

Energy Company Obligation (ECO3) Guidance: Supplier Administration v1.2 (draft for comment)

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This draft guidance is supplementary to our ECO3 improving consumer protection consultation document. It sets out Ofgem's procedures for administering the ECO3 Order¹ as amended by the ECO3.1 Order.² ECO places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises. Each supplier has an overall target based on its share of the domestic energy market in Britain.

The guidance is provided in two documents: the **ECO3 Guidance: Supplier Administration** and the **ECO3 Guidance: Delivery**. The Supplier Administration guidance is aimed mainly at suppliers, describing the processes that suppliers and Ofgem follow to meet the requirements of the ECO3 Order. It explains when a supplier becomes obligated and how its obligations are set, including details of the solid wall minimum requirement and the rural sub-obligation. It also sets out the processes for carry-over, early delivery of measures, trading obligations, the notification of measures, and transfers of qualifying actions.

This version has been issued to provide clarifications on the previous version (version 1.1) and updates on our wider administrative approach. This version applies to all measures installed on or after 1 January 2020, pending the outcome of the consultation. For measures installed from 1 October 2018 to 31 December 2019 version 1.1 of the ECO3 Guidance: Supplier Administration will apply.

¹ Under the Electricity and Gas (Energy Company Obligation) Order 2018, ((the 'ECO3 Order')(as amended)).

² the draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2019, (the 'ECO3.1 Order').

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About this Guidance

Energy efficiency is a key part of Government policy for reducing the United Kingdom's (UK) greenhouse gas emissions. This policy contributes to the Government's wider commitment to cut greenhouse gases by at least 34% by 2020 and at least 80% by 2050.

The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain. ECO places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises. It focuses on insulation and heating measures and supports vulnerable consumer groups. ECO is intended to assist in reducing fuel poverty, reducing carbon emissions, and maintaining security of energy supply.

An obligation has been outlined under the Electricity and Gas (Energy Company Obligation) Order 2018 (referred to as the 'ECO3 Order'), and the scheme that runs during that period is called 'ECO3'. The ECO3 scheme, which will run until March 2022, will mainly focus on low income and vulnerable households, helping to meet the Government's fuel poverty commitments.

In July 2019, the Government's ECO3 Improving consumer protection consultation proposed making changes to the ECO3 scheme under the draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2019 (referred to as the 'ECO3.1 Order').³

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the ECO administrator. This document provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer the ECO3 scheme, in line with the requirements of the ECO3 Order.

For measures installed from 1 October 2018 to 31 December 2019, please refer to our ECO3 Guidance: Supplier Administration (version 1.1) and ECO3 Guidance: Delivery (version 1.2).

The ECO3 scheme consists of one distinct obligation and energy suppliers must achieve cost savings of £8.253 billion under the Home Heating Cost Reduction Obligation (HHCRO). The

³ Details of the changes can be found in the Government response to the ECO3 Improving consumer protection consultation: <https://www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection>

target for delivery is divided between obligated suppliers according to each obligated supplier's relative share of the domestic gas and electricity market.

The HHCRO target must be achieved before 1 April 2022.

To help users of our guidance, we have split it into two parts:

1. **ECO3 Guidance: Supplier Administration (this document)** - is aimed mainly at suppliers, describing the processes that suppliers and Ofgem follow to meet the requirements of the ECO3 Order.
2. **ECO3 Guidance: Delivery** - is aimed at suppliers and the broader supply chain, describing how to deliver measures that are eligible to contribute towards the ECO targets.

This guidance (ECO3 Guidance: Supplier Administration) addresses the following:

- when a supplier is obligated under ECO3 and how its obligations are set
- details of the solid wall minimum requirement
- details of the rural sub-obligation
- how suppliers notify completed ECO measures
- carry-over and early delivery of measures
- the application process for trading obligations
- the application process for transfers of qualifying actions and re-elections, and
- our role as the ECO administrator.

We have no role in administering the ECO Brokerage mechanism and this document does not address its requirements.

It is the responsibility of each supplier to understand the provisions of the ECO3 Order and how those provisions apply to it. This guidance may be used by suppliers and members of the supply chain but it is not intended to be a definitive guide to those legislative provisions. Suppliers are responsible for ensuring that they, and any member of the supply chain acting on their behalf, comply with the applicable requirements of the law.

Previous ECO schemes

For measures installed before 1 October 2018, please refer to our ECO2t guidance Delivery and Administration Versions 1.1.⁴ For measures installed before 1 April 2017, please refer to our ECO2 guidance Delivery and Administration Versions 1.1.⁵

Useful Links

The Electricity and Gas (Energy Company Obligation) Order 2018:

<http://www.legislation.gov.uk/uksi/2018/1183/contents/made>

The Draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2019:

<https://www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection>

Government consultation on the Energy Company Obligation (ECO): ECO3, 2018 to 2022:

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

Government response to the Energy Company Obligation (ECO3): improving consumer protection consultation:

<https://www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection>

BEIS ECO3 improving consumer protection consultation: impact assessment:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822619/ECO3_Improving_Consumer_Protection_Consultation_Impact_Assessment.pdf

ECO3 Guidance: Delivery:

⁴ <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2017-18-eco2t-guidance-delivery>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2015-17-eco2-guidance-delivery>.

<https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2018-22-eco3-guidance-delivery>

ECO3 Guidance: Innovation

<https://www.ofgem.gov.uk/publications-and-updates/eco3-innovation>

BEIS Energy Company Obligation (ECO): Help to Heat scheme - flexible eligibility guidance

<https://www.gov.uk/government/publications/energy-company-obligation-eco-help-to-heat-scheme-flexible-eligibility>

TrustMark Framework

<https://www.trustmark.org.uk/aboutus/useful-links>

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About this draft guidance for comment

Purpose of this document

The ECO3.1 Order will commence on 1 January 2020.⁶ Measures delivered from 1 January 2020 will need to meet the new requirements from the ECO3.1 Order. Measures installed before this date will need to comply with the ECO3 Order. This draft for comment guidance allows stakeholders to review the proposed changes and is a “live” document which should be used as guidance on the delivery of measures until our final version 1.2 is published. This is not a consultation on our administrative approach to the policy changes for ECO3. Our ECO3 improving consumer protection consultation can be found on our website.⁷

Draft for comment feedback

As outlined above, we are not consulting on this draft guidance and have published this document on a draft for comment basis to seek views on the clarity and format of this document. On that basis, we would like to seek feedback on the following questions:

1. the overall tone of the guidance, is the draft guidance easy to read and understand? Are there any sections which could be better explained?
2. is the draft guidance user friendly?
3. are there any sections of the draft guidance which are ambiguous?

You may provide suggestions for changes or improvements to this draft guidance during a four week review period from 8 November 2019. Any responses should be made in writing by email to eco@ofgem.gov.uk by 3 December 2019, and clearly identify the related paragraph number.

Date of effect for version 1.2 of the guidance

We have published this guidance in draft to provide an opportunity for stakeholders to comment and expect to publish a final version by January 2020, which may include changes from the draft version. **This guidance will apply to all measures installed from 1 January 2020**

⁶ <https://www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/eco3-improving-consumer-protection-consultation>

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1. Introduction

- 1.1. The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain that places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises.
- 1.2. The ECO1 scheme ran between 1 January 2013 and 31 March 2015.
- 1.3. The ECO2 scheme then ran from 1 April 2015 to 31 March 2017. The scheme was then extended, and ran from 1 April 2017 to 30 September 2018 and is referred to as ECO2t.
- 1.4. An obligation period has been established under the Electricity and Gas (Energy Company Obligation) Order 2018 (the 'ECO3 Order'), and the scheme that runs during that period is called 'ECO3'. The new arrangements under the ECO3.1 Order will apply from 1 January 2020.
- 1.5. The obligation period for ECO3 runs from 3 December 2018 to 31 March 2022 and is split into four phases. We are required to determine a supplier's obligations for each of these phases:

phase 1: 3 December 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
- 1.6. ECO3 is comprised entirely of a single obligation⁸, **Home Heating Cost Reduction Obligation (HHCRO)**: the installation of heating qualifying actions, including insulation and the repair and replacement of boilers and electric storage heaters, to reduce home heating costs for fuel poor and vulnerable people. This is also known as the 'Affordable Warmth' obligation. It also includes a rural sub-obligation as well as a solid wall minimum requirement.

⁸ The government removed CERO from the scheme for ECO3. Suppliers with a CERO target had to achieve this by 30 September 2018.

- 1.7. The ECO3 Order sets the overall target for the HHCRO obligation of £8.253 billion.
- 1.8. For each phase of ECO3, suppliers are allocated a proportion of the overall targets, depending on each supplier’s relative share of the domestic gas and electricity market. A supplier must achieve its HHCRO before **1 April 2022**.
- 1.9. A supplier achieves its obligations by promoting qualifying actions (‘measures’) at domestic premises.
- 1.10. A non-exhaustive overview of our role as the ECO administrator and suppliers’ roles and responsibilities for ECO3 is provided in Table 1.

