

# Consultation

## Energy Company Obligation (ECO3)

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		<b>Respond:</b>	<a href="#">Online consultation response form</a>

We are consulting on our proposed administration for the Energy Company Obligation (ECO3) scheme which will run from when the ECO3 Order comes into force to 31 March 2022. We are also looking for views on how we should administer the new innovation routes and in-situ performance monitoring. We would like views from any stakeholders with an interest in the ECO scheme.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed we will consider all responses. In the interest of transparency, we will publish the responses we receive alongside a decision on next steps on our website at **[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)**. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why.

We are trialling an [online consultation response form](#) with a view to improving the efficiency of our administration consultations. As such we would prefer responses were made online but will treat all formats of responses equally.



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## 1. Introduction

### What are we consulting on?

- 1.1. The current ECO2 scheme (including the ECO2t extension period) is ending on 30 September 2018. The Department for Business, Energy and Industrial Strategy (BEIS) has consulted on a new ECO scheme starting on or after 1 October 2018, to run until 31 March 2022. BEIS have set the policy for the scheme and details of the changes for the new scheme can be found in the BEIS ECO3 Government Response.<sup>1</sup>
- 1.2. Ofgem ('we', 'us' and 'our' in this document) will administer ECO3. This consultation is seeking views on our proposed administration of any new policies outlined in the BEIS consultation response and included in the ECO3 Order, as well as some administrative improvements.

### Guide to this consultation

- 1.3. For each relevant change that the ECO3 Order sets out, we outline the current situation, what the change is, and how we propose to administer the change.
- 1.4. This consultation only addresses changes between ECO2t and ECO3, and focuses on changes that are detailed in the ECO3 Order.<sup>2</sup> As such, this consultation does not cover aspects of the scheme which will not be changing from ECO2t.
- 1.5. We have consulted separately on our proposed approach to amending the current scheme's 'deemed scores' to ensure they are suitable for the new scheme. We have published the outcome of this consultation on our website separately.<sup>3</sup>
- 1.6. In this document, 'ECO3 Order' refers to the 2018 Order to introduce ECO3.<sup>4</sup> When we refer to the 'ECO2 Order' we are referring to the current ECO2 Order (as amended).<sup>5</sup>

### Useful links

- [BEIS ECO3 Consultation](#)
- [ECO3 Government Response](#)

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<sup>1</sup><https://www.gov.uk/government/consultations/energy-company-obligation-eco3-2018-to-2022>

<sup>2</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/696440/draft\\_ECO\\_order\\_2018.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/696440/draft_ECO_order_2018.pdf)

<sup>3</sup><https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-eco-consultation-updating-deemed-scores-eco3>

<sup>4</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/696440/draft\\_ECO\\_order\\_2018.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/696440/draft_ECO_order_2018.pdf)

<sup>5</sup> The Electricity and Gas (Energy Company Obligation) 2014 (as amended)

- [Draft ECO3 Statutory Instruments \(Draft ECO3 Order\)](#)
- [ECO3 Consultation Stage Impact Assessment](#)
- [Ofgem ECO3 Deemed Scores Consultation](#)
- [Ofgem ECO2t Guidance: Administration \(V1.1\)](#)
- [Ofgem ECO2t Guidance: Delivery \(V1.1\)](#)

## Consultation stages

- 1.7. This consultation outlines our proposed administration of the ECO3 obligation period from 1 October 2018 to 31 March 2022.
- 1.8. We would ordinarily aim to provide a minimum of six weeks for our consultations. However, given the short time period before the scheme is scheduled to start, our consultation will be open for four weeks from 23 July 2018, in order to assist us in finalising our administrative approach and providing draft guidance to stakeholders as soon as possible.

**Figure 1: Consultation stages**



## Full scheme guidance

- 1.9. Our existing ECO2t administration and delivery guidance documents will remain live until we make our final determination for ECO2 (including ECO2t) by 31 March 2019.<sup>67</sup> The information and requirements within them will only apply to ECO measures installed until 30 September 2018.
- 1.10. We will publish guidance documents for ECO3. These documents will apply to measures installed from 1 October 2018. However, we may have to publish draft documents if we do not have policy clarity, for example if there is a delay in the ECO3 Order coming into force.

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<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2017-18-eco2t-guidance-administration>

<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2017-18-eco2t-guidance-delivery>

**1.11. Where a supplier follows the draft guidance they will be carrying activities out at their own risk. We may reject measures where they do not comply with the final guidance.**

## **How to respond and give feedback**

- 1.12. We want to hear from anyone interested in this consultation. We have set up an online form you can use to respond<sup>8</sup>. Alternatively, you can send your response to the person or team named on this document's front page.
- 1.13. We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.14. You can ask us to keep your response confidential, and we'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your views confidential, please clearly mark this on your response and explain why.
- 1.15. Unless you mark your response confidential, we'll publish it on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations), and put it in our library.
- 1.16. If the information you give in your response contains personal data under the General Data Protection Regulation, the Gas and Electricity Markets Authority will be the controller.
- 1.17. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in an appendix.

### **General feedback**

- 1.18. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
  2. Do you have any comments about its tone and content?
  3. Was it easy to read and understand? Or could it have been better written?
  4. Were its conclusions balanced?
  5. Did it make reasoned recommendations for improvement?
  6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

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<sup>8</sup> [https://ofgem.eu.qualtrics.com/jfe/form/SV\\_2sZzWhxxy3Xas3b](https://ofgem.eu.qualtrics.com/jfe/form/SV_2sZzWhxxy3Xas3b)

## 2. Setting supplier's obligations

### Section summary

We are providing information on obligation thresholds, the taper mechanism, obligation phases, and the trading of obligations.

## Obligation thresholds

### Current situation

- 2.1. Only large gas or electricity suppliers are currently obligated under the ECO scheme. Suppliers become obligated under the scheme when they exceed the threshold established in the ECO2 Order.
- 2.2. A supplier is obligated under ECO2 where:
  - the number of domestic customers is greater than 250,000 at the end of 31 December of any relevant year (ie 2015, 2016, or 2017), or
  - the amount of supply to domestic customers in that relevant year is greater than 2,000GWh of gas or 400GWh of electricity.
- 2.3. Additionally, any energy supplier that had an ECO1 Carbon Emissions Reduction Obligation (CERO) target is an obligated supplier for ECO2 regardless of whether it met the threshold. This is because a supplier's ECO1 CERO obligation could have been subject to an increase if the supplier did not achieve its ECO1 CERO target. However, it is possible that the licence holder may have had an obligation equal to zero for ECO2.<sup>9</sup>

### Changes

- 2.4. The supplier obligation threshold will remain at more than 250,000 domestic customer accounts for Phase 1 with revised supply volumes of 1400GWh gas and 500GWh electricity. The customer number and supply volume threshold will then be reduced for phase 2 and then reduced again for phase 3. Table 1 shows the customer number and supply volume thresholds for each obligation phase.

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<sup>9</sup> Article 4(b) of the ECO2 Order.

**Table 1: Domestic customer number and supply volume thresholds for ECO3**

		1 October 2018 to 31 March 2019	1 April 2019 to 31 March 2020	1 April 2020 to 31 March 2021	1 April 2021 to 31 March 2022
<b>Number of domestic customers</b>		>250,000	>200,000	>150,000	>150,000
<b>Supply to domestic customers</b>	<b>Electricity</b>	500GWh	400GWh	300GWh	300GWh
	<b>Gas</b>	1400GWh	1100GWh	700GWh	700GWh

**Proposed administrative approach**

- 2.5. We will account for the reduction in thresholds for phase 2 and phase 3 of ECO3, however our administrative approach will not change.<sup>10</sup>
- 2.6. We have already conducted our data collection exercise for phase 1 (1 October 2018 to 31 March 2019). The data collection date set out in the draft ECO3 Order has not been changed so we will not need to recollect the data. We will write to suppliers confirming their phase 1 obligations once the final Order is laid.
- 2.7. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

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<sup>10</sup> For more information on how we will determine each supplier’s obligation, see Chapter 4 of our ECO2t Guidance: Administration.

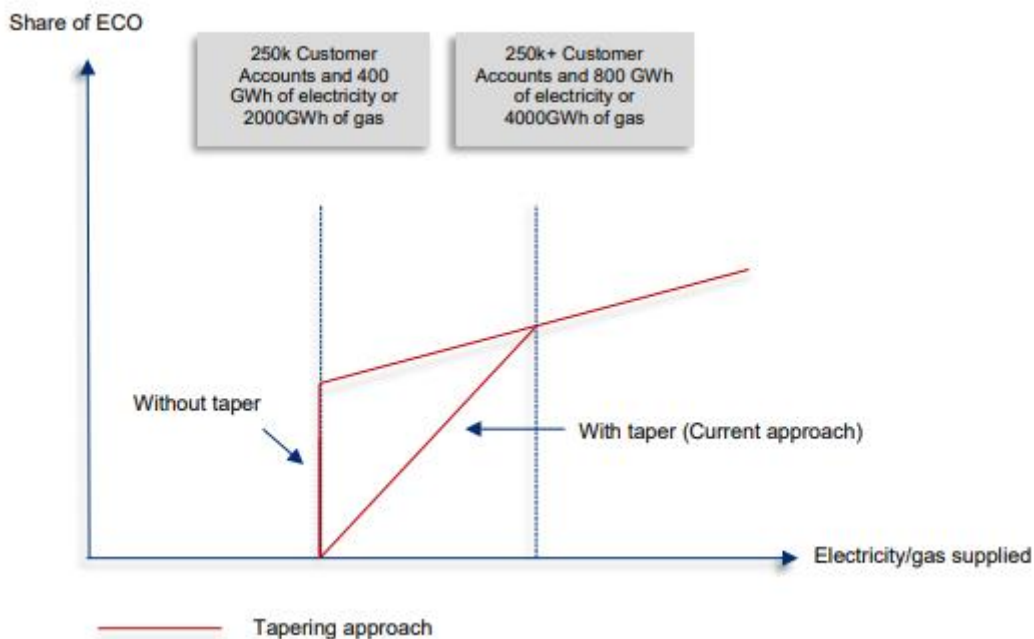


## Obligation taper mechanism

### Current situation

- 2.8. A taper mechanism exists in ECO that means that, for newly obligated suppliers, their obligation is calculated based only on their supply volume above the obligation threshold.
- 2.9. The taper means that, depending on their supply volumes when they pass the threshold, newly obligated suppliers should have a proportionally smaller share of the obligation. They then have an increasing share of the obligation as their supply volumes increase from the equivalent of 250,000 to 500,000 domestic customer accounts<sup>11</sup>. Past the equivalent of 500,000 customer accounts, a supplier’s obligation increases proportional to their market share.
- 2.10. The current taper mechanism is shown in **Figure 1**:

