

Response to Energy Company Obligation 2017-2018 (ECO2t): ECO2t consultation part 1

Consultation Response Document

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Overview:

On 12 October 2016 we published a consultation seeking stakeholder views on our proposed administration of the extension to the ECO2 obligation period, which is intended to start on 1 April 2017.

In the absence of the government's response to the ECO: Help to Heat consultation, we based our proposals on the draft amendments to the ECO2 Order that were published alongside the government consultation.

This document summarises the responses to our consultation, and having reviewed all responses, details our final policy for the areas on which we consulted. We also set out where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position.

The government's response to the ECO: Help to Heat consultation, published on 30 January 2017, contains some changes to the proposals that the Department for Business Energy and Industrial Strategy (BEIS) consulted on and offers additional clarity around other policy areas. We will engage with stakeholders on our proposed administration of these areas where relevant.

The policies included in this document do not apply until the 1 April 2017 and stakeholders should continue to refer to the ECO2 Administration and Delivery guidance documents until then.

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Context

In summer 2016 the government consulted on an extension to the ECO2 obligation period, including changes to the structure and targeting of the scheme.

In the absence of the government response to the ECO: Help to Heat consultation and laid regulations, we launched our ECO2t consultation Part 1 on 12 October 2016, using the draft amendments to the ECO2 Order to develop our proposals. We did this on the basis that we would engage with stakeholders again, where relevant for our administration, should the government response contain any changes to the original proposals or where additional clarity was given on policy areas.

Our ECO2t consultation Part 1 consisted of questions on the following areas:

- 1. Structure of extension** - covering the extension to the deadline for delivery of CERO and HHCRO measures and the final determination of CSCO
- 2. HHCRO targeting and eligibility** – including changes to eligibility criteria, inclusion of social housing with an EPC energy efficiency rating of E, F or G, the definition of first time central heating for delivery to social housing and declarations from local authorities
- 3. Energy efficiency measures** – covering the change to the in-use factor for party wall insulation, alterations to our requirements for evidencing pre-existing loft insulation and evidencing requirements for non-gas fuelled premises, and
- 4. Delivery and administration** – changes to eligibility of new build premises, removal of recommendations for CERO measures, allowance for 5% of measures to be notified late without an extension request, trading of obligations and changes to PAS.

Our consultation closed on 23 November 2016. We have considered all responses and sought further advice, where appropriate, to finalise our position.

This document summarises the responses to our consultation and, having reviewed all responses, sets out our final policy for the areas on which we consulted. We also detail where we were unable to incorporate suggestions made, and explain how and why we arrived at our final position.

In light of the recent publication of the government response to the ECO: Help to Heat consultation, we have also tried to incorporate any changes to the government proposals where this does not require any discretion on our part. For example, the extension of the obligation period from 12 to 18 months and the deadline for trading obligations being set 9 months after the extension begins on 1 April. We have highlighted where these changes impact on our administration in the relevant sections.

As a result of changes to the timing of the publication of the government response and laying of the final amendments to the ECO2 Order before Parliament, we have amended our schedule for engaging with stakeholders and publishing guidance. Our latest timelines are summarised in Table 1 below.

Table 1 Summary of updated ECO2t consultation process

	ECO2t Part 1	ECO2t Part 2
Consultation launch	12 October 2016	Week commencing 30 January
Consultation close	23 November 2016	2 weeks later
Publications following our assessment of responses	<p>Consultation response ECO2t Part 1</p> <p>Once the amended Order is laid before Parliament we will publish updated draft guidance, including changes from ECO2t Part 1 consultation and deemed scores</p>	<p>Consultation response (ECO2t Part 2)</p> <p>Final guidance (Administration and Delivery)</p>
Publication date	30 January 2017	April 2017

To give stakeholders as much clarity as possible on changes introduced by government as a result of their consultation, we have included additional detail in this consultation response document.

However, as shown in Table 1, we will only publish updated draft guidance after we have clarity on how the ECO2t requirements will be presented in the legislation. This will be after the amended Order is laid before Parliament. Delaying the publication of our updated draft guidance is intended to avoid multiple updates before final guidance, which could cause confusion.

ECO2t consultation Part 2

Based on the government response to the ECO: Help to Heat consultation, we anticipate that we will need to seek stakeholder views on the following areas:

- **Flexible eligibility** – government has indicated that it intends to allow a portion of flexible eligibility delivery to non-fuel poor private tenure homes to facilitate multi-property projects for solid wall insulation. Further, local authorities will need to publish a statement of intent before they are able to provide declarations to obligated suppliers, and
- **CERO rural minimum requirement** – a sub-obligation amounting to 15% of CERO will be introduced for the extension to ECO2 that mandates delivery of measures to rural areas.

We plan to engage with stakeholders on these areas shortly.

In our ECO2t consultation Part 1 we also mentioned three other areas that may require us to engage with stakeholders. However, the government response has outlined that these will not be introduced for the extension to ECO2. These are:

- Flexible eligibility – schemes involving other intermediaries
- Consumer protection requirements for households connected to local heat networks, and
- Collecting cost data for ECO.

Useful links

BEIS Help to Heat consultation

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

Draft amendments to the ECO2 Order

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536679/Illustrative_draft_of_the_Electricity_and_Gas_Energy_Company_Obligation....pdf

BEIS Help to Heat consultation response

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

ECO2 Order

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

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

ECO2 Guidance: Administration (V1.1)

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

ECO2 Guidance: Delivery (V1.1)

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

Consultation overview

We received 29 responses to the ECO2t consultation Part 1, including:

- seven from obligated suppliers
- five from trade associations
- four from local authorities
- five from consultants
- two from product manufacturers
- three from managing agents
- two from software providers, and
- one from a technical monitoring agent.

A full list of respondents can be found in Appendix 1 and all 29 responses to our consultation, except those that requested to remain anonymous, can be viewed on our website.

During the consultation period, we hosted three stakeholder workshops in London, Cardiff and Glasgow. These workshops covered all areas of the consultation. The purpose of these workshops was to brief stakeholders on the specific areas we were consulting on, discuss the consultation questions, and gather feedback on what level of guidance stakeholders required. We would like to thank respondents and workshop attendees.

The following chapters consider each consultation area in turn. For each question, we summarise the overall stakeholder responses. We then present the points raised and respond to that feedback. This is followed by a statement to indicate the outcome of the consultation and whether we have changed our approach based on the feedback we received. We close each question with a summary of our final position. The final position includes any changes we made to our proposed policies as a result of the information we received.

In developing our final policy we carefully considered all of the points raised by respondents, even if they are not specifically mentioned in this document.

Any queries about our administration of the scheme should be directed to eco@ofgem.gov.uk.

1. Structure of extension

Scheme extension and obligation setting

Question 1

Do you agree with our proposed administrative approach and guidance relating to our final determination of CSCO?

Summary of stakeholder feedback and Ofgem's response

- 1.1. The majority of respondents agreed with our proposed administrative approach for making our final determination on the Carbon Savings Community Obligation (CSCO).
- 1.2. A number of respondents requested clear reporting of the obligated energy suppliers' achievement of CSCO obligations to ensure transparency to the supply chain. Our monthly ECO reports¹ show a suppliers' progress against all of its obligations, including over-achievement. The draft amendments to the ECO2 Order require us to notify a supplier of its final CSCO position no later than **30 September 2017**. This information will also be published.
- 1.3. Some stakeholders raised concerns about the re-election and transfer of excess CSCO measures and the impact on the provisional solid wall minimum requirement (PSWMR). For clarity, suppliers can apply to re-elect a measure to a different obligation where that measure meets the eligibility criteria for the obligation the measure is intended to be credited towards. A supplier can still apply to re-elect measures out of CSCO to a different obligation, and also then transfer the measures to another supplier until 31 December 2018² where these are excess to the measures required to meet its CSCO. We would like to clarify that ECO2 CSCO solid wall insulation (SWI) measures re-elected to CERO will continue to be counted towards the PSWMR.
- 1.4. Stakeholders were also concerned about the retention of excess CSCO to mitigate the risk of any non-compliance identified between closedown and final determination. The suggestion to maintain a buffer of excess CSCO measures is discretionary, but we believe that this is an effective option for suppliers to mitigate against any potential non-compliance identified after the CSCO installation, transfer and re-election deadlines. The suggestion was drawn on our experience of the closedown of ECO1 and will not form part of our guidance document.

¹ ECO public reports and data: <https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/eco-public-reports-and-data>.

² This deadline has been extended by 6 months to reflect the change in duration of the extension period from 12 to 18 months.

