



Department for  
Business, Energy  
& Industrial Strategy

# Energy Company Obligation

ECO4: 2022 – 2026

Government Response



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at:  
[beisecoteam@beis.gov.uk](mailto:beisecoteam@beis.gov.uk)

# Contents

General Information	1
Purpose of this document	1
Ministerial Foreword	2
Executive Summary	4
Consultation Questions and Government Responses	6
Devolution	6
Chapter 1: Suppliers	7
Suppliers	7
Buy-out mechanism	11
Carry-Over	16
ECO3 Interim Delivery	17
Carry-Under	20
Early delivery of measures during a gap between schemes	21
Chapter 2: Obligation Targets, Homes and Household Eligibility	23
Homes	23
ECO4 Flexible Eligibility	28
Rural and off-gas delivery	34
ECO interaction with other funding	35
ECO Eligible Referral	37
In-Fill	38
Private Rental Sector (PRS) Eligibility	39
Social Housing Eligibility	40
Chapter 3: Eligible Energy Efficiency Measures	43
Scope of HHCRO regulations	43
Continuing a fabric first approach	44
Eligible heating measures	47
Smart meters advice	61
Smart technologies and flexible heating systems	62
Chapter 4: Scoring	64
Scoring a multiple measure approach	64

---

Move to annual rather than lifetime bill savings _____	75
Applying uplifts _____	76
Hard-to-treat homes _____	78
Evidencing _____	82
Alternative Methodology scores _____	84
ECO4 cost assumptions _____	86
Chapter 5: ECO4 in Scotland _____	89
Separate rules for ECO in Scotland _____	89
Chapter 6: Delivery and Administration _____	91
Project Completion Timings _____	91
Chapter 7: Quality and Standards _____	98
Guarantees _____	98
Installation Standards _____	102
Chapter 8: Innovation _____	105
Innovation Measures _____	105
Demonstration Actions _____	108
Pay for performance _____	110
Annex 1 _____	112
ECO4 uplifts, deflators, caps, and minimums _____	112
Annex 2: List of respondents _____	116

# General Information

## Purpose of this document

This document sets out the UK Government's response to the consultation of the Energy Company Obligation (4), 2022 to 2026.

The implementation of this Government response is subject to Parliamentary approval of the Electricity and Gas (Energy Company Obligation) Order 2022, which will be laid before Parliament shortly, and in Scotland is also subject to the approval of the Scottish Ministers.

A final stage Impact Assessment is published alongside this document.

**Issued:** 1 April 2022

**Enquiries to:** Email: [beisecoteam@beis.gov.uk](mailto:beisecoteam@beis.gov.uk)

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026>

---

# Ministerial Foreword



Improving the energy efficiency of our homes is the best long-term solution to reducing energy bills and, therefore, tackling fuel poverty. It is also essential for our transition to net zero and in supporting local jobs and growth.

Recent energy price rises have brought into sharp focus the importance of energy efficiency for all households, especially those on low incomes. Insulating homes and installing more efficient heating systems not only reduces energy bills, it also makes homes more comfortable environments to live in, with the consequent improvements in people's health and wellbeing.

These changes have positive outcomes for individuals as well as for society and the economy.

The Energy Company Obligation has been one of the key domestic energy efficiency policies, improving 2.4 million homes since it began in 2013. That is why we committed to extending the scheme until 2026 at a value of £1 billion per annum. However, as we approach our next fuel poverty milestone in 2025 and the 2030 target, some reforms of the scheme are necessary. We will sharpen our focus on low income and vulnerable households living in the least efficient homes. And we will ensure that those households receive more comprehensive upgrades to their properties, leading to more transformational outcomes.

The changes we are making are consistent with the Heat and Buildings Strategy and transition to net zero. We will have a greater focus on improving the fabric of the building and ensuring that homes are suitable for renewable heating. However, we will also maintain some limited support for the repair and replacement of existing boilers, recognising that some households will have an immediate need for warmth and a low carbon heating option may not be suitable.

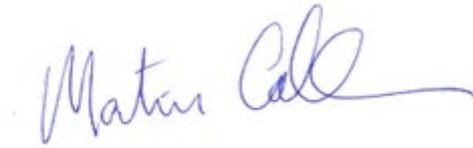
Making our homes healthier and more comfortable also means making them resilient to the impacts of climate change. In our Heat and Buildings Strategy we committed to consider our current and possible future scenarios, including overheating risk, indoor air quality risk, flood risk and water scarcity when developing policies to future-proof buildings. Insulation measures delivered under ECO are subject to independent installation standards under the Publicly Available Specification (PAS2035/2030:2019). These combined standards require a whole house assessment for measures suitable for the home. Overheating risks because of a warmer climate and mitigations are already considered in these standards and will apply for measures delivered under ECO4.

We estimate that over its four years ECO4 will upgrade around 450,000 homes, most of them to EPC band C, ensuring that current and future households living in those homes will not face

---

fuel poverty. It will reduce household bills by around £290 on average but for the least efficient homes this could be up to £1,600. It will also support around 18,000 jobs across Great Britain.

In England, ECO will work alongside the Home Upgrade Grant and Social Housing Decarbonisation Fund to provide a comprehensive package of support for households least able to make their homes more energy efficient. This demonstrates the Government's commitment to tackling fuel poverty, improving people's lives and ensuring a fair transition to net zero.

A handwritten signature in blue ink, appearing to read "Matthew Callan". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Lord Callanan**

Minister for Business, Energy and Corporate Responsibility

---

# Executive Summary

- BEIS received 144 responses to the Energy Company Obligation consultation from a variety of stakeholders ranging from the larger energy suppliers and trade associations to individuals with an interest in energy efficiency and fuel poverty. Broadly, the responses were supportive of the Government's proposals. The final policy decisions set out in this document reflect the responses to the consultation as well as contributing to the Government's wider strategic aims including eradicating fuel poverty, achieving net zero commitments and aligning with our heat and building strategy.
- ECO4 will continue to be a GB wide scheme for the duration of the scheme, making delivery simpler across the three nations.
- Government will allow up to 10% of ECO3 delivery to be carried over into ECO4, subject to certain measure exclusions. Furthermore, to support supply chain delivery, between 1 April 2022 – 30 June 2022, measures can be installed to ECO3 rules, subject to latest installation standards and certain measure exclusions. We will also permit early delivery of ECO4 measures during any gap between ECO regulations. We will not, however, permit carry-under from the current obligation period as it is unlikely to be required.
- Modelling refinements have resulted in higher estimates of the number of homes that can be upgraded for £4 billion. As a result, we have also increased the EFG minimum target, pushing greater delivery to homes needing the most improvements and attracting higher scores. The overall target will be £224.3 million in notional annual bill savings by March 2026. The eligible pool will be at least 3.5 million homes.
- ECO4 will continue to be focussed on low income and vulnerable or fuel poor households in band D-G homes. To support households on the lowest incomes, as proposed, households in receipt of means tested benefits will be eligible. As consulted, we will allow up to 50% of the obligation target to be met under the reformed ECO4 Flex, which is designed to target households on low incomes, but not in receipt of benefits. This referral route will be voluntary for local authorities, the Scottish Government, the Welsh Government (the devolved administrations) and suppliers.
- ECO is a key policy in protecting low income families unable to heat their homes cost effectively, exacerbated by high gas and electricity costs. ECO4 will support low income households living in the least efficient private rented accommodation and social housing in bands E-G. Private rented tenants will benefit where more costly measures are needed to upgrade the home.
- Linking to the Sustainable Warmth Strategy<sup>1</sup> in England, the Heat and Buildings Strategy<sup>2</sup>, and the Net Zero Strategy<sup>3</sup>, ECO4 is a key policy in continuing our recovery to build back better from the COVID-19 pandemic. ECO4 will provide greater investment

---

<sup>1</sup> <https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england>

<sup>2</sup> <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

<sup>3</sup> <https://www.gov.uk/government/publications/net-zero-strategy>

---

to upgrade the least energy efficient homes, making greater progress against our fuel poverty targets, contributing to a longer-term transformation to net zero.

- Government will implement a solid wall minimum target of 90,000 solid wall measures over the 4-year scheme. Alongside this, to focus support on the least energy efficient homes, a minimum equivalent upgrade of 150,000 private tenure band E, F and G homes will be introduced.
- As consulted, government will retain a broken boiler and Electric Storage Heating (ESH) replacement cap for efficient heating at an equivalent of 5,000 homes per year. Inefficient heating systems upgraded with efficient heating will not be subject to a cap. Broken boilers and ESH repairs will be capped at an equivalent of 5,000 homes per year and limited to efficient heating where it is economic to do so, except for oil and LPG heated homes, subject to certain conditions.
- Innovation will be reformed, with an introduction of two uplifts, so that improvements can be rewarded and differentiated between relative and substantial improvements against standard counterparts available in the market. Demonstration Actions will be removed.
- Government will introduce score uplifts of 35% in off-gas rural areas in Scotland and Wales to incentivise delivery in areas that may be harder to reach.
- Following publication of this document, Government will lay affirmative regulations in Parliament which we expect to be debated and come into force later this year. The policy described here is subject to Parliamentary approval of the regulations. BEIS will issue new guidance on Innovation and the 'new fuel poverty targeting methods' approach as set out under ECO4 Flex, route 4. BEIS will no longer publish a separate ECO Flex guidance. The conditions of referrals under ECO4 will need to meet the requirements in legislation and Ofgem, the administrator of ECO4, will publish separate guidance for local authorities, the devolved administrations and suppliers.

---

# Consultation Questions and Government Responses

Sample sizes are smaller in open ended questions. Therefore, to avoid misrepresenting the data in this sample we have described the data using qualitative terminology. In outlining the response to each of the questions, “majority” indicates the clear view of more than 50% of respondents in response to that question. The following additional terms have been used to summarise the views of respondents: “most respondents” indicates more than 75% of those answering a particular question; “many respondents” indicates 40%-50% of those answering the particular question; “some respondents” refers to the range between 20% and 39%; “a minority of respondents” means less than 20% and “a few respondents” means fewer than 10%. All percentages have been calculated in terms of the overall responses to each question.

## Devolution

ECO has always been a GB-wide policy though, as we explain further in Chapter 5, some powers were devolved to the Scottish Government under the Scotland Act 2016. The Scottish Government have requested the UK Government to put in place an ECO4 scheme covering Scotland. The scheme described in this document will apply in England, Scotland, and Wales.

---

# Chapter 1: Suppliers

## Suppliers

**Question 1:** Do you agree with removing the supplier obligation threshold when a buy-out mechanism is introduced and retaining the current thresholds, for when a supplier becomes obligated, in the meantime?

Vote responses: 110 Yes: 42% No: 8% No View: 50%

Written responses: 40

### Summary of responses

1. Half of respondents did not have a view on this proposal. Of those that did have a view many agreed, highlighting that the removal of thresholds would ensure a level playing field and avoid market distortions, with scheme costs equitably distributed amongst all energy suppliers.
2. Of those that agreed, a minority wanted to see clear timelines for the implementation of the buy-out mechanism, to be consulted on, and primary legislation enacted without delay. A few respondents were not supportive of the buy-out mechanism, with concerns that this would be used to avoid delivering measures under ECO and thus not support consumers. A few also felt that, as suppliers above the current threshold represented approximately 98.5% of the market at the time of consultation, there was no immediate priority to reduce thresholds. Some respondents who agreed with the proposal and a few who disagreed, felt that thresholds should be reduced or even removed from the start of ECO4, especially with changes to primary legislation likely to take some time.
3. A few others stated that they needed to know how the buy-out mechanism would work in more detail.