**Figure 1: Current taper mechanism**



### Changes

- 2.11. For phase 1, the supply volumes have been updated, as shown in **Table 2**:

<sup>11</sup> The actual obligation share is based on the supply volume

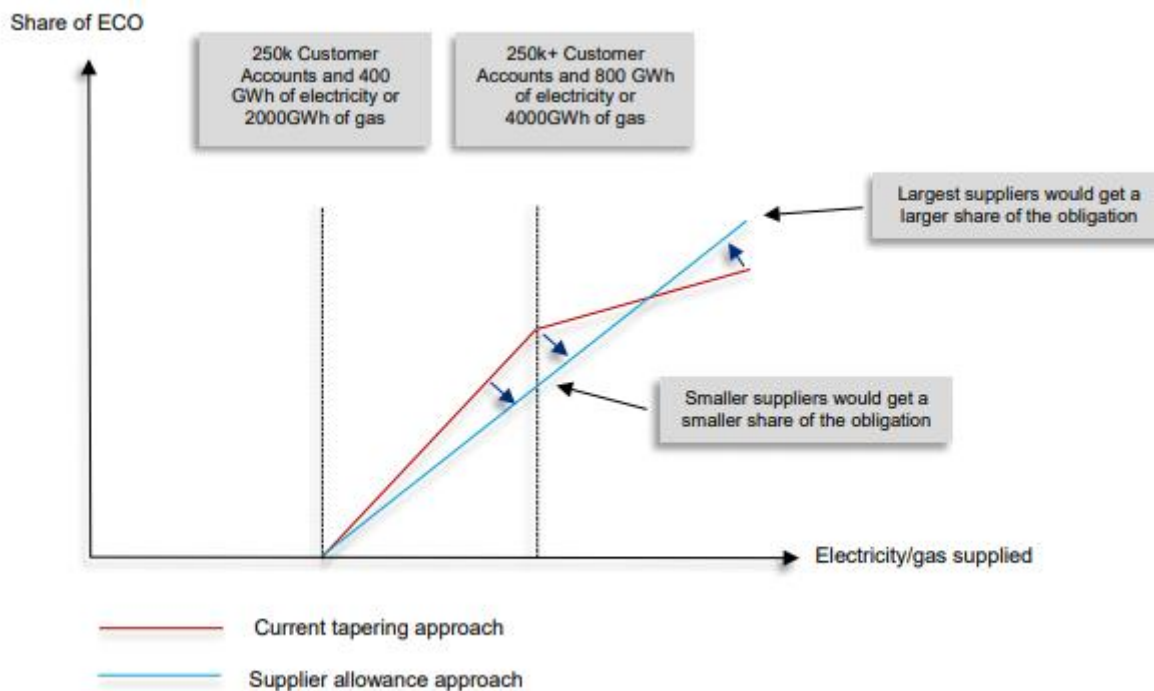
**Table 2: Supply volume taper upper and lower limit**

		Current limit	New limit
Electricity	Lower	400 GWh	500 GWh
	Upper	800 GWh	1000 GWh
Gas	Lower	2000 GWh	1400 GWh
	Upper	4000 GWh	2800 GWh

2.12. From phase 2, the taper mechanism will be amended to a ‘supplier allowance’ approach. This means that all energy suppliers will be entitled to the same supplier allowance (equal to the lower threshold), after which their obligations would be calculated on a per unit of supply basis.

2.13. The new approach (compared with the current approach) is shown in **Figure 2:**

**Figure 2: Supplier allowance mechanism**



2.14. The supplier allowance approach will be introduced for phase 2 (1 April 2019) and will remain in place for phases 3 and 4 of ECO3.

**2.15. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## Obligation phases

### Current situation

2.16. The overall obligation period for ECO2 runs from 1 April 2015 to 30 September 2018 and is split into three phases. We are required to determine a supplier’s obligations for each of these phases:

- phase 1 (ECO2): 1 April 2015 to 31 March 2016
- phase 2 (ECO2): 1 April 2016 to 31 March 2017
- phase 3 (ECO2t): 1 April 2017 to 30 September 2018.

2.17. A supplier’s total obligation is determined by adding together their obligations for each phase. They must meet their total obligation by the end of the scheme (30 September 2018).

### Changes

2.18. ECO3 will run from on or after 1 October 2018 to 31 March 2022 and will have four phases; a first phase of up to six months and three subsequent 12-month phases, as shown in **Table 3**:

**Table 3: Overview of ECO3 obligations for each obligation phase**

	Phase 1 1 October 2018 to 31 March 2019	Phase 2 1 April 2019 to 31 March 2020	Phase 3 1 April 2020 to 31 March 2021	Phase 4 1 April 2021 to 31 March 2022	Total
Home Heating Cost Reduction Obligation	£1.179 billion	£2.358 billion	£2.358 billion	£2.358 billion	£8.253 billion
Sold wall minimum requirement	£0.103 billion	£0.206 billion	£0.206 billion	£0.206 billion	£0.721 billion

2.19. As per the ECO2 Order, we will provide a final determination of supplier’s compliance with ECO3 by 30 September 2022.

2.20. We have already conducted our data collection exercise for phase 1 (1 October 2018 to 31 March 2019). The data collection date set out in the draft ECO3 Order has not been changed so we will not need to recollect the data. We will write to suppliers confirming their phase 1 obligations once the final Order is laid.

**2.21. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## Obligation trading

### Current situation

- 2.22. Trading of obligations between obligated suppliers was introduced in April 2017 as part of the changes for ECO2t.<sup>12</sup>
- 2.23. Suppliers may trade all or part of their obligations (phases 1 to 3 inclusive) including any obligation that has already been delivered between one another or between their own licences.<sup>13</sup> Carbon Saving Community Obligation (CSCO) cannot be traded.
- 2.24. We will only approve trades that meet the following requirements (where supplier A is the supplier passing on an obligation, and supplier B is the supplier taking on the additional obligation):<sup>14</sup>
- the transfer amount does not exceed Supplier A's transferring obligation,
  - following the trade, a supplier's Home Heating Minimum Requirement (HHMR) is not more than its total HHCRO (this applies to both Supplier A and Supplier B),
  - following the trade, a supplier's CERO rural minimum requirement is not more than its total CERO (this applies to both Supplier A and Supplier B),
  - following the trade, a supplier's Provisional Solid Wall Minimum Requirement (PSWMR) is not more than its total CERO (this applies to both Supplier A and Supplier B), and
  - we are satisfied that the trade is not likely to adversely affect our ability to enforce the requirements placed on Supplier B by the ECO2 Order.

### Changes

- 2.25. There are no substantial changes to trading in the draft ECO3 Order.

### Proposed administrative approach

- 2.26. To simplify the administration of trading for both suppliers and ourselves, we will allow suppliers to request intra-supplier licence consolidation trading (ISLCT) immediately after we set obligations for each phase. The obligation would be traded to the largest licence. For ISLCT, an abbreviated process to the normal trading activity would occur, with suppliers opting in during the

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<sup>12</sup> Where we refer to suppliers we may, depending on the context, also be referring to supplier groups, i.e. groups of related companies which hold more than one licence.

<sup>13</sup> Further information on trading can be found in Chapter 7 of our ECO2t Guidance: Administration (v1.1).

<sup>14</sup> Article 30A(4) of the ECO2 Order.

customer number collection process. For phase 1, we will contact suppliers to ask them if they wish to participate.

2.27. Suppliers that wish to do this will receive their obligations showing the post-trade position (i.e. all obligations consolidated onto one licence). The normal trading facility will remain available to suppliers for both intra and inter-supplier trading.

**2.28. There are no changes set out in the draft ECO3 Order, so we are not consulting on this topic.**

### 3. Carry-over and early delivery

#### Section summary

We are consulting on changes to carry-over, and the introduction of a new mechanism to deliver measures during any potential gap between schemes.

#### Questions

1. Do you agree with our administration of carry-over? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
2. Do you agree with our administration of early delivery? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

### Carry-over (transferring measures from ECO2t to ECO3)

#### Current situation

- 3.1. Where a supplier achieved savings that exceeded its ECO1 obligations, the supplier could apply to credit these excess measures, or 'surplus actions', towards its ECO2 obligations providing certain criteria were met.<sup>15</sup>
- 3.2. In ECO2, a surplus action was a measure that was:
  - an ECO1 qualifying action (i.e. is a notified ECO1 measure) and was achieved by the supplier applying for the surplus action,
  - not required by that supplier to meet its obligations under the 2012 Order, and
  - an ECO1 qualifying action in respect of the ECO2 obligation it was intended to be credited towards.
- 3.3. Suppliers could apply to credit surplus actions towards any of their ECO2 obligations, provided the relevant eligibility criteria were met. The obligation that the surplus action was credited towards did not need to be the same as the obligation that the ECO1 measure was credited against.
- 3.4. Where a surplus action was being credited towards a different ECO2 obligation, additional information may have been required. For example, if a supplier

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<sup>15</sup> Article 27(3) of the ECO2 Order.

applied to credit an ECO1 CERO surplus action towards its ECO2 HHCRO, the cost score for the measure would be required.

- 3.5. Suppliers had to submit an application to credit a surplus action towards an ECO2 obligation by 30 November 2015 and excess actions could not be credited against a supplier's ECO1 obligations as surplus actions.<sup>16</sup>

### **Changes**

- 3.6. Suppliers can carry-over an unlimited amount of surplus ECO2t HHCRO measures to ECO3, where these are not required to meet a supplier's ECO2t HHCRO obligation.
- 3.7. Additionally, suppliers can carry-over up to 20% of their ECO2t CERO target to ECO3 (providing that the measure can be rescored from carbon savings to cost savings) where these are not required to meet a supplier's ECO2t CERO obligation.
- 3.8. Any surplus actions will count towards any minimums or maximums set out in ECO3, provided they meet the relevant eligibility criteria.

### **Proposed administrative approach**

- 3.9. We will administer surplus actions for ECO3 in a similar manner to how we administered surplus actions for ECO2. Where a supplier has achieved savings that exceed its ECO2 obligations, it can apply to credit these excess measures or 'surplus actions' towards its ECO3 obligations, providing certain criteria are met.
- 3.10. An ECO3 surplus action is a measure that:
- is an ECO2t carbon qualifying action<sup>17</sup> or an ECO2t heating qualifying action which was achieved by the supplier applying for the surplus action;
  - is not required by the supplier to meet its obligations under the ECO2 Order;
  - in the case of CERO, we will also determine that the total savings achieved by surplus actions will not exceed 20% of the supplier's ECO2t CERO target.

- 3.11. A measure is not required by a supplier to meet its ECO2 obligations where:

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<sup>16</sup> Excess actions are measures that were installed and approved under CERT and CESP, but which were not required by the supplier to meet its CERT and CESP obligations.