- 1.5. A few responses pointed towards a reduction in the delivery to rural areas and that the removal of the CSCO rural obligation may dis-incentivise the supply chain to deliver to rural areas. As stated in the government response to the ECO: Help to Heat consultation, a rural sub-obligation will be introduced to CERO to safeguard rural delivery. We will engage with stakeholders regarding our administration of this once the final regulations are laid before Parliament.
- 1.6. Some suppliers also requested feedback relating to a scenario where a supplier consolidates its obligations on to one licence through trading, leaving excess CSCO delivery on a licence with a zero obligation. Following the final determination of CSCO, a supplier could re-elect these excess measures to another obligation (assuming they were eligible) and then transfer them to the licence housing the obligation. If a supplier did not re-elect and then transfer these measures by 31 December 2018, they would not count towards the suppliers' obligations and would be lost
- 1.7. Others asked if CSCO installations completed after 1 April 2017 can be re-elected to CERO or HHCR0. For clarity, suppliers cannot count measures towards CSCO unless the installation is complete before 1 April 2017. Suppliers must notify us of all CSCO measures completed in March 2017 by the end of April 2017, unless an extension is applied for and approved. Should the completion of measures expected to be credited towards CSCO be delayed, we would encourage suppliers to notify these measures against CERO, provided the eligibility criteria are met.

Position

- 1.8. We will continue with the approach consulted on.

Final policy

- 1.9. A supplier must install sufficient measures to achieve its total ECO2 CSCO before 1 April 2017.
- 1.10. Suppliers cannot count measures towards CSCO unless the installation is complete before 1 April 2017. Suppliers must notify us of all CSCO measures completed in March 2017 by the end of April 2017, unless they apply for an extension and it is approved.
- 1.11. Extension requests for CSCO measures must follow the process for extensions currently in place which applies to measures installed on or before 31 March 2017. Details of this process can be found in Chapter 6 of the ECO2 Guidance: Administration (v1.1). Suppliers are encouraged to submit any such extension requests as soon as possible.
- 1.12. Suppliers may apply to re-elect or transfer measures into CSCO up to and including 30 June 2017. Suppliers may apply to re-elect CSCO measures to another obligation after this date, however we will only approve the re-election application if we are satisfied that the qualifying actions are not required by a supplier to meet its total CSCO and that the measures are eligible for the obligation they are being re-elected to.



- 1.13. We will make a final determination of whether a supplier has achieved its CSCO by 30 September 2017.

2. HHCRO targeting and eligibility

Help to heat group

Question 2

Do you agree with our proposed approach to evidencing help to heat eligibility?

Summary of stakeholder and Ofgem's response

- 2.1. The majority of stakeholders agreed with our proposals to administer the changes to eligibility. They highlighted the importance of having a data matching service available. A small number said that this service should be available before the start of the extension period. As per our consultation document, BEIS and the Energy Saving Trust are aiming to have the Department for Work and Pensions (DWP) data-matching service available before the start of the extension period. Ofgem E-Serve has no functions in relation to this service.
- 2.2. We expect the vast majority of customers will be verified using the DWP data matching service. As a result, alternative methods of evidencing eligibility such as benefit letters will generally be used where eligibility cannot be data matched or where the stakeholder does not use the service. A number of stakeholders requested that a guidance note be made available in these scenarios and, similar to the data matching service, this should be made available before the start of the extension period. We are working to update our existing AWG guidance note to reflect the changes to the eligibility criteria for the newly defined help to heat group. The guidance note will provide further information on which specific documents can be used to evidence help to heat eligibility where the data matching service is not or cannot be used. We aim to publish this before the extension period begins to give time for suppliers and the supply chain to familiarise themselves with the requirements.
- 2.3. Some respondents wanted clarification on evidencing elements of Universal Credit. In the case of these benefit recipients, confirmation of receipt of child benefit is one method used to evidence responsibility for more than two children, as this cannot be data matched nor is it always explicitly listed in the benefit letter.
- 2.4. One stakeholder questioned claimants' ability to evidence eligibility using benefit letters dated up to 18 months prior to the completion of the measure. They stated that a person's circumstances can change significantly in an 18-month period, which may affect their eligibility. It is our current policy to allow benefit letters dated within 18 months prior to the completion of the measure and we will continue with this approach for the extension. The 18 month timeframe was previously consulted on for ECO1 and was in acknowledgment that some benefit letters are not always issued annually, resulting in some customers being unable to provide sufficient eligibility

evidence. However, as not all methods of identifying help to heat group members have this issue, below we have reviewed our timelines for alternative means of evidence.

- 2.5. Other means of evidencing help to heat group eligibility include Warm Home Discount (WHD) core group notices and online confirmations from government departments. See our final position below for the complete list. Online services from government departments, such as the HMRC online service, provide customers with up-to-date benefit data. As a result, we expect the most recent confirmation to be used, and this must be dated within 18 months prior to the completion of the measure.

Position

- 2.6. We will continue with the approach consulted on.

Final policy

- 2.7. We will accept the following methods of demonstrating the customer is a help to heat group member:
 - a. WHD core group notice
 - b. A matched ESAS reference number
 - c. A matched DWP reference number
 - d. A help to heat benefit letter (including confirmations from the government online services eg HMRC's online service where recipients have opted for paperless services).
- 2.8. Although measures installed from 1 April 2017 must meet the new help to heat benefits criteria, a supplier can verify eligibility through ESAS or DWP data matching prior to this date where the service provides early verification.
- 2.9. Benefit letters must be dated within 18 months prior to the completion of the measure.
- 2.10. A customer's benefit status can be confirmed using government online services, such as the HMRC online service. The most recent confirmation must be used, and this must be dated within 18 months prior to the completion of the measure.

Social Housing E, F and G

Question 3

Do you agree with our proposal to use a declaration signed by a social landlord to evidence that the EPC energy efficiency rating reflects the current characteristics of the property?

Summary of stakeholder feedback and Ofgem's response

- 2.11. The majority of respondents agreed with our proposal, and suggested that the declaration should be standardised, with all aspects of the Social E, F or G requirements that rely on a declaration incorporated into a single document. We are currently working with the ECO Reporting Working Group (ERWG) to produce this.
- 2.12. Having taken on board respondents' feedback, we propose to implement our proposal subject to the following clarifications. Firstly, where a pre-installation EPC is used to evidence the energy efficiency rating of premises, it must be the latest EPC and be accompanied by a declaration signed by the social landlord, as per the draft amendments to the ECO2 Order.³
- 2.13. A number of stakeholders requested confirmation that EPCs modelled on earlier versions of SAP would still be eligible. It was highlighted that the differences between SAP versions can amount to several SAP points which may impact premises' eligibility. We will not specify that the EPC used should be based on specific versions of SAP although we acknowledge there may be some differences between the versions of SAP. EPCs are valid for 10 years and any requirement to provide EPCs based on a specific version of SAP could add unnecessary burden and additional cost.
- 2.14. Stakeholders also suggested that where an EPC was dated within a year of the installation of the measure, a declaration should not be required. We cannot provide additional flexibility to the rule as the requirement for a pre-installation EPC to be accompanied by a signed declaration from the social landlord is specified in the draft amendments to the ECO2 Order.
- 2.15. Stakeholders were also concerned that social landlords will not have the relevant information to assess the energy efficiency of the premises and make the declaration. A supplier suggested that we should require a minimum amount of evidence to be provided to reassure suppliers that the declaration is accurate. Although many social landlords will have up-to-date records of improvements to premises, we acknowledge that some will not know whether any works completed on premises have improved the energy efficiency rating to a D or above.
- 2.16. However, we are aware that some social landlords regularly use SAP assessment tools, which require a small number of inputs to get an

³ Schedule 4A, paragraph 4 in the draft Amendments to the ECO2 Order.

approximate energy efficiency rating of premises. Where social landlords have undertaken works to premises since the EPC was lodged we would expect them to conduct such assessments to allow social landlords to make an informed declaration. Further, EPCs estimate the energy efficiency improvement of premises that can be achieved through the installation of certain measures. Where the works being undertaken correspond with those referenced in this section of the EPC (ie the measures and order of installation), this can be a useful indicator for social landlords to refer to.

- 2.17. Where a social landlord is unsure as to whether or not improvements have raised the EPC rating to a D or above, we would expect them not to sign a declaration. In these instances a new EPC or energy performance report (EPR) should be produced, accompanied by a declaration.
- 2.18. Where an audit shows that the EPC energy efficiency rating of premises is already D or above prior to installation of the ECO measure, this measure would not be eligible as it is a legislative requirement.
- 2.19. Two stakeholders wanted confirmation that a signed declaration alongside a valid EPC is sufficient to meet the requirements outlined in the draft amendments to the ECO2 Order. For measures that use a pre-installation EPC, a signed declaration is sufficient to demonstrate that the relevant criteria are met.⁴ As suppliers will notify measures in good faith based on declarations made by social landlords, we will not take retrospective action on measures where we find that declarations have been falsely made. However, we will report any misuse of this provision to the relevant bodies.
- 2.20. The draft declaration will be amended to ensure that it is clear to the social landlord what they are declaring and that a level of review of available evidence is expected. Example wording for the declaration is below; however, the final template wording will be agreed with the ERWG.
- 2.21. "To the best of my knowledge and belief, no changes were made to the premises after the EPC was lodged and before the measure was installed, which would increase the energy efficiency rating of the premises to a band D or above. This declaration is made with reference to the relevant information available at the time (such as EPCs/records of improvements to premises, etc.)"
- 2.22. We encourage obligated suppliers to use the standard wording which will be agreed through the ERWG. A supplier can create its own template as long as it meets our requirements. Where alternative wording is used this must be agreed with us beforehand.