### Government response

4. Government will retain the supplier obligation thresholds at current levels of 150,000 customer accounts and supply volumes of 300GWh/year electricity and 700 GWh/year gas. Government intends to significantly reduce thresholds once a buy-out mechanism is introduced, which will address cost disparities faced by small suppliers (see response to Q6).
5. Prior to a buy-out, Government considered how the ECO obligation can be apportioned more equitably amongst obligated suppliers, instead of obligating more smaller suppliers.

---

We have decided to reduce the supplier allowance, which will be a step towards the significant reduction of supplier obligation thresholds (see response to Q2).

**Question 2:** Do you agree with the proposal to reduce the current supplier allowance approach at the start of ECO4, before a buy-out mechanism could be introduced?

Vote responses: 110 Yes: 36% No: 9% No View: 55%

Written responses: 22

## Summary of responses

6. The majority of respondents had no view on this proposal. Of those that indicated a view, some agreed with the proposal, with some suggesting that supplier obligation thresholds should be removed or reduced from the start of ECO4, to address current market distortions. A minority suggested that there was no need for a buy-out, whilst a few suggested removing the supplier allowance entirely especially for those with more than 50,000 customer accounts.
7. Of the few that disagreed, they suggested obligating all suppliers from the start of ECO4 or making no changes until full details of the buy-out mechanism were provided or until it is introduced.

## Government response

8. Government has decided to reduce the supplier allowance by 50% so obligations will be calculated per unit of supply on volumes in excess of 150GWh/year electricity and 350 GWh/year gas, from phase 1.
9. By maintaining the current supplier threshold levels and reducing the supplier allowance, the obligation will be distributed more equally amongst obligated suppliers. Whilst this will mean smaller suppliers will see a greater increase in obligations, this will be a step towards the significant reduction in supplier thresholds, with Government still protecting even smaller suppliers from being required to participate in ECO and incurring disproportionate costs.

---

**Question 3:** How feasible would it be for suppliers to pass on a greater share of obligation costs onto gas prices rather than electricity during ECO4 or beyond?

Written responses: 69

**Question 4:** How feasible would it be for suppliers to recover costs of obligation exclusively from gas customers during ECO4 or beyond?

Written responses: 67

### **Summary of responses**

10. The majority of respondents did not give a view on feasibility. In response to both questions, some were primarily concerned about the impacts on low income and vulnerable households given reliance on gas heating. A few noted that the increase in bills could result in rationing or self-disconnection. Suggestions to tackle this included: moving levies from bills to general taxation; providing additional support to those in fuel poverty; or exempting these households from ECO costs. A few also highlighted that not all homes are on the gas grid so the share of the obligation would not be passed on equitably.
11. Some suggested that changes should be reflected in the obligation setting methodology and considered within the Default Tariff Cap. A few stated that this was a commercial decision for suppliers, with others noting that they would share their views within the Fairness and Affordability call for evidence, when published, which would be a better platform to gather views, rather than this consultation.
12. Some respondents who agreed that these proposals were feasible reasoned that this would discourage the use of gas and support the electrification of heat and the roll out of heat pumps. A minority who stated that these proposals were not feasible noted that this would penalise those in gas heated homes where technology was not sufficiently advanced to replace gas heating.

### **Government response**

13. As set out in the Heat and Buildings Strategy and Net Zero Strategy, we will publish a Fairness and Affordability Call for Evidence to set out the options for energy levies and obligations to help rebalance electricity and gas prices and to support green choices, with a view to taking decisions in 2022.
14. Government will not make any changes at this time to how ECO4 is funded and the obligation setting methodology as between gas and electricity suppliers, given that options to address price distortions need to be considered more broadly. Furthermore, more evidence is needed to assess the impact such a change could have on low income households.

---

15. As part of our work on building evidence on costs applied to gas bills and separately electricity bills, we will monitor costs throughout the ECO4 period.

**Question 5:** Do you agree with our proposal of not introducing the new mechanism to protect the ECO target under ECO4 when a supplier ceases to trade and its obligation target is not met?

Vote responses: 110 Yes: 28% No: 18% No View: 54%

Written responses: 38

### Summary of responses

16. The majority of respondents did not have a view on this proposal. Some agreed, stating that lost obligations only accounted for a small proportion of the overall ECO target. A minority stated that the position should be kept under review and further steps taken if a certain percentage of the overall obligation target is impacted.
17. Of those that did not agree with this proposal, a minority stated that the undelivered obligation should be moved across with the failing supplier's customers, under the Supplier of Last Resort (SoLR) mechanism, especially if the failing supplier had a large proportion of undelivered obligation. Other views included giving the SoLR additional time to fulfil any additional obligations, introducing minimum annual delivery targets, or for smaller suppliers to pay monthly fees to prevent the build-up of debt. It was also noted that undelivered obligations would negatively impact net zero targets and that it would be unfair for consumers to pay towards an obligation which remains partly unfulfilled.
18. Of those that had 'no view' but provided a response, they too suggested that the obligation should be transferred to the SoLR and that this should be incentivised. It was also suggested that the process of mutualisation be used to distribute the outstanding obligation equitably amongst remaining suppliers.

### Government response

19. Government has decided, on balance, not to amend the current approach when handling unmet obligations of exiting suppliers.
20. The recent developments in wholesale gas prices and impact on supplier viability is unprecedented. Government acknowledges that some of the obligations will be lost, leading to homes not being upgraded. However, even in what we consider exceptional circumstances of ECO3 where we have seen 11 obligated suppliers exit the market, we have lost less than 2% of the obligation.
21. Whilst some changes to this process may be beneficial, in practice it could be complex for suppliers to be given an additional share of the obligation after annual obligations have

been set. This would require additional administrative and financial resources in planning and discharging further obligations, which is likely to include additional costs for lead generation and new contracts. This would also be of detriment to their customers who may, as a result, pay further ECO costs.

22. Given the recent changes in the market, Government does not want to place additional unmet ECO obligations by suppliers, on remaining obligated suppliers, as that may impact their ability to continue operating or raise costs for their customers.
23. Mandating the re-distribution of unmet obligations amongst remaining suppliers or for these to pass on to the Supplier of Last Resort (SoLR) would be contrary to these aims. The Special Administrative Regime will continue to be available in cases where large suppliers exit the market, ensuring that their ECO obligations are discharged and therefore protecting the loss of unmet obligations from the overall ECO target.

## Buy-out mechanism

**Question 6:** Do you agree with the proposal to (a) introduce a buy-out mechanism, to enable smaller suppliers to participate under ECO without disproportionate costs to them (subject to primary legislation); and (b) do you agree that the use of buy-out should be optional for all suppliers?

Vote responses: 110      Yes: 45%   No: 10%   No View: 45%

Written responses: 36

Vote responses: 104      Yes: 33%   No: 15%   No View: 52%

Written responses: 33

### Summary of responses

24. Of those who left written responses, the majority were in favour of introducing a buy-out mechanism.
25. Many respondents agreed that it was fair to help smaller suppliers and that the mechanism should be optional, although a few argued that no buy-out should be available to encourage smaller suppliers' exposure to the ECO market.
26. However, of those who disagreed there were concerns about buy-out becoming the norm and risk of undermining ECO delivery progress or diluting the obligation and undermining the supply chain. Subsequently, many favoured a constrained approach for larger suppliers, primarily due to under-delivery and the increased challenges and cost of PAS2035 potentially increasing the popularity of buy-out.

### Government response

- 
27. The responses collected for Q6 to Q13 will be considered as we continue to develop proposals further, however, Government intends to consult on the exact design of this mechanism as previously planned and will not reduce supplier thresholds until this process is available. We plan to legislate for the powers to create this new mechanism when Parliamentary time allows.
28. We previously considered a buy-out mechanism that was based upon collecting a levy from energy suppliers that would be held by the government, however this would have led to complexity in how the funds were collected, held, and used.
29. As such, upon further reflection, we have decided that there may be an alternative method which could achieve the outcome the buy-out mechanism was the intended means for.
30. Government still believes that a balanced approach to reducing supplier thresholds is necessary, by allowing smaller suppliers to be obligated under ECO without disproportionate administrative burden. Therefore, a lower-cost, more flexible delivery option is being explored. This would involve energy suppliers being able to achieve their home-heating cost reduction obligation by payment to third parties in lieu of delivering measures. This would allow them to deliver measures to help fuel poor households in a simpler way. We are exploring a mechanism similar to the Warm Home Discount Industry Initiatives, where suppliers can deliver measures via third parties to meet a capped proportion of their obligations.

**Question 7:** Do you agree that the buy-out pot should be used to deliver energy efficiency measures?

Vote responses: 108      Yes: 60%   No: 7%   No View: 33%

Written responses: 49

### Summary of responses

31. The majority of respondents were in favour of the proposals, although a further consultation on the details was welcomed.
32. A few respondents were critical of short-term projects that were not focused on fuel poverty and net zero targets. A few alternatives were suggested, including funding low carbon heating solutions and greater funds for Local Authorities (LAs) to provide advice and support services.

---

**Question 8:** Do you agree that all suppliers should be able to use the buy-out mechanism using a sliding scale approach?

Vote responses: 108      Yes: 35%   No: 16%   No View: 49%

Written responses: 32

### Summary of responses

33. Respondents had mixed views on this proposal, with concerns over the extent to which large suppliers could use the buy-out mechanism for delivery flexibility. Many stakeholders favoured a more constrained approach for large suppliers.
34. Some respondents underlined the issues of uneven resources between suppliers and the risk of undermining ECO delivery and the supply chain if too many suppliers used their option to buy-out.
35. Larger suppliers who responded tended towards emphasising the opportunity for greater delivery flexibility and that there should be equal access. A few respondents highlighted that more access was needed for larger suppliers (a minimum of 5%) considering that small suppliers can charge lower energy prices as they are not obligated.

**Question 9:** If a sliding scale was used, do you agree that the proposed potential buy-out above are set at the right level?

Vote responses: 107      Yes: 23%   No: 15%   No View: 62%

Written responses: 28

### Summary of responses

36. Many respondents combined their answers for Q8 and Q9. As above, many believed that there should be little to no access for larger suppliers.
37. A few suggested that the option available for suppliers with over 200,000 customers should be increased.
38. A few respondents suggested that the allowance for suppliers with 150,000 - 250,000 customers should be limited to a maximum of 25% to encourage them to deliver ECO measures.

**Question 10:** Do you think that very small suppliers with; (a) 1,000 customer accounts or below, regardless of their supply volumes, should not be obligated? OR (b) do you think suppliers with less than 5,000 customer accounts, with supply volumes of 66GWh and 18 GWh electricity should not be obligated?

Vote responses: 108 Yes: 38% No: 12% No View: 50%

Written responses: 39

Vote responses: 101 Yes: 12% No: 27% No View: 61%

Written responses: 20

### Summary of responses

39. Despite the high percentage of respondents voting 'No View,' of those who left written responses, a majority agreed with option (a). Some respondents highlighted that the 1,000 customer base exemption is consistent with the approach taken under the Warm Home Discount scheme.
40. A minority believed that company size should not be relevant as any licensed suppliers should be required to meet obligations.

**Question 11:** Do you agree that an approach using published prices reported by suppliers on ECO delivery and administration costs would be appropriate to set the buy-out price on an annual basis ahead of the buy-out 'window'? Please suggest any alternative approaches.

