails to meet the monitoring requirement for an installer in a specific quarter, ie less than 3% of an installer's measures are monitored, these measures will be considered 'at risk'¹, even if the installer was not involved in arranging the monitoring.

Installers are considered separately for each supplier. However, where we see trends across suppliers we may take action. We will notify each supplier of the outcomes of their monitoring and if/where the pathways to compliance have been triggered due to poor performance, one

¹ 'At risk' refers to measures that are subject to further scrutiny. Where suppliers do not take the appropriate action to address poor performance, the approval of these measures is at risk of being refused or revoked. However, putting a measure at risk does not remove any existing approval for that measure.

month after submission of their monitoring results. Pathways begin when monitoring reports are submitted to us at the end of the month following a quarter, at which point suppliers should have a good understanding of their performance for that quarter.

The pathways will not be triggered for subsets of measures where we are confident that ECO measures of specific types, or installed by specific installers, meet our requirements for monitoring, are installed to the required standards and are scored accurately.

If the monitoring results lead us to have concerns about subsets of measures installed in a specific quarter, for example loft insulation installed by a particular installer, we may consider measures of that subset to be at risk until we have sufficient confidence in the quality and/or accuracy of scoring of those measures. Suppliers can give us sufficient confidence through, for example, reporting additional monitoring inspections, implementing an improvement plan that demonstrates action has been taken to avoid similar problems with that subset, or an audit. Once we have sufficient confidence in the measures they will no longer be considered at risk.

If we do not gain sufficient confidence within the timescales outlined in the pathways to compliance then we will issue 'minded to' notices for the relevant subsets of measures and may revoke or refuse approval of those measures.²

The flow diagram on the next page illustrates what we will do when we receive a supplier's monitoring results for a specific quarter.

Further information

If you have any questions about the pathways to compliance and their implementation, you should contact your supplier. You can also email us at ECO@ofgem.gov.uk.

Full details of the pathways to compliance are available on our [website](#).

² Further information on our rejections process can be found on our website. See: <https://www.ofgem.gov.uk/publications-and-updates/eco2-notice-minded-decisions-refuse-or-revoke-approval-certain-measures>.

Overview of the pathway to compliance process

