

Decision

Energy Company Obligation: ECO3 consultation decision

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The current Energy Company Obligation (ECO) scheme (ECO2, including the ECO2t extension period) is ending on 30 September 2018. The Department for Business, Energy and Industrial Strategy (BEIS) has consulted on a new ECO scheme (ECO3) starting on or after 1 October 2018, to run until 31 March 2022.

On 23rd July we published a consultation seeking stakeholder views on our proposed administration of the policies outlined in the BEIS consultation response and included in the draft ECO3 Order. These included policies where we were exercising our discretion in administering new legislative provisions for ECO3 or where we were making further improvements to our current policies.

This document summarises the responses to our consultation and details our final administrative position. Where relevant, we also explain where we were unable to incorporate suggestions made.

The policies included in this document do not apply until the ECO3 Order comes into force as at the time of publication the draft ECO Order is still subject to parliamentary process. Once in force the policies will apply from 1 October 2018.

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1. Introduction

Context and related publications

- 1.1. The current ECO2 scheme (including the ECO2t extension period) is ending on 30 September 2018. The Department for Business, Energy and Industrial Strategy (BEIS) has consulted on a new ECO scheme starting on or after 1 October 2018, to run until 31 March 2022. BEIS have set the policy for the scheme and details of the changes for the new scheme can be found in the BEIS ECO3 Government Response.
- 1.2. Ofgem ('we', 'us' and 'our' in this document) will administer ECO3. We have consulted on our proposed administration of any new policies outlined in the BEIS consultation response and included in the draft ECO3 Order, as well as some administrative improvements.
- 1.3. For each relevant change that the draft ECO3 Order sets out, we consulted on how we proposed to administer the change.
- 1.4. In this document, 'ECO3 Order' means the 2018 Order to introduce ECO3. For the purposes of this document we have assumed the draft as laid before Parliament on 19 July 2018 will be made and come in to force without any amendment. When we refer to the 'ECO2 Order' we are referring to the Electricity and Gas (Energy Company Obligation) Order 2014 (as amended).
- 1.5. A list of related publications is detailed below:
 - [BEIS ECO3 consultation response](#)
 - [Draft ECO3 Statutory Instruments \(Draft ECO3 Order\)](#)
 - [Ofgem ECO3 Deemed Scores Consultation Decision](#)
 - [Ofgem ECO2t Guidance: Administration \(V1.1\)](#)
 - [Ofgem ECO2t Guidance: Delivery \(V1.1\)](#)

Our decision making process

- 1.6. We worked closely with BEIS so the consultation process for our administration of ECO3 could open as soon as the finalised policy and draft legislation was made public. The consultation ran for four weeks.

- 1.7. We received 49 responses to our consultation from a variety of stakeholders including energy suppliers, managing agents, installers and charities with an interest in fuel poverty. Once the consultation closed, all responses were collated and reviewed by Ofgem. All responses and views were considered and decisions were collectively made on all of the question areas. A full list of respondents can be found in Appendix 1 and all responses, except those that requested to remain confidential, can be viewed on our website.
- 1.8. This decision document outlines our final position on the policy areas detailed in the consultation. The following chapters consider each consultation area in turn. Each section, relating to a specific consultation question, summarises stakeholder responses. This is followed by Ofgem’s decision on our administration. It is recognised that both carry-over and early-delivery relate to the delivery of measures prior to the ECO3 commencement date. Additional sections have therefore been provided for these areas containing further detail on our administrative approach.
- 1.9. We will take all views, both written responses as well as those received during the consultation events, into account as we develop the administration processes. However, following the consultation events and having reviewed the consultation responses, we have provided some further information on the process and answered some of the questions asked in this document.
- 1.10. In our consultation there were a number of sections which set out an administrative approach that didn’t include any questions. As no question was posed, and no decision needed to be taken, these sections are not featured within this document.
- 1.11. There were some general feedback questions which have been incorporated into the specific areas where relevant, or dealt with separately, communicating via standard means if necessary.
- 1.12. In developing our final policy we carefully considered all of the points raised by respondents, even if they are not specifically mentioned in this document.

Figure 1: Decision-making stages



Your feedback

- 1.13. Outline how to give general feedback on the decision. Some template text is provided below:

General feedback

- 1.14. We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We’d also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk.

2. Carry-over and early delivery

Section summary

This section outlines our proposed administration of the transfer of measures from ECO2 to ECO3 'carry-over' and the delivery of measures during a gap between schemes 'early delivery'.

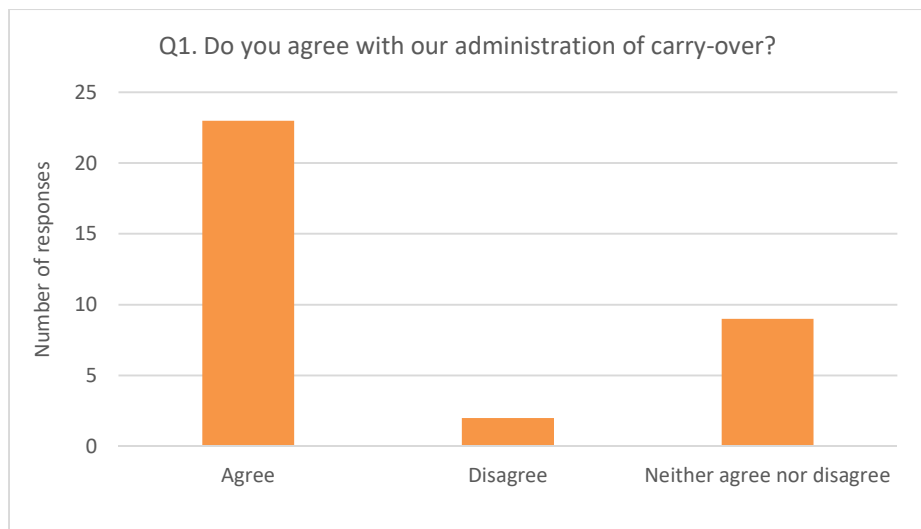
Questions

Question 1: Do you agree with our administration of carry-over? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 2: Do you agree with our administration of early delivery? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Carry-over

Figure 2: Summary of stakeholder feedback to Question 1



Summary of responses

- 2.1. 68%¹ of respondents agreed with our proposed approach to carry-over. Several requested details of ECO3 rural eligibility and an updated list of eligible rural areas to support carry-over delivery to consumers in these areas.
- 2.2. Several respondents also requested further clarification on how the various caps will be administered for carry-over, particularly for the broken heating system cap. Many stakeholders requested a list of ECO2t heating measure types that will be eligible under the ECO3 broken heating system cap and clarity on whether non-qualifying boilers would be eligible for carry-over.
- 2.3. Of those that disagreed with our proposal (6%), respondents requested clarity around the percentage of carry-over of CERO. Respondents questioned whether this referred to 20% of a supplier's ECO2t CERO (20% of their share of the 7.3MtCO₂ overall target) or 20% of a supplier's entire ECO2 CERO (20% of their share of 19.7 MtCO₂).
- 2.4. Another stakeholder requested whether fraud cases could be resolved within ECO2t timescales and not carried-over to ECO3, with the exception of new cases opened in the final two months of the obligation.

Ofgem response

- 2.5. We are working to update our 'ECO tool' to reflect the changes to the definition of rural. We aim to release this before 1 October 2018 to give time for suppliers and the supply chain to familiarise themselves with the requirements. Oil boilers will not be eligible to count towards the rural minimum or the 'solid wall homes' minimum in ECO3.
- 2.6. Qualifying boilers and electric storage heaters, in isolation, that are carried over from ECO2t² will count towards the broken heating system cap in ECO3. Non-qualifying boilers, if carried over, do not require insulation. We have provided a summary table below for ease of understanding.

¹ Percentages in this document relating to 'respondents' do not include where stakeholders did not provide a response for a given question. For a comprehensive breakdown of responses for each question, see Appendix 1.

² <http://www.legislation.gov.uk/uksi/2017/490/contents/made>

Figure 3: ECO2 measures that do count towards a suppliers ECO3 broken heating system cap

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

- 2.7. Suppliers can carry-over up to 20% of their net ECO2 CERO obligation, after any trading has occurred, where the measures were installed on or after 1 April 2017.
- 2.8. Further to our approach outlined in the ECO2t closedown letter, our dedicated Counter Fraud team will continue to work closely with suppliers to ensure a collaborated and targeted approach to fraud and scheme abuse.³ Due to the timing of concerns being identified and conducting full investigations, suspected fraud investigations may remain ongoing at the time of our final determination. In this instance, suppliers may apply to carry-over the affected measures, or the equivalent value of savings, where a longer investigation is required. We will aim to complete these investigations in a timely manner but must also be confident any investigation is concluded following a thorough examination. Resolving investigations within the ECO2t period would likely lead to a determination being made on measures without full evidence being available. We believe this would lead to the rejection of a larger amount of measures then would be the case if a greater time period was given to provide assurance.

Final administrative approach

- 2.9. We will administer surplus actions for ECO3 in a similar manner to how we administered surplus actions for ECO2. Where a supplier has achieved savings that exceed its ECO2 obligations, it can apply to credit these excess measures or ‘surplus actions’ towards its ECO3 obligations, providing the necessary criteria are met.
- 2.10. An ECO3 surplus action is a measure that:
- is an ECO2 carbon qualifying action or an ECO2 heating qualifying action which was achieved by the supplier applying for the surplus action
 - is not required by the supplier to meet its obligations under the ECO2 Order
 - was installed on or after 1 April 2017, and is therefore restricted to ECO2t measures

3

https://www.ofgem.gov.uk/system/files/docs/2018/07/20180709_eco2t_closedown_letter.pdf

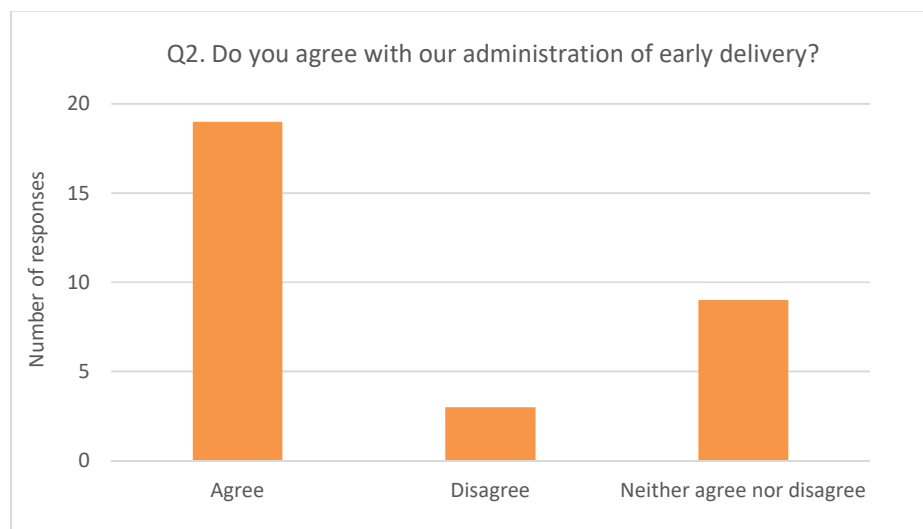
- in the case of CERO, we will also determine that the total savings achieved by surplus actions will not exceed 20% of the supplier's ECO2 CERO target as adjusted for any trading that has taken place.
- 2.11. A measure is not required by a supplier to meet its ECO2 obligations where:
- the supplier has achieved the obligation against which the measure is credited; and
 - the measure was not counted towards achievement of the obligation.
- 2.12. A supplier may apply to credit a surplus action towards its ECO3 obligation even if it has not achieved all of its ECO2 obligations. For example, where a supplier has achieved and exceeded its ECO2 CERO, but has not achieved its ECO2 HHCRO, that supplier can apply to carry forward surplus ECO2 CERO measures.
- 2.13. Suppliers will only be able to apply for surplus actions once we have made our final determination for ECO2 (including ECO2t), which will be done by no later than 31 March 2019. Following this, suppliers must apply to credit a surplus action towards an ECO3 obligation no later than **30 November 2019**.
- 2.14. Measures that meet a supplier's rural minimum requirement under ECO2 may be carried over and counted towards a supplier's ECO3 rural minimum requirement, provided they meet the ECO3 definition of a rural area alongside the other carry-over requirements. Measures that met the rural definition used for ECO2, but not the definition used for ECO3, will not be eligible for carry over to count towards the ECO3 rural minimum.
- 2.15. Where a measure installed under ECO2t exceeds one of the caps set out in the ECO2 Order (such as the 10% cap on LA Flex measures) it can be carried-over to ECO3. These measures should be installed in accordance with ECO2t requirements in order to be carried-over, but will not be counted towards the achievement of ECO2 obligations.
- 2.16. ECO2 CERO measures are divided into 'primary measures' and 'secondary measures'. The ECO2t rules surrounding these measures need to be maintained should any measures be carried-over, noting that measures completed from 1 October 2018 will adhere to ECO3 rules where the notion of a 'primary measure' or 'secondary measure' do not exist. There are three scenarios for consideration when both the primary and secondary measure have been notified in ECO2t:
- Both primary and secondary measures are carried-over. This scenario is valid as long as all other ECO2t and ECO3 rules are adhered to.
 - The secondary measure is carried-over, leaving the primary measure in ECO2t valid. This scenario is valid as long as all other ECO2t and ECO3 rules are adhered to.
 - The primary measure is carried-over. This scenario remains valid due to the sequencing of events. The primary and secondary measure are together and meet the definition of qualifying actions in ECO2t at the time of final determination. Although the secondary measure remains in ECO2t, it has already

satisfied the appropriate requirements, so as long as the primary measure subsequently meets all of the ECO3 rules then this scenario is valid.