Position

- 2.23. We will continue with the approach consulted on.

⁴ Where there is evidence of suspected fraud or fraud this will be reported to the Homes and Communities Agency or the equivalent bodies.

Final policy

- 2.24. Where premises have a pre-installation EPC with an energy efficiency rating below band D, a declaration must be signed by the social landlord. This declaration must confirm that no changes were made to the premises after the EPC was lodged and before the ECO measure was installed, which would increase the energy efficiency rating of the premises to a band D or above. This declaration must be made available on request.
- 2.25. Where a post-installation EPC with an energy efficiency rating of below band D is provided, no declaration is required.
- 2.26. The EPC must be valid (dated within 10 years of it being lodged) and be the latest produced for that premises.
- 2.27. Suppliers must notify the EPC reference number. We may use this information to conduct a sample audit to ensure the EPC energy efficiency rating is below band D.

Question 4

Do you agree with our proposal to evidence that premises have been let below market rate using a declaration signed by a social landlord?

Summary of stakeholder feedback and Ofgem's response

- 2.28. Most stakeholders agreed with our proposal. However, following responses from stakeholders we will clarify that other than the signed declaration from the social landlord, no further information will be required to evidence eligibility in relation to premises being let below market rate. However, if we become aware of any social landlords making false declarations, we will report this to the relevant bodies. We will not take retrospective action on measures where we find that false declarations have been made by a social landlord.
- 2.29. One stakeholder suggested other organisations that provide short-term housing should be listed as an eligible social landlord. However, we have no discretion to expand this definition to include other types of organisations as the definition of a social landlord is included in the draft amendments to the ECO2 Order. Further, short term housing would generally not qualify as a domestic premises as defined for the purposes of ECO.⁵
- 2.30. One respondent suggested that the current wording for declaring the premise is being let at market rate did not take into account scenarios where the premises are currently void. We acknowledge that landlords will often attempt to improve the energy efficiency of the premises while it is vacant.

⁵ For guidance on how to determine whether premises are domestic premises, see: <https://www.ofgem.gov.uk/publications-and-updates/eco2-guidance-note-determining-whether-premises-are-domestic-premises>.

Consequently, we will ensure that the wording of the declaration allows for premises that are void at the time the measure is installed on the basis that the social landlord is able to declare that they are generally let for the purposes of affordable housing.

- 2.31. One stakeholder enquired as to the appropriate level of sign-off within the organisation. Due to the different organisational structures and practices we do not intend to specify a level of sign-off for these declarations. Specifying a certain job role or level of seniority could unnecessarily complicate administering this provision. We request that a social landlord determine the appropriate level of sign-off within its organisation and that the individual making the declaration has sufficient and appropriate authority to do so.

Position

- 2.32. We will continue with the approach consulted on.

Final policy

- 2.33. To evidence that the premises is being let at below market rate the social landlord must sign a declaration which states:

"I declare that these social housing premises are let at below market rate, or where the premises are currently void, have previously and will be let at below market rate".⁶

- 2.34. The declaration must be signed by an individual of sufficient and appropriate authority, as determined by the social landlord.
- 2.35. This declaration must be made available on request.

Question 5

Do you agree that where multiple measures are installed in a single property, a further declaration should be signed by the social landlord after each installation to confirm the energy efficiency rating remains below Band D?

Summary of stakeholder feedback and Ofgem's response

- 2.36. The majority of stakeholders disagreed with this proposal. Most objected on the basis that requiring a confirmation that a previous ECO measure did not increase the EPC energy efficiency rating of the premises to a band D or above dis-incentivises a whole house approach, which is a more efficient means of delivering measures. Some suggested that a declaration could be provided for multiple measures, and only be valid for a given timeframe. Taking this feedback into account, the declaration will be designed to allow

⁶ Final wording for the declaration will be confirmed with the ECO reporting working group.

the social landlord to record the measure(s) being installed and confirm that the energy efficiency rating of the premises will not increase to a band D or above before the installation of the final measure listed on the declaration.

- 2.37. We may not accept measures where there is evidence on the EPC stating that the measures notified to us will improve the energy efficiency of the premises to D or above, before the installation of the final measure listed on the declaration. As such, social landlords and suppliers should satisfy themselves that there is no evidence that suggests this. We feel this level of verification should exist in any arrangement and will not add significant burden or additional risk to the supplier or supply chain.
- 2.38. Some stakeholders also highlighted it can be difficult for social landlords to determine whether or not the installation of the measure has taken the premises to an EPC rating of D or above, making the subsequent measure ineligible. As per our response to Question 3 above, there are methods available for social landlords to assess the approximate energy efficiency rating of the premises. However, where there is any uncertainty they should not sign the declaration.
- 2.39. It is also important to highlight that delivery of multiple measures can still occur as any measures installed after a premises energy efficiency rating is a D or above could be claimed under CERO.
- 2.40. Following a request from two suppliers, we will amend the wording of the declaration to clarify that where a measure improves the energy efficiency of premises to a D or above this is eligible. Any subsequent measures would not be eligible under HHCRO, though they could still be eligible under CERO.

Position

- 2.41. We will continue with the approach consulted on, with some clarifications.

Final policy

- 2.42. Where multiple measures are installed at premises, the improved energy efficiency rating of the premises must be considered prior to any subsequent qualifying installation.
- 2.43. The social landlord must list as part of the declaration the measures to be installed. Where multiple measures are installed the social landlord must confirm that the energy efficiency rating of the premises will not increase to a band D or above before the installation of the final measure listed on the declaration.
- 2.44. Where a post-installation EPC with an energy efficiency rating of below band D is provided, no declaration is required.
- 2.45. This declaration must be made available on request.

First time central heating

- 2.46. Measures eligible for delivery to social housing premises with an energy efficiency rating of E, F or G are limited to insulation measures and first time central, district or renewable heating measures.
- 2.47. We will refer to first time central, district and renewable heating measures, collectively as first time central heating (FTCH).
- 2.48. The draft amendments to the ECO2 Order do not allow the installation of a FTCH measure where electric storage heaters (ESH) are, or have been, in-situ at premises prior to installation of the ECO measure. In addition, the definition of a central heating system in the draft amendments to the ECO2 Order excludes the delivery of ESHs as a FTCH measure to eligible premises.
- 2.49. To avoid repetition in our subsequent responses, we wish to address disagreement with the restrictions to FTCH measures by clarifying that we do not have administrative discretion over these requirements. Our below response and subsequent guidance will make the scope and requirements of our own administration clearer to stakeholders.
- 2.50. Where responses were submitted which related to a different question, we have addressed this under the appropriate subject area.

Question 6

Do you agree with our interpretation of "at no point prior"?

Summary of stakeholder feedback and Ofgem's response

- 2.51. We received mixed responses to this question, although slightly more disagreed than agreed with the proposals.
- 2.52. A number of respondents disagreed with the concept and policy of "at no point prior", stating that it was too restrictive. "At no point prior" is included in the draft amendments to the ECO2 Order. We have taken a literal interpretation with the aim of maintaining a practical approach to evidencing this requirement.
- 2.53. Some respondents expressed that the phrase "at no point prior" was too broad and should be qualified in the social landlord's declaration with the addition of "to the best of the landlord's knowledge". We will work with the ECO reporting working group to develop the declaration text and take these comments into account. Several responses also requested additions to the declaration, which have been considered and addressed in our response to Question 7.
- 2.54. HHCRO delivery to social housing is not currently eligible in ECO2 unless the premises are let at or above market rate. As such, these proposals represent

an expansion to the range of eligible premises. On the subject of eligible measures within E, F or G housing, one response was concerned that district heating would be denied to large numbers of people in fuel poverty. However, district heating may still be delivered to social housing under CERO, which is not restricted to premises with an EPC energy efficiency rating of E, F or G.

- 2.55. Points were also made regarding the technical distinction between ESHs and the potential of smart electric thermal storage systems, which we do not currently recognise. Stakeholders wishing to discuss classifications of heating measure types should contact our technical team via the ECO inbox (eco@ofgem.gov.uk) well in advance of installation.

Position

- 2.56. We will continue with the approach consulted on, with some clarifications.

Final policy

- 2.57. When installing measures to social housing with an EPC energy efficiency rating of E, F or G, the installation of a FTCH system is eligible where installed in domestic premises which, at no point prior to the installation or connection of the central heating measure, had a central heating system (including district and renewable heating) or an ESH.
- 2.58. The presence of a central heating system (including district and renewable heating) or an ESH may be identified with reference to:
- i. any available evidence within the premises. This could be an old boiler, pipework, heating controls, radiators, storage heaters, or
 - ii. records relating to the premises, such as a valid EPC.
- 2.59. This information is intended as a guide and we will not require that evidence is recorded or retained.
- 2.60. If premises had, at any time in the past, a central heating system or ESH, even if it is not present immediately prior to the delivery of an ECO measure, it will not be eligible for the delivery of first time central heating.
- 2.61. Where a central heating system or an ESH is present but not working, the premises is not eligible.

