

[Energy Company Obligation (ECO3) Administration]

Response on behalf of the Solar Trade Association

About us

Since 1978, the Solar Trade Association (STA) has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users.

A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors and law firms.

Our mission is to empower the UK solar transformation. We are paving the way for solar to deliver the maximum possible share of UK energy by 2030 by enabling a bigger and better solar industry. We represent both solar heat and power, and have a proven track record of winning breakthroughs for solar PV and solar thermal.

Respondent details

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Would you like this response to remain confidential?	No

Introduction and Background

The STA welcomes some of the developments from the feedback that has been included in the scope of ECO3. However, there remain worrying gaps in this, which the proposed administration of ECO3 does not go far enough to include. Prior to this consultation, the STA submitted a response which highlighted the sharp cost reductions in solar power, together with its exceptional reliability, longevity, generally high quality of installation, and 'fit and forget' ease of use that makes solar PV an increasingly important intervention to reduce energy bills in fuel poor homes. The current structure of the Energy Company Obligation is a fundamentally flawed approach to tackling fuel poverty. We urge BEIS to ensure the scheme enables other organisations, particularly local and health authorities and social housing providers, who are closely aligned to scheme objectives, to participate effectively and we welcome all steps in this direction. Currently ECO incentivises suppliers to find the cheapest homes to fix, using the narrowest range of measures. The scheme should identify those most in need and

deliver deep, future-proofed and high-quality retrofits. Neither the administrative paper nor the ECO3 scope set out goes far enough in ensuring this ‘low hanging fruit’ approach is disincentivised.

We highlighted that solar PV and the benefits the installations bring should be included in ECO3 more prominently than in its predecessors and are disappointed that the clarifications sought prior have not been included. The timing of ECO3 offers an opportunity to support the development of solar PV and smart technologies across fuel poor homes, taking over from the FIT scheme which is currently being consulted on to completely close, adding a further barrier to fuel poor homes having access to these technologies.

Answers to Consultation questions

<p>Q5. 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.</p>	<p>We agree with the administration for PRS rules – specifically that the EPC must be pre-installation (unless showing EPC of F/G) and valid as well as latest lodged in that premise.</p>
<p>Q15. 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.</p>	<p>With both demonstration actions and innovation measures it is important that the process for determining which innovations are permitted and successful is as transparent as possible. We therefore think that the decision-making process for unsuccessful innovations should be made public as well. This will aid applications applying in future to avoid unnecessary rejections based on accidental omission of information for example, and clarify the basis of what experts are providing their information on.</p> <p>We agree ECO should support innovative tech and processes, but in our view the approach is not innovative enough. The market needs to open up to other businesses and organisations offering more innovative financing models to leverage greater overall investment. We understand that solar thermal, or PV diverters to cylinders to deliver hot water could be included as an ancillary measure. It is important to note the reliability and ease of use of solar thermal. A case study in our recent report Leading Lights, which details local authority innovation, includes a case study from Mid Devon which has adopted a bespoke approach to reducing the energy bills of rural, fuel poor homes off the gas grid. They found that solar thermal was one of the most reliable</p>