Table 1: Overview of Ofgem and suppliers’ roles and responsibilities for ECO3

Time	Supplier role and responsibilities	Ofgem role and responsibilities
Before each obligation period begins	<ul style="list-style-type: none"> Notify customer numbers and amount of supply 	<ul style="list-style-type: none"> Determine and notify suppliers of their obligations for ECO3 In phase 1, outline the processes for early actions
During obligation period	<ul style="list-style-type: none"> Promote the installation of measures to achieve obligations Determine the score of each measure using deemed scores, SAP/RdSAP (where applicable) or alternative methodologies Lodge measures in the TrustMark Data Warehouse before notifying to Ofgem Notify completed measures Apply to transfer a notified measure or surplus action to another supplier Apply to re-elect an obligation for a notified measure or surplus action Apply to trade obligations to another licence or supplier group Apply for an extension request 	<ul style="list-style-type: none"> Notify suppliers of whether or not a measure has been approved, or if the savings have been revoked or refused Publish alternative methodologies for calculating scores Develop new deemed scores Notify the Secretary of State of suppliers’ progress towards achieving their obligations (monthly) Review transfer applications for notified measures and surplus actions Review re-election applications for notified measures and surplus actions Review trading applications Review extension requests Calculate whether a supplier has exceeded its 5% automatic extensions threshold Carry out audits

Time	Supplier role and responsibilities	Ofgem role and responsibilities
	<ul style="list-style-type: none"> • Produce evidence relating to activity undertaken to achieve ECO3 obligations (including providing specific information on measures on request) • Perform technical and score monitoring of measures and report the results to us • Adhere to the process steps required for innovation measures, demonstration actions and monitored measures, including pre-filtering applications to Ofgem where necessary 	<ul style="list-style-type: none"> • Review the results of technical monitoring, score monitoring and audits and take action where necessary • Review and process applications for innovation measures, demonstration actions and monitored measures
<p>End of the obligation period</p>	<ul style="list-style-type: none"> • Achieve obligations (and sub-obligations) for all obligated licences before 1 April 2022 	<ul style="list-style-type: none"> • Attribute savings to approved measures • Determine whether a supplier has achieved its obligations • Notify the Secretary of State and suppliers of our final determination • Consider whether to take enforcement action where a supplier has not achieved its obligations

The ECO guidance

- 1.11. This guidance details our administrative processes for ECO3 and sets out the requirements for all obligated suppliers in accordance with the ECO3 Order. Where a supplier fails to meet the requirements of the ECO3 Order, we may take enforcement action.⁹
- 1.12. This guidance does not address the requirements of the ECO Brokerage mechanism. It also does not address innovation, information on this is provided in the ECO3 Guidance: Innovation.¹⁰

Information gathering powers

- 1.13. We use our information gathering powers under the ECO3 Order to require suppliers to provide us with information (for example, the submission of technical monitoring reports).¹¹ We can require a supplier to:
- a. provide specific information about its proposals for complying with any requirement under the ECO3 Order
 - b. produce specific evidence to demonstrate that it is complying with, or that it has complied with, any requirement under the ECO3 Order, and
 - c. provide information relating to the cost to the supplier of achieving its obligations.
- 1.14. The information that suppliers must be able to provide at audit, based on the requirements set out in this guidance, is detailed in Appendix 1 of our ECO3 Guidance: Delivery.¹² This appendix provides full details of the specific data and documents that must be made available.

⁹ Failure by a supplier to achieve an ECO3 obligation is a contravention of a “relevant requirement” which can engage the Authority’s enforcement powers in the Gas Act 1986 and Electricity Act 1989, (article 39)

¹⁰ <https://www.ofgem.gov.uk/publications-and-updates/eco3-innovation>

¹¹ Article 37 of the ECO3 Order.

¹² <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2018-22-eco3-guidance-delivery>

ECO Brokerage

- 1.15. The ECO Brokerage is an auction-based mechanism to enable suppliers to buy forward contracts for the delivery of ECO measures by participating authorised sellers.
- 1.16. We have no role in administering the ECO Brokerage and this guidance does not address the Brokerage or its administrative requirements. However, we recognise that suppliers may seek credit for measures obtained through it. Any measures obtained through the ECO Brokerage must still meet the requirements of the ECO3 Order and this guidance to be considered eligible under ECO.

Queries and further information

- 1.17. For further information on our administration of ECO please visit our website: www.ofgem.gov.uk/eco. Any queries about our guidance or the administration of the ECO scheme should be directed to eco@ofgem.gov.uk.
- 1.18. For further information on the ECO Brokerage, please refer to: <https://www.gov.uk/energy-companies-obligation-brokerage>.
- 1.19. For further information on Trustmark, please refer to: <https://www.trustmark.org.uk/>. Any queries on the TrustMark Framework should be directed to eco@trustmark.org.uk.
- 1.20. Please direct any queries about the ECO3 Order, future changes to the ECO scheme and wider policy to the Department for Business, Energy and Industrial Strategy (BEIS) at: beisecoteam@beis.gov.uk.

2. Who is obligated under ECO3?

- 2.1. This chapter explains when a gas or electricity licence-holder will meet the definition of a 'supplier'. It also introduces the concepts of a dual licence-holder and a group company, and explains when these types of licence-holders will meet the definition of a 'supplier'.

The obligation period

- 2.2. The obligation period for each licence-holder will vary depending on when that licence-holder becomes obligated under ECO3:
- a) where a licence-holder met the definition of a supplier on 31 December 2017 (see below), its overall obligation period starts on **3 December 2018** (phase 1) and ends on **31 March 2022**
 - b) where a licence-holder does not meet the definition of a supplier until 31 December 2018 (a 'new 2018 supplier'), its overall obligation period starts on **1 April 2019** (phase 2) and ends on **31 March 2022**
 - c) where a licence-holder does not meet the definition of a supplier until 31 December 2019 (a 'new 2019 supplier') its overall obligation period starts on **1 April 2020** (phase 3) and ends on **31 March 2022**
 - d) where a licence-holder a licence-holder does not meet the definition of a supplier until 31 December 2020 (a 'new 2020 supplier') its overall obligation period starts on **1 April 2021** (phase 4) and ends on **31 March 2022**.

When is a licence-holder a 'supplier'?

- 2.3. The ECO3 Order establishes a threshold beyond which a licence-holder will be considered a 'supplier' for the purposes of ECO3. Suppliers become obligated under the scheme when they exceed this threshold for the relevant phase.
- 2.4. Each phase will contain two elements which must be met for a licence-holder to be considered an obligated supplier:

- a) number of domestic customers and,
- b) amount of supply to domestic customers.

2.5. 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 reduced again for phase 3. Table 2 shows the customer number and supply volume thresholds for each obligation phase.

Table 2: 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
Number of domestic customers (at 31 December)		>250,000	>200,000	>150,000	>150,000
Supply domestic customers to	Electricity	500GWh	400GWh	300GWh	300GWh
	Gas	1400GWh	1100GWh	700GWh	700GWh

- 2.6. We will incorporate the reduction in thresholds into our calculations for the setting of phase 2 and phase 3 obligations of ECO3, and our administrative approach will remain the same.
- 2.7. Licence-holders will be contacted by the end of the February immediately preceding the new phase if, by moving into that phase, they become an obligated supplier. Suppliers will be required to meet their overall obligation by 31 March 2022.¹³
- 2.8. If a licence-holder is a member of a group of companies that includes at least one other licence-holder, the licence-holder is a 'group company'. The number of domestic

¹³ Ofgem communicated indicative obligations to suppliers for phase 1 in anticipation of the ECO3 Order coming into force on 3 December 2018.

customers and amount of supply of the group of companies will be used to determine whether the threshold is met.

- 2.9. If a company holds both an electricity supply licence and a gas supply licence ('dual licence-holder'), the number of domestic customers for each licence will be considered as distinct and combined to determine whether the threshold is met.¹⁴
- 2.10. Assuming the customer number threshold has been met, where a dual licence-holder meets the supply volume threshold for:
- a) both its gas **AND** electricity licences, it will be considered a separate supplier in respect of each supply, or
 - b) either its electricity **OR** gas licence, it will be considered a supplier only in respect of the supply that exceeds the threshold.
- 2.11. Each licence-holder is responsible for determining whether it exceeds the threshold and is therefore a supplier. Licence-holders will need to consider this ahead of each phase of ECO3. A licence-holder that does not exceed the threshold for a given year may do so in a subsequent year.
- 2.12. Once a licence-holder has met the definition of a supplier for a given year, it will remain a supplier (ie subject to the requirements of ECO) and will be obligated for all phases. If the supply is below the threshold for the given phase then the supplier's obligation will be zero for that phase, but will retain any obligations from prior phases.
- 2.13. A licence-holder can use Table 3 to indicate whether it is an obligated ECO3 supplier. A licence-holder should identify which type of licence-holder it is and whether it meets the criteria in each column. A tick indicates where a licence-holder meets the criteria and a cross indicates that a licence holder does not meet the criteria. The final column indicates whether or not, based on the rules set out in the table, a licence-holder will be an obligated ECO3 supplier.

¹⁴ A customer supplied with electricity and gas by the same licence-holder is counted twice, once in respect of each supply.

Group of companies

- 2.14. Whether a licence-holder is a member of a group company should be determined by reference to the membership of the group of companies on 31 December of the relevant qualification year.
- 2.15. A group of companies comprises the holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly-owned subsidiary' have the same meaning as in section 1159 of the Companies Act 2006.¹⁵
- 2.16. If a licence-holder is a group company on **31 December** of a qualification year, the sum of the electricity or gas supplied by that licence-holder between **1 January and 31 December** of that year must be taken into account when determining the group's supply. This is irrespective of whether that licence-holder was a member of the group for the whole of that year.
- 2.17. If a licence-holder is a member of a group of companies and individually exceeds the threshold, then all the other licence-holders in that group that hold a licence of the same type will also meet the definition of a supplier.
- 2.18. When using Table 3, where a licence-holder is a member of a group company, the sum of the customer numbers and supply of all licence-holders in that group company should be used to determine whether a licence-holder is an obligated ECO3 supplier.

¹⁵ See: <http://www.legislation.gov.uk/ukpga/2006/46/section/1159>.