Question 7

Do you agree with our proposal to evidence that a central heating system or ESH was not present prior to installation of a central heating system or DHS using a declaration signed by a social landlord?

Summary of stakeholder feedback and Ofgem's response

- 2.62. We received strong support for use of a declaration signed by the social landlord as evidence that at no point prior was a central heating system or ESH present at social housing premises.
- 2.63. Several responses prefer that the declaration was qualified with the phrase "to the best of my knowledge", given the difficulty for a social landlord to always know whether a premises ever had a central heating system (including district and renewable heating) or ESH. Two respondents further stated the importance of reducing paperwork and standardising documentation. We will work with the ERWG to develop the declaration text, adding this to the wider E, F and G declaration and will ensure that "to the best of my knowledge" is included in the declaration.
- 2.64. Several respondents stated that the social landlord should be ultimately responsible for the declaration and that any contradictory evidence, eg audit, should not render the measure ineligible. The purpose of the declaration is to confirm to a supplier and the scheme administrator that eligibility requirements have been met. In response to the concerns raised, we will make clear on the declaration what evidence can and should inform the signatory. Evidence could include a check for an old boiler, existing pipework, heating controls, radiators, storage heaters, or records relating to the premises, such as a valid EPC.
- 2.65. With reference to the examples provided in the declaration, where evidence is found at audit which shows a central heating system (including district and renewable heating) or ESH was or had been present at the premises, we will reject the measure. Should we become aware of social landlords making false declarations we will report this to the relevant bodies.⁷
- 2.66. For additional assurance, we will also require that the social landlord selects the eligible, primary heating source on the declaration. This is the deemed scores input which reflects the existing heating within the premises. This will clarify for the social landlord what they are declaring, and reassure suppliers that the signatory understands the eligibility requirements.
- 2.67. There was a request that reference to an EPC should be limited to a five-year period. The draft amendments to the ECO2 Order require that E, F and G eligibility is based on the latest, valid EPC. However, it is important to clarify that any valid EPC should be referenced to confirm that a central heating

⁷ Where there is evidence of suspected fraud or fraud this will be reported to the Homes and Communities Agency or the equivalent bodies.

system (including district and renewable heating) or an ESH had not been or was not present.

Position

2.68. We will continue with the approach consulted on, with some amendments.

Final policy

2.69. A declaration signed by the social housing provider will be required to evidence that, at no point prior to the installation of a first time central heating system, neither a central heating system (including district and renewable heating) nor ESH was present in the domestic premises.

2.70. This declaration must be made available on request.

2.71. The presence of a central heating system (including a renewable system), district heating connection or an ESH may be identified with reference to any available evidence within or records relating to the premises. Examples could include an old boiler, existing pipework, heating controls, radiators, storage heaters or documents such as an EPC. We will not require that evidence is recorded or retained.

2.72. Following notification of a FTCH measure, if evidence is subsequently found at audit that demonstrates a declaration was false and that premises had, at any point prior, a central heating system (including renewable and district heating) or ESH, the measure will be rejected. Evidence of social landlords making false declarations will be reported to the relevant bodies.

Question 8

Do you agree with the primary heating sources we have listed as eligible for evidencing first time central heating measures?

If no, please identify which primary heating sources you think should be included/excluded.

Summary of stakeholder feedback and Ofgem's response

2.73. The majority of stakeholders disagreed with the stated heating sources. As discussed above, this was largely in response to the presence of ESHs prohibiting the delivery of first time central heating measures.

2.74. Numerous stakeholders requested clarification on the eligible primary⁸ heating sources that would allow for delivery of first time central, district or renewable heating.

⁸ This is referred to as pre-main heating source in the data dictionary and other guidance documents.

- 2.75. Primary heating sources are the deemed scores input which reflects the existing heating within the premises, before the installation of the measure. FTCH may only be notified when certain primary heating sources are present within the premises.
- 2.76. Clarifications to the list of eligible primary heating sources are stated in our final position. We wish to respond directly to particular comments as follows:
- a) Where a fan is present on a direct acting electric room heater that is not an ESH, this should be considered an electric room heater
 - b) Bottled gas heaters are an eligible primary heating source. For the purposes of deemed scores, this is classified as bottled LPG room heating but notified as the proxy of electric room heaters
 - c) References to solid fossil room heaters will be changed in the relevant documentation to solid fossil fuel room heaters
 - d) Wood burning room heaters are an eligible primary heating source. For the purposes of deemed scores, this is classified as wood/biomass room heating but notified as the proxy of solid fossil fuel boiler.
 - e) The presence of electric under floor heating would meet the definition of a central heating system and cannot be considered an eligible primary heating source for the delivery of FTCH.
- 2.77. The social landlord must record the primary heating source of the premises on the declaration.
- 2.78. With regard to the notified FTCH heating measure, the definition of a central heating system must be met. An up-to-date but non-exhaustive list of eligible central heating measures is shown in our response to Question 9 below and will also be referenced within our final published deemed score tables.⁹
- 2.79. Primary heating sources must not also be part of, or be present in conjunction with, a system that meets the definition of a central heating system.

Position

- 2.80. We will continue with the approach consulted on, with some amendments.

Final policy

- 2.81. The primary heating source relates to the in-situ heating method, prior to the delivery of an ECO measure.

Prior to the installation of FTCH, the following primary heating sources are eligible:

⁹ For our response to ECO2 deemed scores consultation and deemed score tables, see: <https://www.ofgem.gov.uk/publications-and-updates/response-eco-deemed-scores-consultation>.

- a. **electric room heaters**, including direct acting room and fan heaters which are not storage heaters
 - b. **gas room heaters**, including fixed mains gas room heaters,
 - c. **bottled LPG room heating**, notified as a proxy of electric room heaters
 - d. **solid fossil fuel room heaters**
 - e. **wood/biomass room heating**, notified as a proxy of solid fossil fuel boiler, and
 - f. **Oil room heater**, notified as a proxy of LPG boiler.
- 2.82. Where there is no central heating system or electric storage heater in the premises and no other heating sources are present, the proxy of electric room heaters should be used for notifying the appropriate deemed score.
- 2.83. The above is not an exhaustive list. Suppliers should contact us if they have queries regarding eligible primary heating sources.

Question 9

Do you agree with the heating measure types we have listed as eligible first time central heating measures?

If no, please identify which heating measure types you think should be included/excluded.

Summary of stakeholder feedback and Ofgem's response

- 2.84. We received mixed responses to this question, although slightly more disagreed than agreed with the proposals.
- 2.85. Disagreement focused on the list of eligible first time central heating measure types. In particular, the exclusion of ESH measures was highlighted by numerous stakeholders. The definition of a central heating system is included in the draft amendments to the ECO2 Order and as such we do not have any discretion to include ESH measures. In response to direct requests for clarification, we can confirm the following:
- a. warm air systems may be notified under a proxy of gas, oil or electric boiler. Proxy heating measures are detailed further in our deemed scores guidance.¹⁰

¹⁰ Draft deemed scores guidance will be published once the amended ECO2 Order is laid before Parliament.

- b. an eligible first time central heating measure which meets the definition of a central heating system may be notified, whether central heating, district heating or renewable heating.
- 2.86. A non-exhaustive list of eligible first time central heating measures is shown below in our final position. These measures will be indicated in an update to the ECO2 Measures Table. However, this should not be seen as a barrier to innovation and suppliers considering the delivery of potentially eligible central heating systems which are not included in our measures table should contact our technical team via the ECO inbox (eco@ofgem.gov.uk).
- 2.87. There was some confusion about a reference in draft guidance to insulation as a FTCH measure. We can confirm that insulation is not an eligible first time central heating measure, but is eligible for delivery under the Social E, F or G provision.

Position

- 2.88. We will continue with the approach consulted on, with some clarifications.

Final policy

- 2.89. The definition of a central heating system must be met to notify an eligible FTCH measure. A non-exhaustive list of eligible first time central heating measures is laid out below. Eligible measures will also be indicated in the ECO2t Measures Table:
- Gas Boiler
 - Oil Boiler
 - Biomass Boiler
 - LPG Boiler
 - Air Source Heat Pump
 - Ground Source Heat Pump
 - Electric Boiler, and
 - District Heating Connection - New Connection (All measures types)

Flexible eligibility

Question 10

Do you agree with the proposed approach for administering local authority declarations for HHCR0 eligibility?

Summary of stakeholder feedback Ofgem's response

- 2.90. The majority of respondents agreed with our proposals. However, a number stated that more information would be required from BEIS to fully understand how this provision may be used.

