

Energy Company Obligation (ECO2t) Guidance: Administration

Version 1.1

www.ofgem.gov.uk/eco

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About this Guidance

Energy efficiency is a key part of government policies for reducing the UK's greenhouse gas emissions. These policies contribute to the government's wider commitment to cut greenhouse gases by at least 34% by 2020 and at least 80% by 2050.¹

The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain. ECO places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises. It focuses on insulation and heating measures and supports vulnerable consumer groups. ECO is intended to assist in reducing carbon emissions, maintaining security of energy supply and reducing fuel poverty.²

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the ECO administrator. This document provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer the ECO scheme, in line with the requirements of the Electricity and Gas (Energy Company Obligation) Order 2014 as amended³ (referred to as 'the ECO2 Order'), for the obligation period that runs from 1 April 2017 to 30 September 2018 (referred to as 'ECO2t').

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

The ECO2 scheme consists of three distinct obligations and energy suppliers must achieve the following cost and carbon savings – 19.7MtCO₂ under the Carbon Emissions Reduction Obligation (CERO), 6MtCO₂ under the Carbon Saving Community Obligation (CSCO) and £6.46billion under the Home Heating Cost Reduction Obligation (HHCRO). The targets are divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

The CSCO target had to be achieved by 1 April 2017, while the CERO and HHCRO targets must be achieved before 1 October 2018.

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

1. **ECO2t Guidance: Administration** - is aimed mainly at suppliers, describing the processes that suppliers and Ofgem follow to meet the requirements of the ECO2 Order.

¹ The Carbon Plan: Delivering our low carbon future, December 2011
<https://www.gov.uk/government/publications/the-carbon-plan-reducing-greenhouse-gas-emissions--2>.

² The Green Deal and Energy Company Obligation Consultation, Reference number 11D/886
<https://www.gov.uk/government/consultations/the-green-deal-and-energy-company-obligation>.

³ Any further references to the ECO2 Order are references to the ECO2 Order as amended by the Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2015-17-eco2-guidance-delivery>.

2. **ECO2t Guidance: Delivery** - is aimed at suppliers and the broader supply chain, describing how to deliver measures that are eligible to contribute towards the ECO targets.

This guidance (ECO2t Guidance: Administration) addresses the following:

- when a supplier is obligated under ECO2t and how its obligations are set
- details of the provisional solid wall minimum requirement and solid wall minimum requirement
- details of the home heating minimum requirement
- how suppliers notify completed ECO measures
- the application process for trading obligations
- the application process for transfers and re-elections, and
- our role as the ECO administrator.

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

It is the responsibility of each supplier to understand the provisions of the ECO2 Order and how those provisions apply to it. This guidance may be used by suppliers and members of the supply chain but it is not intended to be a definitive guide to those legislative provisions. Suppliers are responsible for ensuring that they, and any member of the supply chain acting on their behalf, comply with the applicable requirements of the law.

Useful Links

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

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

The Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017:

http://www.legislation.gov.uk/uksi/2017/490/pdfs/uksi_20170490_en.pdf.

Government response to the Energy Company Obligation (ECO): Help to Heat consultation:

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

ECO2t Guidance: Delivery (V1.1):

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

ECO2 Guidance

For reference purposes, the most recent version of our Energy Companies Obligation (ECO2): Guidance for Suppliers (version 1.1) can be found here:

<https://www.ofgem.gov.uk/publications-and-updates/eco2-guidance-and-associated-documents>

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1. Introduction

- 1.1. The Energy Company Obligation (ECO), first introduced in 2013, is an energy efficiency scheme for Great Britain that places legal obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises. The ECO1 scheme ran between 1 January 2013 and 31 March 2015.
- 1.2. A new obligation period was established under the Electricity and Gas (Energy Company Obligation) Order 2014. The scheme was then extended by the Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017. The 2014 Order as amended by the 2017 Order are collectively called the ECO2 Order in this document. The extension to the obligation period runs from 1 April 2017 to 30 September 2018 and is referred to as ECO2t.
- 1.3. The overall obligation period for ECO2 runs from 1 April 2015 to 30 September 2018 and is split into three phases. We are required to determine a supplier's obligations for each of these phases:
 - a. **phase 1:** 1 April 2015 to 31 March 2016
 - b. **phase 2:** 1 April 2016 to 31 March 2017
 - c. **phase 3 (ECO2t):** 1 April 2017 to 30 September 2018.
- 1.4. ECO2t has two distinct obligations:⁵
 - a. **Carbon Emissions Reduction Obligation (CERO):** the installation of carbon qualifying actions, which are wall and roof insulation measures, connections to district heating systems (DHS), and
 - b. **Home Heating Cost Reduction Obligation (HHCRO):** the installation of heating qualifying actions, including insulation and the repair and replacement of boilers and electric storage heaters, to reduce home heating costs for low income, fuel poor and vulnerable people. This is also known as the 'Affordable Warmth' obligation.
- 1.5. The ECO2 Order sets overall targets for each of the above obligations. These are 19.7MtCO₂ for CERO and £6.46 billion for HHCRO.
- 1.6. For each phase of ECO2, suppliers are allocated a proportion of the overall targets, depending on each supplier's relative share of the domestic gas and

⁵ The government removed CSCO from the scheme for ECO2t. Suppliers with a CSCO target had to achieve this by 1 April 2017.

electricity market. A supplier must achieve its CERO and HHCRO before **1 October 2018**.

- 1.7. A supplier achieves its obligations by promoting qualifying actions ('measures') at domestic premises.
- 1.8. An overview of our role as the ECO administrator and suppliers' roles and responsibilities for ECO2t is provided in Table 1.

Table 1 Overview of Ofgem and suppliers' roles and responsibilities for ECO2t

| Time | Supplier role and responsibilities | Ofgem role and responsibilities |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Before obligation period begins | <ul style="list-style-type: none"> Notify customer numbers and amount of supply | <ul style="list-style-type: none"> Determine and notify suppliers of their obligations for ECO2t |
| During obligation period | <ul style="list-style-type: none"> Promote the installation of measures to achieve obligations Determine the carbon saving/cost score of each measure using deemed scores, SAP/RdSAP (where applicable) or alternative methodologies Notify completed measures Apply to transfer a notified measure or surplus action to another supplier Apply to re-elect an obligation for a notified measure or surplus action Apply to trade obligations to another licence or supplier group Apply for an extension request Produce evidence relating to activity undertaken to achieve ECO2t obligations Perform technical and score monitoring of measures and report the results to us | <ul style="list-style-type: none"> Notify suppliers of whether or not a measure has been approved, or if the savings have been revoked or refused Publish alternative methodologies for calculating carbon saving/cost score Approve appropriate methodologies for calculating carbon saving/cost score for district heating systems Develop new deemed scores Notify the Secretary of State of suppliers' progress towards achieving their obligations (monthly) Review transfer applications for notified measures and surplus actions Review re-election applications for notified measures and surplus actions Review trading applications Review extension requests Calculate whether a supplier has exceeded its 5% automatic extensions threshold Carry out audits Review the results of technical monitoring, score monitoring and audits and take action where necessary |
| End of the obligation period | <ul style="list-style-type: none"> Achieve obligations before 1 October 2018 | <ul style="list-style-type: none"> Attribute savings to approved measures Determine whether a supplier has achieved its obligations Notify the Secretary of State and suppliers of our final determination Consider whether to take enforcement action where a supplier has not achieved its obligations |

The ECO guidance

- 1.9. This guidance details our administrative processes for ECO2t and sets out the requirements for all obligated suppliers in accordance with the ECO2 Order. Where a supplier fails to meet the requirements of the Order, we may take enforcement action.
- 1.10. This guidance does not address the requirements of the ECO Brokerage mechanism.

Information gathering powers

- 1.11. We use our information gathering powers under the ECO2 Order⁶ to require suppliers to provide us with information (for example, the submission of technical monitoring reports). We can require a supplier to:
- a. provide specific information about its proposals for complying with any requirement under the ECO2 Order
 - b. produce specific evidence to demonstrate that it is complying with, or that it has complied with, any requirement under the ECO2 Order, and
 - c. provide information relating to the cost to the supplier of achieving its obligations.⁷
- 1.12. The information that suppliers must be able to provide at audit, based on the requirements set out in this guidance, is detailed in Appendix 1 of our ECO2t Guidance: Delivery. This appendix provides full details of the specific data and documents that must be made available.

ECO Brokerage

- 1.13. The ECO Brokerage is an auction-based mechanism to enable suppliers to buy forward contracts for the delivery of ECO measures by participating authorised sellers.
- 1.14. We have no role in administering the ECO Brokerage and this guidance does not address the Brokerage or its administrative requirements. However, we recognise that suppliers may seek credit for measures obtained through it. Any measures obtained through the ECO Brokerage must still meet the requirements of the ECO2 Order and this guidance to be considered eligible under ECO.

⁶ Article 32(1) of the ECO2 Order.

⁷ Article 32(2) of the ECO2 Order.