- 2.17. Within ECO3 there are a number of linked measures including a 'secondary heating measure', which must be installed at the same domestic premise where a 'primary insulation measure' has been installed. There are also 'solid wall actions', and 'in-fill measures' which must be linked to 'primary actions'. These separate groups of measures can be comprised of individual ECO2t measures that have been carried-over as long as all other ECO2t and ECO3 rules are adhered to.
- 2.18. Where a CERO measure scored using deemed scores is carried over, suppliers should notify this with the equivalent lifetime cost savings deemed score. Where a CERO measure is scored using SAP, suppliers should notify this with the equivalent SAP score for lifetime cost savings. Measures scored using an alternative scoring methodology (ie SBEM) cannot be counted as surplus actions for ECO3 as there is no methodology for attributing lifetime cost savings to them.
- 2.19. Where the carry-over of an ECO2t CERO rural measure would cause a supplier to fail to meet its rural sub-obligation, the measure cannot be carried forward to ECO3 as a surplus action. Similarly, where the carry-over of an ECO2t measure, which is counted towards a supplier's Home Heating Minimum Requirement (HHMR) or a supplier's provisional solid wall minimum requirement (PSWMR), would cause a supplier to fail to meet its HHMR sub-obligation or its PSWMR, the measure cannot be carried forward to ECO3 as a surplus action.
- 2.20. In order to apply to carry-over measures, suppliers should notify us using the ECO3 surplus actions notification template detailing the relevant measures. We will make the template available to suppliers closer to the time of final determination. We encourage suppliers to send us the template in advance to allow us to review them ahead of formal notification. We can then provide feedback ahead of the statutory deadline. We will communicate a timeline for an informal review of ECO3 surplus actions separately.
- 2.21. We will approve applications to credit a surplus action against an ECO3 obligation if we are satisfied that the measure is a surplus action as defined in paragraph 2.10.
- 2.22. Details of all surplus actions credited against suppliers' ECO3 obligations will be included in our public reports.

Early delivery

Figure 4: Summary of stakeholder feedback to Question 2



Summary of responses

- 2.23. The majority of respondents (61%) agreed with our proposal to introduce a voluntary pre-notification process for early actions as this will maintain momentum for suppliers, the supply chain and Ofgem. Responses also highlighted that although they cannot submit live data this will help support early testing of the ECO Register as the file format can be verified. Stakeholders widely requested guidance for early actions before 1 October 2018, including key documents such as the Boiler Assessment Checklist.
- 2.24. Of those that disagreed with the proposal (10%), many raised concerns that holding onto installed measures for notification at a later date would generate a considerable administration backlog. Responses also highlighted that the supply chain will carry the risk of non-payment and insolvency thus may cease to trade and may move away from delivering ECO measures before the ECO3 scheme starts. A proposal to mitigate this requested that measures installed in-line with draft guidance should be accepted as valid.
- 2.25. One response outlined that the current proposal could result in the deadline for notification falling on 31 December which traditionally is a period of closedown for the supply chain. The response suggested that the deadline for reporting early actions is by the end of the second month after the month in which legislation comes into force. They have asked Ofgem to provide assurance that they will offer maximum flexibility in granting extension requests for measures installed in October and November 2018 to be reported by 31 January 2019.

Ofgem response

- 2.26. We have included details of the voluntary pre-notification process below and will provide further details in our draft guidance. We are currently working with the ECO Reporting Working Group (ERWG) to update key evidence documents.
- 2.27. At the time of publication, the draft ECO3 Order has not completed its passage through parliament and could therefore be subject to change. As such, where a supplier follows the draft administration and/or the delivery guidance, it is important to note that this will be on the basis that they are prepared to absorb the risk of any changes to the final version of the ECO3 Order. This is because the draft Order still needs to be approved by parliament and come into force before the scheme begins. We will need to reject measures where they do not comply with the final legislation.
- 2.28. Early actions must be notified by the end of the second month immediately following the month in which the ECO3 Order comes into force. For example, if the ECO3 Order comes into force on 15 November 2018, the notification deadline for early actions would be 31 January 2019. We cannot provide any flexibility to this rule as the notification deadline for early actions is as prescribed by the ECO3 Order. Where a supplier notifies an early action after the two-month notification deadline, for a maximum of 5% of measures the notification deadline can be automatically extended for up to three months. Alternatively, the supplier can apply for an extension request in the same way as for ECO2.

Final administrative approach

- 2.29. Measures cannot be notified to Ofgem until the ECO3 Order commencement date. As such, the voluntary pre-notification process is entirely for the purpose of conducting some pre-notification tests to reduce the number of errors when formal notification can commence. We will engage with suppliers during this phase to perform a selection of tests to increase the likelihood of successful notifications once the legislation comes into force.
- 2.30. During the early delivery phase there will be opportunity for pre-notification testing, however this will not be bulk testing, and will also not include every test. We will not be processing notifications fully, instead completing basic tests to ensure adherence to the format described in the data dictionary. The outcome of any measures notified in this way will be an indicator of approval when formally notified, when the full set of checks will be tested.
- 2.31. Measure processing during this phase is essentially on hold, however when it resumes Ofgem could receive a significant number of notifications. There is a two month timeframe to notify all early delivery measures, so we would anticipate this being utilised. We will need to understand how many measures have been installed during this early delivery phase and therefore we will communicate with each supplier to understand better the likely submission and the timing of this. Broader communication throughout this phase will be of benefit to both parties as we all embed processes and to understand better ECO3 measures that are delivered and suppliers' risk appetite for delivering them during the early delivery phase.
- 2.32. Given any measures reported to us are done so on a voluntary basis we do not plan to publish our regular monthly ECO report.

3. Obligation targeting and household eligibility

Section summary

This section focuses on the household eligibility of customers under the ECO3 Order. We asked stakeholders for their thoughts on the new pathways which customers could use to evidence their eligibility for ECO3 measures. Most responses agreed with the changes and we received a number of suggestions we could adopt. Below, we outline our response to these suggestions and how we will administer the changes.

Questions

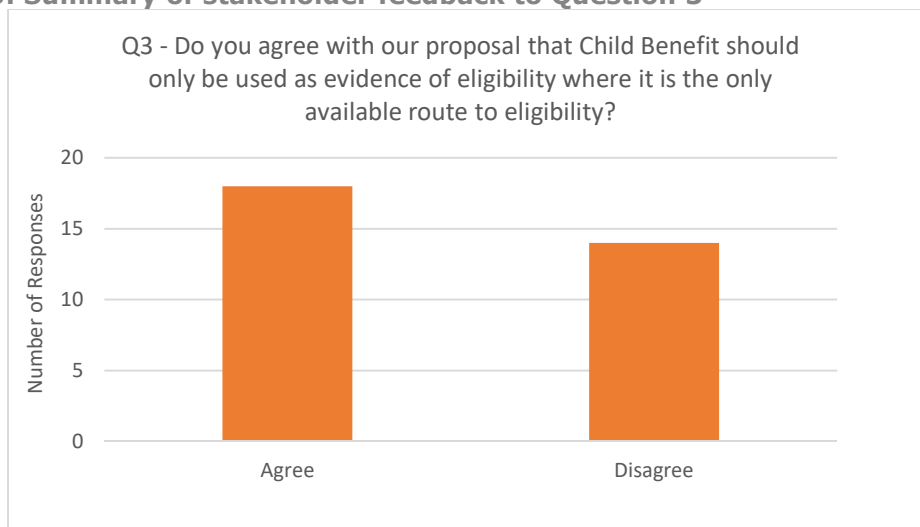
Question 3: Do you agree with our proposal that child benefit should only be used as evidence of eligibility where it is the only available route to eligibility? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 4: Do you have any suggestions for verifiable means of evidencing household income & Child Benefit, or other means of evidencing the new Ministry of Defence benefits? If you have a suggestion, please provide evidence to support your response.

Question 5: Do you agree with our administration of the new PRS rules? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Child benefit as a last resort for eligibility

Figure 5: Summary of stakeholder feedback to Question 3



Summary of responses

- 3.1. 56% of respondents agreed with our proposal, but highlighted that they would support data matching with HMRC as a more robust way of evidencing Child Benefit. Responses widely agreed with using a standardised template which should include an appropriate fraud warning to mitigate the risk of false declarations.
- 3.2. Of those that disagreed with our proposal (44%), responses outlined that there should be a voluntary commitment by installers that evidence based verification routes to eligibility were not available, prior to utilising the self-declaration route. Responses stated the self-declaration route should not be utilised as it is very difficult to evidence them later if required. Responses also outlined that there may be instances where a customer refuses consent for the DWP check or the match subsequently fails, even though the customer is in receipt of one or more of the qualifying benefits.
- 3.3. Many responses suggested that the precedent of local authority flexible eligibility declarations should be followed and suppliers should not be held accountable for an individual falsely declaring they are eligible.
- 3.4. The majority of responses also requested an overview of the additional evidence requirements that may be requested at audit ahead of the start of the scheme, to mitigate retrospective action and the potential risk of losing measures.

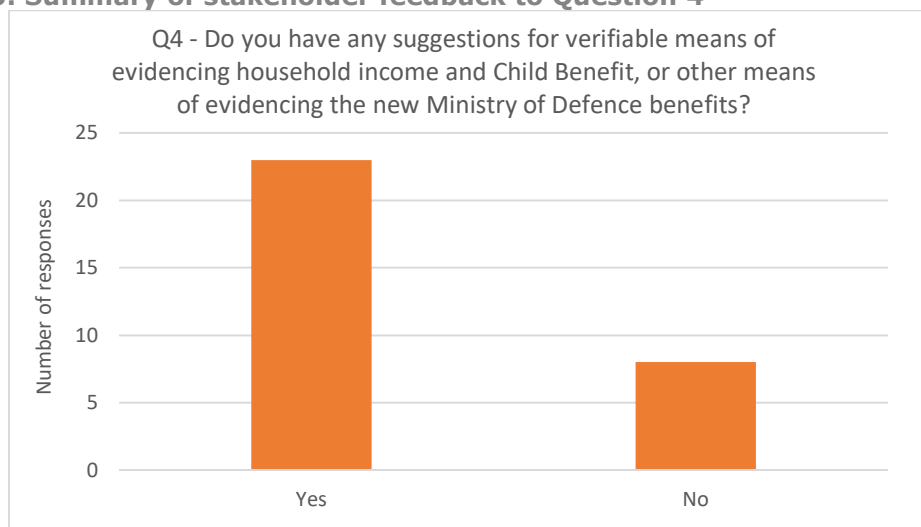
Ofgem response

- 3.5. We expect suppliers to communicate to the supply chain that where a person is in receipt of one of the other Help To Heat Group (HTHG) qualifying benefits that this evidence route is pursued before using a self-declaration.
- 3.6. Due to the complexities involved in evidencing that a consumer is in receipt of Child Benefit and is below the equivalised income threshold for the household composition, we will be taking forward our proposal to use self-declaration to verify help to heat group eligibility. We have worked with the ECO Reporting Working Group (ERWG)⁴ on the design of the Child Benefit self-declaration, and have included some wording on making false declarations. As the administration of the scheme develops it may be possible for an evidence based verification route to become available, in which case we would expect to close the self-declaration route.
- 3.7. We will monitor the number of measures notified using the Child Benefit eligibility route. We may undertake a targeted audit where we see high volumes of self-declarations from individual parties. In this instance, we will work with suppliers to seek assurance that all measures have been appropriately verified, and other routes discounted. Where there is evidence of fraud this will be treated under our existing Counter Fraud policies.