<sup>17</sup> Where the carbon qualifying action can be rescored from carbon savings to cost savings.

- the supplier has achieved the obligation against which the measure is credited, and
  - the measure was not counted towards achievement of the obligation.
- 3.12. A supplier may apply to credit a surplus action towards its ECO3 obligation even if it has not achieved all of its ECO2 obligations. For example, where a supplier has achieved and exceeded its ECO2 CERO, but has not achieved its ECO2 HHCRO, that supplier can apply to carry forward surplus ECO2t CERO measures.
- 3.13. Suppliers will only be able to apply for surplus actions once we have made our final determination (no later than 31 March 2019) for ECO2 (including ECO2t). Following this, suppliers must apply to credit a surplus action towards an ECO3 obligation no later than **30 November 2019**.
- 3.14. Measures that meet a supplier's rural minimum requirement under ECO2 may be carried over and counted towards to a supplier's ECO3 rural minimum requirement provided they meet the ECO3 definition of a rural area alongside the other carry-over requirements.<sup>18</sup>
- 3.15. With the Office for National Statistics update to the definition of "rural", some areas that previously met the rural definition will no longer meet the new definition and vice versa. Measures carried-over that met the rural definition used for ECO2, but not the definition used for ECO3, will not count towards the ECO3 rural minimum.
- 3.16. Where a measure installed under ECO2t exceeds one of the caps set out in the ECO2 Order (such as the 10% cap on LA Flex measures) it can be carried-over to ECO3. These measures should be in accordance with other ECO2t measures eligible to be carried-over, but will not be counted towards the achievement of ECO2t obligations.
- 3.17. Where a CERO measure scored using deemed scores is carried over, suppliers should notify this with the equivalent lifetime cost savings deemed score. Where a CERO measure is scored using SAP, suppliers should notify this with the equivalent SAP score for lifetime cost savings. Measures scored using an alternative scoring methodology (i.e. SBEM) cannot be counted as surplus actions for ECO3 as there is no methodology for attributing lifetime cost savings to them.
- 3.18. Where the carry-over of an ECO2t CERO rural measure would cause a supplier to fail to meet its rural sub-obligation, the measure cannot be carried forward to ECO3 as a surplus action.
- 3.19. In order to apply to carry-over measures, suppliers should notify us using the ECO3 surplus actions notification template detailing the relevant measures. The template will be made available on our website. We encourage suppliers to send us the template in advance to allow us to review them ahead of formal

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<sup>18</sup> See paragraph 4.1 onwards for more information on the change to definition of rural



notification. We can then provide feedback ahead of the statutory deadline. We will communicate a timeline for an informal review of ECO3 surplus actions separately.

- 3.20. Once approved, details of all surplus actions credited against suppliers' ECO3 obligations will be included in our public reports.

### Questions

- 1. Do you agree with our administration of carry-over? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

## Early delivery (delivering measures during a gap between schemes)

### Current situation

- 3.21. In order for a measure to count towards a supplier's ECO2 obligations the measure must be delivered by 30 September 2018. The ECO3 Order may not be brought into force immediately after the end of the current scheme. Without the ECO3 Order in force, there is no provision for the delivery of measures beyond this date.

### Changes

- 3.22. The ECO3 legislation recognises that there may be a gap between ECO2 and ECO3. Measures that are completed between 1 October 2018 and the start of ECO3 can contribute towards ECO3. For ease, we are calling measures delivered during the gap 'early actions'.
- 3.23. Early actions must be installed in compliance with ECO3 scheme rules and will be awarded a deemed score based on the ECO3 deemed scores.

### Proposed administrative approach

- 3.24. If there is a gap between schemes, suppliers can continue to deliver measures and have them count towards ECO3, as long as they are compliant with the subsequent ECO3 Order. We will publish draft guidance for ECO3 and suppliers should follow this guidance for the delivery of early actions.
- 3.25. Where a supplier follows the draft guidance they will be carrying activities out at their own risk. We may reject measures where they do not comply with the final guidance.**
- 3.26. Early actions should be scored using the ECO3 deemed scores. The actions will count towards any minimums and caps under ECO3.
- 3.27. Early actions cannot be formally notified through the ECO Register until the commencement of ECO3. Suppliers must formally notify full measure details for all early actions once the ECO3 Order comes into force by two months after the date the ECO3 Order comes into force.
- 3.28. Where a supplier notifies an early action after the two-month notification deadline, for a maximum of 5% of measures, the notification deadline can be automatically extended for up to three months.<sup>19</sup> Alternatively, the supplier can apply for an extension request in the usual way.

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<sup>19</sup> See Chapter 8 of our ECO2t Guidance: Administration for more information on automatic extensions and extensions

*Voluntary pre-notification process*

- 3.29. If the new Order is not expected to come into force for a substantial period after the closedown of ECO2, we may use a voluntary pre-notification process to help suppliers reduce the number of errors in their expected notification data.
- 3.30. Suppliers may wish to voluntarily notify early actions to us ahead of the formal notification. This will involve submitting monthly measure-level information on which Ofgem will conduct quality and formatting checks. It will take place outside of the ECO Register and **does not constitute formal notification or processing of measures**.
- 3.31. Pre-notified early actions will be subjected to a limited number of checks, and a summary of our findings will be returned to the supplier. It is important to note that the checks undertaken on the pre-notified early actions will not be as thorough as the checks carried out by formal monthly processing.
- 3.32. If a supplier chooses to pre-notify early actions to Ofgem, they will receive feedback as described above. This provides the opportunity to amend, address, change, and/or investigate the details relating to the pre-notified early actions before formal notification later in the year. When providing feedback against a pre-notified early action, Ofgem will not give any undertaking that we will attribute savings to that measure if it is formally notified.

**Questions**

2. **Do you agree with our administration of early delivery? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

## 4. Obligation targeting and household eligibility

### Section summary

We are consulting on changes to the household eligibility criteria and changes to eligibility for private rented sector properties.

We are also providing information on the rural sub-obligation and changes to LA flex.

### Questions

3. Do you agree with our proposal that child benefit should only be used as evidence of eligibility where it is the only available route to eligibility? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
4. Do you have any suggestions for verifiable means of evidencing household income & Child Benefit, or other means of evidencing the new Ministry of Defence benefits? If you have a suggestion, please provide evidence to support your response.
5. Do you agree with our administration of the new PRS rules? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

## Rural sub-obligation

### Current situation

- 4.1. A supplier must achieve at least 15% of its phase 3 CERO by delivering measures to domestic premises in rural areas. These measures must be installed from 1 April 2017. Where a supplier fails to meet this requirement, it will fail to achieve its CERO.
- 4.2. A rural area is as listed in the 2014 low income and rural document.<sup>20</sup> In ECO2 (including ECO2t), suppliers could use our 'ECO tool', or an equivalent system, to identify eligible rural areas.<sup>21</sup>

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<sup>20</sup> <https://www.gov.uk/government/publications/the-future-of-the-energy-company-obligation-small-area-geographies-eligible-for-eco-csco-support>.

<sup>21</sup> <https://eco.locationcentre.co.uk>. This is a publically available version of the system (formally known as the CSCO tool) we use to assist in the verification of CERO rural measures.

## Changes

- 4.3. In ECO3, suppliers must achieve at least 15% of their total HHCRO by delivering measures to domestic premises in rural areas (the rural sub-obligation). This means that, unlike current rural delivery, rural delivery under ECO3 will have to meet the household eligibility criteria (as set out in paragraph 4.9 onwards).
- 4.4. With the changes to the definition of “rural”, some areas that previously met the rural definition will no longer meet the new definition and vice versa.

## Proposed administrative approach

- 4.5. We will continue to cross reference measures submitted as meeting the rural definition with our version of the ECO tool<sup>22</sup>.
- 4.6. Suppliers should refer to the 2011 rural-urban classification of output areas document for properties in England and Wales, and to the Scottish Government Urban Rural Classification 2016 document for properties in Scotland.<sup>23,24</sup> We will be updating the ECO tool accordingly, or an equivalent system, to ensure measures are installed in eligible rural areas.
- 4.7. This change is set out in the draft ECO3 Order and we are not changing our administration for ECO3, so we are not consulting on this topic.**

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<sup>22</sup> <https://eco.locationcentre.co.uk>.

<sup>23</sup> <https://www.ons.gov.uk/methodology/geography/geographicalproducts/ruralurbanclassifications/2011ruralurbanclassification>.

<sup>24</sup> <http://www.gov.scot/Publications/2018/03/6040>

## Household eligibility criteria

### Current situation

- 4.8. Under the Home Heating Cost Reduction Obligation (HHCRO), suppliers must deliver measures that reduce home heating costs to:
- private domestic premises occupied by a member of the help to heat group (HTHG). A person is an eligible member of the HTHG if they receive at least one of the benefits (and, where applicable, satisfies any conditions) set out in paragraph 1 of Schedule 4B of the ECO2 Order; or
  - private domestic premises listed in a local authority declaration (and those who meet the associated 'in-fill' criteria); or
  - social housing with an EPC energy efficiency rating of E, F or G.

### Changes

- 4.9. ECO3 will be an entirely HHCRO scheme and BEIS has increased the size of the help to heat group, increasing the number of people eligible for HHCRO.
- 4.10. Recipients of the following benefits will be eligible under ECO3 and will not be required to meet any further eligibility requirements:
- Universal Credit (income threshold no longer applies)
  - Tax Credits (Working Tax Credit) (income threshold no longer applies)
  - Disability Living Allowance
  - Personal Independence Payment Attendance Allowance
  - Carer's Allowance
  - Severe Disablement Allowance
  - Industrial Injuries Disablement Benefits
  - War Pensions Mobility Supplement
  - Constant Attendance Allowance
  - Armed Forces Independence Payment

- 4.11. Households in receipt of a core group rebate in a relevant scheme year beginning on or after 1 April 2019, will be automatically eligible for ECO as a member of the help to heat group.<sup>25</sup>
- 4.12. Those in receipt of Child Benefit will only be eligible if their household income is below the equivalised income threshold for their household composition.<sup>26</sup>
- 4.13. Suppliers can continue to demonstrate that a person is a member of the help to heat group by providing a matched DWP reference number (or another approved method for verifying eligibility). However, BEIS outlined in their consultation response that Child Benefit may be administered by means of self-declaration.
- 4.14. Social housing will remain eligible for the scheme where the property has a pre- or post-installation EPC with an energy efficiency rating of E, F or G. Delivery to social housing premises will remain limited to insulation measures, first time central heating systems (including renewable central heating) and first time district heating connections.