Queries and further information

- 1.15. For further information on our administration of ECO please visit our website: www.ofgem.gov.uk/eco. Any queries about our guidance or the administration of the ECO scheme should be directed to eco@ofgem.gov.uk.
- 1.16. For further advice and referrals regarding energy efficiency, including ECO, homes and businesses may also contact the Energy Saving Advice Service (ESAS) at 0300 123 1234 or refer to: www.energysavingtrust.org.uk. ESAS provides this service in England and Wales.⁸
- 1.17. For further information on the ECO Brokerage, please refer to: <https://www.gov.uk/energy-companies-obligation-brokerage>.
- 1.18. Please direct any queries about the ECO2 Order, future changes to the ECO scheme and wider policy to the Department for Business, Energy and Industrial Strategy (BEIS) at: enquiries@beis.gov.uk.

⁸ The Energy Saving Trust no longer provides an ECO customer referral service in Scotland. However, it continues to provide energy saving advice for Scottish customers.

2. Who is obligated under ECO2?

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

The obligation period

- 2.2. The obligation period for each licence-holder will vary depending on when that licence-holder becomes obligated under ECO2:
- a) where a licence-holder met the definition of a supplier on 31 December 2014 (see below), its overall obligation period starts on **1 April 2015** and ends on **30 September 2018**
 - b) where a licence-holder does not meet the definition of a supplier until 31 December 2015 (a 'new 2015 supplier'), its overall obligation period starts on **1 April 2016** and ends on **30 September 2018**
 - c) where a licence-holder does not meet the definition of a supplier until 31 December 2016 (a 'new 2016 supplier') its overall obligation period starts on **1 April 2017** and ends on **30 September 2018**.

When is a licence-holder a 'supplier'?

- 2.3. The ECO2 Order establishes a threshold beyond which a licence-holder will be considered a 'supplier' for the purposes of ECO2.
- 2.4. A licence-holder that had an ECO1 CERO target under the 2012 Order will be considered a supplier for ECO2 regardless of whether or not it meets the threshold. This is because a supplier's CERO obligation could be subject to an increase if that supplier did not achieve its ECO1 CERO target. It is, however, possible that the licence holder may have zero obligations in ECO2.⁹
- 2.5. The threshold has two elements that must be met:
- a. the number of domestic customers is greater than 250,000 **at the end of 31 December** of the relevant year (ie 2014, 2015, or 2016), and
 - b. the amount of supply to domestic customers in that relevant year is greater than 2,000GWh of gas or 400GWh of electricity.

⁹ Article 4(b) of the ECO2 Order.

- 2.6. If a licence-holder is a member of a group of companies that includes at least one other licence-holder, the licence-holder is a 'group company'. The number of domestic customers and amount of supply of the group of companies will be used to determine whether the threshold is met.
- 2.7. If a company holds both an electricity supply licence and a gas supply licence ('dual licence-holder'), the number of domestic customers for each licence will be used separately to determine whether the threshold is met.¹⁰ Where a dual licence-holder meets the threshold:
- a) for both its gas **AND** electricity licences, it will be considered a separate supplier in respect of each supply, or
 - b) either its electricity **OR** gas licence, it will be considered a supplier only in respect of the supply that exceeds the threshold.
- 2.8. Each licence-holder is responsible for determining whether it exceeds the threshold and is therefore a supplier. Licence-holders will need to consider this ahead of each phase of ECO2. A licence-holder that does not exceed the threshold for a given year may do so in a subsequent year.
- 2.9. Once a licence-holder has met the definition of a supplier for a given year, it will remain a supplier (ie subject to the requirements of ECO) for the remainder of the obligation period.
- 2.10. Table 2 summarises the different types of licence-holder and the conditions under which each becomes an obligated ECO2 supplier.
- 2.11. A licence-holder can use Table 2 to determine whether it is an obligated ECO2 supplier. A licence-holder should identify which type of licence-holder it is and whether it meets the criteria in each column. A tick indicates where a licence-holder meets the criteria and a cross indicates that a licence holder does not meet the criteria. The final column indicates whether or not, based on the criteria in the table, a licence-holder is an obligated ECO2 supplier.

Group of companies

- 2.12. Whether a licence-holder is a member of a group company should be determined by reference to the membership of the group of companies on 31 December of the relevant year.
- 2.13. A group of companies comprises the holding company and the wholly-owned subsidiaries of that holding company. 'Holding company' and 'wholly-owned

¹⁰ A customer supplied with electricity and gas by the same licence-holder is counted twice, once in respect of each supply.

subsidiary' have the same meaning as in section 1159 of the Companies Act 2006.¹¹

- 2.14. If a licence-holder is a group company on **31 December** of a relevant year, the sum of the electricity or gas supplied by that licence-holder between **1 January and 31 December** of that year must be taken into account when determining the group's supply. This is irrespective of whether that licence-holder was a member of the group for the whole of that year.
- 2.15. If a licence-holder is a member of a group of companies and individually exceeds the threshold, then all the other licence-holders in that group that hold a licence of the same type will also meet the definition of a supplier.
- 2.16. When using Table 2, where a licence-holder is a member of a group company, the sum of the customer numbers and supply of all licence-holders in that group company should be used to determine whether a licence-holder is an obligated ECO2 supplier.

¹¹ See: <http://www.legislation.gov.uk/ukpga/2006/46/section/1159>.

Table 2 Summary of when a licence-holder meets the threshold and is considered a supplier, applicable to both group and non-group companies

| Type of licence-holder | | Electricity supply licence? | Gas supply licence? | >250,000 customers ¹ | >400GWh electricity supplied ² | >2,000GWh gas supplied ² | ECO2 supplier? |
|----------------------------|-------------|-----------------------------|---------------------|---------------------------------|-------------------------------------------|-------------------------------------|----------------|
| Electricity licence-holder | | ✓ | x | ✓ | ✓ | x | ✓ |
| Gas licence-holder | | x | ✓ | ✓ | x | ✓ | ✓ |
| Dual licence-holder | Electricity | ✓ | - | ✓ | ✓ | - | ✓ |
| | Gas | - | ✓ | ✓ | - | x | x |
| Dual licence-holder | Electricity | ✓ | - | ✓ | x | - | x |
| | Gas | - | ✓ | ✓ | - | ✓ | ✓ |
| Dual licence-holder | Electricity | ✓ | - | ✓ | ✓ | - | ✓ |
| | Gas | - | ✓ | ✓ | - | ✓ | ✓ |

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

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

2.17. It is important to note that the ECO requirements fall on suppliers rather than groups of companies. In the remainder of this guidance we use the word 'supplier' to refer to a licence-holder that is subject to the requirements of ECO.

3. Notifying customer numbers and supply

3.1. Once a licence-holder or group company has met the definition of a supplier for ECO2, ie is an obligated ECO2 supplier, it must notify us of its domestic customer numbers and supply. The information that must be notified to us, and how to calculate this information, is described below. We will use the information notified by a supplier to determine its obligations, ie the proportion of the overall ECO targets that it must achieve.

What suppliers must notify

- 3.2. Before each phase of ECO2 a supplier must notify us of the following:
- a. the number of its domestic customers on 31 December of the relevant notification period (see Table 3), and
 - b. the amount of gas or electricity (as applicable) supplied to its domestic customers during the relevant notification period.
- 3.3. This information must be sent to us by a set notification date, using the template that we will email to suppliers before the notification date.
- 3.4. Table 3 summarises the dates by which suppliers must notify us of their domestic customer numbers and supply, and the period of time that notification must relate to.

Table 3 Key dates for notifying domestic customer numbers and supply

| Actions | Phase 1 (1 April 2015 to 31 March 2016) | Phase 2 (1 April 2016 to 31 March 2017) | Phase 3 (1 April 2017 to 30 September 2018) |
|-------------------------------------|----------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|
| Notification date | 1 February 2015 | 1 February 2016 | 21 days after the commencement date of the ECO2 Order |
| Relevant notification period | 1 January to 31 December 2014 | 1 January to 31 December 2015 | 1 January to 31 December 2016 |

3.5. Where a supplier is a group company¹², it must notify us of the group's customer numbers and the amount of electricity or gas, as applicable, supplied by the group during the relevant notification period for all suppliers with the same type of supply.

¹² A 'group company' is a licence-holder that is a member of a group of companies that includes at least one other licence-holder.

- 3.6. In calculating group customer numbers and supply, suppliers should take into account the amount of electricity or gas supplied by the entire group during the notification period, including the supply of any licence-holders that entered the group during that notification period.
- 3.7. In addition, for all suppliers in the group with the same type of supply (ie gas or electricity) the supplier must also notify us of the following:
- a) the names of all the suppliers in the group, and
 - b) the company registration number for each supplier within the group.
- 3.8. Where a supplier fails to provide the information specified above, or we consider that a notification is inaccurate, we may determine these figures ourselves.¹³ We may also take enforcement action if appropriate.
- 3.9. Where a supplier that is a group company fails to provide the information specified above, or we consider any of the information to be inaccurate, we may determine the information ourselves. We may also take enforcement action if appropriate.

Calculating domestic customer numbers

- 3.10. The ECO2 Order defines a domestic customer¹⁴ as 'a person living in domestic premises in Great Britain who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes'.
- 3.11. We recognise that suppliers cannot all use the same methodology to calculate their domestic customer numbers without significant system changes. However, suppliers must use a reasonable methodology to accurately calculate domestic customer numbers. We may audit suppliers to ensure the methodology used is reasonable after notification but before the start of each phase, as applicable.¹⁵

¹³ Articles 6(2) and (6) of the ECO2 Order.

¹⁴ Article 2 of the ECO2 Order.

Calculating electricity supply

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

Methodology for calculating the amount of electricity supply

ELEXON settlement data should be used for all notifications, given its acceptance for settlements data across the industry.