⁴ <https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/eco-forums-and-working-groups/eco-reporting-working-group>

Child benefit and MOD benefits administration

Figure 6: Summary of stakeholder feedback to Question 4



Summary of responses

- 3.8. The majority of respondents (74%) proposed alternative suggestions for evidencing household income and Child Benefit. A number of responses highlighted that a bank statement could be used to evidence receipt of Child Benefit by recording the 8-digit Child Benefit reference number. The value of the payment could also be used to verify the number of children or qualifying young persons. Responses also supported the use of a Child Benefit Award Notice and some proposed the use of Child Tax Credit Award Notice to evidence household composition.
- 3.9. Feedback at the consultation events and in the responses also requested clarifications on the definitions of: single and joint claimants; the responsibility for qualifying children or young persons; total income; and the annual period for which total income is assessed. One response also asked for guidance on whether all the children need to live in the same house, and whether they need to be part of the same family's benefit claim.
- 3.10. A number of responses commented on the restrictions imposed by the General Data Protection Regulation (GDPR) on different ways of evidencing household income and the number of qualifying children or young persons. Respondents fed back that suppliers may have their own restrictions on what personal information can be accepted as evidence. In particular, responses outlined that collecting documents such as P60s, bank statements and letters from employers confirming a consumer's salary would be difficult.
- 3.11. Responses also requested examples of the Ministry of Defence (MOD) benefits and one response proposed using referrals or a declaration from armed forces charities to confirm a consumer is in receipt of one of these benefits.
- 3.12. A number of responses to question 3 also provided feedback on other verifiable means of evidencing household income for Child Benefit. In particular, one response highlighted that GDPR and other confidential requirements may restrict health professionals, social workers and teachers producing letters to support evidencing

eligibility. Responses also stated that alternative avenues for evidencing income, such as bank statements or P60s, would not be appropriate due the sensitivity and intrusive nature of requesting these documents.

- 3.13. One response to this question also requested that matched 8-digit DWP Scottish reference numbers could be accepted as evidence of HTHG eligibility for ECO3. The response also requested further guidance on Universal Credit, particularly how online award notices and online accounts can be evidenced for ECO3.

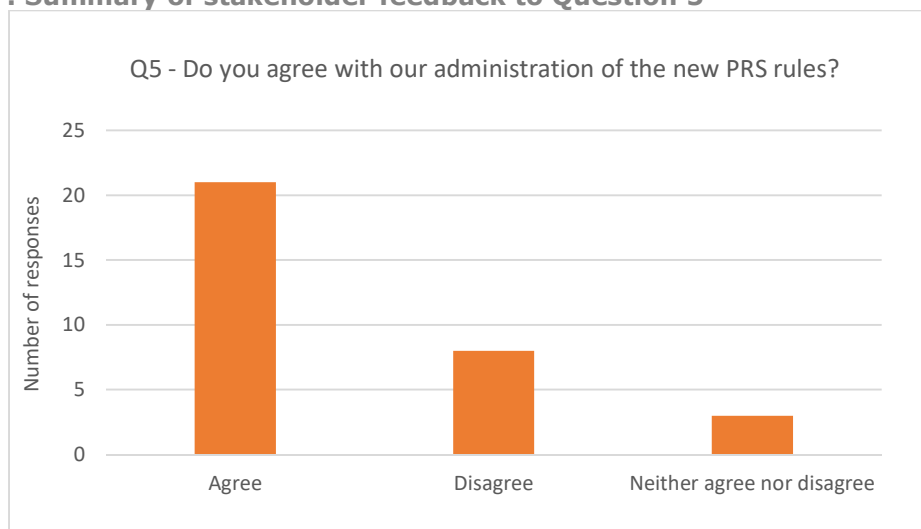
Ofgem response

- 3.14. As outlined in paragraph 3.6, we are working with the ERWG to develop standardised wording for the Child Benefit self-declaration. We will look to include these clarifications in the self-declaration to mitigate consumer confusion.
- 3.15. We will provide examples of the specific benefit letters (originals not required) that can be used as evidence of help to heat group eligibility for the new MOD benefits in our guidance. We are also working to update our HTHG guidance note to reflect the changes to the eligibility criteria for ECO3.
- 3.16. For the scenarios where child benefit is claimed as a member of a couple, the draft Order details that at least one member of the couple, who is resident in the property where the measure is to be installed, is responsible for children or qualifying young persons. It does not add any criteria on where the children or qualifying young persons are resident, and as such they do not need to live in the same house. Further information on Child Benefit can be found on the Government website.⁵
- 3.17. Universal Credit online award notices and online accounts can be used as evidence of Help to Heat Group Eligibility in ECO3, however suppliers will need to ensure that these documents contain the necessary information to evidence eligibility. If additional documents are required to support eligibility, then common information (such as a customer name and address) will be needed to tie the information together. Further information will be provided in guidance.

⁵ <https://www.gov.uk/child-benefit/eligibility>

PRS Rules

Figure 7: Summary of stakeholder feedback to Question 5



Summary of responses

- 3.18. The majority of respondents (66%) agreed with our proposals for administering the new private rented sector (PRS) property rules. Many responses requested a clear definition of the 'latest' EPC: this is due to a concern that, if a new EPC is lodged between installation of the measure and notification, measures could be incorrectly deemed ineligible. Responses generally supported a standardised declaration to be signed by the occupier to evidence tenure.
- 3.19. Of those that disagreed, one response proposed that rather than evidencing that the tenure is PRS, Ofgem should require supporting evidence to confirm that the property is owner-occupied. Another response suggested using Land Registry evidence to confirm that the registered owner is also the occupier receiving the measure.
- 3.20. Responses also highlighted that the responsibility for the provision and lodgement of EPCs should remain with the relevant accreditation schemes and their members, and suppliers should not be required to monitor the content of the EPC.
- 3.21. Respondents raised concerns that any additional evidence that may be required at audit to support the occupier declaration should be communicated to suppliers as early as possible, to mitigate burdensome retrospective actions and the risk of measures being rejected.

Ofgem response

- 3.22. If a pre-installation EPC is used, this must be the most recent certificate issued prior to the date of installation.
- 3.23. As proposed in the consultation, we require suppliers to obtain a declaration from the occupier of the property on the Declaration of Conformity and Completed

installation (DOCC) as evidence of tenure. In the case of PRS the Landlord Permission form, a Working Group document, will have to be completed and this can be cross-checked against the Land Registry extracts which are a requirement for evidencing private domestic premises under ECO3. We are working with the ERWG to merge the EPC information into an existing Working Group document. We are working with the ECO Reporting Working Group to update the DOCC.

- 3.24. We acknowledge the points raised around EPC content and the possibility of additional evidence requirements to support the occupier declaration. We are still developing our audit processes for ECO3, and will provide further information on these as soon as possible.

4. Solid wall insulation and the in-fill mechanism

Section summary

The draft ECO3 Order details that some measures are interconnected, such as those counting towards the Solid Wall Minimum Requirement (SWMR) or in-fill measures, and that these are defined in a slightly more involved way than standard measures. Ofgem has sought to make the administration of these measures as simple as possible. Any additional rules, such as 6 month time limits, that we have suggested have been removed, and we will strive to improve the Register to cater to these rules with additional functionality.

Questions

Question 6: Do you agree with our proposal that where measures that provide equivalent savings to solid wall insulation are installed, all relevant measures would need to be installed within a six-month period to count towards the SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

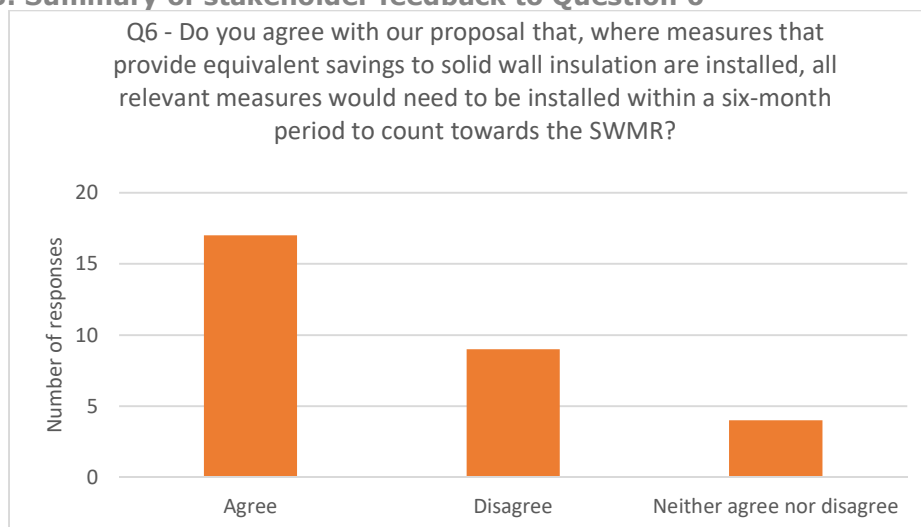
Question 7: Do you agree with the other elements of our administration of SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 8: Do you agree with our proposal that transferring in-fill measures would not be possible until all connected measures are approved? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 9: Do you agree with the other elements of our administration of in-fill for SWI and DHS? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

SWMR Six-month rule

Figure 8: Summary of stakeholder feedback to Question 6



Summary of responses

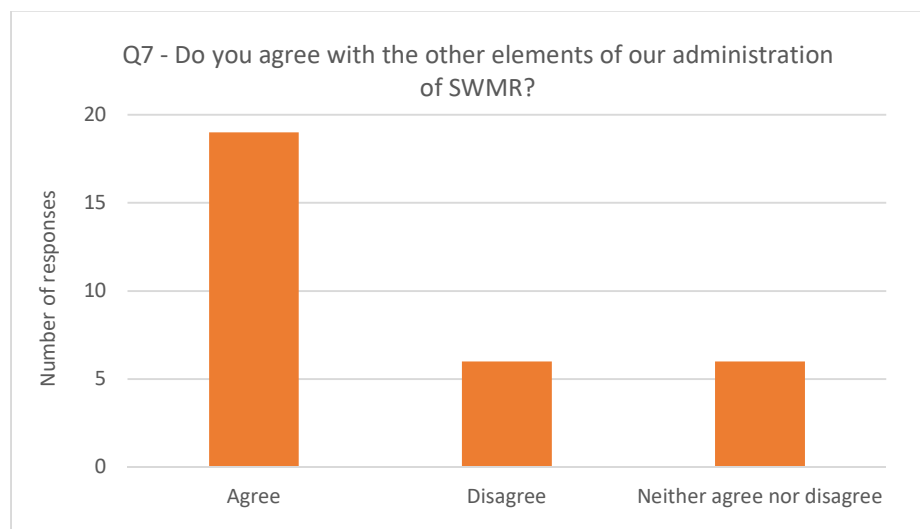
- 4.1. 56% of respondents to this question agreed with the proposal. Concerns were raised that large scale projects would struggle to get completed on time, particularly if there was a wait for parts on hold or delays due to unforeseen circumstances. These could all add up quickly and perhaps even result in rushed work. The restrictions could lead to an adverse effect of measures being held back and not notified until sufficient measures were completed to ensure the relevant cost score could be achieved.
- 4.2. It was also noted that as the ECO3 Order does not specify a specific time period for completion Ofgem should not add an additional restriction that would make administration for suppliers and the supply chain more time pressured.
- 4.3. Separate concerns were raised about the remaining aspects of SWMR which will be addressed in Question 7.

Ofgem response

- 4.4. Whilst there was a majority in favour of our proposals, following further consideration we have decided not to introduce a restriction for measures making up the equivalent savings to solid wall insulation to be installed within a six-month period. This should help to keep the administration as simple as possible.
- 4.5. We will also endeavour to provide additional functionality within the ECO Register in due course to assist with the management of these measures.