#### **Proposed administrative approach**

- 4.15. We will accept the following methods of demonstrating the customer is a help to heat group member:
- a WHD core group notice,
  - a matched DWP reference number,
  - a help to heat benefit letter,
  - an MoD pension breakdown letter detailing either War Pensions Mobility Supplement or Constant Attendance Allowance,
  - a Personal Independence Payment Attendance Allowance proof of benefit letter,
- or if these three routes are not available,
- a self-declaration (for Child Benefit).
- 4.16. Where documents are used, they must show that the person was receiving a qualifying benefit within 18 months prior to the date of completion of the measure. If the documents are older, suppliers must be able to provide

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<sup>25</sup> If a household receives a core group rebate under the Warm Home Discount Scheme, then they are in receipt of pension credit guarantee credit

<sup>26</sup> Equivalised income thresholds reflect the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. The income threshold therefore varies to take account of the different household composition types. See Table 4 for the values.

updated evidence. We will usually take 'dated' to be the date the letter was sent.<sup>27</sup>

#### *Ministry of Defence benefits*

4.17. There are three new Ministry of Defence benefits that provide eligibility for the ECO scheme:

- War Pensions Mobility Supplement;
- Constant Attendance Allowance;
- Armed Forces Independence Payment

4.18. Where a person is in receipt of War Pensions Mobility Supplement or Constant Attendance Allowance we are proposing that the Ministry of Defence pension breakdown letter, obtained from Veterans UK as the administrator of the benefits, should be used as evidence.

4.19. Where a person is in receipt of the Armed Forces Independence Payment (AFIP) we are proposing that the proof of benefit letter, obtained from the DWP as the administrator of AFIP, should be used as evidence.

#### *Equivalised income thresholds for Child Benefit*

4.20. In order to be eligible for the scheme the person(s) claiming child benefit must not have an income exceeding a certain level. The level depends on the number of children the person(s) is responsible for ('equivalised income threshold'). The equivalised income threshold is:

- **for a single claimant**, the claimant's annual income from all sources cannot exceed the amount set out in the first row of Table 4 in the column corresponding to the number of children or qualifying young persons for whom the claimant is responsible;
- **for a member of a couple**, the couple's combined annual income from all sources cannot exceed the amount set out in the second row of **Table 4** in the column corresponding to the number of children or qualifying young persons for whom at least one member of the couple is responsible.

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<sup>27</sup> Where Universal Credit is used to evidence income, there are different time thresholds. See Appendix 2 of our ECO2t Guidance: Delivery for more information on evidencing occupancy requirements.



**Table 4: Relevant income thresholds for Child Benefit based on household composition**

	Number of children or qualifying young persons			
	1	2	3	4 or more
Single claimant	£18,500	£23,000	£27,500	£32,000
Member of a couple	£25,500	£30,000	£34,500	£39,000

*Self-Declaration*

- 4.21. We would only expect a self-declaration to be used where it is not possible for Ofgem to obtain the appropriate evidence for a particular benefit. As the administration of the scheme develops it may be possible for some evidence to become available, in which case we would expect to close the self-declaration route.
- 4.22. Where a person is solely in receipt of child benefit then the self-declaration route may be required. Where a person is also in receipt of a benefit that can be checked through the evidenced routes outlined under paragraph 4.15, we require that one of these evidence routes should be the primary proof of eligibility.
- 4.23. Due to the risks associated with using a self-declaration to evidence scheme eligibility, it is likely that we will carry out an audit to confirm the information provided on the declaration has been completed accurately. Where the declaration is incomplete or not completed accurately, we may request further evidence from suppliers to verify that a person is a member of the help to heat group.

*Child benefit*

- 4.24. Where a person is solely in receipt of Child Benefit, we propose that the supplier collects a declaration signed by the occupant stating the number of children/ qualifying young persons, and the household’s relevant income does not exceed the relevant income threshold as outlined in **Table 4**. The declaration must also confirm that other eligibility routes (ie DWP verification) were not available to evidence household eligibility.
- 4.25. A Child Benefit award notice must, if available, also be collected as evidence of responsibility for children or qualifying young persons. If a supplier believes that the householder is eligible through another route that can be verified then they must use that alternative route.

4.26. The declaration to evidence this requirement should contain the following wording and be signed by both the occupier and a relevant third party such as the installer:

**"I, the occupier, declare** that a person living at the premises detailed below is in receipt of Child Benefit, and the claimant's income does not exceed the relevant threshold as selected in the table below. I have ticked the correct box showing the correct income level and number of children or qualifying young persons".

Type of claim	Number of children or qualifying young persons							
	1		2		3		4 or more	
<b>Single claimant income</b>	<£18,500		<£23,000		<£27,500		<£32,000	
<b>Member of a couple combined income</b>	<£25,500		<£30,000		<£34,500		<£39,000	

**"I, the relevant third party, declare** that a person living at this premises detailed below is in receipt of Child Benefit; and is not in receipt of any of the other qualifying benefits."

*Child Benefit award notice*

4.27. In addition to the declaration, a Child Benefit award notice must, if available, also be collected as evidence of responsibility for children or qualifying young persons. If the occupier is not in receipt of this, suppliers can also use a letter dated within 18 months before the completion of the measure with the following information stated clearly on headed paper:

- child or young person's name
- child or young person's age or date of birth
- claimant's address
- confirmation that the child or young person lives with named parent or guardian at the mentioned address
- for young persons aged 16 and over or for those under 20, confirmation that the child is in full-time education or in training as per Part 1 of the Child Tax Credit Regulations 2002.<sup>28</sup>

<sup>28</sup> <http://www.legislation.gov.uk/ukxi/2002/2007/contents/made>

4.28. A letter will be accepted as proof of a recipient of an eligible measure being responsible for a child or qualifying young person if it comes from one of following health, education, local authority and support services professionals:

- Child and Adolescent Mental Health Services (CAMHS)
- qualified school teacher
- social worker
- health visitor
- support worker
- physio/ speech and language/ occupational therapist
- GP
- probation officer
- consultant paediatrician
- community nurse
- NHS Continuing Health Care professional.

4.29. We would not expect the above professional to be related to or have any familial ties to the child in question and have known the child for 3 years or all their life, whichever is shorter. The letter must include the professional's name, job title, place of work and contact details. We may consider other professionals appropriate, but only where we give our approval that an alternative is acceptable before the measure is installed.

## Questions

3. **Do you agree with our proposal that child benefit should only be used as evidence of eligibility where it is the only available route to eligibility? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**
4. **Do you have any suggestions for verifiable means of evidencing household income & Child Benefit, or other means of evidencing the new Ministry of Defence benefits? If you have a suggestion, please provide evidence to support your response.**

## Local Authority Flexibility (LA Flex)

### Current situation

4.30. Local Authority flexibility (LA Flex) allows local authorities to declare that a household is occupied by someone either:

- living in fuel poverty; or
- low income and vulnerable to the effects of living in a cold home.

4.31. Suppliers can deliver up to 10% of their HHCRO by installing measures in to premises that have been declared eligible by local authorities.

### Changes

4.32. Suppliers will be able to deliver up to 25% of their ECO3 obligation through the LA Flex mechanism. Delivery through this route is entirely voluntary.

**4.33. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## Private Rented Sector (PRS) Rules

### Current situation

4.34. There are currently no EPC band rating rules under ECO that impact the eligibility of private rented sector (PRS) properties.

### Changes

4.35. The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 establish a minimum level of energy efficiency for PRS properties.<sup>29</sup>

4.36. To reflect the separate minimum standards, rules are being introduced under ECO for PRS properties. The new rules are based upon the EPC efficiency rating of the property before the installation of the measure being claimed under ECO.

- PRS properties with an initial EPC efficiency rating of A, B, C, D, or E can receive any measure, except for the installation of a heating system to replace a broken heating system.
- PRS properties with an initial EPC efficiency rating of F or G are only eligible to receive solid wall insulation or a renewable heating measure.

### Proposed administrative approach

4.37. We currently have a field in the notification template for property tenure. We will split the current 'Private Rented' field into two different categories:

- 'Private Rented EPC A-E' for PRS properties with an initial EPC efficiency rating between A and E;
- 'Private Rented EPC F-G' for PRS properties with an initial EPC efficiency rating of either F or G;

4.38. We will check that the measures notified are eligible with the tenure field. Where they are not eligible, we will reject those measures.

4.39. Suppliers must provide evidence of the property's initial EPC energy efficiency rating for all PRS properties. This must be achieved by providing the EPC report reference number (RRN) at notification. We will look to audit this as part of our audit programme.

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<sup>29</sup> <https://www.gov.uk/government/publications/the-private-rented-property-minimum-standard-landlord-guidance-documents>

- 4.40. The EPC must be pre-installation, we will not accept post-installation EPCs unless the post-installation EPC shows the property has an EPC energy efficiency rating of F or G.
- 4.41. The EPC must be valid (dated within 10 years of being lodged) and be the latest to be lodged for that premises. As per the rest of the scheme, we will not accept un-lodged EPCs (i.e. energy performance reports).
- 4.42. To evidence whether properties are PRS, we will require suppliers to obtain a declaration from the occupier of the property, confirming the tenure. We will work with the ECO Reporting Working Group to update the Declaration of Conformity and Completed Installation (DOCC) to evidence this.

### Questions

- 5. Do you agree with our administration of the new PRS rules? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

## 5. Solid wall insulation and the in-fill mechanism

### Section summary

We are consulting on changes to solid wall insulation and new affordable warmth in-fill for SWI and DHS.

We are also providing information on an amendment to LA in-fill.

### Questions

6. Do you agree with our proposal that where measures that provide equivalent savings to solid wall insulation are installed, all relevant measures would need to be installed within a six-month period to count towards the SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

7. Do you agree with the other elements of our administration of SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

8. Do you agree with our proposal that transferring in-fill measures would not be possible until all connected measures are approved? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

## Solid wall minimum requirement

### Current situation

5.1. Suppliers currently have to achieve 1.4 MtCO<sub>2</sub> of savings through the installation of solid wall insulation (SWI).

### Changes

5.2. For ECO3, to meet the requirement, suppliers can either install SWI or install measures in the property that are equivalent to the savings achieved by SWI. This new minimum is set out in Table 3.

5.3. In order for a property to count as a solid wall property, and therefore be eligible to count towards the new minimum, at least 50% of the properties exterior wall area must be constructed of solid wall, and at least 50% of the solid wall area must be uninsulated.

5.4. This solid wall minimum requirement (SWMR) requires solid wall homes to be treated with either:

- solid wall insulation; or

- other measures that provide at least the same amount of savings as those that would be achieved by the installation of solid wall insulation to that property.