Suppliers should provide the total kilowatt hours (kWh) delivered to customers on Profile Classes 1 and 2. Suppliers should remove any unmetered supply from this data. This total kWh should be based on the settlement data available from 22 January of the year after the relevant year, split by licence, flow and provided to suppliers by ELEXON.

To identify the total kWh for each profile class, suppliers must use the D0030 'Non Half hourly Distribution Use of System Charges (DUoS) report' data provided to both suppliers and Licensed Distribution System Operators (LDSO). This D0030 flow contains both consumption and losses data, but only consumption data is required, as ECO only requires the volumes which have been delivered to customers. Therefore no adjustments to line losses need to be made for reporting supply amounts for ECO.

Calculating gas supply

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

Methodology for calculating the amount of gas supply

Aggregated Annual Quantity (AQ) is the estimated annual gas consumption of a customer over a year under seasonal normal conditions. AQs are set annually by Xoserve in consultation with Gas Shippers and should be used as an approximation of gas delivered to domestic customers during the notification period.

A supplier should complete the template, sent by us, to report the aggregated AQ of its domestic customers at the following five points in time, for the relevant year (ie 2014, 2015 or 2016):

- 1 January
- 1 April
- 1 July
- 1 October
- 31 December

Suppliers should then calculate the mean of the five aggregated AQ values for a relevant year and include this in the template provided. The mean of the five AQ values is the amount of gas supply for that supplier.

4. Setting supplier obligations

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

Obligations for each phase

- 4.2. The sum of a supplier's Carbon Emissions Reduction Obligation (CERO), Carbon Saving Community Obligation (CSCO) or Home Heating Cost Reduction Obligation (HHCRO) as applicable, over phases 1 and 2 and 3, are referred to as its:
- a. total carbon emissions reduction obligation
 - b. total carbon saving community obligation, and
 - c. total home heating cost reduction obligation.
- 4.3. A supplier must achieve its total CERO and HHCRO obligations by the end of the overall obligation period (ie before 1 October 2018). A supplier must achieve its total CSCO obligation before 1 April 2017. The obligations set for each phase of ECO2 are cumulative and do not need to be met individually. This means, for example, that a supplier is not required to meet its phase 1 CERO by the end of phase 1. Instead, a supplier's phase 1 CERO will be added to its phase 2 and phase 3 CERO, and its total CERO must be met before 1 October 2018.
- 4.4. Suppliers will be notified of their phase 3 ECO2 obligations by no later than 26 April 2017 (28 days after the commencement date of the ECO2 Order).
- 4.5. In some cases we may determine that a supplier's obligation for a phase is zero. If we notify a supplier that it has a zero obligation for a phase, the supplier will still need to meet its obligations for the other phase(s).
- 4.6. Suppliers' obligations will be determined using the formulae described below, based on the customer numbers and amount of supply notified to us for each phase (as described in Chapter 3).
- 4.7. Suppliers are also required to deliver a total of 5.4MtCO₂ savings through the delivery of solid wall insulation measures. This is known as the provisional solid wall minimum requirement (PSWMR). PSWMR is not in addition to the overall obligations for CERO, CSCO and HHCRO, but forms part of them. We determine a supplier's PSWMR for each phase in the same way as the other obligations.
- 4.8. In phase 3 of ECO2 (ECO2t) suppliers have two sub-obligations:

- a. the 'home heating minimum requirement' (HHMR). This requires a supplier to deliver a minimum amount of its HHCRO through measures that are not qualifying gas boiler replacements. A supplier's HHMR forms part of its HHCRO and for a supplier to achieve its HHCRO, it must meet its HHMR, and
- b. the 'rural minimum requirement'. This requires a supplier to deliver a minimum amount of its CERO in rural areas. A supplier's rural minimum requirement forms part of its CERO and for a supplier to achieve its CERO it must meet its rural minimum requirement.

4.9. The overall targets for each phase of ECO2 are shown in Table 4.

Table 4 Summary of overall ECO2 targets for each obligation

| Phase | CERO | CSCO | HHCRO | PSWMR |
|----------|----------------------|--------------------|---------------|----------------------|
| 1 | 6.2MtCO ₂ | 3MtCO ₂ | £1.85 billion | 2MtCO ₂ |
| 2 | 6.2MtCO ₂ | 3MtCO ₂ | £1.85 billion | 2MtCO ₂ |
| 3 | 7.3MtCO ₂ | - | £2.76 billion | 1.4MtCO ₂ |

Determining supply

- 4.10. For the purposes of determining a supplier's or group's obligations, the amount of the electricity or gas supplied in the relevant notification period is required.
- 4.11. Where the amount of electricity supplied is equal to or more than 800GWh, or the amount of gas supplied is equal to or more than 4,000GWh, the amount of supply is as notified.
- 4.12. Where the amount of electricity supplied is more than 400 but less than 800GWh, or the amount of gas supplied is more than 2,000 but less than 4,000GWh, the amount of supply is calculated using the following formula:¹⁶

¹⁶ Article 10 of the ECO2 Order.

$$(A-B) \times 2$$

Where:

'A' is the amount of electricity or gas notified by the supplier or group for the notification period.

'B' is in the case of an electricity supplier, 400GWh of electricity; or in the case of a gas supplier, 2,000GWh of gas.

Determining obligations for a supplier that *is not* a group company

4.13. For each obligation shown in Table 4, a supplier's obligation for a phase is calculated using the following formula:¹⁷

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

Where:

'A' is half of the value of the specific obligation given in Table 4.

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

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

Determining obligations for a supplier that *is* a group company

4.14. For each obligation shown in Table 4, the supplier's obligation for a phase is calculated using the following formula:¹⁸

¹⁷ Article 8 of the ECO2 Order.

¹⁸ Article 9 of the ECO2 Order.

$$J \times \left(\frac{H}{K} \right)$$

Where:

'J' is calculated by applying the formula described in paragraph 4.13 above. However, in this instance 'Tx' is the amount of electricity or gas supplied in the relevant notification period *by the group* to which that supplier belongs (where the amount of electricity or gas supplied is calculated as described under 'Determining supply').

'H' is the amount of electricity or gas notified by the supplier for the notification period.

'K' is the amount of electricity or gas supplied in the notification period by the group to which the supplier belongs.

Zero obligations

- 4.15. A supplier's obligations for a phase will be zero if, during the notification period for that phase, a supplier that is not a group company supplies equal to or less than:
- 400GWh of electricity, or
 - 2,000GWh of gas.
- 4.16. A supplier's obligations for a phase will be zero if, during the notification period for that phase, a supplier is a group company and the group supplies equal to or less than:
- 400GWh of electricity (where the supplier is an electricity supplier), or
 - 2,000GWh of gas (where the supplier is a gas supplier).

5. Provisional solid wall minimum requirement

- 5.1. This chapter details how a supplier can meet its provisional solid wall minimum requirement (PSWMR), its solid wall minimum requirement (SWMR) under CERO and the relationship between the PSWMR and SWMR.

Provisional Solid Wall Minimum Requirement (PSWMR)

- 5.2. For ECO2, at least 5.4MtCO₂ savings must be achieved through the delivery of solid wall insulation (SWI) measures¹⁹ – known as the provisional solid wall minimum requirement (PSWMR).²⁰ The PSWMR target is not in addition to the carbon savings to be achieved under CERO, CSCO and HHCRO, but rather is a requirement on *how* some of ECO is delivered – ie at least 5.4MtCO₂ savings must be achieved through the installation of SWI measures under any or all of the three obligations (CERO, CSCO and HHCRO).²¹
- 5.3. The PSWMR target is split between phases 1, 2 and 3 (Table 4). We determine a supplier's PSWMR for each phase in the same way as the other obligations, as set out in Chapter 4.
- 5.4. The PSWMR is a minimum carbon savings target; therefore suppliers can deliver above their requirement. A supplier must meet its PSWMR by the end of the obligation period (before 1 October 2018).
- 5.5. Although the PSWMR is an ECO2 requirement, carbon savings achieved by SWI measures delivered in both ECO1 and ECO2 can contribute towards a supplier's PSWMR.

Solid Wall Minimum Requirement (SWMR)

- 5.6. A supplier's PSWMR is used to determine that supplier's solid wall minimum requirement (SWMR). The SWMR is the proportion of the PSWMR that relates specifically to CERO and represents the amount of carbon savings which a supplier must achieve through the delivery of CERO SWI surplus actions²² and ECO2 CERO SWI measures. For a supplier to achieve its CERO, it must meet its SWMR.

¹⁹ Article 2 of the ECO2 Order.

²⁰ Article 7(2) of the ECO2 Order.

²¹ See Chapter 3 of the ECO2t Guidance: Delivery for more information on SWI measures.

²² A surplus action is where a supplier has achieved savings that exceed its ECO1 obligations, and applies to credit the excess measure or 'surplus action' towards its ECO2 obligations. For more information on surplus actions see our [ECO2 Guidance: Administration \(v.1.1\)](#).

How is the SWMR calculated?

5.7. The SWMR is calculated using the following formula:²³

$$A-B=SWMR$$

Where:

'**A**' is a supplier's PSWMR target in MtCO₂

'**B**' is the sum of the carbon savings from:

- a. ECO1 SWI measures that contributed to a supplier meeting any of its ECO1 obligations (CERO, CSCO or HHCRO). This does not include measures carried forward to ECO2 as surplus actions,
- b. ECO1 SWI measures carried forward to ECO2 as CSCO and HHCRO surplus actions, and
- c. ECO2 CSCO and HHCRO SWI measures.