SWMR administration

Figure 9: Summary of stakeholder feedback to Question 7



Summary of responses

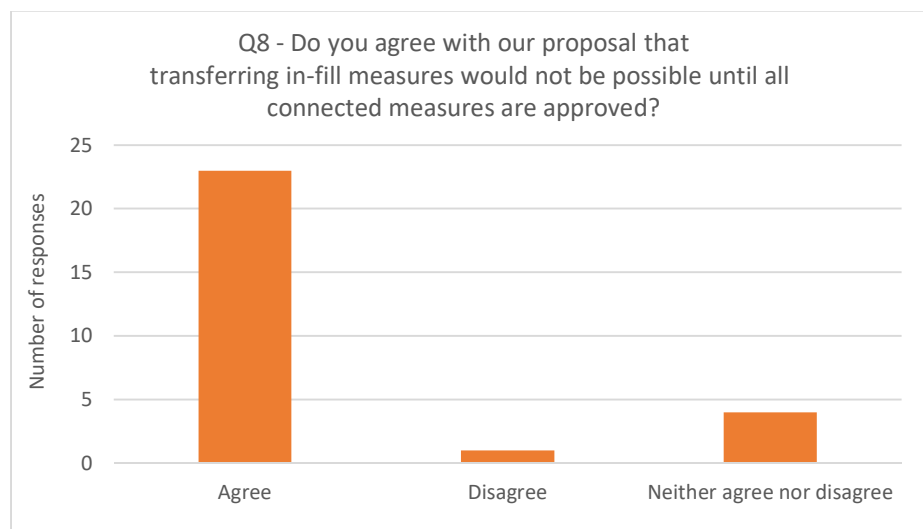
- 4.6. Sixty-one percent of respondents agreed with the general approach to SWMR, however, there were a variety of concerns with the approach.
- 4.7. There were general concerns about the administrative burden involved with grouping measures together and then tracking multiple measures, particularly with multiple installers and energy suppliers.
- 4.8. Some respondents highlighted concerns over the reference number proposed in the consultation document. After publishing our consultation we updated our proposed administration for the reference number and we discussed how it would work with stakeholders during the workshops at the consultation events. Stakeholders were satisfied that this addressed their concerns with the previous solution, initially proposed in the consultation document.
- 4.9. Some respondents highlighted that if, at a particular solid walled premises where only 50% of the walls can be insulated, if SWI was installed then this percentage would count towards SWMR. However to carry out SWI alternative measures at the same premises, the combined score of the measures would have to be equivalent to the full SWI score installed to at least 95% by area. It was suggested that this greatly reduced the changes of alternative measures contributing towards SWMR. In an effort to combat this, others requested that the age band, country and wall type should be mandatory for these measures to help correctly identify the actual cost savings in an effort to obtain a more accurate cost saving.
- 4.10. The interaction with demonstration actions was also queried.
- 4.11. There were general concerns about the amount of SWI that this policy would ultimately result in being installed, with suggestions of a fabric first approach being preferred.

Ofgem response

- 4.12. As detailed in our response to question 6, we will not be applying a six-month restriction. This will allow multiple measure projects to continue throughout the obligation period and assist suppliers in achieving their equivalent cost savings for solid wall insulation. This means that there is a lower risk that projects could be left incomplete compared to a six month timeframe.
- 4.13. Whilst Ofgem notes that suppliers should be in full control of the management of all ECO projects we also recognise that the ECO Register could assist further. As such we will be seeking to add additional reporting criteria to help identify those measures which are contributing towards a solid walled home, and where those measures have surpassed the equivalent SWI cost score and successfully contribute towards the SWMR.
- 4.14. A new field within the notification template and as described by the data dictionary, the supplier created "SWMR RN", will provide us with the additional details we need to administer SWMR.
- 4.15. To expand on the details already provided in our consultation and at our events, cost scores from solid wall alternative measures in excess of the equivalent SWI savings would count towards the SWMR target. This includes when less than 50% (by area, of the exterior facing walls are solid walls) SWI is installed along with additional measures. As such, the reference number can be submitted for individual SWI measures to help ensure that any other measures also count towards the SWMR. To note that if other measures were notified this reference number would be required to link the two together. However, if any measures are installed to 50% or above, then no subsequent measures would contribute towards the SWMR as the premises would no longer be defined as an uninsulated solid walled premises.
- 4.16. The carry-over of measures from ECO2t will be eligible to count towards the SWMR, except when the household tenure is PRS.
- 4.17. It is acknowledged that the ECO3 Order allows installers to install a number of measures, each to different suppliers. As such the optimal SWMR outcome may not always present itself. Greater communication and process evolution between suppliers and installers in light of these developments will likely assist in effective administration.
- 4.18. Regarding innovation measures, a non-SWI measure can only be counted if it achieves a cost saving that is at least the same as any SWI cost savings when installed. The innovation measure would need a score in order to achieve the cost saving required. We will provide further information on innovation scoring in the innovation guidance.

In-fill measure transfers

Figure 10: Summary of stakeholder feedback to Question 8



Summary of responses

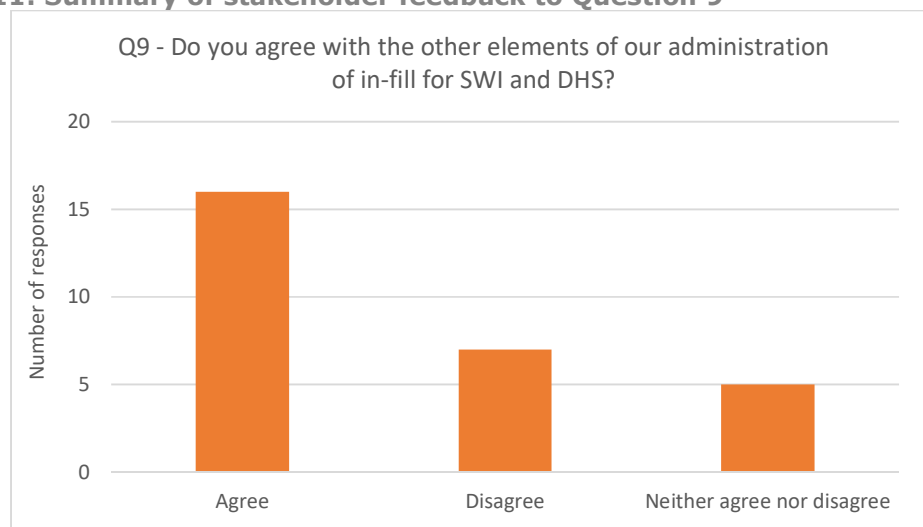
- 4.19. Only one respondent disagreed with our proposal for restricting the transfer of measures until all connected measures were approved. Some highlighted that it would simplify the audit and validation process, as well as ensure that the priority remains with those measures that are verified against a proxy for householders in fuel poverty.
- 4.20. It was acknowledged that the proposal outlined at the consultation events was an improvement on what was detailed in the consultation document. The proposed solution was to have two additional data fields in the notification template to directly specify the linked eligible parent Measure Reference Numbers (MRNs) for the in-fill notification.
- 4.21. It was also highlighted that the in-fill process overall wasn't the easiest to understand, and should be well documented in guidance.

Ofgem response

- 4.22. Ofgem will implement the procedure as proposed in the consultation, to only allow the transfer of in-fill measures when all of the connected measures are approved.
- 4.23. Other responses will be dealt with in the next question.

In-fill measure administration

Figure 11: Summary of stakeholder feedback to Question 9



Summary of responses

- 4.24. On the whole there was a general agreement with the approach, however nearly all respondents highlighted the need for clear guidance. This was particularly the case for defining 'adjacent' and 'area' .
- 4.25. There was a mixed response on the six-month time period, as there may be a desire to "chop and change" measures. Some suggested exceptions to this rule, or that the time limit should start from the date of handover of the first measure.
- 4.26. Another comment highlighted that the rejection process is quite stringent, particularly given the possibility of rejection of a 'primary action' relating to one of the newer areas within ECO3, such as self-declaration. It would be difficult to reclaim these measures within the time period, thereby losing the in-fill measure.
- 4.27. The suggestion in the consultation that a code could be used for the notification of linked measures was met with mixed reviews. One respondent suggested a scheme-wide code for measures within a project, another suggested that the UPRN should be used, whilst another requested a consistent approach for other linked measures.

Ofgem response

- 4.28. The definition of what a particular area is will follow the same rules as for in-fill measures under LA FLEX as defined in the guidance produced by BEIS and is defined in the ECO3 order. Whilst the guidance is under review, it is not expected to change significantly from what was used for ECO2t. It is important to note that the LA FLEX guidance cannot outline all the housing scenarios and there may be other examples that have not been considered.
- 4.29. Ofgem notes the desire for as much flexibility as possible for counting in-fill measures towards a supplier's obligation, particularly if any unforeseen circumstances occur that might make a linked measure ineligible. The ECO3 Order

details in 14(4)(c)(v) that the two qualifying actions must be “completed within the same six-month period as the in-fill measure.” If one of these qualifying actions is revoked, Ofgem will not automatically revoke the in-fill measure. It will remain notified as an un-linked in-fill measure which would ultimately not count towards a supplier’s obligation. However, if other qualifying actions are notified or are subsequently notified that satisfy all of the appropriate criteria, then the un-linked measure may be linked to these new actions and count towards the supplier’s obligation once more.

- 4.30. Ofgem will seek to continuously improve the ECO Register, and we may look to build a report which provides an overview of in-fill measures.

- 4.31. Using the UPRN to link the measures together was considered and Ofgem can see the advantages of this, however the UPRN field is currently not mandatory and it may not be appropriate for all suppliers to notify this information. If requested in future, we may seek to make the UPRN mandatory. We explained at the consultation events that two additional fields have been added that can be used to reference the two qualifying actions, through their MRNs, for the in-fill measure. Once an in-fill measure is notified and correctly linked, the qualifying actions will then also be updated to note that an in-fill measure has been successfully linked. In this manner, no further additional in-fill measures can utilise the eligible measures.

- 4.32. To note, in-fill SWI measures will count towards a supplier’s SWMR.

5. Changes to heating measures

Section summary

This section confirms the continuation of the use of criteria of broken and inefficient heating systems, as well as of the definitions and tables in the boiler assessment and electric storage heater checklists, used in ECO2t. The response to the proposal to use a declaration to evidence first time central heating is also addressed below.

Questions

Question 10: Do you agree that we should continue to use the same criteria for determining if a heating system is broken as we currently use (as detailed in paragraph 6.15)? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

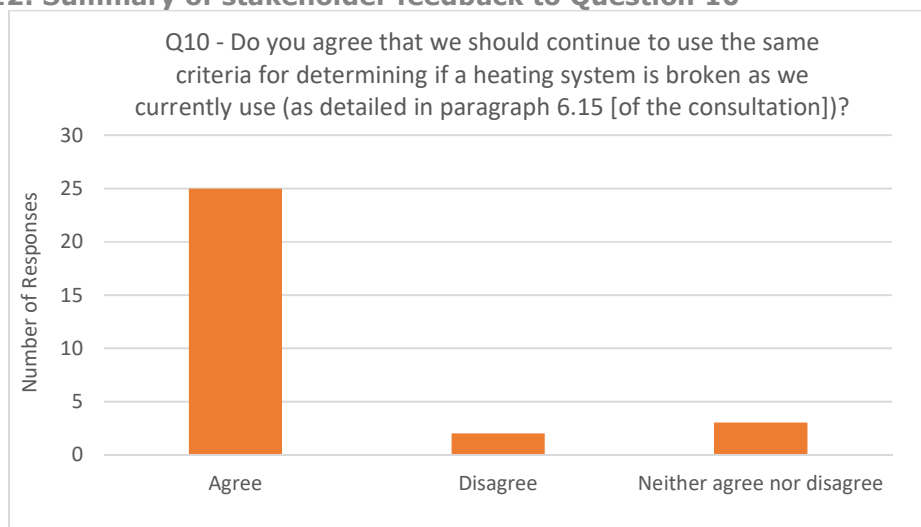
Question 11: Do you agree with our proposal to continue to use the definitions and tables in the boiler assessment checklist and electric storage heater checklist to determine if broken heating systems can be economically repaired? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 12: Do you know of any heating systems (other than boilers or electric storage heaters) for which we would need to develop a definition for inefficient? If you do, please provide evidence to support your response.

Question 13: Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Broken heating system criteria

Figure 12: Summary of stakeholder feedback to Question 10



Summary of responses

- 5.1. The majority of respondents (83%) agreed with this proposal. Many of the responses discussed the use of the Boiler Assessment Checklist and Electric Storage Heater Checklist so we have amalgamated these points into Question 11.
- 5.2. Many respondents requested more guidance on when a system can be counted as broken. This included some requests for guidance on the faults that would not be considered sufficient to constitute a broken heating system, which was also voiced during our consultation events.
- 5.3. One respondent disagreed and suggested introducing a more robust method in assessing the whole system. They suggested a more rigorous audit and post assessment check to ensure the boiler is working. They also stated a minimum warranty of seven years should be in place for all new boilers.
- 5.4. One respondent stated the criteria should be reviewed in relation to district heating systems and outlined the need for publishing checklist documents at the earliest date possible for early heating measures. Another respondent broadly agreed with the criteria but would welcome future easier administration of the criteria. In relation to the broken heating definition, a different respondent agreed the definition used for boilers could be transferred to a district heating system on the same fuel.