- 2.91. One stakeholder highlighted the need for a standardised unique reference number (URNs) to be used for each declaration. We are working with BEIS to provide this URN which will have a prefix that identifies each local authority. The URN will help to track declarations back to the local authority so that we can check that the local authority issued the declaration. It could also be used to check that the requirement to publish a statement of intent before issuing declarations was met. This requirement for a local authority to issue a statement of intent before providing declarations has been introduced in the government response to the ECO: Help to Heat consultation and we will engage with stakeholders to discuss our administration of this requirement once the amended legislation is laid.
- 2.92. In response to requests from stakeholders, we will clarify that the same measures that are eligible under the standard help to heat group eligibility criteria will be eligible under flexible eligibility, ie it will only exclude hot water cylinder insulation. Appendix 2 contains a table outlining the different HHCRO eligibility routes and the measure types eligible for each. This will also be included in our final guidance.
- 2.93. One stakeholder identified that the local government legislation allows a local authority to delegate its functions to other authorities in certain circumstances. With this in mind, we will amend our guidance to allow for the delegation arrangements to apply to the flexible eligibility provision.
- 2.94. Following the government response to the ECO: Help to Heat consultation, the concept of SWI infilling under flexible eligibility has been introduced. This provision allows a portion of households not in fuel poverty to be treated to facilitate delivery of solid wall insulation (SWI) in private tenure households. As with the statement of intent requirement mentioned above, we will engage with stakeholders to discuss our administration of this requirement once the amended legislation is laid.

Position

- 2.95. We will continue with the approach consulted on.

Final policy

- 2.96. Where measures are installed under this route, suppliers must collect declarations from local authorities listing households as either living in fuel poverty or low income and vulnerable to the effects of a cold home.
- 2.97. These declarations must contain a URN reference number which should be provided to Ofgem at notification.
- 2.98. We may audit these declarations to ensure that they are genuine and that the URNs notified to us are valid. We will not assess whether or not the local authority is targeting the correct people. However, if we become aware of a local authority making false declarations, we will pass this information to BEIS. In these instances, any measures already notified to us that had been referred by such local authorities will not be rejected/revoked.

Regular score minimum requirement

Question 11

Do you agree with the list of measures in Table 4 that we propose should not count towards the RSMR?

If no, please identify which measure you think should be included/excluded.

Summary of stakeholder feedback and Ofgem's response

- 2.99. Only a small number of stakeholders disagreed with the list of measures proposed not to count towards the Regular Score Minimum Requirement (RSMR).
- 2.100. Three stakeholders requested that qualifying gas boiler replacements should be included so as not to discourage replacement of broken gas boilers in social or low income housing. The minimum requirement for measures other than qualifying gas boiler replacements is set in the draft amendments to the ECO2 Order and, as such, we do not have any discretion over this policy. It is up to a supplier how it uses its allowance for qualifying gas boiler replacements and which types of consumers they choose to target.
- 2.101. One stakeholder asked whether a qualifying gas boiler replacement installed before 1 April 2017 could be re-notified as a non-qualifying gas boiler replacement to count towards its RSMR. For the measure to count towards a supplier's RSMR it must have been installed from 1 July 2016. For qualifying gas boiler replacement measures completed before 1 April 2017 we recommend that suppliers also calculate the score for a non-qualifying gas boiler replacement, so that if they choose to amend the measure at a later date, the appropriate score is available. For measures installed on or after 1 April 2017, the alternative deemed score should be used.

Position

- 2.102. We will continue with the approach consulted on.

Final policy

- 2.103. Table 2 confirms which ECO2 measures do not count towards a supplier's RSMR. As the measure names have changed for ECO2t, please refer to Table 3 for an updated list of measures that do not count towards a supplier's RSMR.

Table 2 ECO2 Measures notified before 1 April 2017, that do not count towards a supplier's RSMR

ECO2 Measure Type	ECO2 Measure Name	Conditions
Qualifying boiler replacement - mains gas	QB_Replacement_Gas_Warranty	Does not count towards the RSMR
Qualifying boiler replacement	QB_Replacement_Warranty	Does not count towards the RSMR where the boiler being replaced was fuelled by mains gas. In the notification template, this will be identified by: Pre_Main_Heating_Source_for_the_Property: Gas
Qualifying boiler replacement - non-boiler	QB_Replacement_Non_Boiler	
Qualifying boiler replacement - ESHs	QB_Replacement_ESH_Warranty	

Table 3 ECO2t Measures notified from 1 April, 2017 that do not count towards a suppliers RSMR

ECO2t Measure Type	ECO2t Measure Name
Qualifying gas boiler replacement - gas boiler installation - no pre-existing heating controls	QBgas_gas_[walltype]_nopreHCs
Qualifying gas boiler replacement - gas boiler installation - pre-existing heating controls	QBgas_gas_[walltype]_preHCs
Qualifying gas boiler replacement - non-gas boiler installation - no pre-existing heating controls	QBgas_[walltype]_nopreHCs
Qualifying gas boiler replacement - non-gas boiler installation - pre-existing heating controls	QBgas_[walltype]_preHCs

3. Energy efficiency measures

Party cavity wall insulation

Question 12

Do you agree with our proposal to distinguish between the different in-use factors for PCWI based on the date of installation?

Summary of stakeholder feedback and Ofgem's response

- 3.1 Of those who took a view, the vast majority of stakeholders agreed with this proposal. Those who agreed provided commentary in support of our proposal to distinguish between the 35% and 15% in-use factor (IUF) using the date of completed installation.
- 3.2 A number of stakeholders requested clear guidance on what constitutes 100% of a party cavity wall measure for different property types such as end, mid- and enclosed mid-terraces. We will include examples in our deemed scores guidance which will be published once the amended legislation is laid.
- 3.3 One stakeholder requested that we have clear guidance on how PCWI measures should be scored using deemed scores. As with all ECO measures, 100% of the measure must be installed unless there are reasonable grounds for not doing so. For party cavity wall insulation (PCWI), installing 100% of a measure means insulating all party cavity walls of the dwelling. A party wall measure can be claimed for each property adjacent to any walls that are treated, as long as all other eligibility criteria are met for all premises. The installer must obtain the necessary consent from all adjacent properties to the wall before the measure is carried out. We will include further examples of what constitutes 100% of the measure for different property types in our updated draft guidance.
- 3.4 As requested, we will also clarify that if one adjoining property in a mid-terrace house refused the insulation, this would be regarded as reasonable grounds for not installing 100% of the measure. This will be included in our final guidance.
- 3.5 One stakeholder requested that we create a new name for each PCWI measure to distinguish between the different in-use factors. As we are going to use the date of completed installation to determine the correct IUF we do not feel that this is required.
- 3.6 Another stakeholder requested that throughout the guidance where we specify the different types of wall insulation we include PCWI as its own measure type. We will include this in our updated draft guidance. A stakeholder also questioned whether a requirement for the adjoining property

to be occupied to go ahead with installation was appropriate for this measure type. If the adjoining property is unoccupied then the consent of the property owner/landlord should be obtained for this work to be carried out.

Position

3.7 We will continue with the approach consulted.

Final policy

3.8 We will use the date of completed installation to distinguish between the in-use factors for PCWI measures. If the date of completed installation of a PCWI measure is before 1 April 2017 then the 35% IUF should be applied. If the date of completed installation is 1 April 2017 or later, the 15% IUF should be applied.

3.9 Under CERO, a secondary measure can be installed six months before or after the primary measure (the installation condition), and this will be the same for PCWI. If PCWI is installed in a premise on 1 April 2017, a secondary measure can be supported by this PCWI if it is installed between 1 October 2016 and 30 September 2017, where it meets all other relevant ECO requirements.

Evidencing pre-existing loft insulation

Question 13

Do you agree that a PAS pre-installation survey can be used to record the depth of any pre-existing loft insulation?

Summary of stakeholder feedback and Ofgem's response

3.10 We received mix responses to this question, however most stakeholders agreed with our proposed administrative approach that the publicly available specification (PAS) pre-installation survey can be used to record the depth of any pre-existing loft insulation.

3.11 Many urged that further guidance would need to be published by Ofgem E-Serve as the current PAS pre-installation survey does not require the depth of existing loft insulation to be captured. It was also highlighted that a lack of consistency could lead to non-compliance. Many advocated a standardised template to record the depth of any pre-existing loft insulation to ensure that the necessary information is recorded consistently across the supply chain.

3.12 As we are unable to define the contents and format of the PAS pre-installation survey, and to avoid introducing additional paperwork, we propose that the presence and depth of any pre-existing loft insulation can be evidenced in an ERWG form, such as the declaration of conformity and completed installation (DOCC). We will work with the ERWG to include this requirement.

- 3.13 Others mentioned that a signed declaration could be photographed and remain in the loft to evidence pre-existing levels of insulation. Based on this suggestion we plan to adapt the existing virgin loft declaration for loft measures installed where the pre-existing loft insulation is 100mm or less. This will confirm that any pre-existing loft insulation was $\leq 100\text{mm}$ and that none has been recently removed. As per our current requirements this declaration must be left in the loft for inspection during technical monitoring. As this approach has worked well to date we do not want to add any additional requirements such as photographs of the declaration in the loft.

Position

- 3.14 We will be changing our administrative approach following feedback.

