

## Energy Company Obligation 2017-2018 (ECO2t): ECO2t consultation Part 2

### Consultation

**Publication date:** 2 February 2017  
**Response deadline:** 16 February 2017

**Team:** Energy Efficiency and Social Programmes  
**Email:** [eco.consultation@ofgem.gov.uk](mailto:eco.consultation@ofgem.gov.uk)

#### Overview:

This consultation outlines our proposed administration for some aspects of the extension to the ECO2 obligation period from 1 April 2017 to 30 September 2018.

This is the second of two consultations that we are publishing to seek views on our approach to administer the confirmed changes to the ECO2 scheme as per the government response to the ECO: Help to heat consultation. Specifically this consultation seeks views on areas not included in our ECO2t consultation Part 1.

**This consultation is open for two weeks from 2 February 2017 to 16 February 2017. We are running a shorter consultation as the changes to the scheme have only recently been confirmed. We are aware of the need to provide final guidance as close to the scheme start as possible so that stakeholders can begin planning ECO2t delivery.**

**We welcome your views on our proposals. Please send responses to [eco.consultation@ofgem.gov.uk](mailto:eco.consultation@ofgem.gov.uk) by 16 February 2017.**

# Contents

---

<b>Contents .....</b>	<b>2</b>
<b>About this consultation.....</b>	<b>3</b>
<b>1. Rural minimum requirement .....</b>	<b>7</b>
<b>2. Flexible eligibility – local authority declarations .....</b>	<b>8</b>

# About this consultation

---

## Background

The ECO2 Order 2014<sup>1</sup> sets out the requirements for the ECO2 obligation period, which is due to end on 31 March 2017. The Department of Business, Energy and Industrial Strategy (BEIS) has confirmed an extension to the ECO2 scheme of 18 months to 30 September 2018. Details of the changes to the scheme can be found in the government response to the ECO: Help to heat consultation.<sup>2</sup>

This consultation asks specific questions on areas of ECO2 where Ofgem E-Serve ('we', 'us' and 'our' in this document) will be exercising our discretion in administering the changes to ECO2 from 1 April 2017 onwards.

In developing our guidance for the extension to ECO2 (ECO2t) we decided to issue two separate consultations: ECO2t Part 1 and ECO2t Part 2. This consultation, ECO2t Part 2, focuses on changes to the ECO2 scheme that were not detailed in the draft amendments to the ECO2 Order<sup>3</sup> but have subsequently been confirmed in the government response to the ECO: Help to heat consultation.

The ECO2t consultation Part 1 covered the majority of changes for the extension period and we have published our consultation response which includes changes we have made as a result of the responses we received.<sup>4</sup>

This consultation focuses on the following areas:

- flexible eligibility – delivery to non-fuel poor private tenure households, where they are near to low income or fuel poor households, to facilitate multi-property projects for solid wall insulation
- flexible eligibility – the requirement on local authorities to publish a statement of intent before issuing any declarations, and
- rural minimum requirement – a supplier must deliver 15% of its CERO to premises in rural areas.

---

<sup>1</sup> <http://www.legislation.gov.uk/uksi/2014/3219/contents/made>

<sup>2</sup> <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

<sup>3</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/536679/Illustrative\\_draft\\_of\\_the\\_Electricity\\_and\\_Gas\\_Energy\\_Company\\_Obligation....pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536679/Illustrative_draft_of_the_Electricity_and_Gas_Energy_Company_Obligation....pdf)

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2-transition-consultation-part-one>

Table 1 summarises the timeline for the ECO2t consultation process.

	<b>ECO2t Part 1</b>	<b>ECO2t Part 2</b>
<b>Consultation launch</b>	12 October 2016	2 February 2017
<b>Consultation close</b>	23 November 2016	16 February 2017
<b>Publications following our assessment of responses</b>	<p>Consultation response (ECO2t Part 1)</p> <p>Once the amended Order is laid before Parliament we will publish updated draft guidance, including changes from ECO2t Part 1 consultation and deemed scores</p>	<p>Consultation response (ECO2t Part 2)</p> <p>Final guidance (Administration and Delivery)</p>
<b>Publication date</b>	31 January 2017	April 2017

**Table 1** ECO2t consultation process

### Format of this consultation

This consultation seeks views on our proposed administration of the policies which have been confirmed since the government published its response to the ECO: Help to heat consultation.

These proposals have been formed on the basis of the information available to us at this time and may change once the amended regulations are finalised.

The remainder of this document covers each proposed policy in turn. We outline the change in policy and how we propose to administer the change.