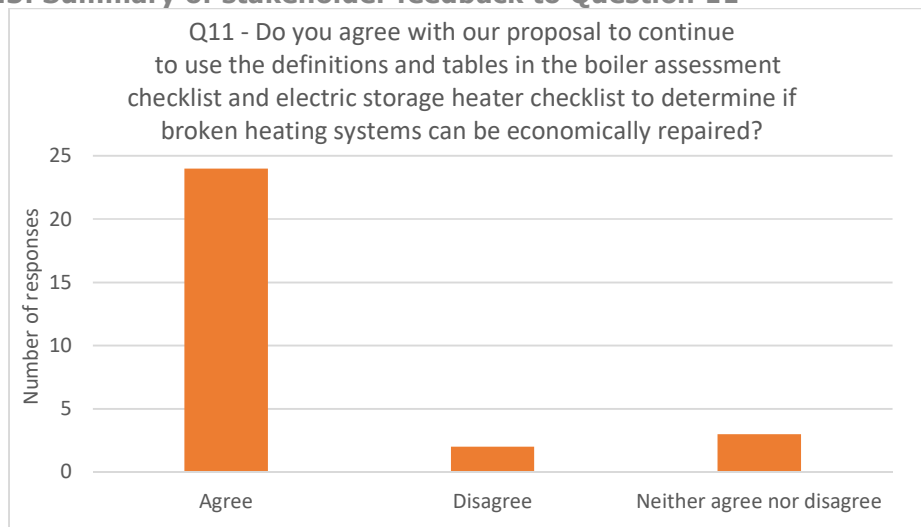
Ofgem response

- 5.5. Recognising high levels of support from respondents, we will continue to use the same criteria for determining if a heating system is broken as we currently use in

ECO2t⁶. We consider that the current definition and criteria are robust and can be clearly assessed by a suitably qualified operative.

Boiler and electric storage heater checklists

Figure 13: Summary of stakeholder feedback to Question 11



Summary of responses

- 5.6. The majority of respondents (83%) agreed with this proposal.
- 5.7. A common theme throughout the responses was a request to have both checklists in place for 1 October 2018 so that measures could be installed immediately.
- 5.8. The majority of suppliers who responded suggested we should remove the definitions of 'poor', 'standard' and 'good' to reduce subjectivity. One supplier was happy with the definition but requested clarification around the meaning of 'good', 'standard' and 'poor' within the boiler checklist.
- 5.9. We received a number of requests for additional guidance on how to complete the checklists in order to ensure that accurate information is recorded. This included requests for more guidance on faults that would not be considered sufficient to constitute a broken heating system.
- 5.10. One respondent stated the current checklist has caused administrative issues and suppliers have chosen to stop accepting qualifying boiler measures due to low quality of economical repair evidence, namely repair quote screenshots. The respondent suggested that suppliers' internal audit teams were under pressure to amend these measures in time for Ofgem submission. The respondent stated suppliers are overwhelmed by this evidencing requirement to the point where measures cannot be delivered due to a complex process.

⁶ <http://www.legislation.gov.uk/uksi/2017/490/contents/made>

- 5.11. We had varied feedback on using the existing repair tables for DHS measures. Some respondents stated they could be suitable where the heat interface unit is not producing heat. However other respondents stated that if the overall DHS system is not producing heat, then the economic repair tables would be insufficient to correctly determine viable economic repair.
- 5.12. One respondent suggested that DHS should have a separate economic repair cost table. Some respondents suggested that we conduct more research into different aspects of cost repair such as flow and return pipes within a DHS.
- 5.13. Many respondents, mainly suppliers, also discussed the use of the checklists in an audit and requested Ofgem outline what evidence suppliers would be expected to retain to demonstrate that a boiler cannot be economically repaired. One supplier mentioned this would help mitigate against potential replacement of boilers that could be repaired rather than replaced. In line with this, another supplier urged us to consider the timing of any proposed audits to limit the potential impacts on the supply chain of placing large volumes of measures at risk before evidence requirements are fully understood.
- 5.14. One respondent stated that they did not see the benefit of merging the BAEL and ESH checklist, something we had previously discussed during the consultation events.

Ofgem response

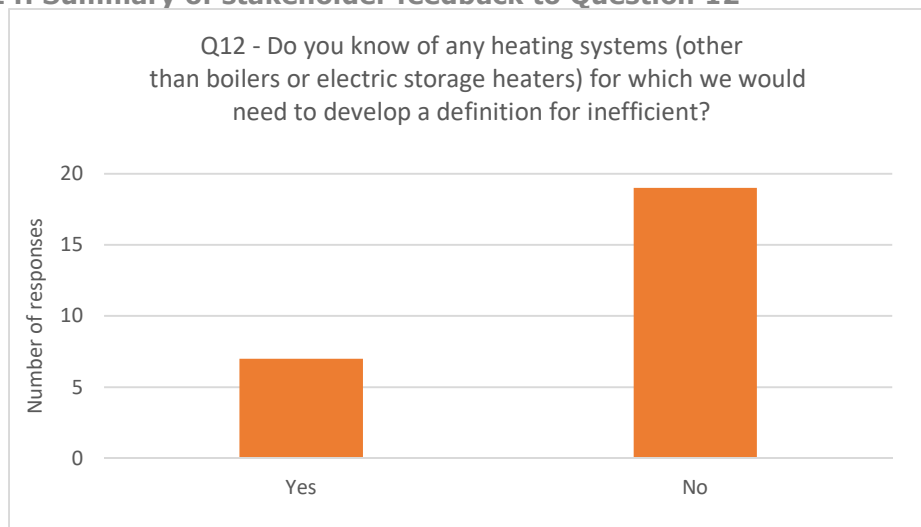
- 5.15. Due to the feedback received, we will keep the boiler assessment checklist and ESH checklist separate. We will prioritise the creation of the checklists and will publish draft versions of both before 1 October 2018.
- 5.16. As requested by some stakeholders, we are removing the definitions of 'poor' and 'good' and only providing one option (the current 'standard'⁷) for the repair tables for ECO3. This will help to reduce subjectivity and ensure consistency across suppliers and the supply chain. We will not be producing further guidance for completing the checklists. We believe the current checklists are prescriptive enough to enable them to be completed effectively whilst also giving suitably qualified operatives scope to assess systems on a case by case basis. However, we have reviewed the fault examples given to ensure they are suitable and made some minor amendments where necessary.
- 5.17. We intend to utilise the existing economic cost repair tables for mains gas and oil. However, we may look to review this after the scheme begins if we receive feedback that they are unsuitable in practice. Due to frequency of occurrence and for simplicity we are going to implement our proposal use the same mains gas economic cost repair tables for district heating systems as well.

⁷ Within the 'standard' category, we will not be updating the figures for the start of ECO3. However, at some point later in the scheme, we may update the figures to reflect any changing market.

- 5.18. We may choose to audit evidence in relation to the heating checklists if any specific issues come to light. Suppliers should retain all evidence for heating measures in the event of any audit.

Other inefficient heating systems

Figure 14: Summary of stakeholder feedback to Question 12



Summary of responses

- 5.19. Stakeholders suggested we develop a definition for inefficient for an additional four groups of heating systems.
- 5.20. Warm air systems, heat pumps and solid fuel systems (room heaters/solid fuel fire to back boiler) were all suggested by three stakeholders each. A further two stakeholders suggested the definition of inefficient electric heating is expanded to cover more types of electric heating such as electric boilers.
- 5.21. Two stakeholders requested guidance on which heating measure(s) room heaters would be eligible for (ie FTCH/broken/upgrade/repair).
- 5.22. Another stakeholder suggested that where more than one insulation measure is being used to achieve the 50% minimum requirement for a primary insulation measure, the six-month period for installing the secondary measure should start on the date the last primary measure is installed.

Ofgem response

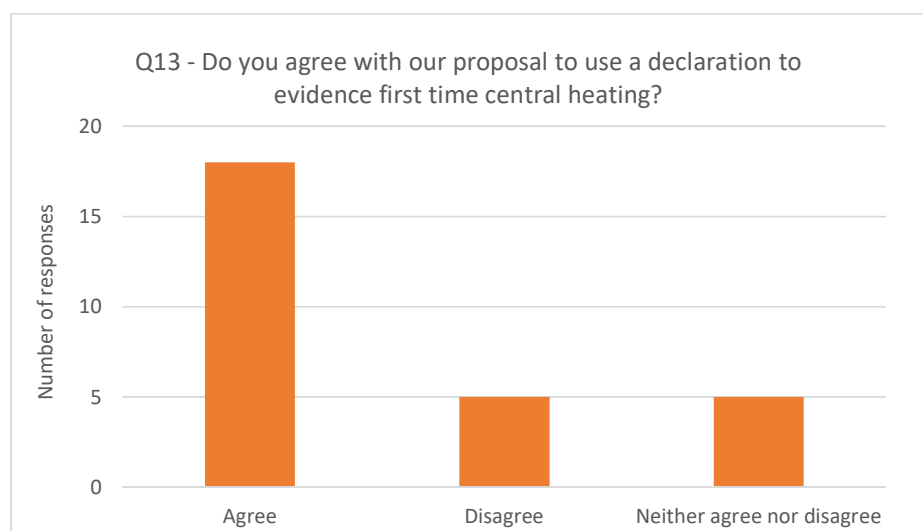
- 5.23. We are investigating the possibility of developing definitions of inefficient for the proposed systems, and may consider publishing the outcomes in guidance (possibly a separate note) in due course.
- 5.24. Where more than one measure is required to achieve the 50% minimum requirement, then the first of these measures is not considered a "primary insulation measure". The ECO3 Order is clear that the "secondary heating measure" "is

completed on the same date as, or no more than six months after, the date on which the related primary measure is completed”, ie the last of the insulation measures completed required to achieve 50%.

- 5.25. The suggestion around eligibility of functioning boilers is a policy issue and therefore not within Ofgem’s administrative role. BEIS has previously set out the policy on this.
- 5.26. We will seek to provide guidance on the scenarios requested.

FTCH declaration

Figure 15: Summary of stakeholder feedback to Question 13



Summary of responses

- 5.27. 64% of respondents agreed with our proposal to use a self-declaration to evidence first time central heating. Those that agreed highlighted the need for a clear audit strategy and requested that where Ofgem anticipate requiring additional supporting evidence, this should be made clear in guidance at the start of the scheme.
- 5.28. Several responses also outlined the level of uncertainty relating to the accuracy of a self-declaration. Respondents requested that revisions to declarations and the addition of further evidence requirements should be kept to a minimum to mitigate the impact on suppliers and the supply chain.
- 5.29. Some respondents suggested that pre-installation EPC data could be collected to evidence that a property has never had a heating system. Another response proposed introducing two declarations: one to be signed by the household, and one to be signed by the social housing provider for larger projects.

Ofgem response

- 5.30. We have developed a FTCH declaration for private housing premises (both owner occupier and privately rented). We are engaging with the ECO reporting working group to develop a suitable declaration which will be in addition to the existing social housing EFG declaration which contains a FTCH declaration for those specific properties.

6. Innovation, in-situ performance monitoring and scoring

Section summary

This section looks at the suggestions from stakeholders on how we should administer demonstration actions, innovation measures and in-situ monitoring. We received a large volume of responses which we analysed and determined if they were viable. Below we outline which of the suggestions we will be taking on-board and how we plan on administering them moving forward.

Questions

Question 14: Do you have any suggestions for our administration of demonstration actions? If you do, please provide further information, including any evidence, to support your response.

Question 15: Do you have any suggestions for our administration of innovation measures? If you do, please provide further information, including any evidence, to support your response.

Question 16: Do you have any suggestions for our administration of in-situ monitoring? If you do, please provide further information, including any evidence, to support your response.