'**SWMR**' is the carbon saving to be achieved through ECO2 CERO SWI measures and CERO SWI surplus actions, ie the proportion of the PSWMR target not achieved by 'B'.

5.8. The carbon saving a supplier must achieve through its SWMR is reduced by the amount of carbon savings a supplier achieves through ECO1 and ECO2 CSCO and HHCRO SWI measures. Therefore, as the carbon savings delivered through 'B' increase, the SWMR decreases by the same amount. Hence, a supplier's SWMR could potentially be zero if it has achieved all of its PSWMR through B, ie B is equal to or more than A.

5.9. Table 5 below shows which measure categories contribute to either the SWMR or to one of the sub-categories of 'B' in the formula above.

5.10. ECO1 excess actions (eg from the CERT or CESP schemes²⁴) cannot be credited towards a supplier's PSWMR or SWMR.

²³ Article 13 of the ECO2 Order.

²⁴ For more information on CERT or CESP see our overview of previous schemes: <https://www.ofgem.gov.uk/environmental-programmes/eco/overview-previous-schemes>.

Table 5 Summary of which categories of ECO1 and ECO2 measures contribute towards a supplier’s SWMR or the sub-categories of B in the formula above (PSWMR)

| Measure category | Obligation a measure is credited against | | |
|--------------------------|------------------------------------------|------|-------|
| | CERO | CSCO | HHCRO |
| ECO1 SWI measures | B(a) | B(a) | B(a) |
| ECO1 SWI surplus actions | SWMR | B(b) | B(b) |
| ECO2 SWI measures | SWMR | B(c) | B(c) |

5.11. The carbon savings achieved by ECO1 SWI measures, which contribute to a supplier’s PSWMR, are exclusive of any uplifts attributed to the measures as a result of the ECO1 levelisation process.²⁵

EXAMPLE

5.12. A supplier has a PSWMR of 1MtCO₂: **A = 1**

5.13. The supplier has delivered a total of 0.7MtCO₂ savings through ECO1 SWI measures (not including surplus actions), HHCRO and CSCO SWI surplus actions and ECO2 HHCRO and CSCO SWI measures: **B = 0.7**

5.14. Therefore, this supplier’s SWMR is 0.3MtCO₂, calculated as follows:

$$1 - 0.7 = 0.3\text{MtCO}_2$$

When will the SWMR be calculated?

5.15. A supplier’s SWMR is determined once all trading, measure transfers, re-elections and approvals have been finalised at the end of the obligation period. We will then determine whether that supplier has met its requirement.

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

5.16. To achieve its CERO a supplier must also achieve its SWMR before **1 October 2018**. Failure to meet this requirement will result in that supplier not achieving its CERO and enforcement action may be taken against that supplier.

²⁵ See Chapter 13 of the ECO Guidance for Suppliers (version 1.2) for more information on levelisation.

6. Home Heating Minimum Requirement

6.1. This chapter details how a supplier can meet its home heating minimum requirement.

Meeting the home heating minimum requirement

6.2. A supplier must meet its 'home heating minimum requirement' (HHMR),²⁶ which is a sub-obligation of HHCRO. This requires a supplier to deliver a minimum amount of its HHCRO target through measures other than the replacement of a qualifying boiler fuelled by mains gas.

6.3. HHCRO eligible measures **except** those measure names²⁷ listed below can count towards a supplier's HHMR:

Table 6 List of measure names that **do not** count towards a suppliers HHMR

| Measure type | Measure name for notification |
|-----------------------------------------------------------------------------------------------------|-------------------------------|
| Replacement of a mains gas-fuelled qualifying boiler with a boiler of any non-gas fuel type. | QBgas_[walltype]_nopreHCs |
| | QBgas_[walltype]_preHCs |
| Replacement of a mains gas-fuelled qualifying boiler with a gas boiler. | QBgas_gas_[walltype]_nopreHCs |
| | QBgas_gas_[walltype]_preHCs |

6.4. A supplier's HHMR is 76% of its phase 3 HHCRO. We calculate a supplier's HHMR during the phase 3 obligation setting period, and will determine whether a supplier has met its HHMR once all trading, measure transfers, re-elections and approvals are finalised at the end of the obligation period.

6.5. HHCRO measures installed from 1 July 2016 can count towards a supplier's HHMR.

6.6. A supplier may choose to re-notify a 'qualifying gas boiler replacement' as a non-qualifying boiler to count towards its HHMR (providing the measures are installed after 1 July 2016).²⁸ To do this the supplier must submit a measure change request form. The cost score used must reflect the re-notified measure type. Non-qualifying boiler measures will usually have a lower cost score compared to qualifying boilers.

²⁶ Article 2(1) of the ECO2 Order.

²⁷ These are taken from the ECO2t measures table. See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-measures-table>.

²⁸ We will provide guidance on the final deadlines for measure change requests for ECO2t at a later date.

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

- 6.7. To achieve its HHCRO a supplier must also achieve its HHMR before 1 October 2018. Failure to meet this requirement will result in that supplier not achieving its HHCRO and enforcement action may be taken against that supplier.

7. Trading obligations

7.1. Suppliers may trade²⁹ all or part of their obligations between one another or between their own licences. This chapter explains:

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

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

Requirements for trading obligations

7.3. A supplier may trade all or part of its obligations (phases 1 to 3 inclusive) in relation to CERO, the rural minimum requirement, HHCRO, PSWMR, and HHMR, including any obligation that has already been delivered.³⁰

7.4. **CSCO cannot be traded.**

7.5. Ofgem administers the trading process. We will only approve trades that meet the following requirements:³¹

- i. the transfer amount does not exceed Supplier A's transferring obligation
- ii. following the trade, a supplier's HHMR is not more than its total HHCRO (this applies to both Supplier A and Supplier B)

²⁹ The ECO2 Order refers to this mechanism as 'transfer of obligations'. As we currently use 'transfers' to refer to transferring measures to another licence or supplier, we have adopted the term 'trading'.

³⁰ Article 30A(7) of the ECO2 Order.

³¹ Article 30A(4) of the ECO2 Order.

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- iii. following the trade, a supplier's CERO rural minimum requirement is not more than its total CERO (this applies to both Supplier A and Supplier B),
 - iv. following the trade, a supplier's PSWMR is not more than its total CERO (this applies to both Supplier A and Supplier B), and
 - v. we are satisfied that the trade is not likely to adversely affect our ability to enforce the requirements placed on Supplier B by the ECO2 Order.
- 7.6. In making a decision we will always consider each case on its individual merits and we will also have regard to whether Supplier B is capable of delivering the additional carbon or cost savings.

Submitting a trade application

- 7.7. A supplier may apply to trade an obligation at any time from 1 April 2017 to 31 December 2017.
- 7.8. If a supplier notifies measures against a licence where the obligation is traded away, the supplier that promoted the measures can submit a separate application to transfer or re-elect these measures as required. This does not need to happen before the trade.
- 7.9. There are two types of trading:
- i. **Intra-supplier trading:** A supplier or supplier group may trade obligations between its own licences. For example, it may consolidate all of its obligations onto one licence to reduce the cost and complexity associated with meeting obligations on multiple licences, and
 - ii. **Inter-supplier trading:** Two suppliers may trade an obligation between one another. The terms of the trade should be agreed between the suppliers.
- 7.10. In either case an application for approval of a trade must be submitted to us by appropriately authorised representatives of the supplier/licence seeking to pass on the obligation and the supplier/licence wishing to take on the obligation.

Intra-supplier trading

- 7.11. As a general rule an obligation can only be traded to a licence with a larger obligation. We consider the size of the obligation to be the obligation allocated as a result of the phase 3 obligation setting process, the 'original' obligation. We will not take into account any subsequent trading of obligations.
- 7.12. If a supplier or supplier group is consolidating all of its obligations onto one licence, this must be its licence with the largest original obligation at the time of obligation setting for phase 3.
- 7.13. The trading application must always include confirmation of which licences are involved in the trade, which obligation is to be traded and the carbon or cost savings to be traded.

Inter-supplier trading

- 7.14. Generally, where Supplier B has more than one licence, the obligation must be traded onto the licence with the largest original obligation following obligation setting for phase 3.
- 7.15. All applications for inter-supplier trading must include:
- i. confirmation of which suppliers and licences are involved in the trade
 - ii. which obligation is to be traded
 - iii. the amount to be traded, and
 - iv. the annual turnover of the licence holder that is taking on the obligation (only required to be provided by Supplier B).
- 7.16. Where Supplier B applies to take on an additional amount greater than its original phase 3 obligation it must provide additional evidence to support the application to demonstrate that it is able to deliver the additional savings. This will generally include:
- i. evidence of progress towards its current obligation
 - ii. details of a track record of delivering obligations
 - iii. evidence of completed and contracted activity, and
 - iv. a delivery plan for the additional activity.
- 7.17. For example, if a supplier's CERO was 0.8MtCO₂ in phases 1 and 2, and 0.7MtCO₂ in phase 3 (total CERO 2.3MtCO₂), we would require additional information to support a trading application that increased the supplier's CERO to over 3MtCO₂ (total original CERO for phases 1, 2 and 3 plus a further obligation in excess of the phase 3 CERO).