We have also provided draft guidance in a separate document to give as much detail on our proposals as possible. The draft guidance is for reference only, to illustrate how our proposals may appear in guidance. After the consultation has ended and we have analysed the responses, we will update the draft guidance accordingly.

Each section of guidance is marked to show whether it will be included in the Administration or Delivery guidance.

The draft guidance contains paragraph numbers for the purpose of cross referencing in consultation responses. However, please note the guidance is not a complete draft and so the paragraph numbers will change in the final version.

## ECO2t guidance

We will publish new versions of both the Administration and Delivery guidance documents for ECO2t. These documents will contain all relevant information for measures installed from 1 April 2017.

The ECO2 guidance documents will remain live until we make our final determination for ECO2 by 31 March 2019.<sup>5</sup> However, the information and requirements within them will only apply to ECO measures installed from 1 April 2015 to 31 March 2017.

We expect to publish final versions of our ECO2t Administration and Delivery guidance documents as soon as we can, although this is likely to be after 1 April 2017.

## Next steps

The consultation is open from 2 February 2017 to 16 February 2017. Please send your responses to: [ecoconsultation@ofgem.gov.uk](mailto:ecoconsultation@ofgem.gov.uk). We are running a shorter consultation than normal so that we can provide final guidance for stakeholders as close to the start of the scheme as possible.

During the ECO2t Part 2 consultation period we will conduct further stakeholder engagement about the proposed changes. This will give stakeholders an opportunity to further understand the proposals and provide feedback, which will be taken into account in our response.

We aim to publish our response, including a summary of responses in April 2017. Unless marked confidential, all responses will be published on our website.

## Useful links

### **BEIS Help to Heat consultation document**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/531964/ECO\\_Help\\_to\\_Heat\\_Consultation\\_Document\\_for\\_publication.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531964/ECO_Help_to_Heat_Consultation_Document_for_publication.pdf)

### **BEIS Help to Heat government response**

<https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

### **Draft amendments to the ECO2 Order**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/536679/Illustrative\\_draft\\_of\\_the\\_Electricity\\_and\\_Gas\\_Energy\\_Company\\_Obligation....pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536679/Illustrative_draft_of_the_Electricity_and_Gas_Energy_Company_Obligation....pdf)

### **Ofgem Energy Company Obligation 2017-2018 (ECO2t): ECO2t consultation Part 1**

---

<sup>5</sup> We will make our final determination for CSCO by 30 September 2017.

[https://www.ofgem.gov.uk/system/files/docs/2016/10/eco2t\\_consultation\\_part\\_1\\_2.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/10/eco2t_consultation_part_1_2.pdf)

**Ofgem Energy Company Obligation 2017-2018 (ECO2t): ECO2t consultation response Part 1**

<https://www.ofgem.gov.uk/publications-and-updates/response-eco2t-consultation-part-one>

**ECO2 Order**

The Electricity and Gas (Energy Company Obligation) Order 2014:

<http://www.legislation.gov.uk/uksi/2014/3219/contents/made>

**ECO2 Guidance: Administration (V1.1)**

<https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2015-17-eco2-guidance-administration>

**ECO2 Guidance: Delivery (V1.1)**

<https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2015-17-eco2-guidance-delivery>

# 1. Rural minimum requirement

---

**For information only.** *We do not have any discretion over this requirement but wanted to give stakeholders clarity on how it will be administered.*

The recent BEIS response to the ECO: Help to heat consultation has introduced a requirement that a supplier must deliver a minimum of 15% of its phase 3 CERO in rural areas.<sup>6</sup>

This requirement applies to a supplier's phase 3 CERO and must be met through measures installed from 1 April 2017 to 30 September 2018.

A rural area is defined as listed in the 2014 low income and rural document.<sup>7</sup> We are also planning to update the current CSCO tool<sup>8</sup> to allow suppliers to check that measures are installed in eligible rural areas.

For more details on the rural minimum requirement please see Chapter 2 of our draft ECO2t Part 2 guidance published alongside this consultation.

---

<sup>6</sup> <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

<sup>7</sup> See: <https://www.gov.uk/government/publications/The-Future-of-the-Energy-Company-Obligation-Small-Area-Geographies-Eligible-for-ECO-CSCO-Support>.