Vote responses: 105 Yes: 30% No: 17% No View: 53%

Written responses: 36

### Summary of responses

41. There was a strong consensus towards using the Impact Assessment (IA) costs within the commentary, rather than using the proposed published prices.
42. There were concerns over the risks of artificially deflated or inflated prices and the impact on market rates. Others highlighted the risk of price fluctuations due to external impacts. Using historical prices that do not reflect future phases was felt to be unfair and not robust. The IA price was viewed as a fairer average that does not give advantage to any size of supplier.
43. However, it was also noted that the price should be as close as possible to real delivery prices, therefore while the IA price should be used, it should be reviewed throughout the scheme.

---

**Question 12:** Do you agree that suppliers should decide whether to buy-out or not during a 'decision window' which is prior to the start of the next obligation phase?

Vote responses: 108 Yes: 30% No: 13% No View: 57%

Written responses: 32

### Summary of responses

- 44. There were concerns that a window may result in suppliers using the buy-out option as default, rather than attempting to deliver. Others highlighted the risk of a fixed window creating price distortions by imposing artificial deadlines.
- 45. For suppliers that registered interest in using the buy-out mechanism to mitigate delivery risk, a buy-out window was viewed as limiting flexibility.
- 46. Other respondents agreed with the window, subject to suppliers having adequate access to price information in advance. A fixed window was viewed as providing stability and certainty for suppliers, easing the administrative task.

**Question 13:** Do you agree that suppliers can only choose to buy-out their next obligation phase?

Vote responses: 108 Yes: 37% No: 8% No View: 55%

Written responses: 29

### Summary of responses

- 47. The majority of respondents held similar views as those highlighted for Q12.
- 48. Within the written responses, a few highlighted the need for stability and the importance of accurate pricing. A few also recognised how the proposed approach would also provide greater certainty over the size of the total pot.
- 49. However, one suggestion was that the buy-out window should only apply for phases after the introduction of the mechanism. During this first active phase, suppliers should be able to buy-out retrospectively.
- 50. There were concerns over the lack of flexibility with the proposed approach, however others noted that this reduces the chance of the buy-out mechanism undermining ECO delivery.

---

## Carry-Over

**Question 14:** Do you agree with our proposal to allow up to 10% ECO3 delivery to be carried over into the ECO4 scheme (with the exception of oil and LPG fuelled heating systems)?

Vote responses: 108 Yes: 61% No: 12% No View: 28%

Written responses: 39

### Summary of responses

51. A majority of respondents agreed with this proposal. Of those that wrote a response, some respondents argued for a cap set at a higher percentage of a supplier's ECO3 obligation, which would align with historical caps, to allow for suppliers to mitigate for rejected measures, prevent supply chain hiatus and support low income and vulnerable households. Some respondents argued for a lower cap or no carry-over, to encourage ECO4 uptake and therefore prepare the supply chain for ECO4.
52. A few respondents suggested that carry-over of gas-fuelled systems, such as boilers, should be installed according to ECO4 rules. A few respondents suggested that solid wall alternative measures (SWAM) could improve a home by two SAP bands, aligning with ECO4 objectives.

### Government response

53. Government has decided to implement a maximum 10% carry-over of a supplier's ECO3 obligation, which strikes the right balance between mitigating rejection of measures and maximising delivery under ECO4 rules.
54. To align with ECO4 policy objectives, liquified petroleum gas (LPG) and oil heating systems and Demonstration Actions (DAs) will be excluded from carry-over. As no repairs to heating systems were delivered under the scheme up to the end of 2021, we expect this to continue for the remainder of the obligation, so repairs will be excluded from carry-over, as it is not needed.
55. SWAM can be carried over but not contribute towards the ECO4 Solid Wall Minimum Requirement (SWMR). Measures delivered into E, F, and G homes can be carried over but will not contribute towards the ECO4 EFG Minimum. See below ECO3 Interim delivery, for carried over SWMR calculation.

### Heating systems

56. Where dual measures are delivered (insulation and heating), there is the option for the heating measure alone to be elected as carry-over. Replacement of **efficient** broken ESH and boilers carried over, will count towards the ECO4 Broken Heating Replacement Cap.

---

Replacement of **inefficient** ESH and boiler upgrades (including broken inefficient) can be carried over and falls outside of the ECO4 Broken Heating Replacement Cap. Inefficient heating systems can be replaced with First-Time Central Heating (FTCH) uncapped as all FTCH will also fall outside of the ECO4 Broken Heating Replacement Cap. These are all subject to the overall 10% carry-over maximum.

57. It will need to be evidenced that the old boiler was inefficient and new boiler is efficient<sup>4</sup>. Ofgem will provide guidance on suitable evidence.

## ECO3 Interim Delivery

58. A new 'ECO3 interim delivery' period will be introduced to support the supply chain during a gap between ECO3 and ECO4 schemes.

59. This will allow suppliers to deliver to ECO3 rules, with some exceptions. The ECO3 scoring methodology will be the same for 3 months between 1 April 2022 and 30 June 2022. These measures will receive an ECO3 score which will then be converted from Lifetime Bill Savings (LTBS) into Annual Bill Savings (ABS) (see the answer to Q15). All measures must be notified by the end of the second month following the month when the ECO4 Order comes into force. This is to allow sufficient time for suppliers to notify measures to Ofgem. Measures installed during this period must be carried out in accordance with the latest PAS2035 standards and associated processes; this includes installation in accordance with latest version of PAS2030 and MCS standards where relevant (see Chapter 7: Quality and Standards, Industry Standards). Measures can be delivered into band E, F and G homes during ECO3 interim delivery but will not contribute towards the ECO4 EFG Minimum. ECO3 interim delivery measures can be lodged with TrustMark from 1 April 2022.

60. To align with ECO4 policy objectives, new and replacement LPG and oil heating systems and DAs will be excluded from ECO3 interim delivery. Repairs will be allowed for efficient boilers and ESH and will count towards the ECO4 repair caps. Oil and LPG repairs, irrespective of whether they are efficient or inefficient, will be subject to the ECO4 repairs cap. Ofgem will provide guidance on ECO3 interim delivery.

### Solid Wall Insulation

61. Solid Wall Insulation (SWI) (excluding SWAM) carried over or installed during the ECO3 interim delivery period, will use £12,000<sup>5</sup> to convert SWI Lifetime Bill Savings into a number

---

<sup>4</sup> An efficient boiler is a condensing boiler. An efficient electric storage heater is one with a responsiveness of more than 0.2 when assessed against the Standard Assessment Procedure (SAP).

<sup>5</sup> Calculated based on total Solid Wall Insulation Minimum Lifetime Bill Savings target for ECO3, divided by the number of SWI measure delivery estimated within the ECO3. IA Based on a solid wall minimum of £0.721 billion in notional lifetime bill savings (LTBS) being broadly equivalent to 60,000 SWI over October 2018 to March 2022 – therefore each achieving on average £12,000 LTBS per SWI delivered.

of measures. This number will then count towards a supplier's ECO4 SWI minimum target. In effect £12,000 will equal to one home under the ECO4 SWMR target.

## Heating systems

- 62. Replacement of efficient broken heating systems installed during the ECO3 interim period will count towards the ECO4 Broken Heating Replacement Cap. Replacement of inefficient heating systems upgrades (including broken inefficient) can be installed under ECO3 interim delivery uncapped. These would be heating systems installed alongside insulation under the ECO3 rules.
- 63. Inefficient heating systems can be replaced with FTCH uncapped as all FTCH falls outside of the ECO4 Broken Heating Replacement Cap.
- 64. Uncapped measures will need to be evidenced that the old boiler was inefficient and new boiler is efficient<sup>6</sup>. Ofgem will provide guidance on suitable evidence.
- 65. Repairs to heating systems will be allowed but will be limited to efficient boilers or efficient Electric Storage Heaters (ESH). Repairs to oil and LPG heating systems will be allowed irrespective of whether they are efficient or inefficient. These repairs will count towards the Broken Heating Repair Cap under ECO4.

**Question 15:** Do you agree with our methodology for converting ECO3 bill savings into ECO4 bill savings?

Vote responses: 107 Yes: 33% No: 12% No View: 54%

Written responses: 15

**Question 16:** Should the ECO3 average cost per £ of lifetime bill savings be taken from the ECO3 Impact Assessment or the published energy efficiency statistics? Please explain your answer.

Vote responses: 106 Yes: 25% No: 18% No View: 57%

Written responses: 42

## Summary of responses

- 66. Most respondents had no views on the proposed methodology. Of those who gave a view, the majority agreed. Of those who disagreed and wrote a response, many argued that costs should be calculated per measure and according to actual delivery costs, which they stated

<sup>6</sup> An efficient boiler is a condensing boiler. An efficient electric storage heater is one with a responsiveness of more than 0.2 when assessed against the Standard Assessment Procedure (SAP).

---

were higher than the IA. Some respondents also highlighted that this methodology could incentivise cheaper measures being installed, to prevent losing out on installation costs above the average cost per £ of lifetime bill savings under ECO3 delivery. Regarding where the ECO3 average cost per £ of lifetime bill savings should be taken from, the majority of respondents had no views. Of those responding, 27 were in favour of using the published energy efficiency statistics and 7 were in favour of using the IA. Most respondents who disagreed with using IA costs stated that they were concerned that the IA would underestimate ECO3 delivery costs.

## Government response

67. Government will use the proposed methodology for converting ECO3 bill savings into ECO4 bill savings. A single price of 31 pence will be used, from the ECO3: Improving consumer protection final IA estimated cost per LTBS<sup>7</sup> to estimate delivery costs for both ECO3 carry-over and ECO3 Interim Delivery.
68. For simplicity, ECO3 carry-over and ECO3 Interim Delivery will be awarded all relevant ECO3 uplifts, as we will retain the ECO3 scoring methodology for these measures.
69. We considered using delivery costs from phase four of ECO3 using published statistics to estimate the cost of delivering ECO3 LTBS carry over, thereby accounting for increased material and labour costs over the lifetime of ECO3. However, as not all suppliers provide costs, the published statistics may reflect suppliers with higher-than-average costs, above what is needed to account for increased material and labour costs. Reported costs show that the change in prices during 2021 was higher than in previous years, compared to earlier delivery under ECO3. Given this, we think a more accurate reflection of ECO3 costs would be to consider overall costs under ECO3.
70. The published energy efficiency statistics show that costs have been rising gradually. Across ECO3, the cumulative median cost per lifetime bill saving increased from 23p to end of March 2021 to 24p at the end of June 2021 and then 25p at the end of September 2021<sup>8</sup>.
71. Some delivery under the new PAS standards was already happening during this period, but as standards became mandatory in July 2021, along with other market factors, such as availability of material and labour, costs may have increased further, so the costs may be higher, but we expect them to be below the prices in the ECO3 IA.

---

<sup>7</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/842280/ECO3\\_Improving\\_Consumer\\_Protection\\_Final\\_Stage\\_Impact\\_Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/842280/ECO3_Improving_Consumer_Protection_Final_Stage_Impact_Assessment.pdf)

<sup>8</sup><https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-february-2022>  
Table 6.4

---

## Carry-Under

**Question 17:** Is carry-under needed to mitigate the risk of suppliers failing to meet their ECO3 obligations?

Vote responses: 108 Yes: 40% No: 14% No View: 46%

Written responses: 48

### Summary of responses

72. Of those who provided a written view in response to this question, a majority, including most suppliers, agreed with this proposal. These stakeholders predominantly cited the negative impacts COVID-19 and new PAS standards have had on the delivery of ECO measures. A few respondents in support of carry-under noted that whilst they recognised the need for it, they still expect existing ECO obligations to be met in full. There were several suggestions regarding the way such a mechanism should be implemented.
73. Some respondents who provided a written view were not in support of this proposal, using public reports and data to demonstrate suppliers were on track to meet their ECO3 obligations. A few respondents not in support of carry-under noted that it could have a harmful impact on the supply chain as it would affect ECO3 delivery and hamper investment in ECO4. Similarly, a few respondents noted that suppliers should make use of the existing transfer mechanism to meet their obligations.

