

ECO Team
Ofgem E-Serve
9 Millbank
London
SW1P 3GE

16th February 2017

Sent by email to: eco.consultation@ofgem.gov.uk

ECO2 Transition Consultation Part Two

Dear ECO Team,

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's ECO2 transition consultation Part Two. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

We would also like to acknowledge that we are appreciative of Ofgem's efforts to provide early clarity to the industry and the flexibility shown by publishing Part One of the ECO 2 transition consultation as early as possible. We would note that for future schemes we would expect final guidance to be published well in advance of the beginning of the scheme.

Consultation questions

Q.1. Do you agree that an LA declaration should be dated prior to the date of installation of the measure?

We agree in principle that a LA declaration should be dated prior to the date of installation of the measure. We would, however, welcome clarification from Ofgem on which section of the Order makes this a requirement.

We would also like to highlight the phrasing in section 3.1. of the draft guidance which focuses on 'flexible eligibility – Local authority declarations' and the possible omission of an "or" between "(i) living in fuel poverty" and "(ii) living on a low income and vulnerable to the effects of living in a cold home

(LIVC)". Our understanding is that LA declarations can cover either households living in fuel poverty or households living in a LIVC, and recommend that the draft guidance be amended accordingly.

Q.2. Do you agree with our proposed administration of SWI in-fill?

We agree in principle but would also like to have several elements clarified:

- We would ask that BEIS confirm our understanding of cases where a LA declares a property as eligible under the "in-fill" rules, and the assessment of a project meeting minimum percentage excludes households which are known to meet help to heat criteria. So for instance, if a project covers a block of flats and 50% of this is help to heat eligible, the LA declaration can cover the remaining 50% (so it would be 66% of that 50%, rather than the whole of the project). We also understand that this means the definition of a project for the purpose of calculating "in-fill" minimum percentage is not defined by the physical limits of a building and instead allows exclusion of properties from the project if they receive no solid-wall insulation or if they are help to heat eligible.
- We would also ask Ofgem to clarify which section of the Order enables Ofgem to include affordable warmth homes in the in-fill calculation.
- For the avoidance of confusion, Table 2 under section 3.14 needs to stress that it is private tenure premises that are eligible for the SWI in-fill.

Q.3. Do you agree with our proposed administration of evidencing that the Local Authority (LA) has published a statement of intent and that it includes the minimum required information?

We agree but have some concerns around how the dates and different updated versions of LAs' statement of intent will be recorded and will need to be evidenced. We consider that statement of intents will need to be clearly dated, and LA declarations will need to state which version of the statement of intent is being used. We suggest Ofgem clarifies under section 3.19 what information suppliers will need to retain for audit and evidencing purposes.

We would also like to emphasise our concerns around section 1.16 of the consultation document, which states that Ofgem will pass information on to BEIS when it becomes aware that LAs are making false declarations or not targeting people as outlined in the statement of intent. We'd welcome reassurance and clarification from Ofgem that in such cases, suppliers' measures which have already been submitted, but also installed and not yet notified, will not be subject to revocation.

Finally, we would welcome further information on what evidence Ofgem will be requiring in cases where an LA delegates some functions to another LA.

I hope you find our comments helpful. Please let me know if you have any questions, I would welcome the opportunity to discuss any of the points made in further detail. If this is of interest, please contact me on 02077472964 or at Alexandra.Belias@energy-uk.org.uk.

Yours sincerely,

Alexandra Belias
Policy Manager, Energy UK