Approving a trade

- 7.18. We will assess whether the trade meets our requirements. If we are satisfied it does, we will approve the trade.
- 7.19. In the course of approving a trading application, we may ask a supplier to provide additional information in support of its application.
- 7.20. Within 20 working days of receiving an application we will either approve or reject the trade, or request additional information in support of the application where we do not have sufficient assurance to either approve or reject a trade.
- 7.21. Applications will generally be processed in the order in which they are received but inter-supplier trades will be prioritised due to their commercial impact.
- 7.22. Where an application is received before the end of the nine-month trading window this will continue to be reviewed in line with the timescales described above until a decision is reached on whether to approve or reject the application.
- 7.23. If we determine that a proposed trade does not meet our requirements, then we will reject the application. We will notify both suppliers of this in writing, including any reasons for our decision relating to the relevant party.

Following approval

- 7.24. Following approval of a trade, we will notify the suppliers involved in writing and confirm their new obligations.
- 7.25. The supplier that has taken on the additional obligation will be wholly responsible for delivery of that obligation. If the supplier fails to deliver the obligation or comply with any other requirements under the ECO2 Order in relation to the obligation then this will be considered non-compliance and any associated sanctions may be imposed on the supplier which has taken on the obligation.

8. Notification of completed measures

- 8.1. For a supplier to achieve its obligations, once a measure is installed it must be notified to us by that supplier. We use the information provided at notification to determine whether or not we will approve a measure. This chapter explains the following:
- a) when measures must be notified to us
 - b) how measures should be notified
 - c) what information must be notified for each measure
 - d) what happens when a successful notification contains errors
 - e) our approach to late measures and
 - f) information processing.
- 8.2. A simple overview of the pathway an ECO measure follows, from installation to approval, can be found on our website.³²

When a supplier must notify us of completed measures

- 8.3. Suppliers must notify us of completed measures by the end of the month following the month in which installation of the measure was completed (the 'notification deadline'). For example, if a measure is completed in August 2017, its notification deadline will be 30 September 2017.

When is the installation of a measure complete?

- 8.4. The installation of a measure is deemed to be complete on the date it can deliver savings at a level expected for that measure. This will normally be the date on which the installer finishes work on the measure.
- 8.5. However, for the purpose of monthly notification we will generally consider the measure to be complete on the date on which it is effectively handed over to the occupant of the premises or, if unoccupied at the time of handover, to the landlord.

³² See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-toolkit>

- 8.6. For measures installed in accordance with PAS³³, the meaning of handover is defined within that specification.³⁴ The date of handover must be specified in the Declaration of Conformity and Completed Installation.³⁵
- 8.7. For measures that do not need to be installed in accordance with PAS, or if no Declaration of Conformity is produced, the date of handover will be the date on which:
- a) work on the installation of the measure is finished, and
 - b) any relevant information or documents relating to operating and maintaining the measure have been provided to the consumer.
- 8.8. In this case, a declaration of completed installation should be obtained instead.³⁶ We expect handover to take place within four calendar weeks of the installer finishing work on each measure. However, we understand this may not be feasible where a particular type of measure is installed in multiple premises where those premises are owned by the same landlord. For example, a block of flats, a row of houses, or where flats and/or houses are on the same estate.
- 8.9. In these circumstances the installer may hand over to the landlord or its agent (rather than to the tenants of the premises) and may do a single handover for all measures installed of that type. Therefore, all the measures of that type can be notified in the same monthly notification because all the measures will have the same handover date. We expect handover to take place within four weeks of the installer finishing work on the last measure.
- 8.10. Under CERO, certain measures are described as primary measures. Where such a primary measure is installed at premises, this can be used to support installation of a further measure at the same premises that improves the insulating properties of the premises.³⁷ Secondary measures are only qualifying actions if, among other requirements, a supplier installs a primary measure at the same premises. If a supplier installs a secondary measure *before* the installation of a primary measure, the secondary measure is not complete until the primary measure is installed and the requirement to notify the secondary measure does not arise until then. Secondary measures notified before the primary measure will not be approved until the primary measure is approved.

³³ See paragraph 2.44 of the ECO2t Guidance: Delivery for information on which version of PAS to refer to.

³⁴ Paragraph 4.12 of PAS 2030:2014 and paragraphs 4.2.6 and 5.8.1 in PAS 20130:2017.

³⁵ Chapter 7 of PAS 2030:2014 and Chapter 8 of PAS 2030:2017.

³⁶ The declaration must be signed by the occupant, or if unoccupied, the landlord, to confirm the date on which the installer finished work on the installation of the measure as well as the date the measure was handed over.

³⁷ For more information on CERO primary and secondary measures, see Chapter 4 of the ECO2t Guidance: Delivery.

- 8.11. Suppliers must be able to evidence the date on which a measure was completed. The documentation a supplier must be able to make available on request to do this is explained in Appendix 1 of the ECO2t Guidance: Delivery.

Notifying a completed measure

- 8.12. A notification of a completed measure must be made using the notification template³⁸ and in accordance with the formatting prescribed within the data dictionary. The data dictionary is a reference tool for completing the notification template.³⁹
- 8.13. The notification template describes the information that suppliers must include as part of the monthly notification for each type of completed measure. Suppliers will need to provide this information to us securely through the ECO Register,⁴⁰ which suppliers use to notify measures.
- 8.14. We will review each measure that is successfully notified to us and will inform suppliers of our decision to approve or refuse that measure. We may require a supplier to clarify the information notified or provide further information for a notification before we can make a decision regarding the notified measure.
- 8.15. We intend to process notified measures in a reasonable timeframe (usually one month). Suppliers can use the ECO Register to check the status of a measure, including which measures are being processed, which are on hold and which have been approved or refused. Our ability to process measures will depend on the quality and completeness of the information provided at notification.
- 8.16. Once we are satisfied that the information notified is correct, all relevant fields of the notification template are complete and the eligibility criteria are met, we will approve the measure in the ECO Register.
- 8.17. Where a measure does not meet the relevant eligibility criteria we will refuse to approve, or will revoke approval of, that measure.
- 8.18. All measures may be subject to various compliance checks. For more information on some of these compliance checks please see Chapter 10 of the ECO2t Guidance: Delivery.

³⁸ See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-notification-template>

³⁹ See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-data-dictionary>

⁴⁰ See: <https://eco.ofgem.gov.uk/Logon/LogOn?ReturnUrl=%2f>. Please note, only obligated suppliers have login access to the ECO Register.

Information suppliers must include as part of notification

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

- a) the name or ECO reference of the obligated supplier (ie licence-holder) that promoted the installation of the completed measure
- b) the address where the measure was installed
- c) the type of measure installed
- d) the date on which the installation of the measure was completed
- e) the obligation the measure is intended to be credited towards, and
- f) the carbon saving or cost score as appropriate.⁴²

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

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

8.22. In addition to the information listed in paragraph 8.19, suppliers must also provide other information when submitting their monthly notification of a completed measure, as detailed in the notification template and data dictionary. This additional information must be submitted by the notification deadline.

8.23. Failure to provide this information will not render notification of that measure unsuccessful. However, without this information we are unable to process that measure.

⁴¹ Article 17 of the ECO2 Order.

⁴² Where a supplier anticipates that it may transfer a measure between obligations or to another supplier, the supplier should include both the carbon saving and cost score as appropriate in the notification template.

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

Errors in successful notifications

- 8.24. Before the notification deadline, a supplier may make corrections to a notification that it has submitted to us. For example, for a measure installed on 15 August 2017 and notified on 10 September 2017, an error in the notification template can be corrected at any time before 1 October 2017.
- 8.25. After the notification deadline, the notification may only be corrected with our consent and, in some cases, may require an extension request. We will notify the supplier if we identify any errors in notified measures.
- 8.26. It is the responsibility of each supplier to ensure that the information contained in all notifications is true and to manage any third parties involved in the delivery of ECO measures. Errors in the notification of a completed measure may lead us to refuse or revoke approval of a measure and may lead to enforcement action.
- 8.27. Where we revoke or refuse approval of a measure, we will inform the supplier in writing. Our decision notice will provide details, including the measure reference numbers and reason, for our decision.⁴⁴

Notifying late measures

- 8.28. Where a supplier notifies a measure after the notification deadline, this can be resolved in two ways:⁴⁵
- a) for a maximum of 5% of measures, the notification deadline can be automatically extended for up to three months, or
 - b) a supplier can apply for an extension to the notification deadline.

Automatic extensions for 5% of measures

- 8.29. Up to 5% of the number of measures installed in a particular calendar month, and notified on time, can be given an automatic extension of three months to the notification deadline (the automatic 5%). The first 5% of late measures notified to us for a particular calendar month without an extension request are given this automatic extension.
- 8.30. Where the number of late measures without an extension request exceeds the 5% threshold, these measures will be flagged to the supplier who must submit an accompanying extension request.
- 8.31. Where a supplier exceeds the automatic 5% quota in a single month's notification (ie where there is no distinction between which measures were notified before or

⁴⁴ See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-notifying-supplier-decision-refuse-or-revoke-approval-measure>.

⁴⁵ Articles 17(3A), 17(4) and 17(5) of the ECO2 Order.

after the 5% threshold) all late measures will be flagged to the supplier. The supplier must provide us with an initial indication of which measures they wish to be included in the automatic 5% and which will be subject to an extension request within 15 working days of the measures being flagged to them.