### **Proposed administrative approach**

- 5.5. Where solid wall insulation is installed, there would be no new requirements over and above our current approach. Any solid wall insulation installed to a solid wall property can count towards the minimum provided it meets all other eligibility requirements (including meeting the definition of a solid wall property as set out in paragraph 5.3).
- 5.6. Where measures that provide equivalent savings are installed, the measure(s) will need to achieve at least the equivalent of the relevant solid wall deemed score.
- 5.7. The relevant deemed score is the score achieved if solid wall insulation was installed to the entire property. The U-values selected should be the relevant pre-installation U-value for that premises and a finishing U-value of 0.3 (in line with building regulations).
- 5.8. In order to check that the savings achieved by the alternative measures are equivalent to the savings that would be achieved by solid wall insulation, we will add the following fields into the ECO notification template:
- a unique reference number to link the equivalent measures together,
  - the relevant and equivalent solid wall insulation measure type (so we can validate the score).
- 5.9. In line with our ECO2t administration of primary and secondary measures, we are proposing that there will be a time limit of six months between the date of completed installation of all the alternative equivalent measures. The measures will not be counted towards the SWMR until sufficient relevant measures are notified. Additional measures above and beyond the equivalent score will also count towards the SWMR.
- 5.10. Where the savings achieved by the measures installed does not exceed the solid wall score equivalent (for example due to a measure being rejected, or not enough measures being installed) then the measures will not count towards the SWMR.
- 5.11. In the event that one of the relevant measures is not approved then the other measures would not be counted towards the SWMR, unless further measures are installed that meet the equivalent threshold.
- 5.12. In order to be eligible to be transferred between suppliers, all measures notified under a single unique reference number must be transferred together.

### **Questions**

- 6. Do you agree with our proposal that where measures that provide equivalent savings to solid wall insulation are installed, all relevant**



**measures would need to be installed within a six-month period to count towards the SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

- 7. Do you agree with the other elements of our administration of SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

## **New affordable warmth in-fill (SWI & DHS)**

### **Current situation**

5.13. In-fill only currently applies to LA flexible eligibility, as described in paragraph 5.21 above.

### **Changes**

5.14. The ECO3 Order sets out the introduction of in-fill for SWI & DHS measures with a minimum condition of 66% of premises eligible under HHCRO. For example, this means that if there are properties in a particular area, and two of them are eligible for ECO3 and eligible under HHCRO, then the third property could qualify for support under ECO3 using in-fill.<sup>30</sup>

5.15. All associated measures must be completed within the same six-month period as the in-fill measure.

### **Proposed administrative approach**

5.16. If suppliers wish to utilise in-fill for SWI or DHS they will need to submit information detailing which premises are in-fill and which other HHCRO eligible premises they are associated with in order to be validated.

5.17. As with the SWMR approach above we will need to add at least one additional field to the notification template to link the premises. We propose to verify the link between ECO3 eligible and in-fill eligible properties using a unique reference number. We will add a field to the notification template to enable this.

5.18. Transferring will not be possible until all the in-fill and connected measures are verified. Once they have all been verified, they can only be transferred as a group.

5.19. In order to effectively manage notifications, we are proposing that there would be a time limit of six-months between the date of completed installation for the first in-fill measure and the last connected installation.

5.20. In the event that a measure installed into a HHCRO property was not accepted (or rejected), then any in-fill property relying on that measure would also be not accepted (or rejected).

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<sup>30</sup> For the purposes of in-fill, 'adjacent' properties may be within the same terrace or the same building. More information can be found in chapter 6 of BEIS' guidance: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/608042/ECO\\_Help\\_to\\_Heat\\_flexible\\_eligibility\\_guidance\\_for\\_LAs.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608042/ECO_Help_to_Heat_flexible_eligibility_guidance_for_LAs.pdf)

## Questions

- 8. Do you agree with our proposal that transferring in-fill measures would not be possible until all connected measures are approved? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**
  
- 9. Do you agree with the other elements of our administration of in-fill for SWI and DHS? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

## Solid wall insulation (amendments to LA Flex in-fill)

### Current situation

5.21. SWI in-fill is currently an option under LA flex. It means that where 1/3 of the premises listed on an LA declaration are eligible to receive measures (without meeting the eligibility criteria), providing that 2/3 of the premises included in that list are either:

- situated in the same building; or
- in immediately adjacent buildings; or
- in the same terrace, and

are identified as living in fuel poverty.

5.22. The local authority (LA) is responsible for making the determination that a household is eligible including for SWI in-fill. BEIS have published guidance for LAs and created a separate declaration template for in-fill projects.<sup>31</sup>

### Changes

5.23. The ECO3 Order sets out to adjust the minimum required for in-fill from 2/3 to 1/2 of premises. BEIS published the guidance relating to Flexible Eligibility and will be updating it as necessary for ECO3.

**5.24. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/608042/ECO\\_Help\\_to\\_Heat\\_flexible\\_eligibility\\_guidance\\_for\\_LAs.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608042/ECO_Help_to_Heat_flexible_eligibility_guidance_for_LAs.pdf)

## 6. Changes to heating measures

### Section summary

We are consulting on changes to the replacement and repair of broken heating systems, the upgrade of inefficient heating systems and changes to first time central heating.

We are providing information on changes to eligible heating measure and changes to how ECO interacts with the Renewable Heating Incentive.

### Questions

10. Do you agree that we should continue to use the same criteria for determining if a heating system is broken as we currently use (as detailed in paragraph 6.15)? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

11. Do you agree with our proposal to continue to use the definitions and tables in the boiler assessment checklist and electric storage heater checklist to determine if broken heating systems can be economically repaired? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

12. Do you know of any heating systems (other than boilers or electric storage heaters) for which we would need to develop a definition for inefficient? If you do, please provide evidence to support your response.

13. Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

## Heating measures

### Current situation

6.1. Under the current scheme any heating measure that provides a heating cost saving to the person is an eligible measure under HHCRO.

### Changes

6.2. The ECO3 Order sets out the following changes to heating measures:

- the criteria for repairing heating systems will be changed,
- the replacement of broken heating systems will be subject to a cap,
- the upgrade of working heating systems will only be allowed if installed alongside certain insulation measures,
- 'First time central heating' will be expanded to all property tenures,

- the installation of coal fuelled heating systems will be ineligible, and
  - oil fuelled heating systems will only be eligible to be repaired or replaced if they are broken. All other oil fuelled heating measures will be ineligible. These restrictions include:
    - upgrading an existing system (including an existing oil boiler) to an oil fuelled system
    - First time central heating using an oil fuelled system
    - innovative heating measures fuelled by oil
    - district heating systems fuelled by oil
- 6.3. Additionally, oil boilers will not be eligible to count towards the rural minimum or the 'solid wall homes' minimum.
- 6.4. Systems that are only partly fuelled by oil, for example the installation of an air source-oil hybrid heat pump, will be subject to the restrictions placed on oil boilers.
- 6.5. We will check these various requirements through the notification template and our existing measure processing checks.
- 6.6. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## Replacement of broken heating systems

### Current situation

- 6.7. Under the current scheme a boiler counts as a 'qualifying boiler' if it is either broken (and cannot be economically repaired) or not functioning efficiently (has a seasonal energy efficiency value of less than 86%). An electric storage heater counts as a qualifying electric storage heater if it is broken. Qualifying heating measures are scored as if they are replacing electric room heaters.
- 6.8. BEIS introduced the Home Heating Minimum Requirements (HHMR) for ECO2t, which requires suppliers to ensure at least 77% of their HHCRO is achieved by measures other than mains gas qualifying boilers. In effect, this restricts the volume of replacement qualifying mains gas boilers.

### Changes

- 6.9. The ECO3 Order sets out removing the qualifying concept for ECO3 and instead splits the options for supporting heating measures into three separate elements:
- the replacement of broken heating systems ("capped broken heating system measure")
  - the repair of broken heating systems (see section 6.18)
  - the upgrade of inefficient heating systems (see section 6.25)
- 6.10. The ECO3 Order sets out that the replacement of broken heating systems will be subject to a total cap of 33% of a supplier's total HHCRO.
- 6.11. Currently, qualifying boilers receive a 12-year lifetime. Where a broken boiler is replaced under ECO3, the ECO3 Order reduces the lifetime to three years. However, these measures will also receive an uplift that will multiply the scores by four. These two changes would effectively cancel each other out.
- 6.12. Currently, qualifying electric storage heaters receive a 20-year lifetime. Where a broken electric storage heater is replaced under ECO3, the ECO3 Order sets out reducing the lifetime to five years. However, they will receive an uplift that will multiply the score by 2.4.
- 6.13. In order to count as a "capped broken heating system measure" the measure must not count as First Time Central Heating (FTCH), an innovation measure, a district heating system, or a renewable heating system; and be replacing either:
- a central heating system or district heating connection which is broken down and cannot be economically repaired;
  - or one or more electric storage heaters, all of which are broken down and cannot be economically repaired;

6.14. The installation of district heating systems and renewable heating systems is not capped.

### **Proposed administrative approach**

6.15. We propose to use the same criteria as is used currently for determining whether a heating system is broken. For boilers this is “when connected to electric and fuel suppliers, it does not respond appropriately to any demand for heat as required by the central heating or domestic hot water system”.<sup>32</sup> For electric storage heaters this is “when connected to an electric supply, it does not store heat or does not deliver any heat”.<sup>33</sup>

6.16. In order to assess whether a measure can be economically repaired we will continue using the tables outlined in the current Boiler Assessment Checklist and Electric Storage Heater Assessment Checklist. We will update both checklist documents to reflect these changes. We may combine these documents into one ‘Heating Assessment Checklist’ if industry considers this would be easier to use.

6.17. We do not currently have a method for determining whether a broken DHS can be economically repaired and therefore replaced with a different heating system. For ease of use, we are proposing that the same repair tables that are used for boilers should also be used for the same-fuelled district heating systems (eg a gas DHS would use the same table as currently used for gas boiler).

### **Questions**

**10. Do you agree that we should continue to use the same criteria for determining if a heating system is broken as we currently use (as detailed in paragraph 6.15)? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>32</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-boiler-assessment-checklist>

<sup>33</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-electric-storage-heater-assessment-checklist>



## Repair of broken heating systems

### Current situation

- 6.18. Under the current scheme a boiler counts as a 'qualifying boiler' if it is either broken (and cannot be economically repaired) or not functioning efficiently (has a seasonal energy efficiency value of less than 86%). An electric storage heater counts as a qualifying electric storage heater if it is broken.
- 6.19. Where a qualifying heating measure is repaired, it is scored as if the repaired system is replacing electric room heaters.
- 6.20. The repair of qualifying boilers cannot contribute to more than 5% of a suppliers HHCRO. The repair of qualifying electric storage heaters also cannot contribute to more than 5% of a suppliers HHCRO.

### Changes

- 6.21. The ECO3 Order sets out removing the qualifying concept for ECO3, however the deemed scores for repairs will continue to be scored as though the heating system is replacing electric room heaters (although they will not receive the 400% uplift that replacements receive).
- 6.22. Boiler repairs and electric storage heater repairs will continue to each be capped at 5% of a supplier's obligation.