Table 3: Summary of when a licence-holder meets the threshold and is considered a supplier for each relevant phase, applicable to both group and non-group companies

Type of licence-holder		Electricity supply licence?	Gas supply licence?	The customer number threshold as per the relevant phase ¹	Electricity Supply threshold to domestic customers as per the relevant phase ²	Gas Supply threshold to domestic customers as per the relevant phase ²	ECO3 supplier?
Electricity licence-holder		✓	x	✓	✓	x	✓
Gas licence-holder		x	✓	✓	x	✓	✓
Dual licence-holder	Electricity	✓	-	✓	✓	-	✓
	Gas	-	✓	✓	-	x	x
Dual licence-holder	Electricity	✓	-	✓	x	-	x
	Gas	-	✓	✓	-	✓	✓
Dual licence-holder	Electricity	✓	-	✓	✓	-	✓
	Gas	-	✓	✓	-	✓	✓

1 This is the number of domestic customers at the end of 31 December of the qualification year.

2 This is the amount of gas or electricity supplied in the relevant qualification year

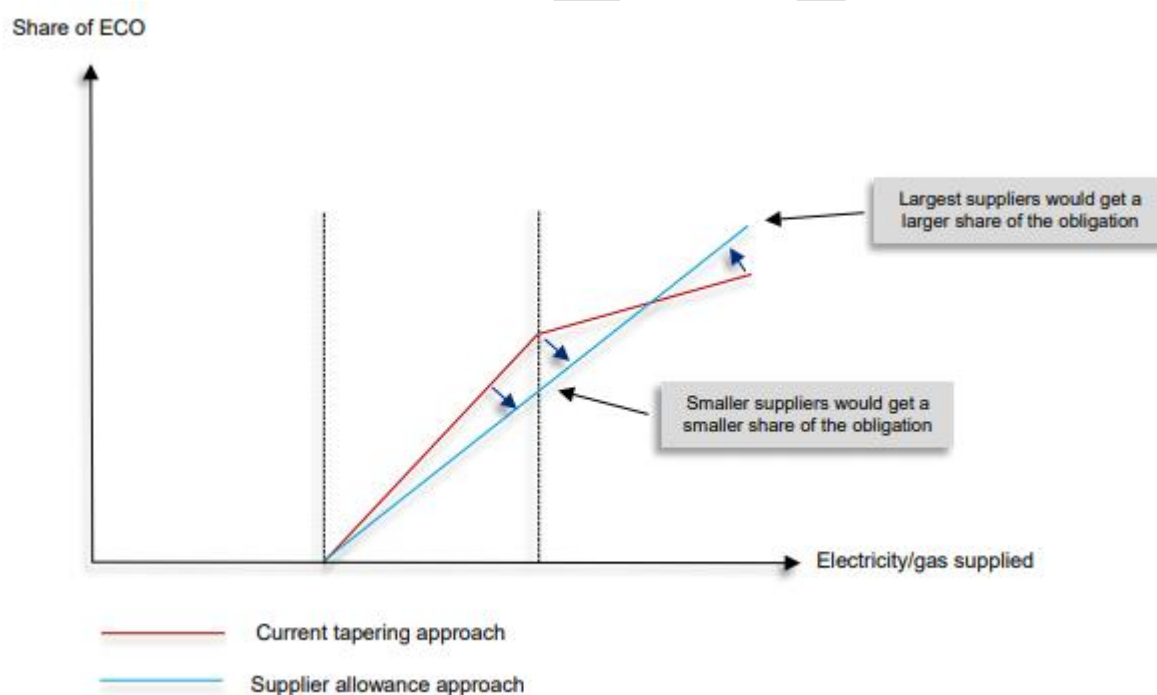
2.19. It is important to note that the requirements of the ECO3 Order fall on licence-holder, ie not at the group company level. In the remainder of this guidance we use the word 'supplier' to refer to a licence-holder that is subject to the requirements of ECO.

Obligation taper mechanism

2.20. A taper mechanism exists in ECO, which means for newly obligated suppliers, their obligation is calculated based only on their supply volume above the lower obligation threshold.

2.21. From phase 2, the taper mechanism was amended to a supplier allowance approach. This means that all energy suppliers are now entitled to the same supplier allowance (equal to the lower threshold), meaning their obligations are calculated on a per unit of supply basis. The supplier allowance approach is shown in Figure 1.

Figure 1: Supplier allowance mechanism



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

3. Notifying customer numbers and supply

3.1. Once a licence-holder or group company has met the definition of a supplier for ECO3, ie is an obligated ECO3 supplier, it must notify us of its domestic customer numbers and supply. The information that must be notified to us, and how to calculate this information, is described below. We will use the information notified by a supplier to determine its obligations, including the proportion of the overall ECO targets that it must achieve.

What suppliers must notify

- 3.2. Before each phase of ECO3 a supplier must notify us of:
- a. the number of its domestic customers on 31 December of the relevant qualification year (see Table 4), and
 - b. the amount of gas or electricity (as applicable) supplied to its domestic customers during the relevant qualification year.
- 3.3. This information must be sent to us by a set notification date, using the template that we will email to suppliers before the notification date.
- 3.4. Table 4 summarises the dates by which suppliers must notify us of their domestic customer numbers and supply, and the period of time that notification must relate to.

Table 4: Key dates for notifying domestic customer numbers and supply

Actions	Phase 1 (3 December 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)
Notification date	10 December 2018	1 February 2019	1 February 2020	1 February 2021
Relevant qualification year	1 January to 31 December 2017	1 January to 31 December 2018	1 January to 31 December 2019	1 January to 31 December 2020

- 3.5. Where a supplier is a group company¹⁶, it must notify us of the group's customer numbers and the amount of electricity or gas, as applicable, supplied by the group during the relevant qualification year for all licence-holders part of the same group with the same type of supply at the licence level.
- 3.6. In calculating group customer numbers and supply, suppliers should take into account the amount of electricity or gas supplied by the entire group during the qualification year including the supply of any licence-holders that entered the group during that qualification year.
- 3.7. In addition, for all suppliers in the group with the same type of supply (ie gas or electricity) the supplier must also notify us of the following:
- a) the names of all the suppliers in the group, and
 - b) the company registration number for each supplier within the group.
- 3.8. Where a supplier fails to provide the information specified above, or we consider that a notification is inaccurate, we may determine these figures ourselves.¹⁷ We may also take enforcement action if appropriate.
- 3.9. Where a supplier that is a group company fails to provide the information specified above, or we consider any of the information to be inaccurate, we may determine the information ourselves. We may also take enforcement action if appropriate.

Calculating domestic customer numbers

- 3.10. The ECO3 Order defines a domestic customer¹⁸ as 'a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes'.
- 3.11. We recognise that suppliers cannot all use the same methodology to calculate their domestic customer numbers without significant system changes. However, suppliers

¹⁶ A 'group company' is a licence-holder that is a member of a group of companies that includes at least one other licence-holder.

¹⁷ Articles 5(5) of the ECO3 Order.

¹⁸ Article 2 of the ECO3 Order.

must use a reasonable methodology to accurately calculate domestic customer numbers. We may audit suppliers to ensure the methodology used is reasonable after notification but before the start of each phase, as applicable.

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Calculating electricity supply

To calculate the amount of electricity supply, suppliers should use the methodology below.

Methodology for calculating the amount of electricity supply

- 3.12. ELEXON settlement data should be used for all notifications, given its acceptance for settlements data across the industry.
- 3.13. Suppliers should provide the total kilowatt hours (kWh) delivered to:
 - 3.13.1. customers on Profile Classes 1 and 2; and
 - 3.13.2. domestic customers on Profile Class 00.
- 3.14. Suppliers should remove any unmetered supply from this data. This total kWh should be based on the settlement data available from 22 January of the year after the relevant qualification year, split by licence, flow and provided to suppliers by ELEXON.
- 3.15. For customers in Profile Classes 1 and 2, to identify the total kWh for each profile class, suppliers must use the D0030 'Aggregated Distribution Use of System Charges (DUoS) Report' data provided to both suppliers and Licensed Distribution System Operators (LDSO). This D0030 flow contains both consumption and losses data, but only consumption data is required, as ECO only requires the volumes which have been delivered to customers. Therefore no adjustments to line losses need to be made for reporting supply amounts for ECO.
- 3.16. For domestic customers in Profile Class 00, to identify the total kWh, suppliers must use the D0296 'Supplier BM Unit Report' data flow provided to both suppliers and Licensed Distribution System Operators (LDSO).
- 3.17. We recognise that Profile Class 00 may contain a mixture of domestic and non-domestic customers and suppliers cannot all use the same approach to calculate their domestic customer numbers without significant system changes. However, suppliers must use a reasonable methodology to accurately calculate domestic customer numbers. We may audit suppliers to ensure the methodology used is reasonable after notification but before the start of each phase, as applicable. Any adjustments which are made should be

transparent and substantiated in the reporting, with a clear reconciliation between supply volumes thus calculated and supply volumes reported.

Calculating gas supply

To calculate the amount of gas supply, suppliers should use the methodology below.

Methodology for calculating the amount of gas supply

- 3.18. The aggregated Annual Quantity (AQ) is the estimated annual gas consumption of a customer over a year under seasonal normal conditions. AQ's are calculated each AQ calculation month by Xoserve in consultation with Gas Shippers and should be used as an approximation of gas delivered to domestic customers during the qualification year.
- 3.19. A supplier should complete the template, sent by us, to report the aggregated AQ of its domestic customers at the following five points in time, for the relevant qualification year (ie 2017, 2018, 2019 or 2020):
- 1 January
 - 1 April
 - 1 July
 - 1 October
 - 31 December
- 3.20. The parameter required to be reported is the aggregate of values of (rolling) Annual Quantity (AQ) consistent with the definition in the Uniform Network Code Transportation Principal Document Section G Clause 1.6.1.¹⁹ Values of Formula Year AQ are not to be used in the calculation of the aggregated AQ.
- 3.21. Suppliers should then calculate the mean of the five aggregated AQ values for a relevant qualification year and include this in the template provided. The mean of the five AQ values is the amount of gas supply for that supplier.

¹⁹ <http://www.gasgovernance.co.uk/TPD>

4. Setting supplier obligations

- 4.1. This chapter explains how we use the information provided by suppliers, as described in Chapter 3, to determine each supplier's obligations.

Obligations for each phase

- 4.2. The sum of a supplier's Home Heating Cost Reduction Obligation (HHCRO) over all four phases are referred to as its 'Total Home Heating Cost Reduction Obligation'. A supplier must achieve its total HHCRO obligations by the end of the overall obligation period (ie by 31 March 2022).
- 4.3. The obligations set for each phase of ECO3 are cumulative and do not need to be met individually for each phase. This means, for example, that a supplier is not required to meet its phase 1 HHCRO by the end of phase 1. Instead, a supplier's phase 1 HHCRO will be added to its phase 2, phase 3 and phase 4 HHCRO, and its total HHCRO must be met by 31 March 2022.
- 4.4. Suppliers will be notified of their phase 1 ECO3 obligations by no later than 31 December 2018 (the date falling 28 days after the commencement date). Suppliers will be notified of their phase 2, 3 and 4 ECO3 obligations by no later than 28 February prior to the start of the relevant phase.
- 4.5. In some cases we may determine that a supplier's obligation for a phase is zero. If we notify a supplier that it has a zero obligation for a phase, the supplier will still need to meet its obligations for the other phase(s).
- 4.6. Suppliers' obligations will be determined using the formulae described below, based on the customer numbers and the amount of supply notified to us for each phase (as described in Chapter 3).
- 4.7. Suppliers are required to deliver savings through the delivery of solid wall insulation or solid wall alternative measures to eligible solid wall premises which achieve the same saving as would have been achieved by solid wall insulation. This is known as the solid wall minimum requirement (SWMR).