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

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

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

Where:

A is the total number of late measures notified

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

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

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

Example

Supplier A notifies 3,000 measures with a notification month of October 2017 on time. This would allow Supplier A to notify 150 measures with a notification month of October 2017, from November and up to and including January 2018, without needing an extension request.

In November 2017, Supplier A submits 140 measures with a notification month of October 2017. These measures are included in the automatic 5% and processed as normal.

In December 2017, Supplier A submits a further 50 measures with a notification month of October 2017. As these take Supplier A over the 5% threshold, all 50 of these measures are flagged to the supplier.

Supplier A then decides which of these 50 measures it wants to include in the automatic 5% (a maximum of 10) and for which it will submit an extension request. Any subsequent measures notified with a notification deadline of October 2017 will require an extension request.

- 8.34. The 5% calculation is undertaken at the time of monthly measure processing by Ofgem.
- 8.35. Late measures are attributed to the supplier that originally notified the measure, and will continue to form part of that supplier's automatic extension quota. Where a supplier accepts a transfer containing late measures without an extension request, these measures will not be included in the receiving supplier's automatic extension quota for relevant notification period. Transferring measures does not affect the automatic extension quota for the original supplier that notified the measure.
- 8.36. The 5% is calculated on a group company level (ie not at licence level).
- 8.37. Measures to be included in the automatic 5% must be notified by the earlier of:
- a) the end of the fourth calendar month after the calendar month the measure was completed, or
 - b) the end of December 2018.

Applications for an extension to the notification deadline

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

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

Reasons for an extension request

- 8.42. A reasonable excuse is an unexpected or unusual event that:
- a) is either unforeseeable or beyond the supplier's control, and
 - b) prevents the supplier from notifying a measure by the notification deadline.
- 8.43. We will judge the actions of a supplier from the perspective of a prudent supplier exercising reasonable foresight and due diligence, and having proper regard for its responsibility under the ECO2 Order.
- 8.44. If a supplier relies on a third party to provide the necessary information to notify a completed measure, the supplier is responsible for ensuring that party carries out its task correctly. We expect the supplier to take reasonable care to explain to the third party what it requires them to do and to set deadlines for the task. We expect the supplier to have processes in place for eliminating or mitigating any risk of the third party failing to carry out its task correctly or within the agreed deadlines. If a supplier does this, but fails to submit a notification by the notification deadline because of what the third party did or did not do, the supplier may have a reasonable excuse.
- 8.45. Where similar issues are raised more than once by the supplier as a reason for a delay in a measure's notification, this may not satisfy our requirements for granting an extension. Suppliers are expected to make the necessary updates to their processes to ensure issues are not repeated.
- 8.46. As each extension request is considered on a case-by-case basis, we do not intend to provide an exhaustive list of eligible reasons for extension.

Determining the period of extension

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

Monthly report to the Secretary of State

- 8.48. One of our duties as the ECO administrator is to submit a report to the Secretary of State each month, beginning in July 2015.⁴⁷ These reports will show the progress that suppliers have made towards meeting their obligations.
- 8.49. The reports contain data from the information notified to us by suppliers each month and include information on supplier progress towards achieving their obligations.⁴⁸ Please see Chapter 10 for more information on our final report to the Secretary of State.

Fair processing

- 8.50. When fulfilling its ECO2 obligations, a supplier may obtain information about the occupant or landlord of the premises. Some of this information will need to be provided to us either as part of the monthly notification or in the course of our audits. In addition, in the course of the transfer of a qualifying action, one supplier will disclose this information to another supplier.
- 8.51. A supplier should ensure that its processing of this information complies with all applicable data protection laws. A supplier should also ensure that any member of the supply chain acting on its behalf complies with the data protection laws.
- 8.52. In particular, it is the responsibility of suppliers to ensure the person who lives at the premises (or if it is vacant, the landlord) where the ECO measure is delivered knows how and why their information will be processed, including who the information will be disclosed to and for what purpose. This includes telling them that their data will be shared with us.
- 8.53. In general, the Data Protection Act 1998, or the General Data Protection Regulation, (when in force) requires anyone collecting personal data to give the data subject (ie in the case of ECO the occupant or, if premises are vacant, the landlord) a Notice of Fair Processing, also known as a Privacy Notice.
- 8.54. So that we are able to process the data that suppliers provide, we require suppliers to provide the occupant or landlord under ECO2 with the ECO2t Consent Statement and Privacy Notice Document, available on our website.⁴⁹
- 8.55. As part of Ofgem's preparation for the General Data Protection Regulation (GDPR) coming into force we will work with the ECO Reporting Working Group to ensure

⁴⁷ Article 31(5) of the ECO2 Order.

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

⁴⁹ The Privacy Notice is included in the ECO2t consent and privacy notice, which is published as an ECO Reporting Working Group Document: <https://www.ofgem.gov.uk/publications-and-updates/eco-reporting-working-group-eco2t-standardised-templates>.

This is an ECO Reporting Working Group document and not an Ofgem document.

that the privacy notice remains compatible with our data protection requirements. Full details of Ofgem's ECO Privacy Policy can be found on our website.⁵⁰



- 8.56. The wording in the Privacy Notice is intended to discharge some of our obligations under the Data Protection Act 1998, or the GDPR (when in force). It is not intended, and should not be relied on, to discharge suppliers' obligations for that legislation or other data protection laws. Further guidance on what information Fair Processing Notices should contain can be found on the Information Commissioner's Office website.⁵¹

⁵⁰ See: <https://www.ofgem.gov.uk/publications-and-updates/eco2t-privacy-policy>

⁵¹ See: <http://ico.org.uk/>

9. Re-elections and transfers

- 9.1. This chapter describes the process by which suppliers can re-elect the obligation that qualifying actions are credited against. It also explains how suppliers can transfer qualifying actions to other suppliers.

Re-election of obligations

- 9.2. As outlined in Chapter 8, when a supplier notifies a qualifying action, it must identify which obligation that qualifying action is intended to be credited towards (ie CERO, CSCO, or HHCRO).
- 9.3. A supplier may apply for a qualifying action or surplus action⁵², to be credited towards a different obligation; this is called a re-election application.⁵³ For example, if a measure is credited against CERO, a supplier can apply to have that measure credited towards HHCRO.
- 9.4. Adjoining installations⁵⁴ and secondary measures are also qualifying actions and suppliers may apply to re-elect these.
- 9.5. Measures can be re-elected out of CERO, CSCO and HHCRO at any time before **1 January 2019**. However, suppliers cannot apply to re-elect qualifying actions into CSCO after 30 June 2017.⁵⁵
- 9.6. If an application is made to re-elect CSCO measures after 30 June 2017 (after which measures cannot be re-elected or transferred into CSCO), 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.⁵⁶
- 9.7. Measures re-elected into CSCO must comply with all CSCO requirements, including the requirement to be installed before 1 April 2017.

Applying for approval to re-elect

- 9.8. A supplier may apply to re-elect the obligation a qualifying action is credited against after it has been notified. A qualifying action does not need to be approved to be considered for re-election. For example an application to re-elect could be submitted for a measure in "Internal Query" due to a monitoring fail, however it will not be credited towards an obligation unless it is subsequently approved.

⁵² For more information on surplus actions please see Chapter 7 of the ECO2 Guidance: Administration (v1.1).

⁵³ Article 31(2) of the ECO2 Order.

⁵⁴ For more information on adjoining installations and CSCO please see Chapter 5 of the ECO2 guidance: Delivery (v1.1).

⁵⁵ Article 31(3)(c) of the ECO2 Order.

⁵⁶ Article 31(3)(b) of the ECO2 Order.

- 9.9. Suppliers can apply to re-elect the obligation a primary measure is credited against even if it has an associated secondary measure. This will not affect the status of the secondary measure, provided it is an approved qualifying action, and the obligation the secondary measure is credited against will not change. Where a supplier also wishes to re-elect the obligation the secondary measure is credited against, this must be listed separately in the re-election application.
- 9.10. Where a supplier applies to re-elect the obligation a CSCO measure is credited against, and that measure supports an adjoining installation, a supplier's final 25% determination will be affected. This could potentially lead to a supplier exceeding the limit for adjoining installations.
- 9.11. There is no limit on the number of measures a supplier can seek to re-elect in any one application. Nor is there any limit on the number of re-election applications a supplier can make before **1 January 2019**.

Re-election to an obligation with a different saving

- 9.12. A supplier may choose to re-elect a measure to an obligation that has a different saving, eg from CERO (carbon saving) to HHCRO (cost score). In such cases, the supplier must provide the carbon saving or cost score for the obligation the qualifying action or surplus action is intended to be credited towards.
- 9.13. For qualifying actions and surplus actions, where the carbon saving or cost score was *not* included in the original notification, the supplier must select the appropriate deemed score for the obligation the measure is intended to be credited towards. For guidance on measures installed before 1 April 2017 and re-elected to an obligation that has a different saving, see the ECO2 Guidance: Administration v.1.1.1.
- 9.14. The carbon saving or cost score must be determined in accordance with relevant provisions of the ECO2 Order⁵⁷, but taking into account the premises as it was when the measure was installed (that is, discounting any later installations).
- 9.15. We recommend that a supplier provides both the carbon saving and cost score when notifying a measure, in anticipation of re-elections.