### Proposed administrative approach

- 6.23. We propose to use the criteria as is currently used for determining whether a heating system is broken. For boilers this is "when connected to electric and fuel suppliers, it does not respond appropriately to any demand for heat as required by the central heating or domestic hot water system".<sup>34</sup> For electric storage heaters this is "when connected to an electric supply, it does not store heat or does not deliver any heat".<sup>35</sup>
- 6.24. In order to assess whether a measure can be economically repaired we will continue to use the tables outlined in the boiler assessment checklist and electric storage heater assessment checklist. We will update both checklist documents as necessary for ECO3.

### Questions

- 11. Do you agree with our proposal to continue to use the definitions and tables in the boiler assessment checklist and electric storage heater checklist to determine if broken heating systems can be economically repaired? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>34</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-boiler-assessment-checklist>

<sup>35</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-electric-storage-heater-assessment-checklist>

## Upgrade of inefficient heating systems (alongside the installation of insulation)

### Current situation

- 6.25. Any heating system can currently be replaced with another heating system, as long as the replacement provides a cost saving. Where an inefficient heating system is replaced and meets certain criteria, this counts as a 'qualifying' heating system.
- 6.26. Efficient, working heating systems can be replaced and count as 'non-qualifying' heating measures under the current scheme. The installation of these measures is currently uncapped.

### Changes

- 6.27. The ECO3 Order sets out that the current non-qualifying concept will be removed. This will mean that efficient, working heating systems can no longer be replaced under ECO unless they are replaced by a renewable heating systems or a district heating system.
- 6.28. Inefficient heating systems can be replaced with a new system, providing they are installed alongside certain insulation measures. Alongside the installation of first time central heating, district heating, and renewable heating, these heating system 'upgrades' will not be subject to a cap.
- 6.29. In order for a heating system to be counted as inefficient (and therefore be eligible for an upgrade) the ECO3 Order sets out that it must meet the following criteria:
- a central heating system, district heating connection, or electric storage heating which is not broken down, or if it is broken down, can be economically repaired; and
    - central heating systems or district heating systems must be either a non-condensing boiler, or a system with a manufactured energy efficiency that is no better than a non-condensing boiler;
    - electric heating systems (including electric storage heaters) must have a responsiveness rating equal to or less than 0.2 when assessed against the Standard Assessment Procedure (SAP).
- 6.30. The heating system upgrade must be installed alongside certain insulation measure types. These are:
- flat roof insulation, or room in roof insulation (insulation of at least 50% of the roof area of the premises, where the roof area insulated includes a flat roof or a habitable room situated in the roof space of the premises);

- underfloor insulation (insulation of at least 50% of the floor area of the lowest storey of the premises containing a habitable room);
- party wall insulation (insulation of a cavity wall which divides the premises from other premises under different occupation);
- cavity wall insulation, or solid wall insulation (wall insulation applied to at least 50% of the walls of the premises which are exterior facing); or
- park home insulation (insulation applied to at least 50% of the ceiling, floor and walls of a mobile home);

6.31. The heating upgrade must be installed:

- at the same premises where a primary insulation measure(s) has been installed;
- by the same obligated supplier<sup>36</sup> that installed the primary insulation measure(s);
- on or after the date on which the primary insulation measure(s) was installed;
- no more than six months after the date on which the primary insulation measure(s) is installed.

### **Proposed administrative approach**

6.32. We are proposing to treat 'primary insulation measures' and 'secondary heating system upgrades' in a similar manner to how we currently treat primary and secondary measures installed under CERO and in line with paragraph 6.30 above.

6.33. We will continue to allow suppliers to use more than one primary measure to meet the 50% minimum condition. For example, where a premises has both solid and cavity walls, and more than one type of wall insulation is used to treat the wall area, the percentages of each can be added together to meet the minimum condition. However, different building elements cannot be combined, for example 25% of a wall insulation measure and 40% of a loft insulation measure would not meet the 50% minimum condition.

6.34. We will continue to allow one primary measure to support multiple secondary measures. For example, where a premises has multiple inefficient heating systems, they could all be upgraded and only one primary insulation measure would be required.

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<sup>36</sup> Or obligated supplier group where applicable

- 6.35. Primary insulation measures and secondary heating measures should be notified in a similar manner to the current notification process used for CERO primary and secondary measures. We will update the data dictionary to reflect how they should be notified.<sup>37</sup>
- 6.36. We will update the Boiler Assessment Checklist and Electric Storage Heater Checklist to assess heating systems and detail how they meet the inefficient criteria.<sup>3839</sup> Suppliers should retain the relevant checklist to evidence that the heating system replaced meets the definition of inefficient and we may decide to audit this evidence.
- 6.37. Where a supplier wishes to upgrade a heating system other than a boiler or electric storage heater, they should contact us to discuss whether it counts as inefficient. They should provide us with suitable evidence that the efficiency of the system has a manufactured energy efficiency rating no greater than a non-condensing boiler or an electric storage heater with a responsiveness of 0.2.

## Questions

- 12. Do you know of any heating systems (other than boilers or electric storage heaters) for which we would need to develop a definition for inefficient? If you do, please provide evidence to support your response.**

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<sup>37</sup> The data dictionary provides information to assist suppliers when completing the monthly notification template. See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-data-dictionary>

<sup>38</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-boiler-assessment-checklist>

<sup>39</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-electric-storage-heater-assessment-checklist>

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## First Time Central Heating (FTCH)

### Current situation

- 6.38. Under ECO2, central heating systems could be installed into properties for the first time as a 'non-qualifying boiler measure'. However, HHCRO measures could not be delivered to social housing that was let below the market rate.
- 6.39. For ECO2t, certain measures could be delivered to social housing with an EPC energy efficiency rating of E, F or G. These measures were insulation, first time central heating (FTCH) systems, first time district heating systems, or renewable heating. The ECO3 Order sets out that these restrictions on social housing will continue.
- 6.40. FTCH is the installation of central heating systems into properties that do not have, and have not previously had, central heating systems or electric storage heaters.
- 6.41. Suppliers can evidence that a social housing property is eligible for FTCH by collecting a declaration signed by a landlord.

### Changes

- 6.42. The ECO3 Order sets out that the installation of FTCH in any property type will be uncapped in ECO3. Although for social housing only properties with an EPC energy efficiency rating of E, F or G will be eligible for FTCH.
- 6.43. Additionally, they have proposed to expand the eligibility for FTCH to include premises that are, or have previously been, heated by electric storage heaters. All of the heaters in the premises must be broken or inefficient (SAP responsiveness rating of 0.2 or less).
- 6.44. Therefore, to count as FTCH a heating measure must be:
- one of the following:
    - a central heating system (include renewable central heating); or
    - a connection to a district heating system.
  - and installed into a domestic premises that:
    - has never had a central heating system (including renewable central heating), or a connection to a district heating system; or

- is heated by electric storage heaters which are all either broken or inefficient (has a manufactured responsiveness of 0.2 or less when assessed against SAP)<sup>40</sup>

6.45. FTCH does not require insulation to be installed alongside it.

### **Proposed administrative approach**

6.46. We have developed the deemed scores so that the measure name reflects whether a measure is a FTCH measure. For example, the measure name 'B\_First\_time\_CH\_solid' will be used to identify a boiler measure has been installed into a solid walled property as a FTCH measure. This means that separate notifications will not be necessary for FTCH.

6.47. For the installation of FTCH into social housing, we intend to retain the evidencing requirements (i.e. a declaration signed by the landlord).

6.48. For the installation of FTCH into properties other than social housing, we intend to introduce a new declaration.

6.49. The declaration to evidence this requirement should contain the following wording and be signed by the owner of the property:

**"I, the owner of the premises,** declare that to the best of my knowledge, at no point prior to the installation of the first time central heating measure did the premises have a central heating system (including renewable central heating), district heating connection, or working, efficient electric storage heaters.

### **Questions**

- 13. Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>40</sup> The heaters could be all broken, all inefficient, or a mixture of both

## Renewable Heating Incentive restriction

### Current situation

6.50. A renewable heating measure that is eligible under both ECO and RHI can currently receive support under both schemes.

### Changes

6.51. ECO and RHI funding cannot be combined for any measures except ground source heat pumps. This will mean that all other renewable heating measures can only receive support under one of the schemes. Where a measure other than a ground source heat pump is claimed under ECO it will be ineligible to receive RHI funding and vice versa.

### Proposed administrative approach

6.52. We will be building a regular process to check that ECO measures, other than ground source heat pumps, have not claimed RHI. Where a measure is either accredited, or in the process of being accredited, under the RHI scheme we will reject them from ECO, however they would continue to receive the RHI payments.

**6.53. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## 7. Innovation, in-situ performance monitoring and scoring

### Section summary

We are consulting on innovation, in-situ performance monitoring and the evidencing of a new uplift.

We are also providing information on the deemed scores.

### Questions

13. Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

14. Do you have any suggestions for our administration of demonstration actions? If you do, please provide further information, including any evidence, to support your response.

15. Do you have any suggestions for our administration of innovation measures? If you do, please provide further information, including any evidence, to support your response.

16. Do you have any suggestions for our administration of in-situ monitoring? If you do, please provide further information, including any evidence, to support your response.

## Innovation

### Current situation

- 7.1. Where there is no deemed score for a measure, a supplier can apply to us with a new methodology that can be used to calculate the savings. If we are satisfied that a methodology meets the requirements of the ECO2 Order, then we publish it on our website and it can be used by any supplier.

### Changes

- 7.2. ECO3 will have two optional new routes for supporting innovation, demonstration actions and innovation measures. In addition, suppliers will still be able to apply for new scoring methodologies where necessary.
- 7.3. **'Demonstration actions'** will provide suppliers with a Lifetime Bill Saving towards their ECO3 obligation for financial funding that they provide for the installation and testing of new, innovative measures.
- 7.4. **'Innovation measures'** provide a scoring uplift of 25% for new measures that successfully apply to be part of the scheme. An innovation measure could be a



new measure type or a new technique to install a measure type. This is not an exhaustive list.

- 7.5. In addition to the standard properties that are eligible for the scheme, demonstration actions and innovation measures can also be installed to Social Housing with an EPC energy efficiency rating of 'D'.