### Government response

74. Government has decided not to implement carry-under. We have monitored delivery closely since the start of the pandemic; the supply chain has demonstrated sufficient ability to recover from the first COVID-19 lockdown between April and May 2020<sup>9</sup>. Moreover, it demonstrated that it could sustain high levels of delivery, such that persistent delivery growth occurred from June 2020, resulting in the highest levels of delivery seen under the scheme despite further regional/national lockdowns. Between now and then, a clearer delivery picture has emerged providing more certainty that suppliers will be able to meet their obligations. Furthermore, in light of this, Government recognises that a implementing a carry under mechanism would hinder meeting fuel poverty and net zero objectives.
75. Similarly, the changes arising under PAS were previously consulted on, and no policy changes have been introduced to ECO3 in the intervening period. Whilst Government acknowledges that installations slowed due to this transition, delivery since then had continued to recover<sup>10</sup>.

---

<sup>9</sup> <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-february-2022>  
Chart 1

<sup>10</sup> <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-february-2022>  
Chart 9

---

## Early delivery of measures during a gap between schemes

**Question 20:** Do you agree with our proposal for early delivery during any potential gap between schemes?

Vote responses: 109 Yes: 63% No: 7% No View: 29%

Written responses: 53

### Summary of responses

76. A majority of respondents agreed with this proposal, many citing supply chain disruption as the reason. Of those written responses where they agreed, many suggested that Government go further to ensure the least amount of disruption. A few suggested a Statutory Instrument to allow ECO3 and ECO4 measures to be installed during the potential gap, or to extend ECO3 until the new legislation comes into force, or to mandate or direct suppliers to deliver early. A minority of stakeholders caveated that their agreement was subject to Ofgem guidance being in place by the end of ECO3 to improve supplier and installer confidence.
77. A minority of respondents suggested that measures installed according to Ofgem draft guidance during this period should be protected from rejection if the ECO4 Order was to change following the draft guidance. This was particularly true of installers, who stated that they would be forced to absorb a large amount of risk if their measures were found to be non-compliant due to legislative changes.

### Government response

78. To help ensure continuity in the supply chain in a potential gap between ECO3 and ECO4 schemes, Government has decided to implement ECO3 interim delivery (see response to Q14); and early ECO4 delivery.

### ECO4 early delivery

79. Suppliers can choose to deliver early to ECO4 scheme rules and be awarded ECO4 deemed scores from 1 April 2022. Ofgem intends to publish its ECO4 deemed score consultation response, which will set out its approach to ECO4 deemed scores, and draft guidance consultation, following publication of this government response.
80. ECO4 early delivery measures installed prior to the commencement of the ECO4 Order will have a notification period deadline of the end of the second month following the month when the ECO4 Order comes into force. For administrative reasons, it will not be possible to notify ECO4 early delivery measures until the later of 1 August 2022 or the date when the ECO4 Order comes into force, so we will also allow ECO4 early delivery measures installed before 1 August 2022 to be notified by 30 September 2022, or by the end of the

---

second month following the month when the ECO4 Order comes into force, whichever date is the latest. This is to allow sufficient time for suppliers to notify to Ofgem once the ECO4 Order has come into force. Notifications made in line with these deadlines will not be treated as late notifications. ECO4 early delivery measures will not be eligible for auto late quotas. Ofgem will seek to provide guidance on these notification arrangements in Spring 2022. ECO4 early delivery measures can be lodged with TrustMark from 1 July 2022. Measures installed between April-June and lodged in July would be recorded against the month of measure completion.

---

# Chapter 2: Obligation Targets, Homes and Household Eligibility

## Homes

**Question 21:** Do you agree that ECO should target SAP band D, E, F and G homes?

Vote responses: 124 Yes: 81% No: 10% No View: 8%

Written responses: 63

### Summary of responses

81. Most respondents agreed with this proposal. Of those who provided a written response, a few respondents suggested including more band D social housing and even band A-C where the occupant is vulnerable to cold. However, the majority of stakeholders recognised that including other bands may prevent reaching the least energy efficient homes, whilst acknowledging that some band Ds would need to be included to ensure scheme deliverability, as the minimum requirement (MR) cannot be met in all homes.
82. A minority of stakeholders raised concerns around the use of SAP bands and RdSAP as they may be subject to gaming by inflating scores, or inaccurate due to the remote assessment of properties. Most respondents welcomed Government's 'Energy Performance Certificates for buildings: action plan' as going some way to mitigate this. Finally, a few respondents raised concerns around the upgrading of traditional buildings with SWI being non-porous and leading to overheating and condensation. The response on specific measures can be found in Chapter 3: Eligible Energy Efficiency Measures.

### Government response

83. ECO4 will be focussed on upgrading homes in bands D, E, F and G owner occupied homes and bands E, F and G social housing and private rented sector homes, extending to band D social housing in the case of innovation measures (IMs). This will help to meet our fuel poverty commitments, with greater investment targeted to the least energy efficient homes. The inclusion of band Ds balances the need to incentivise the retrofit of the least energy efficient homes and deliverability of the scheme.
84. Homes in bands D, E, F and G coupled with household eligibility will give an eligible pool size of around 3 million owner occupied homes (D-G) along with 430,000 PRS and 230,000 social (E-F) homes. An estimated 450,000 homes could be upgraded under the scheme, with over 75% estimated spending on the least energy efficient homes (E-G).

85. In some circumstances, to support delivery, homes in other bands can be upgraded (see in-fill section).

**Question 22:** Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?

Vote responses: 120 Yes: 63% No: 26% No View: 11%

Written responses: 87

### Summary of responses

86. A majority of respondents agreed with this proposal. Of these who provided a written response, most also suggested that the aims should be more ambitious, with all properties improved to band C or above. Suggestions included more exemptions or uplifts for homes improved to the MR. Conversely, other stakeholders questioned the ability to improve the worst F and G homes by two bands safely, especially in historical buildings.

87. A few respondents suggested the implementation of controls over which homes are improved to ensure that suppliers did not cherry pick easy-to-treat homes, or homes with a higher SAP rating in their band. Suggested controls included a cap on the number of band D homes targeted or creating incentives to treat the worst F and G homes.

### Government response

88. Government will implement the proposal in the consultation. Government believes that improving band F and G homes to at least a band D and band D and E to at least a band C strikes the balance between meeting fuel poverty targets and upgrading as many homes as practicable. This in combination with the scoring methodology and the E, F, G minimum equivalent homes upgraded target (below) ensures that improvements beyond MRs are not delivered at the expense of treating more homes below band D.

89. Upgrading the least energy efficient homes to meet MRs will be facilitated through the scoring methodology. There are some exemptions for certain situations where a home cannot be upgraded to meet MRs (see Chapter 4: Scoring).

**Question 23:** Do you agree to a requirement for a minimum number of private tenure homes in SAP band E, F and G homes to be upgraded?

Vote responses: 117 Yes: 67% No: 16% No View: 17%

Written responses: 51

### Summary of responses

---

90. A majority of respondents agreed with this proposal. Some stakeholders stated that they were concerned that this target was not supported by evidence of available properties which are fuel poor in this tenure. A minority of stakeholders who disagreed with this proposal and provided a written response thus stated it will either be too difficult for suppliers to find households who are willing to have measures installed due to restrictive eligibility criteria, or that the target is not ambitious enough to target all fuel poor homes in this tenure. A few respondents suggested that sub-obligations increase scheme complexity especially for new, small suppliers.

### Government response

91. Government will set a minimum equivalent of 150,000 private tenure band E, F and G homes to be upgraded under ECO4, so that greater progress is made in meeting fuel poverty targets and the least energy efficient homes are not left behind. This is considered proportionate given the estimated pool of private tenure eligible properties being at least 3.5 million, with approximately 1.2 million of these being E, F and G. We estimate that this target will achieve the right balance of being cost effective and deliverable, because ECO4 assumes a larger proportion of investment to these homes, while also delivering upgrades to a larger proportion of band D homes, with an average overall lower investment.

**Question 24a:** Do you agree with the proposal to remove non-means tested benefits including disability benefits as a method to target low income and vulnerable households, as listed in table 6?

Vote responses: 112 Yes: 25% No: 45% No View: 29%

Written responses: 64

### Summary of responses

92. Most respondents disagreed with this proposal due to concerns that vulnerable households would be excluded from support under ECO4. There were concerns that certain homes where at least one member of the household is disabled and is just over the threshold for household income help, under ECO4 Flex or means-tested benefits may now be excluded. The marginal amount they are above the threshold is absorbed by the increased spending on household heating, meaning that their disposable income was comparable to those within the cap.

### Government response

93. Government has decided to remove eligibility for non-means tested benefits as consulted. This will include non-means tested disability benefits which have transferred to Scotland under the Scotland Act 2016. We recognise that some respondents felt strongly about this change, however, a limited number of homes can be treated under ECO, so support to low income households most at risk of fuel poverty is prioritised. This change means that the

---

estimated fuel poverty targeting increases from 29% in the ECO3 IA<sup>11</sup> to 32% in final ECO4 modelling.

94. Households in receipt of both means tested benefits and disability benefits will continue to be eligible under ECO4. Government is satisfied that those on the lowest incomes and with conditions which make them vulnerable to cold who receive DLA/PIP will still be supported through ECO4, partly through the routes identified under Q29. The 2017 English Housing Survey indicates that around 60% of disability benefit recipients also receive a means tested benefit. Fuel poverty rates among households receiving both a disability benefit and a means tested benefit (27%) are much higher than households only receiving a disability benefit (10%). Therefore, excluding non-means tested benefits improves low income and fuel poverty targeting.
95. We estimate that 46% of ECO4 beneficiaries will be households containing a person with a long-term illness or disability. 34% of households in the population as a whole and 46% of households in fuel poverty are estimated to have a long-term illnesses or disabilities, hence we expect them to be fairly represented under ECO4.
96. The 2017 English Housing Survey suggests that around 400,000 households in band D, E, F and G owner occupier homes are in receipt of disability benefits, with no other means tested benefits. These households, if they are low income, could be supported under an expanded and reformed ECO4 Flex (see Q28).

**Question 24b:** Do you agree with the proposal to include additional benefits within the eligibility criteria for private tenure households under ECO4 to align with UC?

Vote responses: 107 Yes: 68% No: 4% No View: 28%

Written responses: 22

### Summary of responses

97. A majority of respondents agreed with this proposal, as it would support households regardless of whether they were on legacy or UC benefits and would ease delivery by increasing the eligible pool. Additionally, there was support for the inclusion of Pension Credit Savings Credit to support older vulnerable households.

### Government response

98. Government will include Housing Benefit and Pension Credit Savings Credit to align with UC as consulted.

---

<sup>11</sup>England only figures.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/749638/ECO\\_3\\_Final\\_Stage\\_IA\\_Final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA_Final.pdf)

**Question 25:** Do you agree with the proposals to increase the Child Benefit income caps as set out in table 7 under ECO4?

Vote responses: 107 Yes: 64% No: 5% No View: 32%

Written responses: 24

### Summary of responses

99. A majority of respondents agreed with this proposal. However, several respondents highlighted that the figures proposed were adjusted for inflation in 2022 only, whereas ECO4 is a four-year scheme. Thus, it was suggested that there be a mechanism in place to adjust the levels according to inflation or minimum wage legislation each year.