4.8. Suppliers must also achieve at least 15% of their total HHCRO by delivering measures to domestic premises in rural areas ('the rural sub-obligation'). Rural delivery under ECO3 will also have to meet the household eligibility criteria. A supplier's rural sub-obligation forms part of its HHCRO and for a supplier to achieve its HHCRO it must meet its rural sub-obligation.

4.9. The overall targets for each phase of ECO3 are shown in Table 5.

Table 5: Overview of ECO3 obligations for each obligation phase

	Phase 1	Phase 2	Phase 3	Phase 4	
	3 December 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	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

Determining supply for phase 1

4.10. For the purposes of determining a supplier's or group's obligations, the amount of the electricity or gas supplied in the relevant qualification year is required.

4.11. Where the amount of electricity supplied is equal to or more than 1,000GWh, or the amount of gas supplied is equal to or more than 2,800GWh, the amount of supply is as notified.

- 4.12. Where the amount of electricity supplied is more than 500 but less than 1,000GWh, or the amount of gas supplied is more than 1,400 but less than 2,800GWh, the amount of supply is calculated using the following formula:²⁰

$$(D-E) \times 2$$

Where:

'D' is the amount of electricity or gas notified by the supplier or group for the qualification year.

'E' is in the case of an electricity supplier, 500GWh of electricity; or in the case of a gas supplier, 1,400GWh of gas.

Determining obligations for a supplier that is not a group company

- 4.13. For each obligation shown in Table 5, a supplier's obligation for a phase is calculated using the following formula:²¹

$$\frac{(A \times Tx)}{T}$$

Where:

'A' is half of the value of the specific obligation given in Table 5.

'Tx' is the amount of electricity or gas supplied in the relevant qualification year by the supplier, and calculated as described under '*Determining supply*'.

²⁰ Article 9 of the ECO3 Order.

²¹ Article 7 of the ECO3 Order.

'T' is the total amount of electricity or gas (as applicable) supplied in the relevant qualification year by all suppliers and calculated as described under '*Determining supply*', excluding those suppliers whose obligation for the phase will be zero.

Determining obligations for a supplier that is a group company

4.14. For each obligation shown in Table 5, the supplier's obligation for a phase is calculated using the following formula:²²

$$\frac{A \times Tg}{T} \times \frac{B}{C}$$

Where:

'A' is half of the value of the specific obligation given in Table 5.

'Tg' is the amount of electricity or gas supplied in the relevant qualification year *by the group* to which that supplier belongs (where the amount of electricity or gas supplied is calculated as described under '*Determining supply*').

'T' is the total amount of electricity or gas (as applicable) supplied in the relevant qualification year by all suppliers and calculated as described under '*Determining supply*', excluding those suppliers whose obligation for the phase will be zero.

'B' is the amount of electricity or gas notified by the supplier for the qualification year.

'C' is the amount of electricity or gas supplied in the qualification year by the group to which the supplier belongs.

4.15. A supplier would not have an obligation if, during the qualification year for phase 1, a supplier that **is not** a group company supplies equal to or less than:

²² Article 8 of the ECO3 Order.

- a) 500GWh of electricity, or
- b) 1,400GWh of gas.

4.16. A supplier would not have an obligation if, during the qualification year for phase 1, a supplier that **is** a group company and the group supplies equal to or less than:

- a) 500GWh of electricity (where the supplier is an electricity supplier), or
- b) 1,400GWh of gas (where the supplier is a gas supplier).

Zero obligations

4.17. A supplier's obligations for phase 2 will be zero if, during the qualification year for that phase, a supplier that **is not** a group company supplies equal to or less than:

- a) 400GWh of electricity, or
- b) 1,100GWh of gas.

4.18. A supplier's obligations for phase 2 will be zero if, during the qualification year for that phase, a supplier **is** a group company and the group supplies equal to or less than:

- a) 400GWh of electricity (where the supplier is an electricity supplier), or
- b) 1,100GWh of gas (where the supplier is a gas supplier).

4.19. A supplier's obligations for phases 3 or 4 will be zero if, during the qualification year for that phase, a supplier that **is not** a group company supplies equal to or less than:

- a) 300GWh of electricity, or
- b) 700GWh of gas.

4.20. A supplier's obligations for phase 3 or 4 will be zero if, during the qualification year for that phase, a supplier **is** a group company and the group supplies equal to or less than:

- a) 300GWh of electricity (where the supplier is an electricity supplier), or

b) 700GWh of gas (where the supplier is a gas supplier).

Solid Wall Minimum Requirement (SWMR)

- 4.21. To meet the requirement suppliers must install sufficient solid wall actions into solid wall premises to achieve the minimum as set out in Table 5.
- 4.22. In order for a premises to count as a solid wall premises, and therefore be eligible to count towards a supplier's SWMR, at least 50% of the property's exterior wall area must be constructed of solid wall, and at least 50% of the solid wall area must be uninsulated. More information on solid wall actions can be found in the Delivery Guidance in Chapter 4.

When will the SWMR be calculated?

- 4.23. We will notify suppliers of their SWMR within 28 days of 3 December 2018 for phase 1 or last day of February preceding the relevant phase.

What happens if a supplier doesn't meet its SWMR?

- 4.24. Where we determine that a supplier has not met its SWMR, we have powers to carry out enforcement, up to and including imposing a penalty on that supplier. Please refer to our enforcement policy for further information.

Rural sub-obligation

- 4.25. The **rural sub**-obligation requires suppliers to achieve at least 15% of their total HHCRO by promoting qualifying measures to domestic premises in a rural area. The installation of heating measures fuelled wholly or partly by oil cannot count towards a supplier's rural sub-obligation.
- 4.26. Where a supplier fails to meet this requirement, it will fail to achieve its HHCRO. Suppliers must install measures against this sub-obligation no later than 31st March 2022.

5. Carry Over and Early Actions

5.1. This chapter looks at the carry-over of measures from ECO2 to ECO3, and early actions, which are measures completed on or after 1 October 2018 but prior to 3 December 2018, the ECO3 commencement date.

Carry-over

5.2. 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 the necessary criteria are met.

5.3. An ECO3 surplus action is a measure that²³:

- is an ECO2 carbon qualifying action or an ECO2 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, or sub-obligations including the 5% cap on repairs of qualifying boilers, repairs of qualifying ESHs, and the cap on local authority flexible eligibility (LA Flex),²⁴
- was completed on or after 1 April 2017 (and is therefore restricted to ECO2t), and
- is not the installation of equipment for the generation of heat wholly or partly from coal.

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

- the supplier has achieved the obligation against which the measure is credited; and
- the measure was not counted towards achievement of the obligation.

5.5. The total amount that that can be carried over is:

²³ Article 23 of the ECO3 Order

²⁴ Article 16(6) to 16(7A) of the ECO2 Order as amended.

- in the case of HHCRO, an unlimited amount of surplus ECO2 HHCRO measures to ECO3
 - in the case of the ECO2 Carbon Emissions Reduction Obligation (CERO), 20% of the supplier's ECO2 CERO target as adjusted for any trading that has taken place
- 5.6. 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 ECO2 CERO measures.
- 5.7. Suppliers will only be able to apply for surplus actions once we have made our final determination for ECO2 (including ECO2t), which will be done by no later than 31 March 2019. Following this, suppliers must apply to credit a surplus action towards an ECO3 obligation no later than **30 November 2019**.
- 5.8. Measures that meet a supplier's rural minimum requirement under ECO2 may be carried over and counted towards a supplier's ECO3 rural minimum requirement, provided they meet the ECO3 definition of a rural area alongside the other carry-over requirements.
- 5.9. 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.
- 5.10. Where a measure installed under ECO2 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 installed in accordance with ECO2t requirements in order to be carried-over, but will not be counted towards the achievement of ECO2 obligations.
- 5.11. ECO2 CERO measures can be divided into 'primary measures' and 'secondary measures'. The ECO2 rules surrounding these measures need to be maintained should any measures be carried-over, noting that measures completed from 1 October 2018 will adhere to ECO3 rules where the notion of a 'primary measure' or 'secondary measure' do not exist. All scenarios of carry-over for these measures, either individually or collectively, are valid, as long as all other ECO2 rules are adhered to. To count towards any additional criteria within ECO3, measures will still need to adhere to the relevant ECO3 rules eg an ECO2t rural measure can be treated as a surplus action, but it would need to meet the definition of "rural" within ECO3 to qualify as an ECO3 rural measure.

- 5.12. There are three scenarios for consideration when both the primary and secondary measures have been notified in ECO2t:
- a) Both primary and secondary measures are carried-over. This scenario is valid as long as all other ECO2t rules are adhered to.
 - b) The secondary measure is carried-over, leaving the primary measure in ECO2t valid. The scenario is valid as long as all other ECO2t rules are adhered to.
 - c) The primary measure is carried-over. This scenario remains valid due to the sequencing of events. The primary and secondary measure are together and meet the definition of qualifying actions in ECO2t at the time of final determination. Although the secondary measure remains in ECO2t, it has already satisfied the appropriate requirements
- 5.13. Within ECO3 there are a number of linked measures including 'secondary heating measures', which must be installed at the same domestic premises where a 'primary insulation measure' has been installed. So, for example, an insulation measure notified in ECO2 could carry-over to ECO3 and become a primary insulation measure in ECO3. In this instance it would then be possible to notify a secondary heating measure as long as it was installed within 6 months of the insulation measure.
- 5.14. There are also 'solid wall actions', and 'in-fill measures' which must be linked to form a group of measures. These separate groups of measures can be comprised of individual ECO2 measures that have been carried-over as long as all other ECO2t rules are adhered to. These measures will be required to meet the ECO3 rules relating to 'solid wall actions' and 'in-fill measures'.
- 5.15. Solid wall alternative measures (SWAM) will need to meet the ECO3 definition of a SWAM and suppliers may be required to provide additional information that was not required in ECO2t in order for these measures to be processed. Suppliers should satisfy themselves that any additional information provided is accurate and can be suitably evidenced in the event of an audit.
- 5.16. 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, ie

Simplified Building Energy Model (SBEM), cannot be counted as surplus actions for ECO3 as there is no methodology for attributing lifetime cost savings to them. Following our final determination of ECO2, we will communicate to suppliers when we require the additional cost score information for CERO measures that are to be carried over, ahead of the 30 November 2019 deadline for when the carry-over process must be finalised.