Final policy

- 3.15 The presence and depth of any pre-existing loft insulation will be evidenced in an ERWG form, such as the declaration of conformity and completed installation.
- 3.16 For loft measures installed where the pre-existing loft insulation is 100mm or less a declaration must be signed by the installer and consumer to confirm that any pre-existing insulation was $\leq 100\text{mm}$ and that none has been recently removed. This declaration must be left in the loft for inspection during technical monitoring.

Question 14

Do you agree that 3% of technical monitoring for loft insulation measures should take place pre-installation?

Summary of stakeholder feedback and Ofgem's response

- 3.17 The majority of respondents were opposed to the proposal that 3% of technical monitoring inspections for loft insulation measures should be conducted prior to installation.
- 3.18 Of those who did not agree with the proposals, a number of respondents argued that the proposed approach could cause delays to both the customer and the supply chain for a measure which is relatively quick and easy to install. Many responses pointed to the difficulty in implementing technical monitoring inspections prior to installation and the additional administrative burden and increased cost implications this could have on obligated suppliers.
- 3.19 Stakeholders suggested alternatives including maintaining the virgin loft declaration and supporting this with increased post-installation technical monitoring inspections. As per our response to Question 13, we will adapt the existing virgin loft declaration. We believe that the current 5% monitoring requirement provides a representative sample and an increased monitoring rate is not necessary.

- 3.20 Some recommended supporting a customer declaration with time-stamped photos or panoramic videos of the loft to reduce the risk of fraudulent claims and mitigate against selective inspections. Our current requirement to leave the declaration in the loft for inspection during technical monitoring is working well and we are keen to avoid adding additional requirements such as supporting photographs or videos.

Position

- 3.21 We will be changing our administrative approach following feedback.

Final position

- 3.22 Loft insulation measures will be subject to 5% post-installation technical monitoring. This will include checking that a loft declaration is present for loft measures where the depth of any pre-existing insulation was 100mm or less.

Question 15

Do you agree that the depth of any pre-existing loft insulation can be checked post-installation during a technical monitoring inspection?

Summary of stakeholder feedback and Ofgem's response

- 3.23 A majority of respondents agreed with this proposal. Reasons given included the confidence in post-installation inspections, along with the visible differentiation between newly laid insulation material and pre-existing material.
- 3.24 The main concern highlighted by respondents was the risk of pre-installation depths being affected by compression from additional insulation installed on top. Also, respondents were concerned about pre-existing loft insulation depths being adjusted around the loft hatch, where a technical monitoring agent is able to inspect. Many suggested providing further guidance to the supply chain to assist in determining the true pre-install insulation depths and to mitigate disputes post installation.
- 3.25 Our current ECO2 guidance requires monitoring agents are suitably qualified, as such we would expect them to be able to identify whether the pre-existing insulation has been accurately recorded. We maintain that a technical monitoring agent can use reasonable discretion to decide if pre-existing loft insulation has been compressed or adjusted in certain areas.
- 3.26 Some stakeholders also put forward the exception of boarded lofts and suggested increased mid-installation inspections would help to discourage malpractice. The proposal for pre-installation inspections was to discourage the removal of any pre-existing insulation. Inspections at the mid-installation stage would not achieve this intent and would be subject to the same difficulties as pre-installation inspections that were highlighted by

respondents. As such we will not introduce any mid-installation inspections for loft measures.

Position

3.27 We will continue with the approach consulted on.

Final policy

3.28 The presence and depth of any pre-existing insulation will be checked through post-installation technical monitoring.¹¹

Evidencing non-gas fuelled premises

Question 16

Do you agree that the PAS pre-installation survey can be used to evidence the main heating system fuel type for the premises?

Summary of stakeholder and feedback and Ofgem's response

- 3.29 The majority of respondents agreed with our proposed administrative approach that the publicly available specification (PAS) pre-installation survey can be used to evidence a premise's main space heating system fuel type.
- 3.30 A number of respondents did not agree with our proposal and concerns focussed on the fact that the PAS pre-installation survey does not currently require a property's main space heating system fuel type to be captured and this has not been included in the draft revision of the standard.
- 3.31 Some respondents suggested capturing the property's main space heating fuel type in an amended version of the DOCC which is already required for every measure. Other suggestions included a standardised document drafted by the ERWG being made available to the supply chain to be accompanied by supporting evidence, such as a fuel bill or pre-existing EPC, to ensure information is captured consistently and accurately. As outlined in our response to Question 13, we are unable to define the contents of the PAS pre-installation survey including the addition of any additional requirements. We propose that the main space heating system fuel type of a property be evidenced in the DOCC. We will work with the ERWG to include this requirement.
- 3.32 One respondent suggested the SAP survey could be used for non PAS measures such as district heating systems (DHS). As the DOCC is required for all measures this can also be used for DHS measures and we will not introduce a separate requirement for DHS measures.

¹¹ For further information on technical monitoring and the question set for ECO2t, see: <https://www.ofgem.gov.uk/publications-and-updates/response-eco2-consultation-technical-and-score-monitoring>.

Position

3.33 We will be changing our administrative approach following feedback.

Final policy

3.34 A premise's main space heating system fuel type should be recorded in the declaration of conformity and completed installation.

New build definition

Question 17

Do you agree with our proposal to evidence occupancy for all ECO measures as an alternative to demonstrating that premises receiving ECO measures are not new build?

Summary of stakeholder feedback and Ofgem's response

- 3.35 More respondents agreed with our proposal than disagreed.
- 3.36 Whilst we received general agreement to this proposal we have made some amendments based on the feedback of those who disagreed. Some of the observations and comments made in response to this question relate to subsequent questions and we have considered these in our response to the relevant question.
- 3.37 Of the respondents who disagreed with our approach, several felt that to first identify new build premises, date of construction should be evidenced, rather than occupancy. This would also exclude pre-existing premises from requiring evidence of occupancy. Occupancy is the core requirement for delivery to new build and it is not necessary to also evidence date of build of premises if occupancy can be demonstrated. However, we appreciate the concerns regarding administrative burden of our proposal, particularly in instances of pre-existing, void premises. We have therefore adjusted our approach and will now only require occupancy to be evidenced in premises built from 1 April 2017.
- 3.38 Several respondents also requested that the list of documentary evidence for both age of the premises and occupancy should not be exhaustive, with provision for suppliers to contact Ofgem E-Serve if other suitable evidence is available.
- 3.39 Instead of evidencing occupancy for pre-existing buildings, a declaration will be added to the DOCC, which must be signed by the occupant to confirm that the premises are pre-existing.

- 3.40 Where the declaration on the DOCC is not completed and signed by the occupant, evidence of occupancy (as listed below in Question 18) OR evidence that the building is pre-existing (as listed below in Question 19) can be used.
- 3.41 Two respondents raised the point that a very small number of new build premises have low energy efficiency ratings and argued that where low standards exist ECO should be allowed to improve these premises. As per the requirements in the draft amendments to the ECO2 Order, ECO measures can be delivered to these premises if they are currently, or have been, occupied following completion.
- 3.42 The PAS pre-installation survey was also suggested as evidence for age and occupancy. However, as a third party document, we cannot require that it records the relevant information to evidence this requirement.

Position

- 3.43 We are changing our administrative approach, following feedback.

Final policy

- 3.44 Where a building is pre-existing, ie constructed before 1 April 2017, there will be no requirement to evidence occupancy.
- 3.45 For all measures installed to pre-existing buildings, the declaration of conformity and completed installation (DOCC) should be completed and signed by the installer to confirm that the building was pre-existing before 1 April, 2017. The supplier should make this available on request.
- 3.46 We will work with the ECO reporting working group to update the DOCC to include this requirement.
- 3.47 Where the DOCC has not been completed to confirm that the building is pre-existing, evidence that the building is pre-existing, or evidence of occupancy should be obtained.
- 3.48 Where a building is not pre-existing, ie premises constructed after 1 April, occupancy must be evidenced as follows:

For HHCRO Help to Heat measures:

- Evidence to demonstrate that a member of the help to heat group resides in the premises will be sufficient to evidence eligibility.

For CERO, HHCRO Social EFG, and HHCRO flexible eligibility measures:

- a completed DOCC, signed by the occupant, or
- evidence of occupancy (see paragraph 3.62 below)

- 3.49 Where none of these documents is available suppliers should contact us to discuss alternative documentation. This evidence must be made available on request.

Question 18

Where premises are unoccupied, do you agree with our proposal to evidence previous occupancy?

Summary of stakeholder feedback and Ofgem's response

- 3.50 Significantly more respondents agreed with our proposal than disagreed.
- 3.51 We received general agreement to our approach. However, considering some of the responses, we have decided to streamline our approach.
- 3.52 Of the respondents that disagreed, the majority did so on the basis that occupancy should not be evidenced in pre-existing buildings or because documentation could be difficult to acquire. As per our decision in Question 17 above, we will not require evidence of occupancy for pre-existing buildings.
- 3.53 To evidence occupancy in new build domestic premises, a declaration on the DOCC must be signed by a non-resident owner or landlord to confirm that premises have been previously occupied. Further to this, documents must be available to demonstrate the date of building completion and in addition, evidence of subsequent occupancy. Whilst we recognise that it may be difficult to acquire this information, this approach is proportionate to satisfy the requirements of the legislation.
- 3.54 One response asked for confirmation of future occupancy to be accepted for long-term void premises. In practice, this concern should be addressed by our removal of requirements for evidencing occupancy for pre-existing buildings. However, for new build void premises, prior occupancy must be evidenced following completion of the premises.
- 3.55 A further request was made for an occupancy declaration for social housing providers. As these are considered to be the landlord, the DOCC will provide this route to evidence.