### Government response

100. Government will include increased Child Benefit income caps as set out in the table below. The cap will remain in place for the duration of ECO4, to provide consistency throughout the scheme. Changing caps every year would create delivery complexity and reduce customer understanding. Low income households may also be identified under the ECO4 Flex eligibility routes.

**Table 1: Child benefit income caps (before tax and National Insurance)**

Type of claimant	Number of children or qualifying young persons			
	1	2	3	4
Single	£19,900	£24,800	£29,600	£34,500
Couple	£27,500	£32,300	£37,200	£42,000

101. The figures in Table 1 above are taken from the ECO3 thresholds and inflated to 2022 figures, rounded to nearest £100. They have been updated since consultation stage to reflect latest HMT GDP deflators.

**Question 26:** Do you agree with the proposal that households in receipt of WHD also be eligible under ECO4, if they live in band D-G homes?

Vote responses: 111 Yes: 74% No: 1% No View: 25%

Written responses: 38

### Summary of responses

---

102. This was welcomed by most respondents who recognised the usefulness of WHD targeting and the two schemes working in tandem. Energy suppliers who provided a written response noted this approach removes some of their administrative burden, as they can target their matched WHD recipients. A few respondents were concerned that, as receipt of WHD is not based on EPCs, that customers may be unable to receive assistance through this route. Scottish stakeholders were concerned about the eligibility of Scottish households in the event of an equivalent Scottish scheme.

### Government response

103. Government has decided that household recipients of the WHD rebate will be eligible for ECO. The assessment of eligible homes is a separate additional requirement subject to occupying bands D, E, F or G homes if owner occupied or E, F and G homes if private rented tenants.

104. Scottish households would qualify for the scheme through the core means-tested benefits, which align with eligibility for the reformed WHD scheme in England and Wales (see Scotland section).

## ECO4 Flexible Eligibility

**Question 27:** Do you agree that up to 50% of the ECO target could be delivered through LA & Supplier Flex? (LA & Supplier Flex will be referred to as ECO4 Flex)

Vote responses: 110 Yes: 71% No: 11% No View: 18%

Written responses: 71

### Summary of responses

105. A large majority of respondents agreed with this proposal. A few written responses which agreed with the proposal caveated that LAs needed to be sufficiently supported, as installers and trade associations noted that LA capacity to engage in ECO varied. Additionally, greater auditing and reforms were welcomed to improve the targeting of ECO4 Flex, especially in the case that 50% of the obligation could be delivered via this route.

106. Some respondents highlighted that households may self-ration how they use energy to save on bills and thus not be in debt, meaning that they will not be identified by suppliers, under the new proposals of suppliers' using household energy debt data.

### Government response

107. Government will permit up to 50% of the ECO target to be met under ECO4 Flex, as consulted. As with ECO3, participation will continue to be voluntary. Suppliers, LAs and the devolved administrations can participate. Ofgem will publish guidance to facilitate ECO4

---

Flex delivery. On supporting LAs, most in England received funding under Local Authority Delivery (LAD) to deliver energy efficiency measures in homes. Government announced further grant funding including the Home Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) as part of the Spending Review. This grant funding may provide more opportunities to build upon their admin capacity. For households who may be self-rationing energy use see Q30.

**Question 28:** Do you agree with the proposals for improved due diligence under the reformed ECO4 Flex?

Vote responses: 111 Yes: 68% No: 6% No View: 26%

Written responses: 54

### Summary of responses

108. The majority of written responses received agreed that greater controls are needed for ECO4 Flex. A few noted it would help mitigate some of the declaration inconsistencies identified during the notification process. The minority of written responses suggested that specific evidence requirements should be introduced to ensure compliance and consistency, to help mitigate against fraud, and give more certainty for all parties that only intended households are receiving measures. A few respondents raised concerns that some LAs may not be resourced sufficiently to undertake checks and therefore may not be able to participate.

### Government response

109. Government will strengthen controls under ECO4 Flex, so that only low income households are supported under this route.

110. A Statement of Intent (Sol) will only be valid if it meets the definition of an Sol as set out in regulations. This includes household eligibility limited to the four routes as consulted. The Sol published by the relevant LAs, Scottish or Welsh Governments would signal intent to participate in ECO4 Flex. The Sol would also include a commitment that the signing LA officer or government official has checked and verified that corresponding declarations have been issued for households that are eligible and which match the criteria in the Sol.

111. Suppliers will need to verify that declarations they have accepted are genuine. To improve assurance and facilitate validation, Ofgem will introduce and create a new mechanism enabling LAs and the devolved administrations to notify Ofgem with the declaration number, household address and the route the household has been matched under, for each household referred. This will enable Ofgem to match the LA or DAs issued declarations with the notified declarations they receive from suppliers.

- 
112. Although LAs and the devolved administrations are not required to use Ofgem’s new mechanism, it is an efficient way of checking that only households they have referred have been accepted, minimising discrepancies noted under ECO3.
113. A declaration will be valid for 12 months from the date of issue to allow for adequate time between identifying a household as eligible and measures being notified to Ofgem. All LAs and suppliers participating under the scheme should be aware that they may be subject to independent annual audits, the results of which may be published.
114. A Statement of Intent and Declaration will include a statement confirming that the relevant LA and devolved administrations have undertaken adequate due diligence that the householder being referred is eligible and meets one of the criteria set out under the four eligible routes as set out in the consultation. LAs are likely to have experience in determining adequate and acceptable evidence for their own schemes. For example, if they already support households for housing or council tax support, they are likely to require evidence of income from the household. LAs could use similar due diligence to test incomes if they wish to participate under ECO4 Flex.
115. The devolved administrations will be responsible for ensuring they put in place their own appropriate due diligence and audit checks for low income household referrals made by them. Audits may be shared with the UK Government.

**Question 29:** Do you agree with the four referral routes that could be used by local authorities under ECO4 Flex? Are there other ways we could incentivise better targeting?

Vote responses: 101 Yes: 58% No: 10% No View: 32%

Written responses: 56

### Summary of responses

116. The majority agreed with the proposal and welcomed the new ways to identify households. A simplified income cap of £31,000 was considered an easy way for households to understand if they qualified. The health route was also particularly welcomed. A few respondents stated that expanding the eligibility criteria increases the complexity of the scheme, some argued that more detail was required around route four but noted timings of panel decisions would be key.
117. A few written responses received disagreed and argued an income cap would dilute targeting of fuel poor households due to regional income differences or lack of household composition in the calculation. Another concern was the inclusion of disability benefit payments within the household income cap

### Government response

- 
118. Government will introduce all four routes as outlined in our consultation. Route two will be simplified with the removal of the third proxy when using a combination of LSOA and NICE guidance proxies together. Instead, these two proxies must be used in isolation of each other and combined with another proxy from the list (table 8 in the consultation document). LAs may choose to work in partnership with mortgage lenders to target low income households, under LA schemes, however mortgage lenders will not be able to directly refer households under the scheme. Citizens Advice will be able to refer households to LAs. This will enable organisations helping low income and fuel poor households to focus support on households most in need, particularly households, who may not be eligible under the means-tested benefits route.
119. Some low income households may not be eligible under one route, but they may be eligible under another. For example, under route 1, if an LA carries out their due diligence on household income, but the income is just above the threshold, the householder may still be eligible under another route. The NHS health referral route has been introduced to support low income and vulnerable households whose health conditions may be impacted further by living in a cold home. Households under this route can only be referred by either an NHS Foundation Trust, NHS Trust, NHS Health Board or a General Medical Practitioner.
120. A new fourth route will incentivise new and improved targeting approaches for low income households. It is intended that measures delivered through an approved targeting methodology will benefit from a 10% uplift.
121. An application process will be designed for targeting approaches to be submitted to the Department of Business Energy and Industrial Strategy (BEIS). A new panel will be introduced to assess applications. All applications will need to be supported with evidence and referred to BEIS. As ECO4 remains a supplier obligation, delivery against approved applications would still be subject to suppliers' discretion. Further guidance on the application process and assessment is planned for publication in summer.

**Question 30a:** Do you agree that obligated energy suppliers should be able to use their own data on households in fuel debt, or PPM self-disconnections to target low income and vulnerable householders?

Vote responses: 109 Yes: 68% No: 5% No View: 27%

Written responses: 47

**Question 30b:** Do you agree that households would be eligible if they meet the 2-proxy requirements, using suppliers' own customer debt or PPM self-disconnections data under ECO4 Flex route 2?

Vote responses: 104 Yes: 61% No: 4% No View: 35%

Written responses: 18

### Summary of responses

122. A majority of respondents agreed that using existing supplier data would seem an effective approach to helping households who are facing difficulty with repaying their energy debts. However, some noted that it does not help to identify those households who underheat their homes to ensure they can pay their energy bills. Of those who disagreed, some noted that a combination of two proxies, one of which being fuel debt, was not an indicator of fuel poverty. There were also concerns that LAs would be overlooked if suppliers used their own data. Potential GDPR issues were also noted.

### Government response

123. Government will expand household eligibility by allowing suppliers through the ECO4 Flex Route Two mechanism, to use their own data to identify households in energy debt as long as it is combined with another proxy from the list, which is unrelated to debt for identifying low income households. We recognise single proxies on their own may be too broad to effectively target low income households and believe this approach will provide further assistance to help identify low income and vulnerable households to receive support.

124. Non Pre-Payment meter households must be in debt for more than 91 days/13 weeks and in a debt repayment plan with their energy supplier or repaying their fuel debt through third-party deductions. Pre-Payment meter households must have either self-disconnected as a result of financial hardship or have received supplier Discretionary/Friendly credit within the last 91 days/13 weeks; or in a debt repayment plan with their energy supplier; or repaying their fuel debt through third-party deductions.

125. Sensitive data must be treated in accordance with GDPR requirements as is the case with sharing of any ECO household data. Individual parties should seek and be confident in their own legal advice and GDPR practices. Whilst route two allows suppliers to use their

own data to identify households, it must be used alongside another targeting proxy as set out under route 2. Government would welcome engagement between LAs, the Devolved Administrations and suppliers to target low income and vulnerable households most in need of support under route 2.

**Question 31:** Do you think the Scottish and Welsh Governments should be able to refer households under ECO4 Flex, instead of local authorities in those countries?

Vote responses: 102 Yes: 44% No: 15% No View: 41%

Written responses: 43

### Summary of responses

126. Many respondents voted they agreed with this proposal. A few written responses from those who both agreed and disagreed with the proposed approach suggested that Scottish and Welsh Governments should be able to sign declarations in addition to LAs. A few responded that this would allow devolved Governments the opportunity to target support fairly across all their LAs as capacity to participate varies under the current scheme. A few respondents suggested that although the devolved administrations would ensure consistency across the scope of signed declarations, having a central point could potentially increase administration and delays and that the understanding of local areas could be diminished by centralising responsibility. Some respondents were keen to achieve consistency across all regions.

### Government response

127. The Scottish and Welsh Governments will be able to participate under ECO4 Flex and refer low income households.

128. As the Scottish and Welsh Governments have a smaller number of LAs under their remit compared to England, it may be helpful from a resourcing and targeting approach for each of the respective Governments to be responsible for publishing their Sols and oversee declarations. Scottish and Welsh Governments will be responsible for due diligence and auditing of referrals made by them. LAs in Scotland and Wales may publish their own Sols and can do so on similar terms as LAs in England and Wales.

129. In England, LAs wishing to participate under the ECO4 Flex will continue to be responsible for publishing their statements of intent. The ECO4 Flex eligibility routes will be the same across GB. Ofgem will publish further guidance on ECO4 Flex, applicable to LAs and the Scottish and Welsh Governments.