- 5.17. Where the carry-over of an ECO2 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. Similarly, where the carry-over of an ECO2t measure, which is counted towards a supplier's Home Heating Minimum Requirement (HHMR) or a supplier's provisional solid wall minimum requirement (PSWMR), would cause a supplier to fail to meet its HHMR sub-obligation or its PSWMR, the measure cannot be carried forward to ECO3 as a surplus action.
- 5.18. Any surplus actions will count towards any minimums or maximums set out in ECO3, provided they meet the relevant eligibility criteria.
- 5.19. In order to apply to carry-over measures, suppliers should notify us using the standard ECO3 notification template detailing the relevant measures. We encourage suppliers to send us the template in advance to allow us time to review them ahead of formal notification. We can then provide feedback ahead of the statutory deadline. We will communicate a timeline for an informal review of ECO3 surplus actions to suppliers separately.
- 5.20. We will approve applications to credit a surplus action against an ECO3 obligation if we are satisfied that the measure is a surplus action as defined in paragraph 5.3, and does not cause the total amount of surplus actions to exceed 20% of a supplier's ECO2 CERO target.
- 5.21. Once approved, details of all surplus actions credited against suppliers' ECO3 obligations will be included in our public reports.
- 5.22. Qualifying boiler actions and qualifying ESH actions that are carried over from ECO2t, in isolation, will count towards the broken heating cap in ECO3. However if they are supported by a primary insulation measure, as detailed in the example above, then they will be outside of the cap. Table 6 provides a summary of the ECO2 measure types that can be carried over to ECO3 and confirms whether they will or will not be subject to the broken heating system cap.

Table 6: ECO2 measures and their interaction with the ECO3 broken heating system cap

ECO2 measure type	ECO3 carry-over category
Qualifying boiler or ESH	ECO3 broken heating system cap
Qualifying boiler or ESH that additionally meets the requirements of a "secondary heating measure" as defined by the ECO3 Order	No cap
Non-qualifying boiler or ESH	No cap
Renewables & DHS	No cap

Early Actions

- 5.23. The ECO3 Order recognises that there is a gap between ECO2 and ECO3. Measures that are completed on or after 1 October 2018 and before 3 December 2018 can contribute towards achievement of ECO3 obligations. For ease, we are calling measures delivered during the gap 'early actions'.
- 5.24. Early actions must be completed in compliance with ECO3 scheme rules and will be awarded a deemed score based on the ECO3 deemed scores. The actions will count towards any minimums and caps under ECO3.
- 5.25. Suppliers can continue to deliver measures and have them count towards ECO3, as long as they are compliant with the ECO3 Order. However, measures cannot be notified to Ofgem until 3 December 2018.
- 5.26. The suite of ECO3 guidance documents should be followed for the delivery and notification of early actions. However where a supplier follows the guidance they do so at their own risk. We may reject measures where they do not comply with the final guidance.
- 5.27. Early actions could not be formally notified through the ECO Register until 3 December 2018. Suppliers must notify us of measures completed on or after 3 December 2018 by the end of the month following the month in which installation of a measure was

completed. For example, if a measure is completed in January 2019, its notification deadline is 28 February 2019.²⁵

- 5.28. Where a supplier notifies an early action after the two-month notification deadline, for a maximum of 5% of the number of measures notified within the two-month deadline the notification deadline can be automatically extended for up to three months. Alternatively, the supplier can apply for an extension request in the same way as for ECO2.²⁶

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²⁵ Article 25 of the ECO3 Order.

²⁶ See Chapter 7 for information on extension requests.

6. Trading obligations

6.1. Suppliers may trade²⁷ part of their obligations between one another or between their own licences. This chapter explains:

- a) what trading is
- b) the time period during which a supplier may apply for a trade
- c) limits on the amount of obligation(s) a supplier can trade
- d) the evidence we may request from each supplier in order to assess an application
- e) the process for approving applications to trade obligations, and
- f) the compliance and legal liabilities of the supplier receiving a traded obligation.

6.2. Only obligated suppliers may take part in trades. In this chapter, Supplier A is the supplier passing on an obligation and Supplier B is the supplier taking on the additional obligation. Where we refer to a supplier we may, depending on the context, also be referring to supplier groups, ie groups of related companies which hold more than one licence.

Requirements for trading obligations

6.3. A supplier may trade all or part of its obligations (phases 1 to 4 inclusive) in relation to HHCRO and SWMR.²⁸

6.4. Ofgem administers the trading process. We will only approve trades that meet the following requirements:²⁹

- a) the amount to be traded does not exceed Supplier A's relevant obligation

²⁷ The ECO3 Order refers to this mechanism as 'transfer of obligations'. As we currently use 'transfers' to refer to transferring measures to another licence or supplier, we have adopted the term 'trading'.

²⁸ Article 35 of the ECO3 Order.

²⁹ Article 35(3) of the ECO3 Order.

- b) Supplier A or B's total solid wall minimum requirement cannot be greater than their total HHCRO obligation.
- c) we are satisfied that the trade is not likely to adversely affect our ability to enforce the requirements placed on Supplier B by the ECO3 Order.
- d) Supplier B is capable of delivering the additional cost savings.

6.5. In making a decision we will always consider each case on its individual merits.

Submitting a trade application

Intra-Supplier Licence Consolidation Trading (ISLCT)

6.6. Suppliers can request ISLCT immediately after we set obligations for each phase. The obligation will be traded to the supplier's largest licence. For ISLCT, an abbreviated process to the normal trading activity will occur, with suppliers opting in during the customer number collection process. For phase 1, we will contact suppliers to ask them if they wish to participate.

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

Normal trading

6.8. A supplier may apply to trade an obligation at any time from 3 December 2018 30 September 2021.

6.9. If a supplier notifies measures against a licence where the obligation is traded away, the supplier that promoted the measures can submit a separate application to transfer these measures as required. This does not need to happen before the trade.

6.10. There are two types of trading:

- a) **Intra-supplier trading:** A supplier or supplier group may trade obligations between its own licences. For example, it may consolidate all of its obligations onto one licence to reduce the cost and complexity associated with meeting obligations on multiple licences, and

- b) **Inter-supplier trading:** Two suppliers may trade an obligation between one another. The terms of the trade should be agreed between the suppliers.

6.11. In either case an application for approval of a trade must be submitted to us by appropriately authorised representatives of the supplier/licence seeking to pass on the obligation and the supplier/licence wishing to take on the obligation.

Intra-supplier trading

6.12. As a general rule an obligation can only be traded to a licence with a larger obligation. We consider the size of the obligation for any particular licence to be the obligation allocated as a result of the obligation setting process for the current phase. From phase 2, we will also take into account any subsequent trading of obligations.

6.13. If a supplier or supplier group is consolidating all of its obligations onto one licence, this must be its licence with the largest original obligation at the point of setting the supplier's current phase of the obligation.

6.14. The trading application must always include confirmation of which licences are involved in the trade, which obligation is to be traded.

Inter-supplier trading

6.15. Generally, where Supplier B has more than one licence, the obligation must be traded onto the licence with the largest original obligation following obligation setting for the current phase.

6.16. All applications for inter-supplier trading must include:

- a) confirmation of which suppliers and licences are involved in the trade
- b) which obligation is to be traded
- c) the amount to be traded, and
- d) the annual turnover of the licence holder that is taking on the obligation (only required to be provided by Supplier B).

- 6.17. Where Supplier B applies to receive an obligation from Supplier A, it must provide evidence to support the application to demonstrate that it is able to deliver the additional savings. This will generally include but is not exclusive to:
- a) evidence of progress towards its current obligation
 - b) details of a track record of delivering obligations
 - c) evidence of completed and contracted activity, and
 - d) a delivery plan for the additional activity.

Approving a trade

- 6.18. We will assess whether the trade meets our requirements in order to inform our decision on whether the trade should be approved or rejected.
- 6.19. In the course of approving a trading application, we may ask a supplier to provide additional information in support of its application.
- 6.20. Within 20 working days of receiving an application we will either approve or reject the trade, or request additional information in support of the application where we do not have sufficient assurance to either approve or reject a trade.
- 6.21. Applications will generally be processed in the order in which they are received but inter-supplier trades may be prioritised if there is a time-sensitive commercial impact.
- 6.22. Where an application is received before the end of the trading window this will continue to be reviewed in line with the timescales described above until a decision is reached on whether to approve or reject the application.
- 6.23. If we determine that a proposed trade does not meet our requirements, then we will reject the application. We will notify both suppliers of this in writing, including any reasons for our decision relating to the relevant party.

Following approval

- 6.24. Following approval of a trade, we will notify the suppliers involved in writing and confirm their new obligations. We will subsequently update our reporting to reflect these changes.
- 6.25. The supplier that has taken on the additional obligation will be wholly responsible for delivery of that obligation. If the supplier fails to deliver the obligation, or comply with any other requirements under the ECO3 Order in relation to the obligation then this will be considered non-compliance and any associated sanctions may be imposed on the supplier which has taken on the obligation.

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7. Notification of completed measures

- 7.1. For a supplier to achieve its obligations, once a measure is installed it must be notified to us by that supplier. We use the information provided at notification to determine whether or not we will approve a measure. This chapter explains the following:
- a) when measures must be notified to us
 - b) how measures should be notified
 - c) what information must be notified for each measure
 - d) what happens when a successful notification contains errors
 - e) our approach to late measures and
 - f) information processing.