Position

- 3.56 Following feedback, we are changing our administrative approach.

Final policy

- 3.57 Where premises erected from 1 April 2017 are unoccupied, a declaration from a landlord or non-resident owner must be signed on the DOCC to confirm that premises were previously occupied.
- 3.58 Further to this, documents must be available to demonstrate the date of building completion and in addition, evidence of subsequent occupancy.

Evidencing date of building completion

- 3.59 Date of building completion can be evidenced in the following ways:
- a) Building control completion certificate, or
 - b) In Scotland, the notification from a local authority of acceptance of a completion certificate.
- 3.60 Where neither of these documents is available, suppliers should contact us to discuss alternative documentation. A measure may not be eligible if this evidence cannot be provided.
- 3.61 Evidence to demonstrate the date of building completion must be dated prior to the evidence of occupancy.

Evidencing occupancy

- 3.62 Domestic premises are considered occupied or previously occupied where any one of the following documentation is dated after the building completion and prior to the installation of the measure:
- a) a utility bill or phone bill
 - b) a council tax letter or letter from the council
 - c) a mortgage statement or bank statement
 - d) a tenancy agreement, or
 - e) an extract from the electoral register.
- 3.63 Where none of these documents are available, suppliers should contact us to discuss alternative documentation.
- 3.64 Evidence of date of completion and occupancy must be made available on request. Where there is insufficient supporting evidence, no documentation is available, the measure may be ineligible.

Question 19

Where a measure is delivered exclusively to a new build extension, do you agree with our proposal to evidence that the extension was completed before installation using building control sign off?

Summary of stakeholder feedback and Ofgem's response

- 3.65 We received strong agreement to our proposals, with respondents agreeing with an approach that ensures ECO funding is not diverted from existing, less energy efficient premises that are more costly to heat.
- 3.66 Several respondents commented that delivery to new build extensions would be rare as it's unlikely that they would require a measure to be installed. While we recognise that these instances may be rare, we are seeking to

ensure that measures are not delivered during the construction of a new extension.

- 3.67 Several respondents expressed concern that building control sign-off would not be present or may not stipulate the details of work completed. We accept that parties may not obtain the specific details of extension work, but will require that the date of completion for the extension is prior to the date of completed installation on the DOCC. The list of documentation that can be provided to evidence completion of the new build extension is non-exhaustive. If suppliers would like to use alternative evidence they should contact us prior to installation of the measure.

Position

- 3.68 We will continue with the approach consulted on, with amendments.

Final policy

- 3.69 After 1 April 2017, an ECO measure may not be delivered to a new build extension before it is complete. As extensions are part of existing premises, evidencing occupancy of an extension is not practical. Instead, we will require evidence to show that the extension is complete prior to the date of completed installation of the ECO measure.
- 3.70 Suitable evidence that the extension is completed before the date of completed installation include:
- a. Building control completion certificate, or
 - b. In Scotland, notification from a local authority of acceptance of a completion certificate.
- 3.71 Where neither of these documents is available, suppliers should contact us to discuss alternative documentation. Where no documentation is available, the measure may be ineligible.
- 3.72 This evidence must be made available on request.

Question 20

Where there is no evidence of occupancy prior to installation, do you agree with our proposals for evidencing that premises were erected before 1 April 2017?

Summary of stakeholder feedback and Ofgem's response

- 3.73 We received strong agreement with our proposals. One response was concerned about the difficulty of obtaining documents to prove the age of pre-existing buildings. Another response questioned whether requirements would need to apply to pre-existing buildings at all. Following our response to Question 17, our change in approach described above will mitigate and reduce these potential challenges.

Position

- 3.74 Following the change to occupancy requirements for pre-existing buildings, we are amending our approach.

Final policy

- 3.75 Where a building is pre-existing, ie constructed before 1 April 2017, there will be no occupancy requirements.
- 3.76 For all measures delivered to pre-existing buildings, the DOCC must confirm that the building was pre-existing before 1 April 2017.
- 3.77 Where the DOCC has not been completed to confirm that the building is pre-existing, evidence that the building is pre-existing, or evidence of occupancy should be obtained.
- 3.78 Where a building is erected on or after 1 April 2017 and occupancy cannot be evidenced, the measure is not eligible under ECO.
- 3.79 The DOCC must be made available on request.

4. Delivery and administration

Automatic extensions for 5% of measures

Question 21

Do you agree that the first 5% of late measures notified to us for a particular calendar month, without an extension request, should be processed automatically?

Summary of stakeholder feedback and Ofgem's response

- 4.1 There was broad agreement with our proposals among stakeholders, although a number of respondents stated that the 5% threshold may not be sufficient given current experience of meeting the notification deadline. One installer requested that we provide additional flexibility to the 5% threshold at the start of the extension period as guidance is not due to be published prior to the scheme starting. We cannot provide any additional flexibility to this rule as the 5% figure is stated in the draft amendments to the ECO2 Order. Suppliers will still be able to apply for extension requests to notify late measures where they have a satisfactory reason. We would expect extension requests to be used for any delays not directly within the control of the supplier.
- 4.2 In response to the feedback we received, we will stress that the automatic extension for 5% of measures is intended for exceptional circumstances. Installers should continue to work towards the standard notification deadlines as they will not have sight of a supplier's measures for a particular installation month or which of those a supplier plans to count towards its automatic 5%.

Position

- 4.3 We will continue with the approach consulted on.

Final policy

- 4.4 We will process the first 5% of late measures notified to us within three months of a particular installation month. Measures exceeding this threshold must be accompanied by an extension request detailing why the measure was late.
- 4.5 We will continue to consider extension requests on their merits. Where a supplier uses similar reasons more than once for a delay to measure notification, this may not satisfy our requirements for granting an extension. If the extension is not approved, measures can be included in the supplier's automatic 5% where there is allowance to include those measures.

- 4.6 The automatic 5% will be calculated on group company level (ie not on a licence level).¹²

Question 22

Where the automatic 5% allowance is exceeded within a single month's notifications, do you agree that a supplier should be given an opportunity to determine which measures it wants to include in the automatic 5% and which it will submit an extension request for?

Summary of stakeholder feedback and Ofgem's response

- 4.7 We received few comments about to this provision, although the majority of respondents agreed with our proposals.
- 4.8 One member of the supply chain commented that the provision offers limited additional flexibility for the supply chain, as the reasons behind late notifications are often due to the supplier. We anticipate that this provision will reduce instances where measures are refused by a supplier due to its own internal administrative processes and deadlines. Furthermore, the draft amendments to the ECO2 Order no longer stipulate that administrative oversight on the part of the supplier is an invalid reason for an extension request. However, where a supplier uses similar reasons more than once for a delay in notifying measures, this may not satisfy our requirements for granting an extension.

Position

- 4.9 We will continue with the approach consulted on.

Final policy

- 4.10 Where the automatic 5% allowance is exceeded within a single month's notifications, all late measures notified within that batch will be returned to the supplier. Suppliers must then determine which measures they wish to provide an extension request for and which should be processed as part of the automatic 5%. Only once the extension request(s) are approved can we process the late measures included in that batch.

¹² Paragraph 160, [The Government Response to the ECO: Help to Heat Consultation](#)

Question 23

Where a supplier does not indicate to us which measures it wants to include in the automatic 5% within 10 days, do you agree that we should select which measures will be automatically processed?

Summary of stakeholder feedback and Ofgem's response

- 4.11 Most stakeholders agreed with our proposal.
- 4.12 One supplier stated that it may take more than 10 days to identify and review the reason for the measure being late and make the necessary changes to the measures in the ECO Register. Although we will recommend suppliers make the necessary determinations in time for the following month's assessment of measures, so as not to further delay approval of the measure, we acknowledge that this may not always be possible.

Position

- 4.13 We will continue with the approach we consulted on, with some amendments.

Final policy

- 4.14 Suppliers must provide us with an initial indication of which measures will have an extension request submitted within 15 working days of the measures being returned to them. Where a supplier does not take steps to resolve late measures, these will be captured in our quarterly reconciliation exercise and flagged for rejection.

Trading obligations

Question 24

Do you agree with our proposal that where a supplier trades between its own licences, it must trade to the licence with the biggest original obligation?

Summary of stakeholder feedback and Ofgem's response

- 4.15 Of those who took a view on this proposal, the majority of respondents agreed with our position that suppliers should trade to the licence with the biggest original obligation.
- 4.16 One stakeholder raised a concern that trading obligations could reduce the amount of measures delivered. The total obligations across the scheme will not decrease as a result of trading. The volume of measures delivered is determined by the savings that they achieve and it is at the discretion of obligated suppliers which measures they deliver within the eligibility requirements of the scheme.