### **Proposed administrative approach**

- 7.6. For suppliers who wish to use either of the new innovation routes, we will publish an application form that should be filled out and submitted by them to [eco@ofgem.gov.uk](mailto:eco@ofgem.gov.uk).
- 7.7. Once we have received an application we will perform an initial completion check to ensure that all information requested has been provided, and will provide initial feedback. Once the application form is completed and any missing relevant information has been provided, the application will be assessed by a panel of experts.
- 7.8. The panel of experts will be an advisory panel made up of representatives from Ofgem, BEIS, and other independent experts as required. They will assess the application and make a recommendation to us on whether we should accept the application.
- 7.9. We will take the panel's recommendation into account when making our decision whether to accept, or not accept the application. If we accept an application, we will inform the supplier that their application has been successful. If we do not accept the application, we will provide feedback to the supplier.
- 7.10. If we accept an application for an innovation measure, we will also publish the result.
- If the application is for a new measure type for which there is no existing deemed score, we will publish the new deemed scores (with the uplift) along with a short explanation of the measure type for which it can be used. Where there is no existing deemed score the demonstration route may be more suitable unless the applicant has substantial evidence proving the savings achieved by the measure.
  - If the application is for a new method of delivering or installing a measure type for which there is an existing deemed score, we will publish a short report describing the 'innovative method', and confirm when and how the existing measure type will receive an uplift.
- 7.11. Successful innovation measure applications may require the creation of further guidance after the application has been formally approved to ensure that the measure or method can be clearly understood.

### *Applications for demonstration actions*

7.12. The application form for demonstration actions will include questions on:

- how the measure is expected to achieve cost savings;
- the arrangements for monitoring whether the measure achieves cost savings;
- how the participant will assess the effectiveness of the measure at achieving cost savings;
- the number of domestic premises at which the participant intends to promote the installation of the measure;
- the arrangements for ensuring the safety of the measure, for repairing or removing faulty measures and for preventing or remedying any adverse impacts caused by the measure on the domestic premises at which it is installed;
- the estimated cost in pounds sterling to be incurred by the participant in respect of the matters described above;
- confirmation that the action does not include:
  - the installation of equipment for the generation of heat wholly or partly from oil; or
  - the installation of equipment for the generation of heat wholly from a non-renewable source.
- how the action is different from existing measures, for example due to one or more of the following:
  - the production method;
  - the installation method;
  - the materials used;
  - the technology used;
  - the expected costs of promoting the measure.

7.13. The Order requires applicants to provide their consent to the publication of information that relates to the monitoring and assessment of the measure.

7.14. Additionally, the Order requires that demonstration actions must be at technology readiness level '8' (system complete and qualified) or '9' (actual system proven in operation environment<sup>41</sup>).

*Application for innovation measures*

7.15. The application form for innovation measures will include questions on:

- how the measure is significantly different from measures previously installed under ECO or predecessor energy efficiency schemes;
- a description of the characteristics of the measure;
- reasons why the current deemed scores are unsuitable for the measure;
- evidence of how the measure is:
  - an improvement on the measures that would otherwise be promoted by the participant; or
  - an improvement on the measures promoted by licence-holders to meet their obligations under previous energy efficiency schemes; and
- confirmation that the measure is not:
  - a district heating connection;
  - the installation of equipment for the generation of heat wholly or partly from oil; or
  - the installation of equipment for the generation of heat wholly from a non-renewable source.

**Questions**

**14. Do you have any suggestions for our administration of demonstration actions? If you do, please provide further information, including any evidence, to support your response.**

**15. Do you have any suggestions for our administration of innovation measures? If you do, please provide further information, including any evidence, to support your response.**

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<sup>41</sup> See General Annex G to the Horizon 2020 Work Programme 2018-2020 adopted by Commission Decision C(2017)7124 of 27th October 2017

## In-situ measure performance

### Current situation

7.16. There is no specific monitoring of how measures perform under the current scheme.

### Changes

7.17. Suppliers will be able to carry out in-situ performance on any ECO measures installed. If the measures are proven to perform well, suppliers will receive additional savings towards their targets. If the measures under-perform, they will not be penalised.

### Proposed administrative approach

7.18. Suppliers must submit an application to us, before installation, that sets out:

- the measures they plan to install and monitor;
- the monitoring equipment that they plan to install;
- the numbers of each of the above;
- the methodology that will be used to monitor the performance;
- how the monitoring arrangements will improve the knowledge base of the savings achieved by the measure.

7.19. We will publish a specific application form to be used for in-situ performance applications. Applications will be assessed by a panel, as set out for innovation in paragraph 7.8, and the panel will make a recommendation to us which we can choose to accept, or not accept.

7.20. We are working with BEIS to create a set of 'in-situ performance targets' which can be used as benchmarks to assess a measures in-situ performance against. Where a measure exceeds these targets, the additional savings can be counted towards the suppliers' HHCRO.

7.21. We will publish the number of 'monitoring measures' that a supplier has installed, and the related cost savings attributed to them, in our public reports.

### Questions

- 16. Do you have any suggestions for our administration of in-situ monitoring? If you do, please provide further information, including any evidence, to support your response.**

## Local Authority Flexibility (LA Flex) EPC F & G Uplift

### Current situation

7.22. There are currently no rules under ECO specifically for EPC efficiency F or G rated properties.

### Changes

7.23. Under LA Flex, measures installed into properties with an EPC efficiency rating of F or G will receive a 25% uplift to the score received.

### Proposed administrative approach

7.24. To receive the uplift, the measure must have a valid EPC, demonstrating that the property has an EPC efficiency rating of F or G. The EPC can be pre or post-installation.

7.25. As discussed in section 4.39, suppliers must demonstrate the properties EPC energy efficiency rating for all PRS properties. This must be achieved by providing the EPC report reference number (RRN) at notification.

7.26. Suppliers may choose not to notify the EPC rating of properties treated under LA Flex. However, they must notify the EPC RRN if they wish to claim the uplift.

7.27. We will use the same rules for EPCs as discussed in section 4.39. Where the EPC notified to us demonstrates that the property has an EPC efficiency rating of F or G, and the measure is notified under LA Flex, the measure will receive a 25% uplift.

7.28. We will create deemed scores with the uplift included for the purposes of notification. Where the relevant properties are treated, suppliers should notify the correct deemed score that includes the additional 25%.<sup>42</sup>

### Questions

**17. Do you agree with our administration of the uplift? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>42</sup> See paragraph 7.32 for more information on scoring uplifts.

## Deemed Scores

### Current situation

7.29. Deemed scores were introduced for ECO2t and replaced the SAP/RdSAP scoring method previously used for most measures. The process for administering these is described in Chapter 6 of our ECO2t Guidance: Delivery.

### Changes

7.30. We consulted separately on our proposed updates to deemed scores for ECO3. The consultation closed on the 16 May and we will include details on any proposed updates to our administration in our response to the consultation.

7.31. Uplifts are provided for several different measures, as shown in Table 5.

**Table 5: Uplifts provided for different measures**

Name of uplift	Multiplier
Broken central heating	400%
Broken electric storage heaters	240%
Off-mains-gas insulation	135%
LA Flex-F&G-not PRS insulation	125%
Innovation	125%

7.32. Suppliers will only be able to claim one uplift per measure. For example, an innovative insulation measure installed to an off the mains gas grid property would only be able to claim either the 35% (off-mains gas) or 25% (innovation) uplift, not both together.

**7.33. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## 8. Consumer protection

### Section summary

We are consulting on our approach to PAS 2018 and the introduction of DHS consumer protection.

We are also providing information on Each Home Counts and guarantees.

### Questions

18. Do you agree with our proposal that measures installed in accordance with PAS 2030: 2017 Edition 1 must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

19. Do you agree with our proposal that, where a supplier does not wish to register a DHS project with Heat Trust, they must arrange an audit by a third party and the result of the audit must confirm that the arrangements are equivalent to the requirements under Heat Trust? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

## PAS 2030/2035

### Current situation

- 8.1. Suppliers must ensure that measures are installed in line with the relevant standards. If a measure is referred to in the Publicly Available Specification (PAS) the ECO2 Order states that the measure must be installed in accordance with PAS and by a PAS certified installer.
- 8.2. In 2017 a new version of PAS 2030 was published. In order to allow time for the industry to be certified to this new standard, installers have been able to be certified to either PAS 2030: 2014 Edition 1 or PAS 2030: 2017 Edition 1, throughout the ECO2t scheme. Although measures installed from 1 June 2017 must have been installed in accordance with PAS 2030: 2017 Edition 1.

### Changes

- 8.3. Revisions to PAS 2030 are currently underway, in addition, the development of a new standard (PAS 2035) is in progress. BEIS has decided that the new versions of PAS will not be included in ECO3 at this time. Once the new versions are finalised and operational, BEIS will consider whether they can be included in the scheme. The ECO3 Order will need to be amended to reflect any changes. If the new versions are included in the scheme, we will engage with stakeholders separately on any changes to our administration.
- 8.4. Therefore, from 1 October 2018 installers should be certified to and working in accordance with PAS 2030: 2017 Edition 1. There will no longer be an option

for installers to be certified to PAS 2030: 2014 Edition 1 and to install measures in accordance with PAS 2030: 2017 Edition 1.

### **Proposed administrative approach**

- 8.5. From 1 October 2018 installers will need to be certified to and install measures in accordance with PAS 2030: 2017 Edition 1. We will continue to collect the installers PAS 2030 certification number as part of measure notification.
- 8.6. To demonstrate that measures have been installed in accordance with PAS 2030: 2017 Edition 1 they must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012.<sup>43</sup>

### **Questions**

- 18. Do you agree with our proposal that measures installed in accordance with PAS 2030: 2017 Edition 1 must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>43</sup> For more information, see paragraph 2.48 of our ECO2t Guidance: Delivery.



## District Heating System consumer protection

### Current situation

- 8.7. There are currently no specific consumer protection standards for connections to district heating systems under ECO2t.

### Changes

- 8.8. ECO3 introduces a requirement for DHS measures to be accompanied by consumer protection. DHS projects will either need to be registered with heat sector consumer protection body Heat Trust, or demonstrate that they comply with equivalent standards to those provided by Heat Trust.

### Proposed administrative approach

- 8.9. If a supplier chooses to register a measure with Heat Trust, then they will need to notify the installer registration reference and be able to produce evidence of the Heat Trust site certificate detailing the measures in the event of audit.
- 8.10. We are unaware of any other established scheme which has standards equivalent to Heat Trust. Where a supplier chooses to offer an equivalent to the requirements under Heat Trust, they will need a suitably qualified independent external auditor to assess and confirm that the equivalent criteria are met, as outlined in the Heat Trust scheme rules.<sup>44</sup>
- 8.11. Suppliers should hold evidence to demonstrate an independent audit has been undertaken. We may choose to audit this.

### Questions

- 19. Do you agree with our proposal that, where a supplier does not wish to register a DHS project with Heat Trust, they must arrange an audit by a third party and the result of the audit must confirm that the arrangements are equivalent to the requirements under Heat Trust? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

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<sup>44</sup> <http://www.heattrust.org/images/docs/Scheme-Rules-2017---with-GDPR-May-2018.pdf>

## Each Home Counts & Quality Mark

### Current situation

- 8.12. All measures must be installed in accordance with the relevant standards. This includes the Publically Available Specification (PAS), building regulations, and any other applicable regulations.
- 8.13. Where a measure is specified in PAS, the installation of the measure must be carried out by a PAS certified installer and in accordance with the latest version of this standard.