When a supplier must notify us of completed measures

- 7.2. Suppliers must notify us of measures completed before 3 December 2018, 'early actions', by 28 February 2019.³⁰
- 7.3. Suppliers must notify us of measures completed on or after 3 December 2018 by the end of the month following the month in which installation of a measure was completed. For example, if a measure is completed in January 2019, its notification deadline is 28 February 2019.³¹

When is the installation of a measure complete?

- 7.4. The installation of a measure, excluding demonstration actions³², is deemed to be complete on the date it can deliver savings at a level expected for that measure. This will normally be the date on which the installer finishes work on the measure.

³⁰ Article 25(1)(a)(i) of the ECO3 Order.

³¹ Article 25 of the ECO3 Order.

³² Article 24(3)(a) of the ECO3 Order.

- 7.5. For measures installed in accordance with PAS 2030:2017, 2030:2019 and 2035:2019³³, the meaning of handover is defined within these documents.³⁴ Broadly it includes, where required, any explanation by the installer on the safe, efficient operation of the system, as well as any guidance on care and maintenance. The date of handover must be specified in a Declaration of Conformity and Completed Installation ('DOCC').^{35,36}
- 7.6. For measures that do not need to be installed in accordance with PAS, or if no Declaration of Conformity is produced, the date of handover will be the date on which:
- a) work on the installation of the measure is finished, and
 - b) any relevant information or documents relating to operating and maintaining the measure have been provided to the consumer.
- 7.7. In this case, a Declaration Of Completed Installation should be obtained by completing the relevant sections of the DOCC.³⁷ We expect handover to take place within four calendar weeks of the installer finishing work on each measure. However, we understand this may not be feasible where a particular type of measure is installed in multiple premises where those premises are owned by the same landlord. For example, a block of flats, a row of houses, or where flats and/or houses are on the same estate.
- 7.8. In these circumstances the installer may handover to the landlord or its agent (rather than to the tenants of the premises) and may do a single handover for all measures installed of that type. Therefore, all the measures of that type can be notified in the same monthly notification because all the measures will have the same handover date. We expect handover to take place within four weeks of the installer finishing work on the last measure.

³³ See paragraph 2.75 of the ECO3 Guidance: Delivery for information on which version of PAS to refer to.

³⁴ Paragraphs 4.2.6 and 5.8.1 in PAS 2030:2017, paragraph 6.9.1 of PAS 2030:2019 and 12.1.2 of PAS 2035:2019.

³⁵ Chapter 8 of PAS 2030:2017, chapter 9 of PAS 2030:2019, and chapter 15 of PAS 2035:2019.

³⁶ The ECO3 DOCC is published as an ECO Reporting Working Group Document: <https://www.ofgem.gov.uk/publications-and-updates/eco-reporting-working-group-eco3-standardised-templates>. This is an ECO Reporting Working Group document and not an Ofgem document.

³⁷ The declaration must be signed by the occupant, to confirm the date on which the installer finished work on the installation of the measure as well as the date the measure was handed over.

- 7.9. Demonstration actions are considered to be complete when the planned monitoring of the demonstration action is complete. Suppliers should refer to the ECO3 Guidance: Innovation for further information about completion and notification of demonstration actions.
- 7.10. Certain measures are described as primary insulation measures. Where such a primary insulation measure is installed at premises, this can be used to support the installation of an inefficient heating system upgrade measure at the same premises ('secondary heating measure'). Secondary heating measures are only qualifying actions if, among other requirements, a supplier installs a primary insulation measure at the same premises. A primary insulation measure must also be completed on the same date or up to six months prior to the secondary heating measure. If a supplier notifies a secondary heating measure before the notification of a primary insulation measure, the secondary heating measure is not complete until the primary insulation measure is notified and the requirement to notify the secondary heating measure does not arise until then. Secondary heating measures notified before the primary insulation measure will not be approved until the primary insulation measure is approved.
- 7.11. Suppliers must be able to evidence the date on which a measure was completed. The documentation a supplier must be able to make available on request to do this is explained in Appendix 1 of the ECO3 Guidance: Delivery.

Notifying a completed measure

- 7.12. A notification of a completed measure must be made using the notification template³⁸ and in accordance with the formatting prescribed within the data dictionary. The data dictionary is a reference tool for completing the notification template.³⁹
- 7.13. The notification template will describe the information that suppliers must include as part of the monthly notification for each type of completed measure. Suppliers will need to

³⁸ <https://authors.ofgem.gov.uk/publications-and-updates/eco3-notification-template>

³⁹ <https://www.ofgem.gov.uk/publications-and-updates/eco3-data-dictionary>

provide this information to us securely through the ECO Register,⁴⁰ which suppliers use to notify measures.

- 7.14. We will review each measure that is successfully notified to us and will inform suppliers of our decision to approve or refuse that measure. We may require a supplier to clarify the information notified or provide further information for a notification before we can make a decision regarding the notified measure.
- 7.15. For ECO3, a significantly higher proportion of measure validation will occur on, or shortly after, notification.
- 7.16. We intend to process notified measures in a reasonable timeframe (usually one month). Suppliers can use the ECO Register to check the status of a measure, including which measures are being processed, which are on hold and which have been approved or had approval refused or revoked. Suppliers will also be able to view and download notification errors. Our ability to validate and process measures will depend on the quality and completeness of the information provided at notification.
- 7.17. Under PAS 2030:2019 measures that are part of larger projects must be notified, but will not be approved until the Certificate of Lodgement has been issued. In such circumstances the measures will remain on our system with a pending status until the Certificate of Lodgement ID has been provided.
- 7.18. Once we are satisfied that the information notified is correct, all relevant fields of the notification template are complete and the eligibility criteria are met, we will approve the measure in the ECO Register.
- 7.19. Where a measure does not meet the relevant eligibility criteria we will refuse to approve, or will revoke approval of, that measure.
- 7.20. All measures may be subject to various compliance checks. For more information on some of these compliance checks please see Chapter 8 of the ECO3 Guidance: Delivery.

⁴⁰ Please note, only obligated suppliers have login access to the ECO Register.

Information suppliers must include as part of notification

7.21. For the notification of a completed measure to be successful, the supplier must give the following information⁴¹:

- a) the name or ECO reference of the obligated supplier (ie licence-holder) that promoted the installation of the completed measure
- b) the obligation category (ie HHCRO)
- c) the address where the measure was installed
- d) the type of measure installed
- e) the date on which the installation of the measure was completed
- f) the score, and
- g) an installer's TrustMark license number, lodged certificate ID and TrustMark Unique Measure Reference Number.

7.22. Information on the additional notification requirements for demonstration actions is provided in the ECO3 Guidance: Innovation.⁴²

7.23. If a supplier does not provide this information by the notification deadline, notification of the measure will be unsuccessful and the score associated with the measure may be lost.⁴³

7.24. We will look at each measure identified in a notification separately when determining whether notification of that measure has been successful.

7.25. In addition to the information listed in paragraph 7.21, suppliers must also provide other information when submitting their monthly notification of a completed measure, as detailed in the notification template and data dictionary. This additional information must be submitted by the notification deadline.

⁴¹ Article 24 of the ECO3 Order.

⁴² Article 24(1)(c) of the ECO3 Order.

⁴³ In certain circumstances, suppliers may receive an extension to the notification deadline for this information. This is discussed below under the heading 'Notifying late measures'.

- 7.26. Failure to provide this information will not render notification of that measure unsuccessful. However, without this information we are unable to process that measure.
- 7.27. To ensure measures are installed in accordance with PAS 2030:2019 and PAS 2035:2019, TrustMark will issue a Certificate of Lodgement once the project retrofit coordinator has signed off the project and submits a lodgement.
- 7.28. For PAS 2030:2017 the installer submits the lodgement that will generate the Certificate of Lodgement. Any measures installed in accordance with PAS 2030:2017 will not be valid after 30 June 2021.
- 7.29. It is important to note that although measures must be notified after installation, each measure cannot be approved as a qualifying action until the Certificate of Lodgement has been issued for the relevant project.

Errors in notifications

- 7.30. Before the notification deadline, a supplier may make corrections to a notification that it has submitted to us. For example, for a measure installed on 15 December 2018 and notified on 10 January 2019, an error in the notification template can be corrected at any time before 1 February 2019.
- 7.31. After the notification deadline, the notification may only be corrected with our consent and, in some cases, may require an extension request. We will notify the supplier if we identify any errors in notified measures.
- 7.32. It is the responsibility of each supplier to ensure that the information contained in all notifications is true and to manage any third parties involved in the delivery of ECO measures. Errors in the notification of a completed measure may lead us to refuse or revoke approval of a measure and may lead to enforcement action. This includes where measures are not accepted or are rejected, and results in any associated measures (eg in-fill) subsequently being rejected.
- 7.33. Where we revoke or refuse approval of a measure, we will inform the supplier in writing. Our decision notice will provide details, including the measure reference numbers and reason, for our decision.

7.34. In a scenario where there are two qualifying actions which are supporting an in-fill measure, the measures must be “completed within the same six-month period as the in-fill measure”.⁴⁴ If one of these qualifying actions is revoked, Ofgem will not automatically revoke the in-fill measure. It will remain notified as an un-linked in-fill measure which would ultimately not count towards a supplier’s obligation. However, if other qualifying actions are notified, or are subsequently notified, that satisfy all of the appropriate criteria, then the un-linked measure may be linked to these new actions and count towards the supplier’s obligation once more.

Notifying late measures

7.35. Where a supplier is unable to notify measures before the notification deadline, the measures can still be successfully notified to Ofgem via one of the following two scenarios:⁴⁵

- a) for measures composing a maximum of 5% of the number of measures notified within their notification period, the notification deadline can be automatically extended for up to three months, or
- b) a supplier can apply for an extension to the notification deadline for measures above the automatic 5%.

Automatic extensions for 5% of measures

7.36. Up to 5% of the number of measures installed in a particular calendar month, and notified on time, can be given an automatic extension of three months to the notification deadline (the automatic 5%). The first 5% of late measures notified to us for a particular calendar month without an extension request are given this automatic extension.

7.37. Where the number of late measures without an extension request exceeds the 5% threshold, these measures will be flagged to the supplier who must submit an accompanying extension request.

⁴⁴ Article 14(4) of the ECO3 Order.

⁴⁵ Articles 25(2) and 25(4) of the ECO3 Order.