Question 17: Do you agree with our administration of the uplift? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Innovation

Figure 16: Summary of stakeholder feedback to Question 14

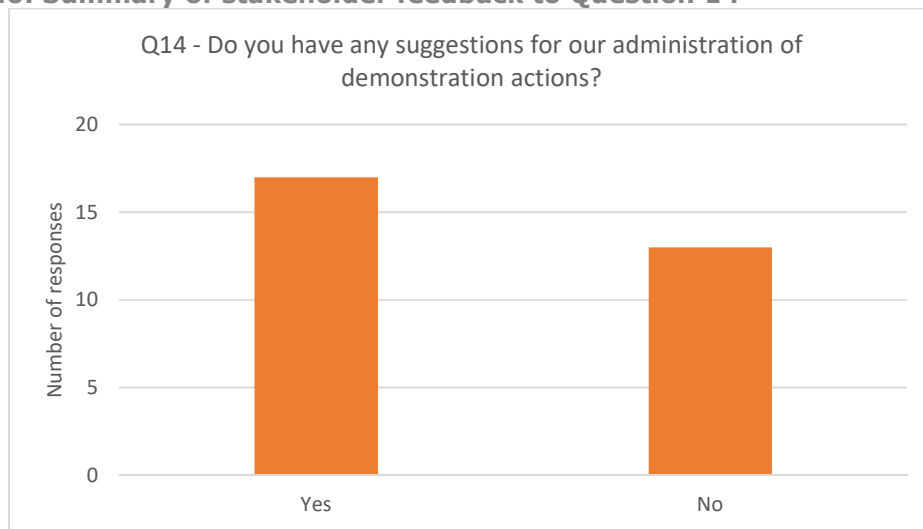


Figure 17: Summary of stakeholder feedback on Question 15

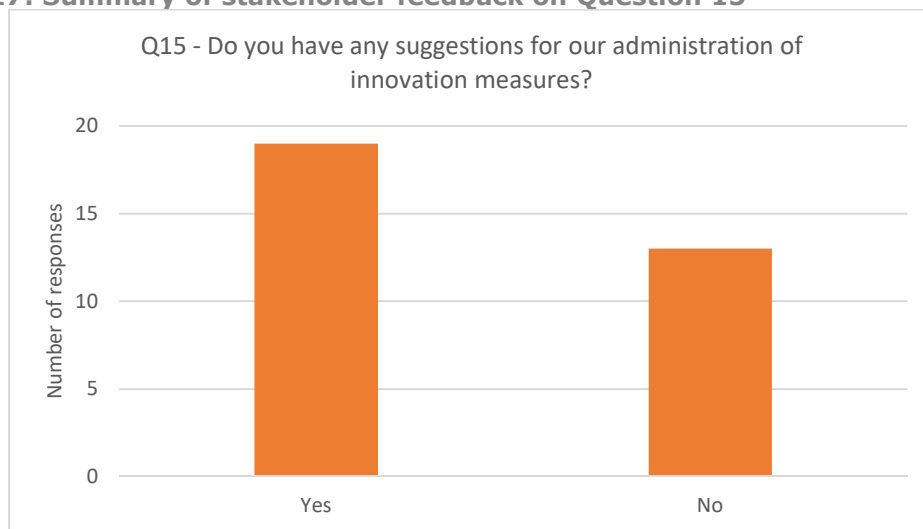
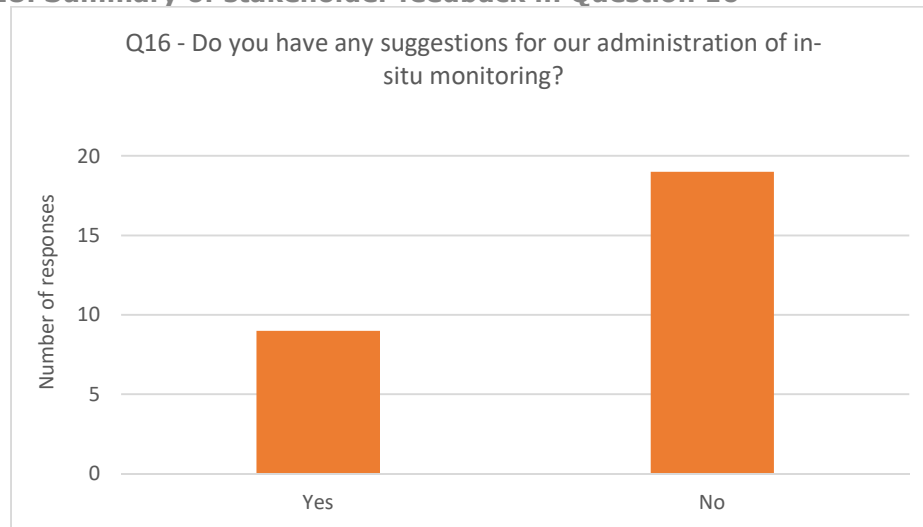


Figure 18: Summary of stakeholder feedback in Question 16

Format of this chapter

- 6.1. In the consultation we presented our current proposals for administration and asked for feedback in the form of a call for evidence on the two new innovation routes, 'demonstration actions', 'innovation measures' as well as for the new concept of in-situ monitoring.
- 6.2. As part of the consultation process we also held a workshop on innovation at each of our consultation events, which we held subsequent to the publication of our consultation but prior to the consultation closure date. During these workshops we explored further how we might administer these innovation routes.
- 6.3. Views on the three topics were similar and, in their written responses stakeholders often repeated the same responses for all the questions or self-referenced between them. We have, therefore, grouped the summary of responses to all three questions in one section and included any additional feedback we received during our consultation events.

Summary of responses

- 6.4. There was widespread agreement with the general proposals we published in the consultation and discussed during the consultation events. There was a strong desire by the majority of respondents for more guidance and information on how these three new routes will be administered.
- 6.5. Discussion at the workshops centred on the formation of a technical advisory panel that would make recommendations to Ofgem. Stakeholder responses requested that the process is transparent and unambiguous, and that they have opportunity to feed into the development of the documents that support it.
- 6.6. Many stakeholders requested that the process sets out clear timings for applications, panel meetings, recommendations and Ofgem decisions. A clear appeals process was also requested.

- 6.7. A number of stakeholders expressed opposing views on how decisions (either to reject or accept an application) should be published. Some stakeholders stated that as a public body we should publish all outcomes to inform future applicants. Other stakeholders stated that decisions, especially rejections, should be kept confidential to ensure there are no impacts on the market for the associated measure type.
- 6.8. A couple of respondents viewed the use of the panel recommendation followed by a decision by Ofgem as redundant. They queried why the panel itself, with Ofgem participation, could not make the decision. Some stakeholders suggested submitting applications directly to us, rather than through an Obligated Supplier.
- 6.9. One stakeholder responded that their reading of the Electricity Act 1989 meant that energy advice could be considered a measure.

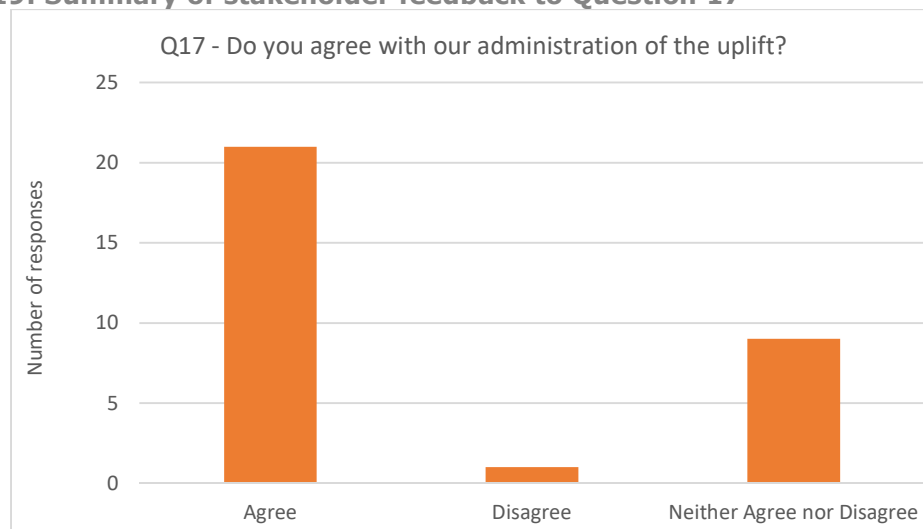
Ofgem response

- 6.10. With respect to the supply chain proposal on submitting direct applications to Ofgem, we have decided not to take this approach. The ECO3 Order requires applications to be submitted by an obligated supplier, so we cannot accept applications directly from members of the supply chain. It is important to recognise that this is a supplier obligation and it is up to each individual supplier to determine the measures they want to promote in order to fulfil their obligations. The innovation guidance will detail the types of measures that will be considered.
- 6.11. We will however be publishing the application forms and guidance online for anyone to access and use. Members of the supply chain are free to work on gathering the necessary evidence before engaging with a supplier if they wish.
- 6.12. With regard to the panel making decisions, this approach is not accommodated by the draft provisions of the ECO3 Order. Ofgem is the decision maker, so the panel's role will be to make a technical recommendation to Ofgem. Ofgem will then make the final decision.
- 6.13. In terms of publishing outcomes, we still need to give due consideration to this as we develop the administration processes. Where new 'innovation measures' are approved, we will publish the scores on our website so that anyone can use them.
- 6.14. Where demonstration actions, or in-situ performance monitoring actions, are approved we will require some level of reporting of this. However, we have still to decide how this reporting will work, and it will be detailed in separate innovation guidance
- 6.15. Opposing views were expressed as to publication of data or outcomes that could be seen to be intellectual property. We will give due consideration to this as we develop the administration processes.
- 6.16. All measures installed under any of the new routes must meet all other ECO3 criteria. This includes the requirements that measures are installed in accordance with the Publicly Available Specification (PAS) 2030:2017 (or similar industry standards where the measure does not exist in PAS) and certain measure types must have appropriate guarantees where applicable. The provision of information on energy savings does not count as heating cost reduction savings as required under the Order.

6.17. Ofgem is continuing to develop its procedures for innovation and in-situ performance monitoring. At this time, it is our intention to create the technical advisory panel and start development on the supporting documents. We will then hold further workshops as part of the development before publishing guidance for comment. Our current plan is to finish the drafting of the documents (including the application form) by the end of October 2018.

Scoring / LA FLEX uplift

Figure 19: Summary of stakeholder feedback to Question 17



Summary of responses

- 6.18. The large majority of respondents were in overall agreement with our proposed administration of the uplift.
- 6.19. The requirement to provide a Report Reference Number (RRN) to demonstrate EPC band and the inclusion of the uplift in the published score were each singled out by two stakeholders as aspects they agreed with.
- 6.20. One stakeholder agreed with the use of the latest EPC to determine EPC band, but requested clarity on how "latest" would be defined.
- 6.21. Two stakeholders suggested additions to the proposal to require RRNs for relevant measures. One suggested that the notification template should require the EPC band to be entered when a measure is notified. Another suggested the local authority should sign a declaration to validate those properties which are EPC band F or G.
- 6.22. Two stakeholders noted that the published deemed scores include scores that are unlikely to be claimed, as any relevant installations would by definition also be eligible for alternative scores with a better uplift.
- 6.23. One stakeholder was of the opinion that greater innovation and investment could be unlocked by allowing local authorities to work in partnership with community groups and ESCOs to deliver innovative interventions.

Ofgem response

- 6.24. We will administer the Flexible Eligibility uplift as set out in the consultation document. We will publish versions of all relevant scores with the uplift incorporated, and suppliers must include the RRN of an appropriate EPC certificate when notifying one of these scores.
- 6.25. The EPC certificate can be either pre- or post-installation (if after installation the property remains within bands F and G). If a pre-installation EPC is used, this must be the most recent certificate issued prior to the date of installation.
- 6.26. We do not see the need to require EPC band to be notified in addition to the RRN, as the EPC band can be readily determined using the RRN. We also prefer the provision of RRN to local authority validation as the former allows easiest verification.
- 6.27. We acknowledge that the deemed scores matrix we published following our deemed scores consultation in July 2018 includes scores that are unlikely to be claimed. In developing the deemed scores, we began with the set of basic non-uplift scores, and added separate versions for each possible uplift that could be applied. In practice, there are cases where the version with the largest uplift can always be claimed, and the other versions are extraneous. For example, all insulation measures carried out in properties with non-mains gas heating systems can be notified using the 35% off-mains-gas insulation uplift versions of the scores. However, the non-uplift versions remain in the matrix. We do not propose to publish a further set at this stage with the additional scores removed.
- 6.28. The respondent who requested that local authorities are allowed to work in partnership with other parties did not propose any changes to our administrative approach. However we note that local authorities already work with a range of partners to deliver ECO measures under flexible eligibility, and we do not expect this to change.