	<p>and easy technologies to install, and one of the easiest for home owners to understand and use effectively.</p> <p>As above, technology innovation needs to understand the important role of solar thermal and solar PV in delivering efficient renewable heating systems. Solar thermal is uniquely eligible under the RHI for support as a second technology when used with biomass or heat pumps for this very reason. Solar thermal can deliver space heating but it is not supported under the Renewable Heat Incentive (RHI). This has been a source of frustration for the industry as this application of solar thermal is main stream in several EU markets. The lack of support for this application in the UK means the technology will be at a nascent stage. PV-T, which combines PV with solar thermal is also not eligible, but could be an important technology where roof space is at a premium. Administration of innovative measures should also include innovative financing, which can offer PPA and ESCO contracts.</p>
<p>Q16. 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.</p>	<p>In situ monitoring could provide valuable information on the respective performance that installations provided by suppliers can bring to customers. Solar PV lends itself to this kind of monitoring due to the nature of its product able to be metered and believe suppliers should be incentivised to install solar to reach the ‘benchmarks’ Ofgem is working with BEIS on producing. We support this inclusion and urge the publication of their calculations for determining the benchmarks to be set, in order for fair and transparency within ECO3.</p>
<p>Q17. Do you agree with our administration of the uplift? If you disagree, please provide alternative suggestions, including any evidence, to support your response.</p>	<p>We strongly support Flexibility Eligibility enabling better targeting of homes most in need by local authorities, in particular working with health authorities. However, BEIS could unlock far greater innovation and leverage far greater investment in building upgrades by allowing local authorities to work in partnership with community groups and ESCOs to deliver innovative interventions. Many authorities lack officer capacity, so trusted business partners can play a valuable role here.</p> <p>For example, there is strong interest from communities</p>

	<p>to invest in solar rooftop and storage projects on social housing that enables lower bills for residents while providing modest returns to community investors. The Energiesprong retrofit model is not yet economic in the UK, but is working towards market viability and would require relatively modest support via ECO to enable it to take off. This would require longer terms contracts with ESCOs. However, ECO support could enable deeper interventions and higher bill savings. A modest contribution from ECO could leverage much greater investment.</p> <p>Local authorities will have an expanded role, through Local Authority Flexible Eligibility, encouraging the use of their expertise to identify the most vulnerable households in their areas. We support this initiative. An uplift for measures delivered to low income households living in F and G rated properties under the Flexible Eligibility part of the scheme. The Government will update the LA Flexible Eligibility guidance. We agree with the need for a valid EPC of F/G: (and that it can be pre or post installation). Suppliers demonstrating properties EPC energy efficiency rating for all PRS properties, achieved through EPC RRN at notification is also agreed with.</p>
<p>Q20. Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.</p>	<p>Definition Administration: We agree with the new definition of 'cost savings', which includes a far more encompassing definition that allows for microgeneration electricity savings to be included in supplier obligations on top of the measure also providing space heating saving. However, this is not reflected in the inclusion of Solar PV within HHCRO which is currently limiting the installation of solar PV.</p> <p>The cost saving definition will further encourage suppliers to install solar panels on appropriate homes due to the benefit on bill reductions they have for consumers. However, prohibiting this benefit from being fully realised is the definition that currently stands within ECO2t. Currently Solar PV is included in ECO scheme under the following definition:</p> <p>“Solar PV is an eligible measure under the Home Heating Cost Reduction Obligation (HHCRO) where</p>

	<p><u>electric heating is the primary heating source of the premises and the generated heat is used partly or fully for space heating.”</u></p> <p>However, for the above cost savings administration to be effective in the ECO3 scheme, the definition of solar PV being eligible should be changed to the following:</p> <p>“Solar PV is an eligible measure under the Home Heating Cost Reduction Obligation (HHCRO) where electric heating is the primary heating source of the premises [end here]”</p> <p>This removes the misconception that solar PV generates heat that is used partly or fully for space heating. Solar PV can contribute to space heating in homes with (typically economy 7) storage heating; however the wording in current Ofgem guidance is unclear. Since solar PV will naturally contribute to space heating in any home with electric heating the above definition provided is appropriate. The new cost saving definition will encompass the remaining electricity savings Solar PV generation provides (which does not contribute to space heating savings) also being counted towards suppliers obligation. This makes fundamental sense due to solar PV being able to reduce electricity bills for consumers considerably.</p> <p>Domestic Administration: We agree with the intention that only electricity generated ‘for use at the domestic premises’ can count towards the savings.</p>
<p>Q22. Are there any areas where you think further guidance would be useful?</p>	<p>Section 9 – definition changes and our administration: See Q20 Response for the appropriate definition for Solar PV within ECO3.</p>