Submitting a re-election application

- 9.16. To apply to re-elect a measure, a supplier should upload these to their Huddle⁵⁸ account using the 'Measure Change Request Form', containing details of the measure(s) it wishes to re-elect.

⁵⁷ Articles 18 or 19 (qualifying actions) and Articles 28 and 29 (surplus actions) of the ECO2 Order.

⁵⁸ Team collaboration & project management software used to provide a secure medium for file transfers between us and suppliers.

9.17. If we approve the measure change request, we will change the status of these measures to 'with supplier' in the ECO Register to allow these measures to be re-elected to a different obligation. The supplier should re-notify the measure, in accordance with the information provided in the 'Measure Change Request Form', with the purpose of notification as 'Re-elected'.⁵⁹

Approving a re-election

9.18. We will assess whether each measure being re-elected meets the relevant eligibility criteria for the obligation the measure is intended to be credited towards. If we are satisfied that a measure meets the relevant eligibility criteria, we will approve the re-election for that measure.

9.19. If we determine that a measure does not meet the relevant eligibility criteria, we will not approve the re-election for the measure, and will inform the supplier of the reason(s) for our decision and any further action that may be required.

Following a re-election

9.20. Following a re-election, the ECO Register will show the measure as credited towards a different obligation. A supplier will need to ensure it can produce the necessary evidence at audit to demonstrate that an action is a qualifying action or surplus action for the re-elected obligation. For example, demonstrating the help to heat group criteria if a measure is re-elected to HHCRO.

Transfers of qualifying actions and surplus actions

9.21. At any time before 1 January 2019, a supplier may apply to transfer CERO and HHCRO qualifying actions and surplus actions to another supplier; this is called a transfer application.⁶⁰

9.22. Suppliers cannot apply to transfer CSCO qualifying actions after 30 June 2017.⁶¹

9.23. However, after this date suppliers can still re-elect measures out of CSCO to a different obligation (subject to requirements above), and then transfer the measures to another supplier. To achieve this, a re-election application followed by a transfer application must be submitted before 1 January 2019.

9.24. Adjoining installations and secondary measures are also qualifying actions and suppliers may apply to transfer these.

⁵⁹ For guidance about using this function in the ECO Register contact us via email: eco@ofgem.gov.uk.

⁶⁰ Articles 26(2) and 30(2) of the ECO2 Order.

⁶¹ Article 26(3)(c) of the ECO2 Order.

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

Applying for approval to transfer

9.26. The application process set out in this section applies to all transfers regardless of whether or not the transfer is between two suppliers within the same group of companies.

9.27. Suppliers are only able to raise a transfer request via the ECO Register if the measures have already been approved.

9.28. Suppliers can apply to transfer a qualifying action that is a primary measure even if it has an associated secondary measure. This will not affect the status of the secondary measure, provided it is an approved qualifying action, and the secondary measure will not be transferred. Where a supplier also wishes to transfer the secondary measure, this must be listed separately in the transfer application.

9.29. Where a supplier applies to transfer a CSCO measure, and that measure supports an adjoining installation, a supplier's final 25% determination will be affected. This could potentially lead to a supplier exceeding the limit for adjoining installations.

9.30. There is no limit on the number of measures a supplier can seek to transfer in any one application. Nor is there any limit on the number of applications a supplier can make before 1 January 2019.

Submitting a transfer application

9.31. A supplier should apply for transfers using the function within the ECO Register for raising a request to transfer.⁶²

9.32. The ECO Register function only allows suppliers to apply for transfers to a different supplier licence. It does not allow suppliers to apply for the measures included in the transfer to be credited against a different obligation to the one originally credited towards. If a supplier wishes to credit measures against a different obligation, the supplier should submit a re-election request as outlined in paragraph 9.12. This can occur before or after the transfer.

9.33. Suppliers must submit all transfer applications for CERO and HHCR0 measures by 1 January 2019.

⁶² For guidance about using this function in the ECO Register contact us via email: eco@ofgem.gov.uk.

- 9.34. A supplier can withdraw a transfer application at any time before the application is approved by us. If a supplier wants to withdraw an application, it should contact us in writing as soon as possible.

Approving a transfer application

- 9.35. We will process all transfer applications promptly, where sufficient evidence is provided, and keep the supplier informed of progress.
- 9.36. In the course of approving a transfer application, we may ask the supplier(s) to provide additional information in support of its application.

Following a transfer

- 9.37. If we approve a transfer of qualifying actions, we will notify the suppliers involved in writing. Once the transfer is complete, the ECO Register will show the measures as having been achieved by the supplier to whom the measures were transferred.
- 9.38. If we do not approve a transfer application, we will notify the suppliers involved of the reason(s) for our decision in writing.
- 9.39. Once approved, the measures that have been transferred are treated as being achieved by the supplier to whom the measures were transferred.⁶³ Suppliers accept a transfer at their own risk. If, for example, a measure transferred later fails an audit, the supplier to whom the measures were transferred will be responsible for remedying the measure (or it will lose the savings).
- 9.40. The supplier to whom the measures were transferred will need to ensure it can produce the necessary evidence at audit to demonstrate that a transferred measure meets the eligibility criteria for the obligation that the action was credited against.
- 9.41. Suppliers should note that any transfer of personal data from one supplier to another, in the course of a transfer of a measure, will amount to the processing of personal data for the purpose of the Data Protection Act 1998 (DPA).⁶⁴ Suppliers should ensure that the transfer of personal data complies with the Data Protection Principles under the DPA.

⁶³ Articles 26(1) and 30(1) of the ECO2 Order.

⁶⁴ And the GDPR (when in force).

10. End of the overall obligation period

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

Achieving your obligation

10.2. The installation of a measure cannot count towards a supplier's CERO or HHCRO unless the installation is complete **before 1 October 2018** (ie the end of the overall obligation period). Suppliers must notify us of all measures completed in September 2018 by the end of October 2018.⁶⁵

10.3. Following the end of the overall obligation period, we will determine whether a supplier has met its ECO2 obligations and notify both the supplier and the Secretary of State of our determination, known as our 'final determination'. **We will notify all suppliers of our determination no later than the 31 March 2019.**⁶⁶

Ahead of our final determination

10.4. We will engage with stakeholders on our administrative requirements before our final determination on whether or not a supplier has achieved its ECO2 obligations.

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

- a) **The rural minimum requirement:** Chapter 4 in the ECO2t Guidance: Delivery describes the requirement for at least 15% of a supplier's phase 3 CERO to be delivered in rural areas. Where a supplier fails to meet this requirement, it will fail to achieve its CERO.
- b) **Solid wall minimum requirement:** As described in Chapter 5, for a supplier to achieve its CERO, it must deliver a certain proportion of the Provisional Solid Wall Minimum Requirement (PSWMR) through the installation of SWI measures under CERO. This proportion is referred to as its SWMR and is determined at the end of the overall obligation period. Where a supplier fails to meet this requirement, it will fail to achieve its CERO.
- c) **Home heating minimum requirement:** As described in Chapter 6, for a supplier to meet its HHCRO it must deliver a minimum amount of its HHCRO target through measures other than the replacement of a

⁶⁵ CSCO measures must be complete before 1 April 2017.

⁶⁶ Article 31 of the ECO2 Order.

qualifying boiler fuelled by mains gas. Where a supplier fails to meet this requirement, it will fail to achieve its HHCRO.

- d) **Limits on repairs to boilers and electric storage heaters:** As described in Chapter 5 of the ECO2t Guidance: Delivery, there is a limit to the proportion of a supplier's HHCRO that can be achieved through the repair of qualifying boilers and qualifying electric storage heaters. These limits are:
- i. 5% for the repair of qualifying boilers, and
 - ii. 5% for the repair of qualifying electric storage heaters.

Final determination of CSCO at the end of phase 2

- 10.6. At the end of phase 2 of ECO2 we were required to determine whether a supplier had met its total carbon saving community obligation (including its 25% adjoining area determination, and its rural sub-obligation).
- 10.7. 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 subsequently approved.
- 10.8. Extension requests for CSCO measures must follow the process for extensions in force up to and including 31 March 2017. Details of this process are available in Chapter 8 of the ECO2 Guidance: Administration (v1.1).
- 10.9. Suppliers may apply to re-elect measures into CSCO or transfer measures within CSCO by 1 July 2017. Suppliers may apply to re-elect measures out of CSCO 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.
- 10.10. **We will make a final determination of whether a supplier has achieved its CSCO by no later than 30 September 2017.**
- 10.11. Where a supplier has not met its CSCO by 1 April 2017, we have powers to impose a penalty on that supplier. Please refer to our enforcement guidelines⁶⁷ for further information.

⁶⁷ <https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>.

Final determination of HHCRO and CERO at the end of phase 3

10.12. Under the ECO2 Order, we must determine whether a supplier has achieved its:

- a) total carbon emissions reduction obligation (including its SWMR and the rural minimum requirement)
- b) total home heating cost reduction obligation (including its HHMR).

10.13. Suppliers will be notified of our final determination by no later than **31 March 2019**.

10.14. Where we determine a supplier has not met its obligations, we have powers to impose a penalty on that supplier. Please refer to our enforcement policy for further information.⁶⁸

Our final report to the Secretary of State

10.15. We must submit a report to the Secretary of State, no later than **30 September 2017**, showing whether suppliers achieved the overall carbon saving community target (including the rural sub-obligation).