7. Consumer protection

Section summary

This section covers the questions on PAS and DHS consumer protection. The standards set out separately by both PAS and Heat Trust must be strictly adhered to, as detailed by the ECO3 Order. In both instances Ofgem will not require detailed evidence to be submitted to prove adherence, that is the responsibility of the relevant parties in question.

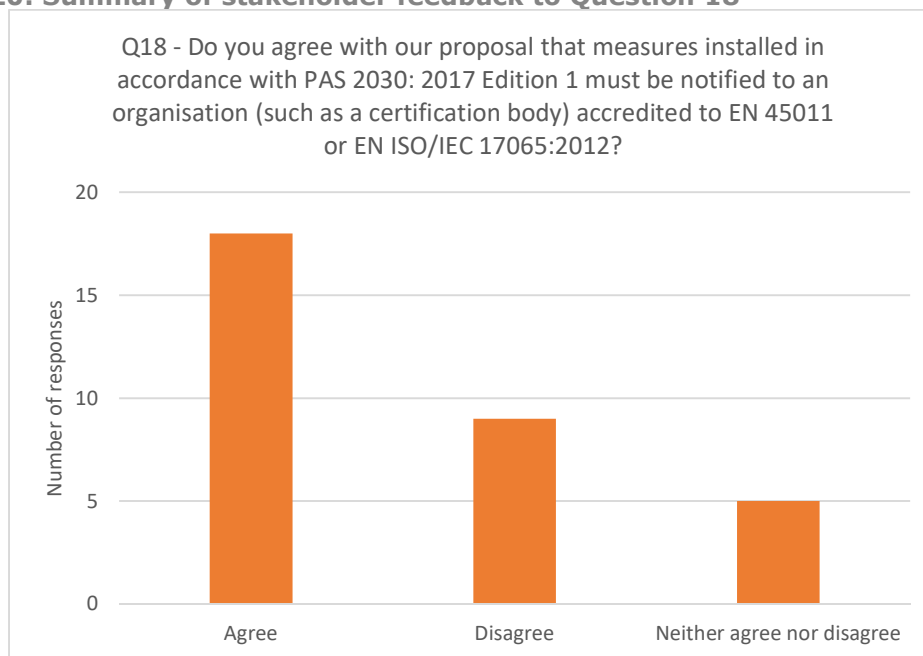
Questions

Question 18: Do you agree with our proposal that measures installed in accordance with PAS 2030: 2017 Edition 1 must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

Question 19: Do you agree with our proposal that, where a supplier does not wish to register a DHS project with Heat Trust, they must arrange an audit by a third party and the result of the audit must confirm that the arrangements are equivalent to the requirements under Heat Trust? If you disagree, please provide alternative suggestions, including any evidence, to support your response.

PAS

Figure 20: Summary of stakeholder feedback to Question 18



Summary of responses

- 7.1. 56% of the responses agreed with the proposal, however, this was a complicated question that is more accurately interpreted through the responses. There were strong responses from energy suppliers on this subject.
- 7.2. One respondent outlined that installers are already required to do this and it is a further example of suppliers policing the certification industry and they disagreed with this proposal. They suggested Ofgem should work with BEIS to discuss that accredited scheme providers are reporting their own measures. They stated the supplier should only have to evidence that the installer is PAS 2030 certified for the particular measure installed.
- 7.3. Overall, the majority of respondents agree and support that the relevant ECO measure should be notified to a certification body. They are however concerned about any additional compliance burden to evidence and verify this and believe this requirement is better controlled by the industry and PAS framework rather than the energy industry.
- 7.4. One respondent suggested a process should be outlined to identify how suppliers can evidence that the installer has notified the relevant organisation and provide detail on how this should be administered. They stated that unless such a framework is put in place, it should not be a requirement on suppliers.
- 7.5. A respondent outlined that there does not appear to be a clear industry process to enable this to happen for all measures and that this could place additional pressures on the supply chain. A number of installers agreed with this view and stated that the

current criteria is sufficient and there should be no additional criteria on top of PAS 2030 requirements.

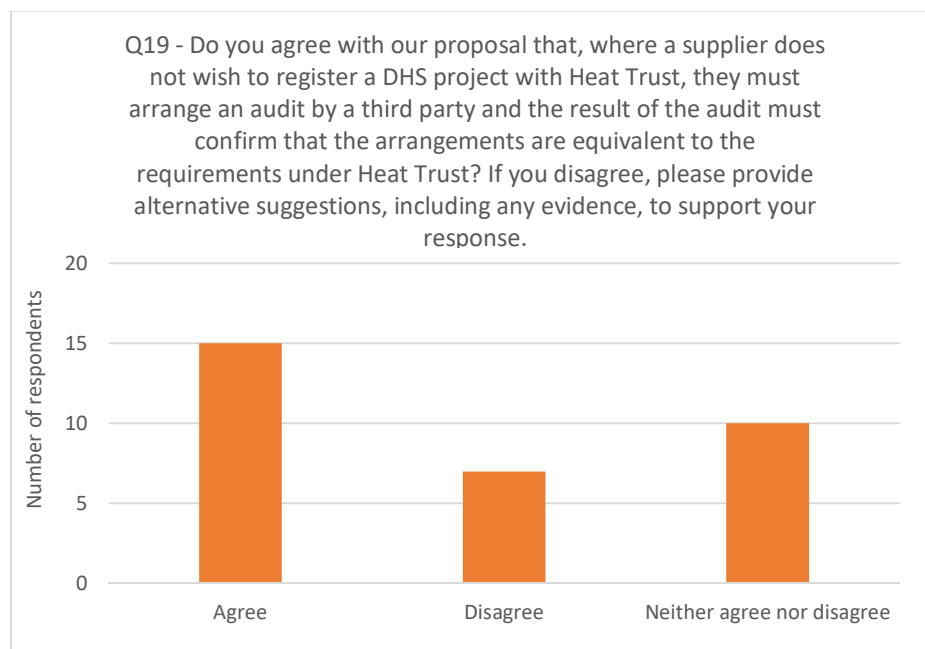
- 7.6. One respondent outlined they have no confidence in the requirements of PAS 2030.
- 7.7. Another respondent agreed with the proposal and stated this would allow certification bodies to develop a system to allow notifications to be recorded. They believe this would improve standards and would help certification bodies ascertain how many inspections they need to carry out.
- 7.8. Another respondent agreed with the proposal to notify such measures and clarified that EN 45011 has been replaced by ISOIEC 17065, they believe the reference to EN 45011 is misleading. They also stated the reference to 'an organisation (such as a certification body)' could be misleading given that organisations accredited to ISOIEC 17065 will, by definition, be certification bodies.

Ofgem response

- 7.9. We will reiterate in the Delivery Guidance that measures installed in accordance with PAS 2030:2017 must be notified to a certification body. However, we agree it is the responsibility of the PAS framework and certification bodies to ensure this is occurring and suppliers will not be required to submit further evidence to verify this beyond evidencing that an installer is PAS 2030 certified. We will look to work with certification bodies where failures under the PAS framework become apparent.

DHS consumer protection

Figure 21: Summary of stakeholder feedback to Question 19



Summary of responses

- 7.10. 47% of respondents neither agreed or disagreed with our administrative approach, suggesting DHS measures were low down the priority list, or low frequency. Of those who did respond, they noted the ease of simply registering with Heat Trust, but that deviating from that administrative route would add a significant degree of complexity.
- 7.11. It was suggested that not for-profit heat suppliers, as highlighted within the Landlord & Tenant legislation, would potentially be incompatible with Heat Trust's model of consumer protection to for-profit providers. It was also noted that in small family systems the heat is often not measured, a requirement within the Heat Trust rules.
- 7.12. Many wanted to know which third parties would be able to complete the audit and whether a checklist would be provided as a guide. Many thought that it would add significant cost and delay projects.
- 7.13. Respondents thought that there was uncertainty about what would qualify as 'equivalent' and requested further clarification on this. There were also concerns around whether the resulting consumer protection standards would be sufficient or even credible.
- 7.14. In their response, Heat Trust highlighted all of their scheme requirements, and noted that there needed to be a consistent level of consumer protection across different heat networks. They were keen to understand how any future improvements to their standards that they would make (potentially driven by CMA recommendations) would be incorporated into equivalent schemes and how feedback on the services received would be handled, particularly if a poor service was being received.

Ofgem response

- 7.15. Heat Trust are the current industry standard for consumer protection of district heating systems and due to their specific role in DHS they have been specifically designated within the ECO3 Order. Based upon the evidence submitted as a part of the consultation process, with regards to the equivalent district heating consumer protection standards, Heat Trust remains the only body who can deliver at this stage.
- 7.16. We have held discussions with Heat Trust and they have highlighted that whilst for-profit organisations have been the bulk of their work they are also able to work with not for-profit setups where the key requirement of a heat supply agreement may not be in place. It was also noted that for all new buildings the Heat Network (Metering and Billing) Regulations 2014 details that individual metering is required for each final customer occupying the building.
- 7.17. There may be a number of specific concerns about the requirements that may discourage a heat supplier from initially considering Heat Trust. However, Heat Trust are keen to understand what these are and to work with third parties so that a viable solution can be found so that third parties do not have to pursue an equivalence route. Their willingness to engage on consumer protection to discuss the standards, with the wealth of knowledge that they can provide, as well as the lead in times to become registered, means that Ofgem recommends anyone seeking to install a district heating system to engage with them at the earliest possible opportunity.
- 7.18. If choosing an alternative to Heat Trust, the ECO3 Order details that “arrangements for consumer protection which are equivalent to the requirements under the Heat Trust Scheme” will be required. To be clear about the term ‘equivalent’, in this context Ofgem considers this to mean equal, or the same. If there are situations that diverge from the Heat Trust requirements it is important to discuss these with Heat Trust to work towards a solution, so that the evidence for the deviation can be demonstrated to Ofgem. To note, that if standards go beyond what Heat Trust requires, then equivalent arrangements would still be in place.
- 7.19. A third party auditor must be suitably qualified with relevant industry experience. They must be able to understand and suitably assess equivalence on every aspect of Heat Trust’s requirements. As such, these requirements form the basis of any checklist.
- 7.20. The audit and report themselves will inevitably vary in scale depending on what is being assessed. With regards to the stakeholder response on the costs involved, whilst this route is likely to be more expensive, Ofgem notes that an industry standard route through Heat Trust is prescribed by the Order that likely provides a lower cost solution. Other providers have shown interest so there may be alternatives in the future.
- 7.21. Improvements to Heat Trust standards would need to be incorporated at the time of 3rd party audit equivalence assessment. However Ofgem would not expect this to retrospectively take place. Additionally, any failings on the expected ongoing consumer protection put in place would not be assessed by Ofgem, although ultimately we retain the right to audit and ultimately revoke measures if they failed to comply with scheme requirements.

8. Definition changes and our administration

Section summary

This section outlines our proposed administration of the new definition of cost savings and our interpretation of the new definition of domestic premises. This section also discusses other areas of our general guidance and administration, along with feedback from stakeholders on our online response tool.

Questions

Question 20: Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.

Question 21: Do you agree with our revised interpretation of 'domestic premises'? If you disagree, please provide evidence that the premises outlined in paragraph 9.18 [of the consultation] should be treated as domestic premises.

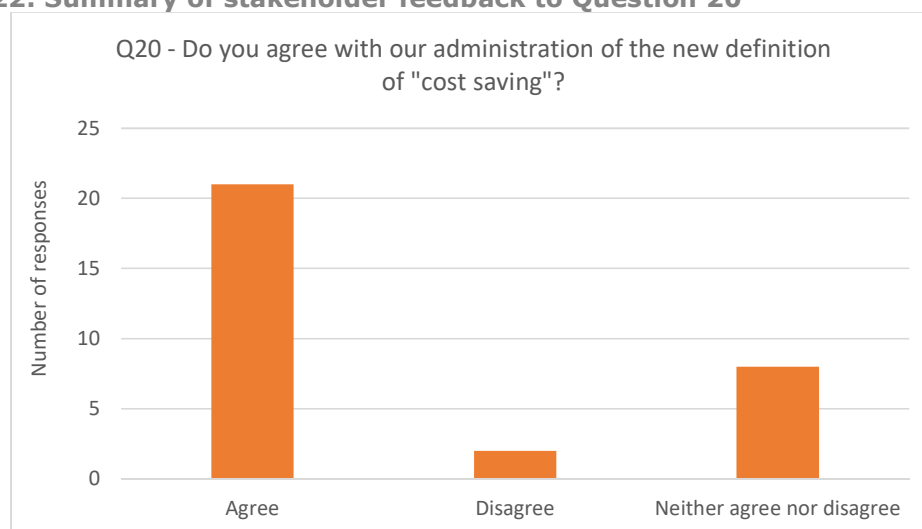
Question 22: Are there any areas where you think further guidance would be useful?