Position

4.17 We will continue with the approach consulted on.

Final policy

4.18 Suppliers trading between licences through intra-supplier trading should, generally, trade to the licence with the largest original obligation.

Question 25

Do you agree with our proposals for trading between different suppliers, that:

- a. trades must be to the receiving supplier's licence with the biggest original obligation
- b. an application must include the annual turnover of the licence that would be taking on additional obligations, and
- c. where a supplier is taking on an amount greater than its original phase 3 ECO2 obligation, do you agree with our proposed evidence requirements to demonstrate that the supplier can deliver the additional obligation?

Summary of stakeholder feedback and Ofgem's response

- 4.19 Of those who took a view on this proposal, the majority agreed to the approaches detailed regarding trading between different suppliers.
- 4.20 Two stakeholders commented that trading could reduce market competition through the creation of monopolies. ECO is a market-based mechanism and is intended to be flexible and to allow for cost effective delivery. The two types of trading are likely to increase efficiency; 'intra-supplier trading' (between licences of the same supplier group) should reduce administrative burden and 'inter-supplier trading' (between licences of different supplier groups) may help to drive cost-effective delivery.
- 4.21 One stakeholder raised a concern that consolidating obligations onto a single licence through intra-supplier trading could impede the ability of that supplier to take on additional obligations through inter-supplier trading as our enforcement powers may not be sufficient to account for the increased obligation.¹³ Whilst we acknowledge this concern, our view is that trading should generally result in obligations being placed on the biggest licence. However, in the scenario described above we are likely to allow obligations to be traded to the next biggest licence.
- 4.22 One stakeholder raised a concern that the proposal may prevent a large supplier from trading away parts of its obligation. To clarify, it is possible for a

¹³ Powers arising from Section 300 of the Gas Act 1986 and section 270 of the Electricity Act 1989.

supplier to trade away parts of its obligation. If a supplier is taking on more than its original phase 3 obligation we would review additional information received before making a decision on approval.

Position

4.23 We will continue with the approach consulted on.

Final policy

4.24 Trading between different suppliers should generally be to the receiving supplier's licence with the biggest original phase 3 obligation. An application must include the annual turnover of the licence that would be taking on additional obligation. Where a supplier is taking on an amount greater than its original phase 3 ECO2 obligation it must provide evidence to give us assurance that it can deliver the additional obligation.

Question 26

Do you agree with our proposed timescales for processing trading applications?

Summary of stakeholder feedback and Ofgem's response

4.25 Of those who took a view of the proposal, most supported our timescales for reviewing applications. However, several responses were of the view that 25 days is too long for Ofgem E-Serve to respond to request any additional information in support of a trade. Further, they requested that it is shortened to five working days, with a further ten working days to approve or reject the trade. Others also requested that we are clear about whether 25 days relates to working days or normal calendar days. We are unable to commit to five working days due to the potential complexity with trading scenarios and the volume of trades to process. We encourage suppliers to contact Ofgem E-Serve at the earliest opportunity when they are considering a trade to help ensure that applications can be processed as efficiently as possible. However, we have taken on board these comments and addressed them in our final position below.

4.26 One stakeholder requested the ability to trade until the end of the extension year to give flexibility on delivery strategy. The requirement to initiate trades within a set timeframe is detailed in the draft amendments to the ECO2 Order and as such we do not have any discretion over this aspect of the process.

4.27 One stakeholder requested further clarity on the additional information required, and we have confirmed this below in our final position.

Position

4.28 We will continue with the approach consulted on, with some amendments.

Final policy

- 4.29 We will review a trading application within 20 working days of receipt. Within this period we reasonably expect to 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 the trade. Further, we will prioritise inter-supplier trades as we understand that these will have more of a commercial impact on suppliers in terms of planning delivery.
- 4.30 Examples of additional information we may require in support of a trading application are listed below:
- a. evidence of progress towards current obligations
 - b. details of a track record of delivering obligations
 - c. evidence of completed and contracted activity, and
 - d. a delivery plan for the additional measures.
- 4.31 This list is not exhaustive, but is the information we will generally require to support a trade.

PAS

Question 27

Do you agree with us collecting an installer's PAS certification number as part of notification?

Summary of stakeholder feedback and Ofgem's response

- 4.32 The vast majority of stakeholders agreed with our proposal to collect an installer's PAS certification number as part of the Ofgem notification template. Responses clarified that it is readily available and is an essential piece of information for confirming an installer is PAS-certified.
- 4.33 One stakeholder that agreed requested that there is a process for instances where installers have more than one PAS certification number for different measure types. We understand that these situations will only affect a small number of installers who may be certified with two different certification bodies for different measures types. In these situations suppliers should notify the PAS certification number that relates to the measure type being notified.
- 4.34 One stakeholder raised an issue with PAS being mandated under the ECO scheme due to it restricting the market to only one option. As PAS certification is a requirement of the draft amendments to the ECO2 Order, we do not have discretion on this requirement. To date the ECO2 Order requires that measures are installed in accordance with PAS. Though this did not have to be evidenced using PAS certification, no other route was specified.

- 4.35 Finally, one stakeholder suggested that a central PAS database would be useful for confirming that an installer is PAS certified and may subsequently improve compliance. Creating such a database is not within our remit however we are aware that the Bonfield Review¹⁴ team is considering a form of central register.

Position

- 4.36 We will continue with the approach consulted on with no amendments.

Final policy

- 4.37 For measures referred to in PAS, obligated suppliers will be required, as part of the notification template, to provide the installer's PAS certification number.

¹⁴ Each Home Counts: <https://www.gov.uk/government/publications/each-home-counts-review-of-consumer-advice-protection-standards-and-enforcement-for-energy-efficiency-and-renewable-energy>.

4. Appendix 1 – List of consultation respondents

- BEAMA Limited
- British Gas
- CarbonPlan
- Cenergist Limited
- Core Cities UK (Bristol City Council)
- Distinction Energy
- E.ON
- EDF
- Energy Store
- Energy UK
- eTech Solutions Limited
- First Utility
- GDC Group Ltd
- Instagroup
- Keepmoat
- Leeds City Council
- Llewellyn Smith Limited
- London Borough of Islington
- MIMA
- National Energy Services
- National Insulation Association
- Npower
- ROCKWOOL
- Scottish Power
- Sustain Ltd
- Walter French
- Willmott Dixon Energy Services
- Worcestershire council

5. Appendix 2 – HHCRO eligibility

Help to Heat	Social Housing with an EPC rating of E, F or G	Local Authority flexible eligibility	RSMR
How to determine eligibility			
<ul style="list-style-type: none"> The householder must be in receipt of certain benefits. Tax Credits or Universal Credit recipients must have a household income below a certain threshold. The relevant income threshold is determined by whether the benefit is a single or joint claim, and how many children the claimant is responsible for. 	<ul style="list-style-type: none"> The social housing premises must have an EPC energy efficiency rating of below Band D. If a pre-installation EPC is used to evidence the energy efficiency rating of the premises, a declaration signed by the social landlord must be collected to confirm that the property is still below Band D. If multiple ECO measures are installed at the same premises, the social landlord must record the measure(s) being installed and confirm that the energy efficiency rating of the premises will not increase to a band D or above <i>before</i> the installation of the final measure listed on the declaration. 	<ul style="list-style-type: none"> The household must be identified by a Local Authority as either: <ol style="list-style-type: none"> living in fuel poverty, low income and vulnerable to the effects of a cold home, or SWI infill. A statement of intent must be published by the Local Authority before a declaration can be made. This statement of intent must outline the approach for targeting households, as will be determined in the BEIS guidance. Guidance for how to target eligible households will be provided by BEIS in due course. 	<ul style="list-style-type: none"> Eligible under any element of HHCRO.

Eligible measure types			
<ul style="list-style-type: none"> There are no restrictions on the measure types that can be typically delivered under HHCRO. 	<ul style="list-style-type: none"> All insulation measures. Central heating, renewable heating, and district heating systems where there has never been a central heating system or ESH, prior to the installation of the ECO measure. 	<ul style="list-style-type: none"> There are no restrictions on the measure types that can be delivered. If installing measures to non-fuel poor premises (ie infilling), only SWI is permitted. 	<ul style="list-style-type: none"> Any measure except a qualifying gas boiler replacement, which is also fuelled by gas after the installation.
Eligible premises/households			
<ul style="list-style-type: none"> Must be delivered to private domestic premises. Social housing is allowed if it is let above market rate. Premises must be occupied by the help to heat eligible person(s). 	<ul style="list-style-type: none"> Must be social housing, let below market rate. Can be delivered to void premises if the landlord can declare that they are generally let below market rate. 	<ul style="list-style-type: none"> Must be delivered to private domestic premises. Social housing is allowed if it is let above market rate. Cannot be delivered to void premises unless for the purposes of SWI infill. 	<ul style="list-style-type: none"> RSMR measures must meet the requirements of the element of HHCRO under which they are delivered.