10.16. We must submit a report to the Secretary of State, no later than **31 March 2019**, showing whether suppliers achieved:

- a) the overall carbon emissions reduction target (including the SWMR and the rural minimum requirement), and
- b) the overall home heating cost reduction target (including the HHMR).

10.17. The final report will contain our final determination of whether suppliers have achieved their obligations.

⁶⁸ See: <https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>.

Appendix 1 - Abbreviations

| Abbreviation | Explanation |
|---------------------|---------------------------------------------------------|
| AQ | Annual Quantity |
| BEIS | Department for Business, Energy and Industrial Strategy |
| CERO | Carbon Emissions Reduction Obligation |
| CSCO | Carbon Saving Community Obligation |
| DPA | Data Protection Act 1998 |
| DUoS | Distribution Use of System Charges |
| ECO | Energy Company Obligation |
| ESAS | Energy Saving Advice Service |
| GDPR | General Date Protection Regulation |
| HHCRO | Home Heating Cost Reduction Obligation |
| HHMR | Home Heating Minimum Requirement |
| IUF | In-use Factor |
| LDSO | Licensed Distribution System Operators |
| PAS | Publicly Available Specification |
| PSWMR | Provisional Solid Wall Minimum Requirement |
| RdSAP | Reduced data Standard Assessment Procedure |
| SAP | Standard Assessment Procedure |
| SWI | Solid Wall Insulation |
| SWMR | Solid Wall Minimum Requirement |

Appendix 2 – Glossary

A

Adjoining area/specified adjoining area is an area that adjoins (ie shares a border with) an area of low income.

Adjoining installation refers to the installation of a carbon saving community qualifying action at domestic premises in a specified adjoining area.

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

Area of low income is an area in Great Britain which is described as an area of low income in the *2014 low income and rural document*.

C

The **Carbon Emissions Reduction Obligation (CERO)** is the installation of carbon qualifying actions, which are 'primary measures' (wall and roof insulation measures and connections to district heating systems (DHS)), and 'secondary' insulation measures.

A **carbon saving** refers to the tonnes of carbon dioxide (tCO₂) saved at domestic premises over the expected lifetime of a measure.

The Carbon Savings Community Obligation (CSCO), is the installation of carbon saving community qualifying actions, which are insulation measures and connections to DHS in areas of low income, deprived rural areas and (if promoted to people receiving certain benefits) rural areas. Suppliers must install all CSCO measures by 1 April 2017.

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

A **cost score** is the contribution that a measure makes towards a supplier's total HHCRO in pounds sterling (£). The cost score is calculated using the cost saving and the relevant HHCRO multiplier, where applicable.

D

The **date of handover is**, for measures installed in accordance with PAS, as defined within PAS. For measures that do not need to be installed in accordance with PAS⁶⁹, or where no Declaration of Conformity is produced, the date of handover is the date on which work on the installation of the measure is completed, and any relevant information or documents relating to the operation and maintenance of the measure have been provided to the consumer.

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

A **deprived rural area** is an area in Great Britain which is described as a deprived rural area in the *2014 low income and rural document*.

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

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

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

E

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

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

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

An **excess action** is a measure that was approved and installed under CERT or CESP, but was not required by the supplier to meet its CERT and CESP obligations.

G

⁶⁹ See paragraph 2.46 of the ECO2t Guidance: Delivery for information on which version of PAS to refer to.

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

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

H

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

Help to heat group means a group of people receiving at least one of the benefits outlined in Schedule 4B to Electricity and Gas (Energy Company Obligation) Order 2014 ((the 'ECO2 Order') as amended.

The **Home Heating Minimum Requirement (HHMR)** is an obligation to deliver a minimum amount of the HHCRO target through measures other than the replacement of a qualifying boiler fuelled by mains gas.

I

An **in-use factor (IUF)** is the percentage by which savings calculated under SAP or RdSAP should be reduced, to reflect the likely in-situ performance (as opposed to theoretical performance) of an energy efficiency measure. IUFs are only applied when calculating carbon savings.

L

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

Lifetime is the estimated lifetime for measures. Standard lifetimes are available in the ECO2 Measures Table available on our website: <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-eco2-measures-table>.

Lifetime carbon saving is the amount in tonnes of carbon dioxide that is expected to be saved over the lifetime of a measure.

M

A **measure** is a qualifying action, including surplus actions, secondary measures and adjoining installations.

N

A **new 2015 supplier** is a licence-holder that does not meet the definition of a supplier until 31 December 2015. Its overall obligation period starts on **1 April 2016** and ends on **31 March 2017**.

A **new 2016 supplier** is a licence-holder does not meet the definition of a supplier until 31 December 2016. Its overall obligation period starts on **1 April 2017** and ends on **30 September 2018**.

The **notification deadline** is the end of the month following the month in which installation of the measure was completed.

Notification period means:

- 1 January 2014 to 31 December 2014 for phase one.
- 1 January 2015 to 31 December 2015 for phase two.
- 1 January 2017 to 31 December 2016 for phase three.

The **notification template** describes the information that suppliers must include as part of the monthly notification for a particular type of completed measure.

O

An **obligated supplier** is a 'supplier' as defined in this guidance.

The **overall obligation period** is the period from 1 April 2015 to 30 September 2018.

P

Phase means one of the two phases of the scheme as follows:

- **Phase 1:** 1 April 2015 to 31 March 2016
- **Phase 2:** 1 April 2016 to 31 March 2017, and
- **Phase 3:** 1 April 2017 to 30 September 2018

A **primary measure** under CERO is flat roof insulation, loft insulation, rafter insulation, room-in-roof insulation, wall insulation, insulation applied to the ceiling floor or walls of a mobile home, or a relevant district heating connection.

The **provisional solid wall minimum requirement (PSWMR)** is a requirement that means at least 5.4MtCO₂ savings must be achieved through the delivery of solid wall insulation (SWI) measures. The PSWMR is not in addition to the carbon savings to be achieved under CERO, CSCO and HHCRO.

Q

A **qualifying action** means a carbon qualifying action (CERO), a carbon saving community qualifying action (CSCO) or a heating qualifying action (HHCRO).

A **qualifying boiler** is a boiler that has broken down or is not functioning efficiently and meets the criteria explained in Chapter 5 and Appendix 3 of the ECO2t Guidance: Delivery. The qualifying boiler must be assessed, as described in Appendix 3, to determine whether it should be repaired or replaced.

A **qualifying electric storage heater (QESH)** is an electric storage heater that has broken down and meets the criteria explained in Chapter 5 and Appendix 4 of the ECO2t Guidance: Delivery. The qualifying electric storage heater must be assessed, as described in Appendix 4, to determine whether it should be repaired or replaced.

R

The **Reduced data Standard Assessment Procedure (RdSAP)** is a simplified version of SAP that requires fewer data inputs. RdSAP 2012 should be used for all ECO2 measures, where RdSAP is used to calculate the score.

Relevant year, with respect to the notification period, means 2014, 2015 or 2016.

A **rural area** is an area in Great Britain which is described as a rural area in the *2014 low income and rural document*. See Chapter 5 for more information.

The **rural minimum requirement** requires suppliers to achieve at least 15% of their total CERO by delivering measures to domestic premises in a rural area. Where a supplier fails to meet this requirement, it will fail to achieve its CERO.

The **rural sub-obligation** requires suppliers to achieve at least 15% of their total CSCO by promoting measures to members of the AWG living in a rural area or to any domestic premises in a deprived rural area. Where a supplier fails to meet this requirement, it will fail to achieve its CSCO. Suppliers must install measures against this sub-obligation by 1 April 2017

S

A **secondary measure** only applies under CERO and includes insulation measures other than primary measures. Secondary measures must be installed at the same premises as a primary measure. This includes measures such as glazing and draft proofing.

Solid wall insulation (SWI) means internal or external insulation of a solid wall (ie internal wall insulation (IWI) or external wall insulation (EWI)). It does not include insulation of a mobile home, which is a separate eligible ECO measure.

The **solid wall minimum requirement (SWMR)** is the proportion of a supplier's CERO that must be achieved through SWI measures. For a supplier to achieve its CERO, it must meet its SWMR.

The **Standard Assessment Procedure (SAP)** is a methodology developed by the Building Research Establishment (BRE) on behalf of the Government, to calculate the energy and environmental performance of dwellings. SAP 2012 should be used for ECO2 measures.

A **supplier** is a licence-holder where on 31 December of either 2014, 2015 or 2016:

- it was supplying more than 250,000 domestic customers, and
- had supplied more than 400GWh of electricity, or 2,000GWh of gas, to domestic customers during the year ending on that date.

A licence-holder that had an ECO1 CERO target under the 2012 Order will be considered a supplier for ECO2.

A **surplus action** is a measure that:

- is an ECO1 qualifying action (ie is a notified ECO1 measure) and was achieved by the supplier applying for the surplus action
- is not required by that supplier to meet its obligations under the 2012 Order, and
- is an ECO1 qualifying action in respect of the ECO2 obligation it is intended to be credited towards.

T

The **total obligation** is the cumulative obligation for each supplier for each phase of ECO2.

W

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

X

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

OTHER

The **25% determination** is the determination of whether or not the total carbon savings of adjoining installations exceed 25% of the total carbon savings of the qualifying actions in the area of low income the adjoining installations are related to.