### Changes

- 8.14. Each Home Counts (EHC) is an industry led framework that brings together existing standards and quality assurance schemes under a single brand, the Quality Mark. BEIS has decided that the Quality Mark will not be included in ECO3 at this time. Once the Quality Mark is finalised and operational, BEIS will consider whether it can be included in the scheme. The ECO3 Order will need to be amended to reflect any changes. If the Quality Mark is included in the scheme, we will engage with stakeholders separately on any changes to our administration.
- 8.15. This change is not being introduced at this time, so we do not have administrative discretion, so we are not consulting on this topic.**

## Guarantees

### Current situation

- 8.16. In order to receive the relevant standard lifetime for wall insulation measures (cavity wall, solid wall and park home insulation), they must be accompanied by an ECO appropriate guarantee. An appropriate guarantee is one which meets the criteria set out in the legislation (financial assurance, duration, coverage and has a Quality Assurance Framework).
- 8.17. On our website we provide a list of appropriate guarantees that we have reviewed and consider meet the above criteria.<sup>45</sup> Each of these guarantees have an associated code, which must be included in the measure notification. If a supplier wishes to use a different guarantee that they consider meets the criteria we will assess whether it is an appropriate guarantee before attributing the savings to the measure.
- 8.18. If a supplier does not have an appropriate guarantee at notification of the measure, we apply our wall insulation with no guarantee (WING) policy.<sup>46</sup>

### Changes

- 8.19. BEIS has decided not to introduce Each Home Counts (EHC) guarantees for the beginning of the ECO scheme. EHC is an industry led framework that brings together existing standards and quality assurance schemes under a single brand, it includes a provision for guarantees. BEIS will consider when it can be included in the scheme. We will then assess and communicate our proposed administrative approach.

### Proposed administrative approach

- 8.20. This change is not being introduced at this time, so we do not have administrative discretion, so we are not consulting on this topic.**

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<sup>45</sup> <https://www.ofgem.gov.uk/publications-and-updates/eco2t-appropriate-guarantees>

<sup>46</sup> The details of the WING policy can be found here: <https://www.ofgem.gov.uk/publications-and-updates/response-our-eco2-technical-requirements-consultation>

## 9. Definition changes and our administration

### Section summary

We are consulting on changes to the definition of cost saving, our interpretation of domestic premises and on our administration of ECO.

We are also providing information on a change to the definition of district heating and ECO in Scotland.

### Questions

20. Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.

21. Do you agree with our revised interpretation of 'domestic premises'? If you disagree, please provide evidence that the premises outlined in paragraph 9.18 should be treated as domestic premises.

22. Are there any areas where you think further guidance would be useful?

23. Do you have any further comments on our proposed administration for ECO3?

24. Did you use our online response tool? If you used our online response tool, do you have any feedback?

## Changes to 'cost saving' definition

### Current situation

9.1. Cost savings are currently defined as the savings achieved by the measure in:

- space heating, and (where the measure has achieved a space heating saving),
- hot water heating savings.

### Changes

9.2. In the ECO3 Order, the definition of cost savings has been changed. Providing that a measure provides heating cost savings, then the savings can also include:

- "in the generation of electricity, the money that would be saved by the measure over its expected lifetime in generating electricity for use at that domestic premises, excluding any electricity generated for the purpose of heating the domestic premises or for heating water"

- 9.3. This means that electricity savings can count towards a supplier's obligation, providing the measure also provides a space heating saving. This could include electricity savings achieved by solar PV measures installed to electrically heated homes. This could include electricity savings achieved by solar PV measures installed to electrically heated homes.
- 9.4. The wording "excluding any electricity generated for the purpose of heating the domestic premises or for heating water" prevents double counting of the savings.

### **Proposed administrative approach**

- 9.5. The new definition means that only electricity generated "for use at that domestic premises" can count towards the savings.
- 9.6. SAP calculations for micro-generation measures (including the existing deemed scores for solar PV) include an assumed saving for electricity generation at the property. This assumed saving will be able to count towards a supplier's obligation, no further calculations are necessary.
- 9.7. Where a supplier intends to install any measure that provides electricity generation other than solar PV, they should contact us first as we have not yet developed a comprehensive scoring solution for all technology types.

### **Questions**

- 20. Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.**

## Changes to the definition of a District Heating System

### Current situation

9.8. The current ECO2 Order defines a district heating system (DHS) as a system that delivers heat through pipes or conduits to two or more domestic premises.

### Changes

9.9. In the ECO3 Order, the definition of DHS has changed to mean a system that delivers heats through pipes or conduits to at least;

- two domestic premises in separate buildings; or
- three domestic premises situated in a single building, provided that those premises are not all located within one house in multiple occupation (HMO).

9.10. For the purposes of DHS, BEIS has defined a HMO as:

- in England and Wales, having the same meaning in sections 254 to 259 of the Housing Act 2004;
- in Scotland, “HMO” as defined in section 125 of the Housing (Scotland) Act 2006;

9.11. This change means that a heating system that provides heat to only one property that meets the definition of a HMO is not eligible for a DHS connection measure. A DHS connection measure must be delivered to at least three domestic premises within a single building; or to premises in separate buildings; to be an eligible DHS connection measure.

9.12. HMOs will continue to be eligible for other heating measures, such as boilers, if they meet the relevant scheme criteria. Suppliers should hold evidence that any DHS connection measures meet the DHS definition in the event of an audit.

**9.13. This change is set out in the draft ECO3 Order and we do not have administrative discretion, so we are not consulting on this topic.**

## Changes to the definition of domestic premises

### Current situation

- 9.14. A supplier achieves its obligations by promoting qualifying actions at domestic premises, including mobile homes.
- 9.15. We currently consider that occupants can carry out some commercial activities at the premises from a room also used for domestic purposes, provided that the primary use of the premises is as a home. Examples of commercial activities include working or running a business from home. Areas used solely for commercial purposes should not be included in determination of savings for that premises.
- 9.16. As per our private domestic premises guidance note, the following are examples of premises that we do not generally consider as a domestic premise:
- a hotel;
  - a short-stay apartment;
  - a short-stay hostel.<sup>47</sup>

### Changes

- 9.17. There are changes in the ECO3 Order to the definition of domestic premises.
- 9.18. However, we consider that the definition of domestic premises has been interpreted widely to include some properties which are more commercial than domestic in nature. Therefore, we will be tightening our interpretation of the definition of 'domestic premises' for ECO3 to specifically exclude commercial properties.

### Proposed administrative approach

- 9.19. For ECO3 we are proposing to update our domestic premises guidance. Properties that are predominately commercial will no longer be eligible under the scheme. This will specifically exclude properties such as:
- Hostels
  - Care homes
  - Guest houses (including 'bed and breakfast' properties)

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<sup>47</sup>

[https://www.ofgem.gov.uk/system/files/docs/2017/05/es996\\_domestic\\_premises\\_guidance\\_note\\_may\\_2017.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/05/es996_domestic_premises_guidance_note_may_2017.pdf)

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- Hotels
- Student halls of residence

9.20. We will not be looking to apply this change in definition retrospectively to any measures installed under ECO2/ECO2t.

### Questions

- 21. Do you agree with our revised interpretation of 'domestic premises'? If you disagree, please provide evidence that the premises outlined in paragraph 9.18 should be treated as domestic premises.**



## ECO in Scotland

### Current situation

9.21. The current ECO is a GB wide scheme. Measures can be delivered across England, Scotland and Wales.

### Changes

9.22. On 1 December 2017 some of the powers to make ECO Orders were extended to Scottish Ministers by the Scotland Act 2016.<sup>48</sup> If Scottish Ministers decide to introduce a Scottish scheme during ECO3 we will engage with stakeholders on this separately.

**9.23. There are currently no changes to ECO in Scotland, so we are not consulting on this topic.**

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## **General administration**

### **Questions**

- 22. Are there any areas where you think further guidance would be useful?**
- 23. Do you have any further comments on our proposed administration for ECO3?**
- 24. Did you use our online response tool? If you used our online response tool, do you have any feedback?**

## Appendix 1 - List of questions

### Questions

1. Do you agree with our administration of carry-over? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
2. Do you agree with our administration of early delivery? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
3. Do you agree with our proposal that child benefit should only be used as evidence of eligibility where it is the only available route to eligibility? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
4. Do you have any suggestions for verifiable means of evidencing household income & Child Benefit, or other means of evidencing the new Ministry of Defence benefits? If you have a suggestion, please provide evidence to support your response.
5. Do you agree with our administration of the new PRS rules? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
6. Do you agree with our proposal that where measures that provide equivalent savings to solid wall insulation are installed, all relevant measures would need to be installed within a six-month period to count towards the SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
7. Do you agree with the other elements of our administration of SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
8. Do you agree with our proposal that transferring in-fill measures would not be possible until all connected measures are approved? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
9. Do you agree with the other elements of our administration of in-fill for SWI and DHS? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
10. Do you agree that we should continue to use the same criteria for determining if a heating system is broken as we currently use (as detailed in paragraph 6.15)? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
11. Do you agree with our proposal to continue to use the definitions and tables in the boiler assessment checklist and electric storage heater checklist to determine if broken heating systems can be economically repaired? If you disagree, please provide alternative suggestions, including any evidence, to support your response.
12. Do you know of any heating systems (other than boilers or electric storage heaters) for which we would need to develop a definition for inefficient? If you do, please provide evidence to support your response.
13. Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

14. Do you have any suggestions for our administration of demonstration actions? If you do, please provide further information, including any evidence, to support your response.

15. Do you have any suggestions for our administration of innovation measures? If you do, please provide further information, including any evidence, to support your response.

16. Do you have any suggestions for our administration of in-situ monitoring? If you do, please provide further information, including any evidence, to support your response.

17. Do you agree with our administration of the uplift? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

18. Do you agree with our proposal that measures installed in accordance with PAS 2030: 2017 Edition 1 must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

19. Do you agree with our proposal that, where a supplier does not wish to register a DHS project with Heat Trust, they must arrange an audit by a third party and the result of the audit must confirm that the arrangements are equivalent to the requirements under Heat Trust? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

20. Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.

21. Do you agree with our revised interpretation of 'domestic premises'? If you disagree, please provide evidence that the premises outlined in paragraph 9.18 should be treated as domestic premises.

22. Are there any areas where you think further guidance would be useful?

23. Do you have any further comments on our proposed administration for ECO3?

24. Did you use our online response tool? If you used our online response tool, do you have any feedback?