---

## Rural and off-gas delivery

**Question 32a:** Do you agree that off-gas uplifts of 35% should be applied to Scotland and Wales?

Vote responses: 107 Yes: 48% No: 20% No View: 33%

Written responses: 48

### Summary of responses

130. Many respondents were in support of introducing this uplift to incentivise delivery of ECO measures to rural and off-gas homes given the increased complexity and cost of treating these properties. Some of those in support also noted that the uplift should be extended to delivery in England.

131. Most of the respondents who did not support this proposal argued that any uplift should be applied consistently across England, Scotland, and Wales, or not at all. Some respondents noted that the proposed approach will unfairly favour delivery to the devolved administrations. Some also noted that having a consistent approach would aid overall scheme administration.

**Question 32b:** Do you agree that off-gas uplifts should not be applied in England, where the Home Upgrade Grant is available?

Vote responses: 101 Yes: 19% No: 46% No View: 36%

Written responses: 50

### Summary of responses

132. Many respondents were not in support of this proposal as they believed that the uplift should also apply to England on the grounds that: a separate uplift for Scotland and Wales is an inconsistent application of policy and fails to acknowledge similar schemes to HUG in those countries. Similarly, it was highlighted that having a consistent approach would aid scheme administration. Those respondents not in support suggested making use of mid-scheme changes to either add or remove an uplift in England depending on how HUG is delivering and how it interacts with ECO delivery.

### Government response

133. Government will introduce rural off-gas uplifts of 35% in Scotland and Wales in recognition of such properties tending to have higher installation costs. The uplift will apply at the project level. This uplift recognises the greater and deeper rural areas in Scotland

(29.1%, 2016<sup>12</sup>) and Wales (32.8%, 2011) compared to England (17.2%, 2011)<sup>13</sup>. To better target delivery to these areas, the off-gas uplift will only apply in rural areas in Scotland<sup>14</sup> and Wales<sup>15</sup>. Off-gas properties in England will benefit from HUG.

134. We acknowledge the concerns regarding the inconsistency of the application of this uplift. However, similar grant schemes, which have an exclusive focus on upgrading off-gas properties, do not exist in Scotland and Wales. Government is committed to supporting these properties in England via the HUG scheme; £950 million of funding for HUG was announced in the 2021 Autumn Budget and Spending Review<sup>16</sup>, bringing the total amount committed to this scheme so far to £1.1 billion. ECO4 has been designed alongside HUG, such that the schemes complement each other, ensuring we can support more homes. The final impact assessment shows that 23% of ECO4 delivery will go to rural areas.

## ECO interaction with other funding

**Question 33:** Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?

Vote responses: 113 Yes: 42% No: 48% No View: 11%

Written responses: 79

### Summary of responses

135. Of those who provided a view, approximately half both in support and not in support noted that this approach may hinder the delivery of high-cost measures such as SWI or heat pumps. This concern was also raised in Q34a and Q34b, and that blending with the Renewable Heat Incentive (RHI)/Boiler Upgrade Scheme (BUS)<sup>17</sup> should be retained.

136. Some of those in support noted that this was conditional on ECO being able to fully fund measures; if this is not the case, then some level of blending of funding would be preferable to customer contributions. Those not in support suggested that preventing blending will suppress overall delivery and may penalise consumers who are unable to contribute financially from accessing the scheme, thus hampering wider fuel poverty objectives. A few respondents noted that this approach will negatively impact delivery in Scotland and Wales and will be complex to administer.

<sup>12</sup> <https://www.gov.scot/publications/scottish-government-urban-rural-classification-2016/pages/5/>

<sup>13</sup> <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/rural-urban-analysis/comparing-rural-and-urban-areas-of-england-and-wales.html>

<sup>14</sup> <https://www.gov.scot/publications/scottish-government-urban-rural-classification-2016/pages/2/>

<sup>15</sup> <https://www.gov.uk/government/statistics/2011-rural-urban-classification>

<sup>16</sup> <https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents/autumn-budget-and-spending-review-2021-html>

<sup>17</sup> The domestic RHI ends on 31 March 2022 and will be replaced by the Boiler Upgrade Scheme.

**Question 34a:** Do you agree homes could benefit from multiple funding if it is not for the same measure?

Vote responses: 111 Yes: 85% No: 5% No View: 10%

Written responses: 51

### Summary of responses

137. Most respondents agreed with this proposal, with some of these noting similar issues to those raised in Q33. Chiefly, that this approach may reduce overall delivery, and that robust processes must be in place to ensure no duplication of funding and appropriate consumer guidance to ensure the schemes work in harmony to deliver the best outcome for the property. Those not in support suggested a more holistic approach should be taken towards blending, with funding drawn from relevant sources as determined by the measures required in a property.

**Question 34b:** Do you agree homes could benefit from multiple funding if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?

Vote responses: 109 Yes: 82% No: 6% No View: 13%

Written responses: 40

### Summary of responses

138. Most respondents broadly agreed with this proposal in principle but noted several concerns with how it may be achieved in practice. Suppliers argued that the burden of proof to identify if a measure has received funding from multiple sources should not fall to them. They also noted that delivery of ECO measures should be given priority over grant funded measures as it is an obligation. Trade associations, measure manufacturers and installers noted that blending for high-cost measures should be permitted to ensure their delivery, but also that the coordination of multiple funding streams can be difficult to manage. Some respondents on both sides noted that delivery will be impacted if this approach leads to deviation from PAS requirements.

### Government response

139. Government has decided to proceed with the proposed approaches regarding blending of funding, whereby measures funded outside of ECO could be installed prior to the ECO4 project, or after the final ECO4 project has been notified to Ofgem. ECO4 is designed on the basis that in most cases upgrades would be fully funded. The accompanying Impact Assessment reflects this no-contribution assumption. Government acknowledges stakeholder concerns regarding the ability of ECO alone to fund high-cost measures such as SWI and heat pumps. However, we believe there is sufficient scope and expertise to

---

facilitate a property receiving a package of measures funded under multiple funding streams, albeit not to fund the same measure. Government will work closely with Ofgem and TrustMark to ensure that appropriate data structures are in place and duplication of processes is minimised.

## ECO Eligible Referral

**Question 35:** Do you agree that we continue with the ECO Eligible Referrals mechanism under ECO4?

Vote responses: 106 Yes: 80% No: 0% No View: 20%

Written responses: 18

### Summary of responses

140. All respondents who gave a view to this question agreed we should continue to allow the ECO Eligible Referral (EER) mechanism as a way of identifying potentially eligible households. Of those who provided a written response, some were in favour because it allows suppliers to identify households in a cost effective way by using their existing data. A few written responses were received which expressed concerns that suppliers may be less engaged with LAs as a result of using EER or through the introduction of supplier debt under ECO4 Flex route two.

### Government response

141. Therefore, Government will continue to work with Ofgem and DWP to make practical provisions to allow for referrals to be notified by suppliers, thus allowing suppliers to fully utilise EER as a way of identifying households in receipt of means tested benefits. This mechanism helps promote a secure and cost effective way of reaching out to households who may not otherwise be aware of the potential assistance available to them under the scheme. As with all handling of customer data, suppliers need to ensure that they are fully satisfied that they meet all GDPR requirements.

---

## In-Fill

**Question 36a:** Do you agree with our proposals to simplify the in-fill mechanism with the new ratios for flats and other housing to qualify?

Vote responses: 110 Yes: 76% No: 2% No View: 24%

Written responses: 18

**Question 36b:** Do you agree with our proposals to include CWI in-fill?

Vote responses: 106 Yes: 77% No: 3% No View: 20%

Written responses: 16

### Summary of responses

142. Of the stakeholders who responded, most agreed with the proposal to simplify and amend the ratio for in-fill households. Many stakeholders who also had a written response welcomed the inclusion of cavity wall insulation as an eligible measure for flats, noting that the proposal would allow more mixed tenure blocks of flats to be treated. The changes proposed to allow homes on the same street to qualify irrespective of where the home is positioned will allow suppliers to manage their obligation more effectively.
143. Of those who disagreed, the main concerns raised were the deflator element for the in-fill property and that the ratios were not consistent between flats and houses, noting that they would like to see all homes irrespective of property type having a ratio of 1:1. Other concerns raised were treatment of corner homes or properties that are nearby but do not share the same street address.

### Government response

144. Government has decided to introduce the in-fill criteria as proposed in the consultation. The new simplified in-fill rules will help to support more low income occupants living in multi-tenure flats, because in-fill allows other homes to benefit from certain measures, creating economies of scale and viability to upgrade the entire building. This may particularly impact low income households struggling to keep their flat warm. These homes will attract a Partial Project Score (PPS) as they are not being upgraded based on the eligibility of the household (see Q62). A further simplification is that properties with the same street address will be eligible, which may remove some of the barriers for corner homes and make the process easier to understand and implement.

---

## Private Rental Sector (PRS) Eligibility

**Question 37a:** Do you agree with our proposal to support low income private rental households, with the design being subject to the outcome of the PRS consultation?

Vote responses: 116 Yes: 70% No: 9% No View: 22%

Written responses: 48

**Question 37b:** Do you agree with our proposal to limit support to packages of measures that meet the MR including solid wall insulation, first-time central heating, a renewable heating system or district heating?

Vote responses: 105 Yes: 50% No: 22% No View: 29%

Written responses: 40

### Summary of responses

145. A majority of respondents agreed with the proposal to support low income PRS households. There was broad support to align ECO with Minimum Energy Efficiency Standards (MEES) regulations for these tenants. Similarly, most respondents agreed with Q37b given the effect this proposal is likely to have on increasing landlord contributions. Some respondents in favour noted that landlord installed measures should count to help meet the MR, but without a supplier being able to claim for those measures. Some in favour suggested that any ECO funding, outside of landlord contributions, should not count towards the landlord cost cap. Conversely, a few noted that ECO funding should not be used to meet MEES requirements. There were also calls to ban any support for fossil-fuel FTCH and district heating.
146. Those that were not in favour of Q37a mostly suggested that alignment with MEES would penalise tenants unfairly given the requirement for a high-cost measure, whilst acknowledging the likelihood of increased landlord contributions. Respondents also noted that the MEES timings may mean that landlords elect to wait to carry out upgrades, after ECO4 has concluded, and would therefore need further incentivisation, especially for SWI.
147. There were several concerns and suggestions common to responses from those in favour of and against Q37a. These included: the ability of LAs to enforce MEES; the lack of provision for wall insulation building assessments, especially given that PRS households have high rates of uninsulated walls; that a landlord's income should be assessed prior to receiving support for their property; and, similarly, that support received through ECO should not count towards MEES cost caps.
148. Those that were not in favour of Q37b mostly suggested that PRS properties should be allowed access to the full range of measures. One response noted that PRS households

---

already reject support under ECO3 and further incentivisation would be needed to deliver multiple measures under ECO4.

### Government response

149. Government has decided to retain support for PRS properties with a starting band of E-G. Band D properties will not be supported, given that upgrading these homes to a band C could be achieved more cheaply outside of ECO. PRS properties receiving ECO support must have at least one mandatory measure as outlined in Q37b, in the package of measures. Where a renewable heating measure or district heating connection (DHC) is installed in an off-gas property, the off-gas heating hierarchy must be followed. Households would be able to receive any ECO measure (excluding repairs or replacements to broken heating, as in ECO3) provided at least one mandatory measure is included.

## Social Housing Eligibility

**Question 38a:** Do you agree with the proposal to allow social housing tenure with starting bands of E, F and G to be eligible under ECO4?