- 7.38. Measures submitted as late as part of the 5% quota must be notified with a Purpose_of_Notification of 'Automatic Late Extension'.

Determining if measures fall within a supplier's 5% automatic extension quota

- 7.39. Below is the formula for determining whether measures fall within a supplier's automatic extension quota for a given notification period. A late measure falls within a supplier's 5% quota if at the time the measure is notified, the result of the following calculation is less than or equal to 0.05. The calculation uses figures for measures installed in the same month, and is calculated on a group company level.

$$\frac{A - B}{C}$$

Where:

A is the total number of late measures notified

B is the number of measures included in an approved extension request that were notified after the original deadline but within the agreed extended period

C is the number of measures which were notified by the supplier on time.

- 7.40. Where a supplier notifies a late measure that is included in an approved extension request, the measure would not be included in the automatic 5% quota for that particular month.

Example

Supplier A notifies 3,000 measures with a notification period of October 2018 on time. This would allow supplier A to notify 150 measures also with a notification period of October 2018 in the following three months (November 2018, December 2018 and January 2018), without needing an extension request.

In November 2018, Supplier A submits 140 measures with a notification period of October 2018. These measures are included in the automatic 5% and processed as normal.

In December 2018, Supplier A submits a further 50 measures with a notification period of October 2018. As these take supplier A over its automatic extension quota, all 50 of these measures are returned to the supplier.

Supplier A then decides which of these 50 measures it wants to include in the automatic 5% (a maximum of 10) and for which it will submit an extension request. Any subsequent measures notified with a notification deadline of October 2018 will require an extension request.

Supplier A would not be able to retrospectively request an extension for the 140 measures that were notified and accepted by the ECO Register in November 2018.

- 7.41. The 5% calculation is undertaken by the ECO Register on the first day of the month.
- 7.42. Late measures are attributed to the supplier that originally notified the measure, and will continue to form part of that supplier's automatic extension quota. Where a supplier accepts a transfer containing late measures without an extension request, these measures will not be included in the receiving supplier's automatic extension quota for relevant notification period. Transferring measures does not affect the automatic extension quota for the original supplier that notified the measure.
- 7.43. The 5% is calculated on a group company level (ie not at licence level).
- 7.44. Measures to be included in the automatic 5% must be notified by the earlier of:
- a) the end of the fourth calendar month after the calendar month the measure was completed, or
 - b) the end of June 2022.

Applications for an extension to the notification deadline

- 7.45. Suppliers can also apply to us for an extension to the notification deadline for a completed measure. The application must be in writing and must explain why the extension is being requested. The reason should be supported by evidence. A supplier should make an extension request promptly when it first becomes aware that it has failed, or will fail, to notify a measure by the notification deadline.
- 7.46. Once a supplier becomes aware that it has, or will, fail to notify a measure by the notification deadline it should take all reasonable steps to ensure that the measure is notified as soon as possible. It is not guaranteed that an extension request will be approved.
- 7.47. Suppliers seeking an extension should submit an extension request using the 'Application for Extension' template.⁴⁶ Any relevant supporting evidence, such as emails, screenshots or other correspondence should be sent to us at the same time as the extension request. We will process extension requests within a reasonable timeframe, where sufficient evidence is provided.
- 7.48. We are not obliged to grant an extension to suppliers and we will consider each application on an individual basis. We will grant an extension to the notification deadline if a supplier satisfies us that there is a reasonable excuse for failing to notify the measure by the notification deadline. Further information about 'reasonable excuse' is provided below.

Reasons for an extension request

- 7.49. A reasonable excuse is an unexpected or unusual event that:
- a) is either unforeseeable or beyond the supplier's control, and
 - b) prevents the supplier from notifying a measure by the notification deadline.

⁴⁶ Suppliers can obtain this template upon request. Please contact the ECO Team: eco@ofgem.gov.uk.

- 7.50. We will judge the actions of a supplier from the perspective of a prudent supplier exercising reasonable foresight and due diligence, and having proper regard for its responsibility under the ECO3 Order.
- 7.51. If a supplier relies on a third party to provide the necessary information to notify a completed measure, the supplier is responsible for ensuring that party carries out its task correctly. We expect the supplier to take reasonable care to explain to the third party what it requires them to do and to set deadlines for the task. We expect the supplier to have processes in place for eliminating or mitigating any risk of the third party failing to carry out its task correctly or within the agreed deadlines. If a supplier does this, but fails to submit a notification by the notification deadline because of what the third party did or did not do, the supplier may have a reasonable excuse.
- 7.52. Where similar issues are raised more than once by the supplier as a reason for a delay in a measure's notification, this may not satisfy our requirements for granting an extension. Suppliers are expected to make the necessary updates to their processes to ensure issues are not repeated.
- 7.53. As each extension request is considered on a case-by-case basis, we do not intend to provide an exhaustive list of eligible reasons for extension.

Determining the period of extension

- 7.54. If we are satisfied that an event occurred that gives a supplier reasonable excuse for failing to notify a measure by the notification deadline, we will expect the supplier to take all reasonable steps to submit the notification at the earliest possible time. We will grant an extension to this point in time.

Monthly report to the Secretary of State

- 7.55. One of our duties as the ECO administrator is to submit a monthly report to the Secretary of State, beginning in January 2019, the month following commencement of the

scheme.⁴⁷ These reports will show the progress that suppliers have made towards meeting their obligations.

- 7.56. The reports contain data from the information notified to us by suppliers each month and include information on supplier progress towards achieving their obligations.⁴⁸ Please see Chapter 9 for more information on our final report to the Secretary of State.

Fair and transparent processing

- 7.57. When fulfilling its ECO3 obligations, a supplier may obtain information about the occupant or landlord of the premises. Some of this information will need to be provided to us either as part of the monthly notification or in the course of our audits. In addition, in the course of the transfer of a qualifying action, one supplier will disclose this information to another supplier.
- 7.58. A supplier should ensure that its processing of this information complies with all applicable data protection laws. A supplier should also ensure that any member of the supply chain acting on its behalf complies with the data protection laws.
- 7.59. In particular, it is the responsibility of suppliers to ensure the person who lives at the premises where the ECO measure is delivered knows how and why their information will be processed, including who the information will be disclosed to and for what purpose. This includes telling them that their data will be shared with us.
- 7.60. In general, the General Data Protection Regulation (GDPR) requires anyone collecting personal data to give the data subject (ie in the case of ECO, the occupant) a Privacy Notice.
- 7.61. So that we are able to process the data that suppliers provide, we require suppliers to provide the occupant or landlord under ECO3 with the ECO3 Working Group Privacy

⁴⁷ Article 36(3) of the ECO3 Order.

⁴⁸ See: <https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/eco-public-reports-and-data>.

Notice Document, available on our website.⁴⁹ Full details of Ofgem’s ECO Privacy Policy can be found on our website.⁵⁰

7.62. The wording in the Privacy Notice is intended to discharge some of our obligations under the GDPR. It is not intended, and should not be relied on, to discharge suppliers’ obligations for that legislation or other data protection laws. Further guidance on what information Privacy Notices should contain can be found on the Information Commissioner’s Office website.⁵¹

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⁴⁹ The ECO3 Privacy Notice is published as an ECO Reporting Working Group Document: <https://www.ofgem.gov.uk/publications-and-updates/eco-reporting-working-group-eco3-standardised-templates>. This is an ECO Reporting Working Group document and not an Ofgem document.

⁵⁰ See: <https://www.ofgem.gov.uk/publications-and-updates/eco3-privacy-notice>

⁵¹ See: <http://ico.org.uk/>

8. Transfers of qualifying actions

8.1. This chapter explains how suppliers can transfer qualifying actions to other suppliers.

Transfers of qualifying actions and surplus actions

8.2. At any time before 30 June 2022, a supplier may apply to transfer HHCRO qualifying actions and surplus actions to another supplier. Suppliers can also carry out an intra-supplier transfer to balance measures between their own licences; this is called a transfer application.⁵²

8.3. We have no part in any commercial agreement that is entered into as part of the transfer of measures.

Applying for approval to transfer a qualifying action

8.4. The application process set out in this section applies to all qualifying action transfers including transfers between two suppliers and within the same group of companies.

8.5. Suppliers are only able to raise a qualifying action transfer request via the ECO Register if the measures are already in an 'approved' status.

8.6. Suppliers cannot transfer a qualifying action that is a secondary heating measure or a primary insulation measure that has an associated secondary heating measure, unless the associated measure is also included in the transfer.

8.7. In order for SWAM measures to be transferred, all measures notified under a single unique SWMR reference number must be transferred together.

8.8. Where a supplier has made use of the Affordable Warmth in-fill (SWI and DHS) mechanism, they cannot apply to transfer the in-fill and associated measures until all are verified. Once the measures are approved, they can only be transferred as a group.

⁵² Article 34 of the ECO3 Order.

This does not apply to measures installed under the local authority flexible eligibility mechanism, which can be transferred individually.

- 8.9. There is no limit on the number of measures a supplier can seek to transfer in any one application. Nor is there any limit on the number of applications a supplier can make before 30 June 2022.

Submitting a qualifying action transfer application

- 8.10. A supplier should apply for qualifying action transfers using the function within the ECO Register for raising a request to transfer.⁵³

- 8.11. Suppliers must submit all transfer applications for HHCRO measures by 30 June 2022.

- 8.12. A supplier can withdraw a transfer application at any time before the application is approved by us. If a supplier wants to withdraw an application, they should contact us as soon as possible and subsequently withdraw the application on the ECO Register.

Approving a transfer application

- 8.13. In the course of approving a transfer application, we may ask the supplier(s) to provide additional information in support of its application.

Following a qualifying action transfer

- 8.14. If we approve a transfer of qualifying actions, we will notify the suppliers involved in writing. Once the transfer is complete, the ECO Register will show the measures as having been achieved by the supplier to whom the measures were transferred.

- 8.15. If we do not approve a transfer application, we will notify the suppliers involved of the reason(s) for our decision in writing.

⁵³ For guidance about using this function in the ECO Register contact us via email: eco@ofgem.gov.uk.