<sup>8</sup> <https://csc0.locationcentre.co.uk/>

## 2. Flexible eligibility – local authority declarations

---

**What are we consulting on?** *Our proposed administration of in-fill for delivery of solid wall insulation to non-fuel poor households and our proposed evidence requirements for evidencing that a local authority published a statement of intent before making any declarations.*

- 1.1 In our ECO2t consultation Part 1 we consulted on elements of flexible eligibility (see paragraphs 2.90-2.98 of the consultation response).<sup>9</sup> Since we published our Part 1 consultation, BEIS has published the government response to the ECO: Help to heat consultation.<sup>10</sup> This includes further detail on the flexible eligibility provision and as such we are now consulting on how to administer these additions.
- 1.2 The provision for flexible eligibility allows Local Authorities (LAs) to make declarations determining a private household to be living in fuel poverty (FP), or living on a low income and vulnerable to the effects of living in a cold home (LIVC).
- 1.3 The issuing of an LA declaration for a list of households allows for measures to be installed in those households that can then be notified against a supplier's HHCRO.
- 1.4 We propose that an LA declaration should be made prior to the associated measure being installed. We may check this at audit. This is intended to reduce the risk of measures being installed in properties that do not meet the LA's targeting criteria.
- 1.5 BEIS has confirmed that in the ECO extension a supplier can deliver up to 10% of its ECO2t HHCRO through flexible eligibility.
- 1.6 BEIS has also confirmed two main additions to their flexible eligibility policy:
  - Solid Wall Insulation in-fill – an LA can determine a household as eligible for HHCRO measures, even if it has not been assessed as being FP or LIVC. These households are only eligible for the installation of solid wall insulation (SWI), and
  - Statement of intent - Prior to the issuing of any declarations an LA must publish a Statement of Intent (SoI) including details on the criteria used by that LA to determine a household to be FP or LIVC.

### SWI in-fill

- 1.7 An LA can declare households as eligible for HHCRO measures that do not meet the criteria for FP or LIVC where they are:
  - i. in the same terrace as

---

<sup>9</sup> <https://www.ofgem.gov.uk/publications-and-updates/response-eco2t-consultation-part-one>

<sup>10</sup> <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>



- ii. in an immediately adjacent building to, or
  - iii. are in the same building as
- a household that does meet those criteria. These households are known as “in-fill”.
- 1.8 Depending on the property type, a minimum percentage of households must be declared as FP or LIVC by an LA to allow delivery to the in-fill households.
- 1.9 Only solid wall insulation (SWI) can be delivered to households listed in an LA declaration as in-fill.
- 1.10 In-fill households must be listed in an LA declaration for SWI projects, alongside the FP or LIVC households that meet the relevant criteria. The LA must ensure that for each project the minimum percentages are met for FP or LIVC households against the relevant property types. The relevant percentages are outlined in our draft guidance.
- 1.11 Where a supplier delivers measures to in-fill households it must be satisfied that the relevant percentage of FP and LIVC households, are met for each project in the declaration.

### **Statement of intent**

- 1.12 LAs are required to publish a statement of intent (SoI) covering various aspects including how they intend to use the flexible eligibility provision and in particular how they will target vulnerable and fuel poor consumers. BEIS are producing a guidance note that will include detail on the contents of the SoI, and where it should be published.
- 1.13 The SoI must be published before an LA can make a declaration. Details of the SoI and its public location should be included in the declaration.
- 1.14 A supplier should check that an SoI is published before it installs any measures in a household listed on the declaration.
- 1.15 Evidence to demonstrate that the SoI was published prior to the date a declaration was made, and that it includes a methodology for targeting FP and LIVC households, must be made available at audit.

### **Other requirements**

- 1.16 The LA has responsibility for determining a household to be eligible, and suppliers are not required to undertake supplementary assessment to determine eligibility. However, if we become aware that LAs are making false declarations or not targeting people as outlined in the statement of intent we will pass this information on to BEIS.
- 1.17 It is the responsibility of suppliers to provide evidence supporting the notification (eg copies of the LA declarations) to Ofgem for compliance checking and audit purposes. If information is missing or incomplete we will approach the supplier to obtain this, not the LA.

- 1.18 When notifying measures to Ofgem, suppliers must indicate the reason that the LA declared the household as eligible. The LA declaration must outline whether a household is FP or LIVC and separately those projects that include in-fill (including whether the declaration meets the appropriate percentage requirements). BEIS will develop standardised declaration templates for LAs to record this information.
- 1.19 We have updated our draft guidance to reflect the latest regulatory position available from BEIS. In our guidance we have given more detail on our interpretation of the role of each organisation, the regulatory requirements, and how we intend to administer flexible eligibility.
- 1.20 For more details on our requirements relating to flexible eligibility please see Chapter 3 of our draft ECO2t Part 2 guidance published alongside this consultation.

## Questions

1. Do you agree that an LA declaration should be dated prior to the date of installation of the measure?
2. Do you agree with our proposed administration of SWI in-fill?
3. Do you agree with our proposed administration of evidencing that the Local Authority has published a statement of intent and that it includes the minimum required information?