Vote responses: 111 Yes: 72% No: 12% No View: 16%

Written responses: 45

### Summary of responses

150. A majority of respondents were in support of this proposal, although approximately a third (of both yes and no) used this question to voice support for inclusion of band D rated homes to varying extent. Some recognised that inclusion of band Ds may lead to skewed ECO delivery and suggest using caps or mid-scheme changes to balance this rate accordingly. There were also several responses that noted that EPC data for social housing properties are poor, and many band D rated properties do not perform at that level in reality. Those not in support (other than for inclusion of band Ds) suggested that LAs should be funding this work (via LAD or otherwise).

151. A minority of respondents noted that the eligible pool for social housing may be too small under ECO4 if band Ds are excluded. Some installers and measure manufacturers noted that band Ds should also be eligible for district heating and ESH.

---

**Question 38b:** Do you agree with the proposal to continue eligibility for band D social housing under Innovation Measures?

Vote responses: 107 Yes: 66% No: 12% No View: 21%

Written responses: 44

### Summary of responses

152. A majority of respondents were in support of this proposal, although approximately a third (of both yes and no) also used this question to voice support for inclusion of D rated homes to varying extent. A few respondents noted that IM delivery would increase if this eligibility criteria were expanded further to band C rated properties. Overall, respondents noted that IMs have seen low uptake under ECO and raised concerns about their efficacy in this context under ECO4. Similarly, respondents argued that appropriate consumer protection standards must be in place to remedy any failures, given the novelty of such measures.
153. One respondent noted that this approach may result in heating controls being the primary IM delivered under ECO4, with the measures becoming redundant in the future should the heating in the property be replaced with renewables.

**Question 39:** Do you agree that the minimum requirements should apply to E, F and G social housing and band D social housing for IMs?

Vote responses: 108 Yes: 57% No: 16% No View: 27%

Written responses: 29

### Summary of responses

154. A majority of respondents were in support of this proposal, though some respondents noted issues with how feasible it will be for Ds to achieve the MR. Similarly, those not in support suggested that IMs alone will not be sufficient to meet the MR and that the MR for band Ds should be dropped, or that band Ds should receive the same support as band E-Gs. A few respondents noted that band Cs should be afforded the same eligibility as band Ds.
155. A few respondents noted that the current scoring mechanism does not adequately account for district heating and may hamper these properties in meeting the MR. Also, given the restricted selection of measures, there were concerns raised about properties not being able to meet the MR if they are unsuitable for a particular measure.

### Government response

- 
156. Government has decided to retain eligibility for IM measures for social housing properties with a band rating of D, E, F and G, subject to the outlined measure restrictions. Government acknowledges the calls to support band D properties to the same extent as band E-G properties. Band D properties could meet the MR via a single measure. IM measures are not modelled, however as these are improved versions of existing ECO measures, it is likely that a single IM measure in band D homes could meet the MR. As outlined in the consultation and recent Heat and Buildings Strategy, Government continues to believe that the availability of separate funding streams across England, Scotland and Wales will adequately support this tenure type.
157. We consulted on the basis of including smart heating controls as a new eligible measure for band E-G rated properties. There is currently no single definition in legislation, or otherwise widely agreed description, that details what a 'smart heating control' may encompass in practice. As smart heating controls can be approved under the IM mechanism, measures delivered via the IM mechanism will be allowed. Statistics show smart heating controls account for over 60% of measures delivered under the IM mechanism in ECO3<sup>18</sup>. We would encourage the continuation of this method to deliver smart heating controls to social housing properties.
158. In summary, band E-G rated properties will be eligible for insulation measures, FTCH, renewable heating, DHCs and IMs. Where a renewable heating measure or DHC is installed at an off-gas property, the off-gas heating hierarchy must be followed. Band D rated properties will be eligible for IMs only. All social housing properties will be required to meet the relevant ECO4 MR. Heating controls can still be delivered as part of FTCH installations.

---

<sup>18</sup> <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-february-2022>  
Table 2.8

---

# Chapter 3: Eligible Energy Efficiency Measures

## Scope of HHCRO regulations

**Question 40:** Do you agree that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation?

Vote responses: 114 Yes: 64% No: 18% No View: 18%

Written responses: 58

### Summary of responses

159. The majority of respondents agreed that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation (HECRO). However, some respondents that both agreed and disagreed with the proposal stated that ECO should remain focused on installing core insulation and heating measures and that any new measures introduced should not displace delivery of these. The only exception to this being the introduction of hot water heating and waste-water heat recovery systems for homes without combined heating and hot water, particularly homes with heat pumps.

### Government response

160. We have noted the support for this proposal and intend to implement it when we have an opportunity to amend primary legislation. This will be subject to legislative prioritisation across Government so we cannot commit to a specific date, however it will not be in time for the start of ECO4. If and when new primary powers are in place, we will ensure any new eligible energy efficiency measures are captured in our scheme design to ensure the primary focus of ECO remains on measures that deliver long-term benefits to fuel poor households.

---

## Continuing a fabric first approach

**Question 41:** Do you agree with our proposal to maintain a Solid Wall Minimum Requirement set at 22,000 solid wall insulation measures per year for ECO4 and remove the option for this to be met via alternative measures?

Vote responses: 115 Yes: 51% No: 29% No View: 20%

Written responses: 61

### Summary of responses

161. The majority of respondents agreed that a Solid Wall Minimum Requirement (SWMR) should be retained and the option for this to be met via Solid Wall Alternative Measures (SWAM) should be removed.
162. Many respondents agreed with the SWMR target proposed in the consultation without comment. However, some of those who had a view stated they wanted a higher SWMR target to help meet the fuel poverty targets. Suggestions ranged between 30,000 and 70,000 per year, and a year-on-year rising target between these ranges. However, some also stated that an increased target might be challenging to meet in practice due to two key issues; a need to grow the supply chain in order to support increased installation levels through ECO and other government schemes; and the cost of installing SWI has significantly increased, partly as a result of compliance with PAS2035, so funding is needed to ensure SWI can be delivered at zero cost to the household. A minority of respondents also highlighted that the Impact Assessment needed to reflect these increased costs.
163. A few respondents commented on the removal of SWAM, with responses split between retaining and removing it. The main reason given for retaining it was to ensure support for solid walled homes that are unsuitable for SWI, and an uplift suggested to offset the additional cost.

### Government response

164. Government has decided to take forward the proposal to retain a SWMR and remove the option for this to be delivered using SWAM.
165. Since the consultation, we have gathered evidence about the availability of the supply chain to deliver a SWMR against other competing demands for SWI and the current cost of external SWI to update our Impact Assessment modelling. There is a lot of uncertainty around the evidence collected and the projections for materials costs and costs associated with PAS2035. Furthermore, whilst internal SWI has been the majority of SWI installed under ECO3, we are unable to estimate uptake of internal SWI in our models. However, around 80% of bids under SHDF Wave 1 included external SWI, which accounts for 49% of the scheme's funding and about 40% of HUG1 funding is for SWI with the vast majority being external SWI.

---

166. On balance, therefore, based on updated modelling we have decided that setting a slightly increased SWMR than proposed in the consultation at an equivalent of 90,000 measures for ECO4 is appropriate, alongside the private tenure EFG minimum equivalent of 150,000 homes. The SWMR for a supplier will be equal to one SWI measure per £2,492 of their HHCRO<sup>19</sup>. Given SWI is an eligible measure for all ECO4 tenures and as an in-fill measure, where prices are competitive, and the supply chain is sufficient we would expect SWI (either external or internal) to be delivered in most of these solid wall homes to meet the MR which will be more effective at alleviating fuel poverty over the longer term for these households over alternative measures. Having a SWMR should also provide sufficient certainty alongside delivery through HUG and SHDF, for the SWI supply chain to invest and grow to meet the increased demand for SWI which should bring costs down.

167. Government maintains the view that providing measures at zero cost to the consumer is key to ensure a fair and equitable delivery of the scheme. Where needed, as part of the total energy efficiency retrofit work at a property, a home could receive packages of measures before or after ECO4 via multiple government energy efficiency schemes, such as HUG and SHDF, albeit not to fund the same measure(s).

**Question 42:** Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?

Vote responses: 121 Yes: 79% No: 12% No View: 9%

Written responses: 80

### Summary of responses

168. The majority of respondents agreed with the requirement that all homes receiving heating measures must meet the minimum insulation preconditions proposed, with many stating that insulation is essential to lower heat demand and make homes heat pump ready. However, some respondents also stated that an exemption to the MR for these minimum insulation preconditions should be in place for homes that are unable to have insulation installed, particularly historic buildings, and in addition to exemptions proposed in the consultation on health grounds or in emergency situations.

169. A minority of respondents commented on the minimum insulation preconditions themselves, stating that wall insulation should be prioritised over other areas of a property and that SWI should be required for all band E, F and G homes and band D homes receiving FTCH, especially where low carbon heating is being installed, and that loft insulation should be included for band D homes.

---

<sup>19</sup> £2,492 is based on the total HHCRO obligation £224.3 million divided by 90,000 SWI measures.

---

170. Of those who disagreed, a few stated that support for heating should not be conditional on insulation. A few also stated that if the MR could be met with heating and/or controls then insulation should not be a requirement.

### **Government response**

171. Government has decided to introduce the minimum insulation preconditions for all homes receiving any heating measure, including heating controls, as proposed:

1. all band D homes receiving any heating measure other than FTCH must first have at least one primary insulation measure installed (flat roof, pitched roof, room-in-roof, cavity or solid wall, park home and floor insulation); and
2. all band E, F and G homes receiving any heating measure and band D homes receiving FTCH must first have all the exterior facing cavity walls and loft (including rafters) or roof (including flat, pitched and room-in-roof) insulated;
3. unless all eligible fabric measures are already installed to meet the current Building Regulation standards where possible<sup>20</sup>, or where exemptions to the MR apply<sup>21</sup> (see Q57).

172. These requirements are broadly based on the primary insulation and FTCH pre-insulation measures required under ECO3, with the addition of pitched roof insulation. Combined with the MR this approach will ensure that the fabric efficiency of homes is improved which is most beneficial over the long-term, compatible with lower temperature heating systems, and proven to be most cost effective in tackling fuel poverty. As homes move to deeper retrofit, it is important that adequate ventilation is considered in line with PAS2035 requirements.

173. The exemptions to the MR include, amongst other things, homes with listed status or in conservation areas that are unable to have insulation installed (see Q57). However, we will not introduce exemptions to the MR for emergency situations, on health grounds or completely remove the minimum insulation preconditions for band D homes.

---

<sup>20</sup> The PAS standards, enforced by TrustMark, will determine the amount of insulation that can be installed.

<sup>21</sup> Note, exemptions to the minimum insulation preconditions for heating measures are not capped.

---

## Eligible heating measures

**Question 43:** Do you agree with our proposal to exclude the repair and replacement of oil and LPG heating?

Vote responses: 120 Yes: 60% No: 26% No View: 14%

Written responses: 71

### Summary of responses

174. The majority of respondents agreed to exclude the repair and replacement of oil and LPG heating. Some stated this was needed to achieve our decarbonisation goals and Fuel Poverty Strategy commitments and it was important the government supported off-gas fuel poor homes to transition to low carbon heating. However, a minority of respondents stated that there was a conflict between these goals because, as things stand, many of the eligible heating measures for off-gas homes would currently cost more to run than oil or LPG heating systems and support is needed for these homes to ensure they are not left without heating. A few stated this proposal should only be introduced when a general ban on oil and LPG heating is announced. A minority of respondents stated that they also wanted mains gas heating excluded or only allowed in on-gas homes where low carbon heating could not be installed.
175. Of those that disagreed, some stated that some rural homes, particularly those in conservation areas, are not suitable for the insulation needed to support a heat pump and without insulation their household energy bills would increase. Respondents expressed concern that these homes will be left without heating, and this would be disproportionate and discriminatory to off-gas fuel poor households where no gas alternative will be available and whilst no general ban is in place.
176. As a result, some stated replacement LPG heating systems should be allowed on the basis that LPG's carbon content is equivalent to natural gas and lower cost. No one specifically advocated for replacement oil heating systems to be allowed. However, some stated that a capped element for oil and LPG heating systems should be retained where the eligible heating measures for off-gas homes are not suitable. Some also stated that oil and LPG boilers should be retained to allow for the transition to bioLPG and biooils and that repairs should be allowed for a limited number of homes where none of the eligible heating measures for off-gas homes are suitable.