- 8.16. Once approved, the measures that have been transferred are treated as being achieved by the supplier to whom the measures were transferred.⁵⁴ Suppliers accept a transfer at their own risk. If, for example, a transferred measure later fails an audit, the supplier to whom the measures were transferred will be responsible for remedying the measure (or it will lose the savings).
- 8.17. The supplier to whom the measures were transferred will need to ensure it can produce the necessary evidence at audit to demonstrate that a transferred measure meets the eligibility criteria for the obligation that the action was credited against.
- 8.18. Suppliers should note that any transfer of personal data from one supplier to another, in the course of a transfer of a measure, will amount to the processing of personal data for the purpose of the General Data Protection Regulation (GDPR). Suppliers should ensure that the transfer of personal data complies with the GDPR.

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⁵⁴ Article 34(6) of the ECO3 Order.

9. End of the overall obligation period

9.1. This chapter provides information about the end of the overall obligation period and how we determine whether a supplier has met its obligations.

Achieving your obligation

9.2. The installation of a measure cannot count towards a supplier's HHCRO unless the installation is complete **before 1 April 2022** (ie the end of the overall obligation period). Suppliers must notify us of all measures completed in March 2022 by the end of April 2022. Any measures which are subject to a 5% automatic extension must be notified by the earlier of:

- a) the fourth month after the month in which the measure was completed, or
- b) the end of June 2022.

9.3. Following the end of the overall obligation period, we will determine whether a supplier has met its ECO3 obligations and notify both the supplier and the Secretary of State of our determination, known as our 'final determination'. **We will notify all suppliers of our final determination no later than 30 September 2022.**⁵⁵

Ahead of our final determination

9.4. We will engage with stakeholders on our administrative requirements before our final determination on whether or not a supplier has achieved its ECO3 obligations.

9.5. After the transfer, trading, re-election and final notification deadlines, and before our final determination, we will carry out a number of compliance checks and processes. These include, but are not limited to, the following:

- a) **The rural sub-obligation:** Chapter 3 in the ECO3 Guidance: Delivery describes the requirement for at least 15% of a supplier's total HHCRO to be delivered in

⁵⁵ Article 36(2) of the ECO3 Order.

rural areas. Where a supplier fails to meet this requirement, it will fail to achieve its HHCRO.

- b) **Solid wall minimum requirement:** As described in Chapter 4, a supplier must deliver a set amount of SWI measures. This is referred to as its SWMR and is determined at the end of the overall obligation period. Where a supplier fails to meet this requirement, it will fail to achieve its HHCRO.
- c) **Limits on certain heating measures:** As described in Chapter 4 of the ECO3 Guidance: Delivery, there is a limit to the proportion of a supplier's HHCRO that can be achieved through the replacement of broken heating systems (where these are not carried out alongside a primary insulation measure), and limits on the repair of boilers and electric storage heaters. These limits are:
 - i. 21.023% for the replacement of broken heating systems,
 - ii. 5% for the repair of boilers, and
 - iii. 5% for the repair of electric storage heaters.
- d) **Limits on Local Authority Flexible Eligibility measures:** As described in Chapter 3 of the ECO3 Guidance: Delivery, suppliers can achieve no more than 25% of their HHCRO through the installation of measures under the LA Flexible Eligibility mechanism.
- e) **Limits on innovation measures:** As described in Chapter 2 of the ECO3 Guidance: Innovation, the overall delivery of demonstration actions and innovation measures cannot exceed 10% of an obligated supplier's total obligation (the innovation cap). Monitored measures cannot exceed 10% of an obligated supplier's total obligation. Demonstration actions and innovation measures are also subject to their own sub-caps:
 - i. an individual demonstration action cannot exceed 5% of an obligated supplier's total obligation (the demonstration sub-cap),
 - ii. innovation measures which fall within the same innovation measure description, ie are the same innovation measure type, cannot exceed 5% of an obligated supplier's total obligation (the innovation sub-cap).

Final determination of HHCRO at the end of phase 4

- 9.6. Under the ECO3 Order, we must determine whether a supplier has achieved its total home heating cost reduction obligation, including its SWMR and rural sub-obligation.
- 9.7.** Suppliers will be notified of our final determination no later than **30 September 2022**.
- 9.8. Where we determine that a supplier has not met its obligations, we have powers to impose a penalty on that supplier.⁵⁶ Please refer to our enforcement policy for further information.⁵⁷

Our final report to the Secretary of State

- 9.9. We must submit a report to the Secretary of State, no later than **30 September 2022**, showing whether suppliers achieved the overall home heating cost reduction target, including SWMR and the rural sub-obligation.
- 9.10. The final report will contain our final determination of whether suppliers have achieved their obligations.

⁵⁶ Failure by a supplier to achieve an ECO3 obligation is a contravention of a “relevant requirement” which can engage the Authority’s enforcement powers in the Gas Act 1986 and Electricity Act 1989, (article 39).

⁵⁷ See: <https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>.

Appendix 1 – Abbreviations

Table 7 : Abbreviations

Abbreviation	Explanation
AQ	Annual Quantity
BEIS	Department for Business, Energy and Industrial Strategy
CERO	Carbon Emissions Reduction Obligation
DPA	Data Protection Act 1998
DUoS	Distribution Use of System Charges
DWP	Department of Work and Pensions
ECO	Energy Company Obligation
GDPR	General Data Protection Regulation
HHCRO	Home Heating Cost Reduction Obligation
HTHG	Help to Heat Group
ISLCT	Intra-Supplier Licence Consolidation Trading
LA	Local Authority
LDSO	Licensed Distribution System Operators
PAS	Publicly Available Specification
RdSAP	Reduced data Standard Assessment Procedure
SAP	Standard Assessment Procedure
SWI	Solid Wall Insulation
SWMR	Solid Wall Minimum Requirement

Appendix 2 – Glossary

A

Affordable Warmth In-fill is a mechanism to ease delivery of SWI and DHS measures to terraces, flats and other groups of properties. Where at least 67% of properties in the same building, terrace or immediately adjacent buildings are eligible for ECO, the remaining properties can be treated as 'in-fill'. Measures installed to in-fill properties also count towards a supplier's obligation.

Annual quantity (AQ) is the estimated annual gas consumption of a customer over a year under seasonal normal conditions. AQs are set annually by Xoserve in consultation with Gas Shippers.

C

Cost saving is the money saved over the expected lifetime of a measure in heating the premises and, where applicable, heating water at those premises.

D

The **date of handover** is, for measures installed in accordance with PAS, as defined within PAS. Broadly it includes, where required, any explanation by the installer on the safe, efficient operation of the system, as well as any guidance on care and maintenance. For measures that do not need to be installed in accordance with PAS 2030, or where no Declaration of Conformity is produced, the date of handover is the date on which work on the installation of the measure is completed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.

Deemed scores are a method of determining the contribution certain measures make towards a supplier's obligation. Deemed scores are fixed scores for each measure type that are determined using three or four variables.

Domestic customer means a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes.

Domestic premises means separate and self-contained premises used wholly or mainly for domestic purposes. A mobile home is considered domestic premises if it is a caravan and is used as a dwelling.

A **dual licence-holder** is a company that holds both an electricity supply licence and a gas supply licence.

E

ECO Brokerage is an auction-based mechanism designed to enable suppliers to buy forward contracts delivering ECO measures by participating authorised sellers.

The **ECO Register** is the IT system which suppliers can use to notify and manage completed ECO measures, and submit applications for approval of transfers.

Elexon administers the wholesale electricity balancing and settlement arrangements for Great Britain, as set out in the Electricity and Balancing Code. Further information can be found at www.elexon.co.uk.

G

A **group company** is a licence-holder that is a member of a group of companies that includes at least one other licence-holder.

Group of companies means a holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly owned' subsidiary have the same meaning as in section 1159 of the Companies Act 2006.

H

The **Home Heating Cost Reduction Obligation (HHCRO)** is the installation of heating qualifying actions, including insulation and the repair and replacement of boilers and electric storage heaters, to people deemed to be low income, vulnerable or living in fuel poverty.

Help to heat group means a group of people receiving at least one of the benefits outlined in Schedule 3 to Electricity and Gas (Energy Company Obligation) Order 2018 (the 'ECO3 Order').

L

A **licence-holder** means an electricity licence-holder, a gas licence-holder or a dual licence-holder.

Lifetime is the estimated lifetime for measures. Standard lifetimes will be set out in the delivery guidance.is the installation of an eligible ECO3 measure.

A **qualifying boiler** is an ECO2t concept which refers to a boiler that has broken down or is not functioning efficiently and meets the criteria explained in Chapter 5 and Appendix 3 of the ECO2t Guidance: Delivery. It is only relevant to ECO3 in respect of surplus actions.

A **qualifying electric storage heater (QESH)** is an ECO2t concept which refers to an electric storage heater that has broken down and meets the criteria explained in Chapter 45 and Appendix 4 of the ECO2t Guidance: Delivery. It is only relevant to ECO3 in respect of surplus actions.

R

The **Reduced data Standard Assessment Procedure (RdSAP)** is a simplified version of SAP that requires fewer data inputs. RdSAP 2012 should be used for all ECO3 measures, where RdSAP is used to calculate the score.

Relevant year, with respect to the qualification year, means 2018, 2019, 2020, and 2021.

A **rural area** is an area in England and Wales classified as rural in the *2011 rural-urban classification of output areas*, or an area in Scotland classified as rural in the *Scottish Government Urban Rural Classification 2013-2014*. See Chapter 4 for more information.

The **rural sub-obligation** requires suppliers to achieve at least 15% of their total HHCRO by promoting measures to domestic premises in a rural area. For a supplier to achieve its HHCRO, it must meet this requirement.

S

A **score** is the contribution that a measure makes towards a supplier's total HHCRO in pounds sterling (£). The score is calculated using the cost saving and the relevant HHCRO uplift, where applicable. Methodologies for determining the score to be notified will be set out in the delivery guidance

A **secondary heating measure** includes heating measures installed alongside primary insulation measure(s). Secondary heating measures must be installed at the same premises as a primary insulation measure. A secondary heating measure excludes oil boiler replacements.

W

Wall insulation means insulation of a cavity wall and solid wall insulation.

X

Xoserve is the Gas Transporters' Agent and it delivers transportation transactional services on behalf of all the major gas network transportation companies. Further information can be found at www.xoserve.co.uk.