Question 23: Do you have any further comments on our proposed administration for ECO3?

Question 24: Did you use our online response tool? If you used our online response tool, do you have any feedback?

Definition of 'cost saving'

Figure 22: Summary of stakeholder feedback to Question 20



Summary of responses

- 8.1. This question attracted few comments, perhaps reflecting the high level of agreement to our proposed administration of the definition of “cost saving”.
- 8.2. Two respondents welcomed the broadening of the definition to include savings from electricity generation, and were generally in agreement with the circumstances in which this would be allowed.
- 8.3. However, one suggested clarifications to wording in the ECO2t guidance on eligible solar PV installations, in particular the removal of the requirement that “the generated heat is used partly or fully for space heating” on the grounds that it is misleading.
- 8.4. Another respondent was in agreement with our proposal that, where micro-generation measures other than solar PV are planned, suppliers should contact us first. However, they also suggested that once “scoring methodologies” for a particular micro-generation technology were developed, they should be made public.
- 8.5. One respondent agreed with our proposed administration of the definition, but suggested that rapid progress in this area means that Ofgem should consider changes during the 3.5 years of ECO3 if required.
- 8.6. One respondent suggested that suppliers should no longer be required to reduce POPT for boiler measures by 20% where the boiler only provides space heating and not hot water. They argue that it was linked to the 20% rounding which has now been removed.
- 8.7. Two respondents expressed concern that some measures are not achieving the savings awarded. One suggested a national survey was required to identify these instances.

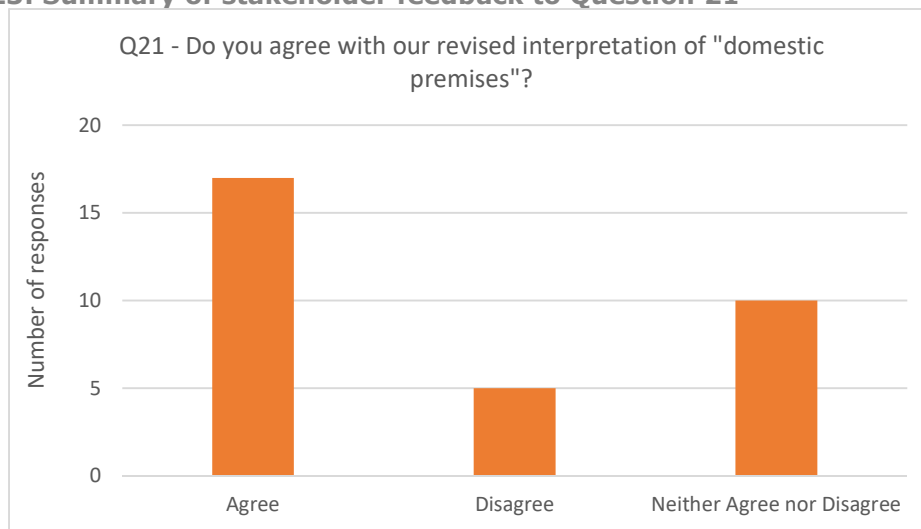
Ofgem response

- 8.8. We will take forward the approach to administering the new definition of “cost saving” described in the consultation document. A score for solar PV measures is included in the published deemed scores. This score is based on an unmodified SAP calculation, and thus includes an assumed saving for electricity generation at the property.
- 8.9. Should a supplier wish to install micro-generation measures other than solar PV, they should contact us first. Where we develop or approve a new deemed score or scoring methodology, this would always be made public so that it can be used by others.
- 8.10. The way that solar PV eligibility requirements are described in guidance will be adjusted as suggested, such that solar PV is eligible so long as electric heating is the primary heat source of the premises.
- 8.11. We will maintain the requirement that POPT should be reduced by 20% where the boiler only produces space heating and not hot water. This was not linked to rounding, but reflects that approximately 20% of the savings from installations,

where the boiler provides both space heating and hot water, relate to hot water provision. The average treatable area approach means that this deduction would only affect the score if the POPT was reduced below 67%.

Domestic premises

Figure 23: Summary of stakeholder feedback to Question 21



Summary of responses

- 8.12. Only 16% marked that they disagreed with the approach, however there were some opinions on why care homes should be included within ECO3.
- 8.13. It was acknowledged that care homes are commercially run, although this is the same for most rented accommodation. It was also noted that they do not all pay commercial rates. Responses also outlined that care home residents usually have a permanent tenancy or occupancy agreement, and it is usually their main home or permanent address (as opposed to short term) with a registered mailing address and on the electoral register.
- 8.14. The nature of care homes was also discussed, suggesting that any care aspects (if present at all) are separate to accommodation needs which are always present. One response also quoted the Local and Government Finance Act 1988⁸ that "*a building or self-contained part of a building is domestic property if it is used wholly for the purposes of living accommodation.*"
- 8.15. Responses also requested further guidance to clarify that Houses of Multiple Occupancy (HMOs) meet the criteria for domestic premises (although not for DHS) and how halls of residence would differ from a private landlord and HMO.

⁸ <http://www.legislation.gov.uk/ukpga/1988/41/section/66>

- 8.16. One respondent also requested clarification on how to notify a single measure for ten different addresses, particularly their scores and whether a deemed score should be used.

Ofgem response

- 8.17. Ofgem recognises the benefits that improved energy efficiency in care homes could offer. We also note that Article 15 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014⁹ details that care homes and the equipment used must be suitable for the purpose for which they are being used, properly used, and properly maintained.
- 8.18. Generally, care homes are commercial enterprises that pay business rates whilst the ECO3 Order is exclusively targeted at domestic customers.
- 8.19. The Care Standards Act 2000¹⁰ clearly defines both care homes and domestic premises separately and distinctly. *"An establishment is a care home if it provides accommodation, together with nursing or personal care..."* *"Domestic premises' means any premises which are wholly or mainly used as a private dwelling and 'premises' includes any area and any vehicle."*
- 8.20. Furthermore, the definition of a care home is clear that it must include nursing or personal care, countering some claims made by respondents to this consultation that this wasn't always the case. It is therefore not in keeping with section 66 of the Local and Government Finance Act 1988 which describes "domestic property" as being "used **wholly** for the purposes of living accommodation."
- 8.21. This same Act then goes on to explicitly exclude accommodation "which is not self-contained self-catering accommodation provided commercially."
- 8.22. The weight of arguments in the responses does not support a change to the position outlined within Ofgem's consultation which aligns more closely with the policy intent of ECO3 and the definition of care homes in other existing legislation.

General guidance and administration

Summary of responses

- 8.23. Responses to questions 22 and 23 detailed a range of views across multiple aspects of our proposed administration and requested further guidance on areas including audits, monitoring, alternative methodologies, data and reporting, and access requests.

Ofgem response

- 8.24. Ofgem has considered all of the responses and has either addressed these within the relevant areas of this consultation decision, or will address these separately through

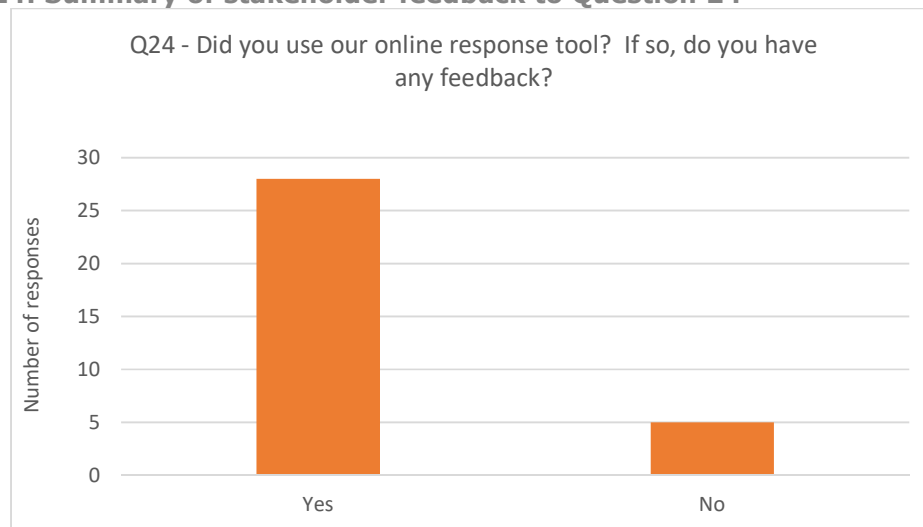
⁹ <http://www.legislation.gov.uk/uksi/2014/2936/contents/made>

¹⁰ <http://www.legislation.gov.uk/ukpga/2000/14/contents>

guidance or updates to processes in due course. In some instances we will engage with the relevant parties to discuss particular comments.

Online tool

Figure 24: Summary of stakeholder feedback to Question 24



Summary of responses

- 8.25. 85% of respondents used the online response tool, with the remaining choosing to respond via email. Ofgem received feedback about the online tool from 18 respondents.
- 8.26. Half of the responses stated that the online tool was easy to use, of which, two mentioned that the tool was easy to navigate and saved responses so they could return and view them later.
- 8.27. 28% of those who provided feedback highlighted that they would like to see further development of the tool. The main request was for a downloadable copy of the responses into a PDF format as many organisations need to keep records of their response. Other improvements that were suggested include: the ability to upload documents (such as images and references), making formatting tools available, and aligning the off-line version of the questionnaire with the online version.
- 8.28. 17% of responses indicated they would like to see a more portal-style tool where respondents are able to navigate easily and have the ability to save at any point.
- 8.29. There were two responses which stated it was easier to submit via email. Another response flagged that the questionnaire implies comments are only required if you disagree with the proposal and requested that this should be changed for future consultations.

Ofgem response

- 8.30. Due to the large number of respondents who used the online tool, and the positive feedback we received, Ofgem will look to use the tool again in future consultations.

- 8.31. The option to email or post responses will still be available for stakeholders who wish to use this instead.

- 8.32. Ofgem hopes to develop the online tool, in future, to provide a better user experience and smooth consultation process. Although this might be technology dependent, the comments and suggestions received will be taken on-board to facilitate improvements to the tool.

Appendix 1

List of respondents

1. A & M Energy Solutions Ltd
2. Acrobat Carbon Services
3. Agility Eco Services Ltd
4. Anesco Limited
5. Anthesis Group
6. BillsaveUK
7. Care England
8. Cenergist
9. Cenergist Ltd
10. Centrica
11. Ciga
12. Civalli
13. Coop Energy
14. Cozy Homes Scotland Limited
15. E (Gas & Electricity) Ltd
16. EDF Energy
17. Energy Saving Trust
18. Energy UK
19. Engie
20. E.ON Energy
21. Everwarm
22. First Utility Limited
23. Flame Group
24. Glasgow City Council
25. Green Vision Energy Ltd
26. Greendealshop
27. Happy Energy Solutions Ltd
28. Heat Trust
29. Infinity Energy Organisation Ltd
30. InstaGroup
31. MPC ENERGY
32. NAPIT Certification
33. National Energy Action
34. Npower
35. OVO Energy
36. Pacifica Group (0800Repair)
37. Project Solar UK Ltd
38. Resourcematics Limited
39. Ridgewater Energy Ltd
40. Scottish Power
41. Sers Energy Solutions (Scotland) Ltd
42. Solar Trade Association
43. SSE
44. Sustainable Energy Association (SEA)
45. United Kingdom Accreditation Service
46. WarmFront

Appendix 2

Table of all responses

Question	Agree	Neither Agree Nor Disagree	Disagree	Yes	No	No response	Total
1	23	9	2			15	49
2	19	9	3			18	49
3	18	0	14			17	49
4				23	8	18	49
5	21	3	8			17	49
6	17	4	9			19	49
7	19	6	6			18	49
8	23	4	1			21	49
9	16	5	7			21	49
10	25	3	2			19	49
11	24	3	2			20	49
12				7	19	23	49
13	18	5	5			21	49
14				13	17	19	49
15				19	13	17	49
16				9	19	21	49
17	21	9	1			18	49
18	18	5	9			17	49
19	15	10	7			17	49
20	21	8	2			18	49
21	17	10	5			17	49
24				28	5	16	49
Total	315	93	83	99	81	407	1078