### Government response

177. Government has decided to exclude the installation of all new and replacement oil and LPG heating systems, including hybrids using these fuels, in ECO4 in line with our goal to decarbonise off-gas homes. This is aligned with our proposal – on which we recently consulted – to end the installation of fossil fuel heating systems in homes and non-domestic

---

buildings off the gas grid, in England, from 2026<sup>22</sup>. This is a devolved matter, and as such Scottish and Welsh Ministers will decide on the approach to take in Scotland and Wales.

178. Bioliquids will also not be permitted in ECO4. Government recognises that not all off-gas grid properties will be suitable for a heat pump, and that biofuels such as bioLPG and hydrotreated vegetable oil may play a role in the future heating mix, particularly for off grid properties that are not suitable for a heat pump. However, further evidence is needed to consider what role these fuels could play, and to develop the policy framework which would support such a role.

179. We expect the majority of oil and LPG heated homes to be suitable to receive one of the eligible heating measures for off-gas homes (see Q51). However, to balance our decarbonisation goals with our fuel poverty objectives, Government has decided to allow the repair of broken oil and LPG heating systems, subject to the Broken Heating Repair Cap (see Q44), as a last option where none of the eligible heating measures for off-gas homes (see Q51) are reasonably practicable to install. This will prolong the life of the heating system and ensure homes have heating, whilst improving the insulation of the home. Both efficient and inefficient broken oil and LPG heating systems will be eligible for repair, and there will be no requirement for the heating system to be economic to repair since oil and LPG heating system replacements will not be permitted.

**Question 44:** Do you agree with our proposal to only allow the repair of efficient heating up to a cap of 5,000 homes per year?

Vote responses: 113 Yes: 37% No: 37% No View: 26%

Written responses: 61

### Summary of responses

180. There was an even split of votes between those that agreed and disagreed with our proposal to only allow the repair of efficient heating and set a Broken Heating Repair Cap for efficient boiler and ESH repairs at 5,000 homes per year. Comments focused on the level of the cap and how it should be evidenced.

181. Of those that agreed, most respondents agreed with the 5,000 homes per year cap with a few stating that the cap should be reduced further. Of those that disagreed, some stated that the cap should be removed and questioned why a cap is proposed when we want to incentivise repairs, whilst a minority wanted it increased. Conversely, some wanted to ban repairs and only allow low carbon heating to be eligible through ECO4.

---

<sup>22</sup> Phasing out the installation of fossil fuel heating in homes off the gas grid, BEIS, (October 2021) <https://www.gov.uk/government/consultations/phasing-out-fossil-fuel-heating-in-homes-off-the-gas-grid>

---

182. Respondents further stated that there was a need for more guidance on how to determine what heating would be economic to repair and the evidence requirements for these, as well as how repairs would be recorded on the Medium-Term Improvement Plan (MTIP), and the need for due diligence to avoid the risk of replacements over repairs. A few stated that Gas Safe engineers should be allowed to carry out repairs rather than TrustMark registered ECO installers and asked how repairs would sit with the minimum insulation preconditions for heating measures in emergency situations.

### **Government response**

183. Government has decided to take forward the proposal to only allow the repair of efficient heating systems<sup>23</sup>, renewable heating systems and DHCs, where it is economic to repair, with an exception for the repair of broken efficient and inefficient oil and LPG heating systems as the last option in the eligible heating measures for off-gas homes (see Q51). This will prolong the life of heating for these homes whilst improving the fabric of the home. For oil and LPG boiler repairs there will be no requirement for the heating system to be economic to repair given oil and LPG boiler replacements will not be eligible. All other broken inefficient eligible heating systems will not be eligible for repair but instead will be eligible for uncapped heating upgrades.

184. Repairs will be subject to the minimum insulation preconditions (see Q42) for heating measures unless a MR exemption applies.

185. Evidence from ECO3 shows that the majority of homes that received multiple measures were completed within a month and most reported the same completion date so it should still be possible to meet the minimum insulation preconditions for heating measures in emergency situations. As a temporary solution, the Warm Homes Discount also provides financial support for homes in these situations. All measures, including repairs, must be installed by TrustMark approved installers, except DHCs and Data Light Measures, and must be recorded in the MTIP.

186. We want to ensure broken efficient heating is repaired where it is economic to do so rather than replaced. To incentivise the repair of efficient boilers and ESH, uplifts will apply as set out in response to Q66. However, as uplifting the score for repairs is untested all efficient boiler and ESH repairs (including all oil and LPG boilers) will be subject to the Broken Heating Repair Cap at an equivalent of 5,000 homes per year. The cap is proportional to the boiler and ESH repair caps under ECO3 based on the number of homes expected to be treated through ECO4. The cap will be shared between all obligated suppliers and set relative to each supplier's HHCRO obligation.

187. To reduce the risk of non-compliance of the repair and replacement rules, Government will continue to work with Ofgem to explore the potential to benchmark the cost

---

<sup>23</sup> An efficient heating system is a central heating system, district heating connection or an electric storage heater which does not contain a non-condensing boiler or electric storage heater with a SAP responsiveness rating of less than 0.2.

of repairs for common faults and the guarantee, tighten up the evidential verification requirements to ensure the assessment is accurate, and improve the monitoring of duplicate replacements.

**Question 45:** Do you agree with our proposal to reduce the Broken Heating Cap for broken efficient heating replacements up to 5,000 homes per year?

Vote responses: 111 Yes: 32% No: 41% No View: 27%

Written responses: 64

### Summary of responses

188. Many respondents disagreed that the efficient Broken Heating Replacement cap should be set at 5,000 homes per year. Many stated that the cap should be kept at ECO3 levels or increased since it is important that fuel poor households are not left without heating, and that compliance with the replacement heating policy should be tightened up instead. A few suggested that there should be no cap and heating should be installed in accordance with the retrofit design. Conversely, some stated that gas should be banned through ECO4 or only allowed where low carbon heating is not feasible (and an uplift for low carbon heating to on-gas homes should be introduced to incentivise the switch).
189. Of those that agreed, a minority stated that this would support a shift to low carbon heating whilst providing some support for fuel poor households.

### Government response

190. Government has decided to retain the Broken Heating Replacement Cap and set this as proposed for broken efficient boilers and ESH that cannot be economically repaired. The Cap will be set at an equivalent of 5,000 homes per year. The level of the cap is proportional to the Broken Heating Cap level under ECO3, when compared with the number of homes expected to be treated under ECO4 compared with the number of homes expected to be treated under ECO3, and the reforms made to eligible heating measures. The cap will be set relative to each supplier's obligation. Whilst the net zero pathway for homes using mains-gas is being determined, the cap encourages homes to transition to renewable heating systems and district heating whilst enabling support for the replacement of broken efficient boilers and ESH where they cannot be economically repaired. Government will work with Ofgem to reduce the risk of non-compliance of the broken repair and replacement rules.
191. An efficient heating system (whether broken or not) may be replaced with a renewable heating system or DHC except where the measure is of the same kind as the one that was installed at the home immediately prior to the installation of the measure. Inefficient heating (whether broken or not) where replaced must be upgraded with an efficient replacement, or where eligible with FTCH, that meets Boiler Plus standards where applicable through

---

Building Regulations and the new ECO4 ESH replacement standards, with a renewable heating system or DHC, all of which will be exempt from the cap.

192. All homes will also need to meet the new MR, and the minimum insulation preconditions for heating measures, unless an exemption applies. To take into account the absence of sufficient SAP improvements when replacing broken efficient boilers and ESH, uplifts will apply as set out in response to Q66.

**Question 46:** Do you agree with our proposal that all new ESH delivered (both on and off-gas) must have a SAP responsiveness of 0.8 or above?

Vote responses: 109 Yes: 61% No: 4% No View: 36%

Written responses: 21

### Summary of responses

193. The majority of respondents agreed that all new ESH installed (in both on and off-gas homes) must have a manufactured responsiveness rating of 0.8 or above when assessed against SAP. Respondents provided limited comments in support of their answers.

194. The few respondents who disagreed stated that ESH should not be an eligible ECO4 heating measure and a heat pump should be installed instead but conceded that where ESH is installed it should be one with the highest efficiency rating possible.

### Government response

195. Government has decided to take forward the proposal that all new ESH installed (in both on and off-gas homes) must have a manufactured responsiveness rating of 0.8 or above when assessed against SAP.

196. We recognise that ESH heating can be a costly way to heat a home. However, for homes that are already electrically heated, where ESH is the only viable heating option, we want to ensure the most energy efficient version is installed. Combined with the minimum insulation preconditions for heating measures (unless exemptions apply) this should ensure reduced heating bills and carbon emissions. ESH may also be smart enabled to ensure that a household can benefit from smart tariffs to reduce their bills further.

197. We will continue to define an inefficient ESH as one with a SAP responsiveness rating of 0.2 or less.

---

**Question 47:** Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?

Vote responses: 116 Yes: 73% No: 5% No View: 22%

Written responses: 43

### Summary of responses

198. The majority of respondents agreed that where gas boilers are installed under ECO4 they must meet Boiler Plus Standards. A few respondents stated that Boiler Plus should go further and hydraulic balancing should also be mandatory through compliance with BS7593:2019. In addition, a minority of respondents argued that low carbon or hybrid heating should be promoted over gas, and some stated the off-gas hierarchy should be applied to on-gas homes with gas as the last option available.

199. Of the small number of respondents who disagreed with the proposal, they did so on the basis that gas heating should be excluded from ECO4. Some also stated that the Boiler Plus requirements do not go far enough and that smart controls should be installed as standard practice, with functions including presence detection and weather forecasting alongside smart TRVs. They also argued that hydraulic balancing should be mandatory.

### Government response

200. Boiler Plus measures raise the standard of boiler installations, reducing carbon emissions and bills. When introduced in England (as an amendment to Building Regulations in 2018), the Boiler Plus Standards<sup>24</sup> set a new minimum efficiency standard for boilers of 92% ErP. In addition, for combination boilers one of four additional energy efficiency measures was required to be installed:

1. Smart Control with automation and optimisation functions
2. Load Compensator
3. Weather Compensator
4. Flue Gas Heat Recovery System

---

<sup>24</sup> Heat in Buildings Boiler Plus Report (2017) <https://www.gov.uk/government/consultations/heat-in-buildings-the-future-of-heat>

201. We expect similar standards to be introduced to Building Regulations in Wales<sup>25</sup> and Scotland<sup>26</sup>. To ensure that industry works in accordance with the Building Regulation requirements for each nation, since these are devolved matters, Government has decided that it would be pragmatic to follow the Boiler Plus Standard requirements set out in Building Regulations for each nation when they come into effect rather than introduce a separate rule that the English Boiler Plus Standard should be applied throughout GB for ECO4. However, since the requirement for hydraulic balancing is not mandatory within Building Regulations, we will require all new gas boilers installed through ECO4 to have hydraulic balancing completed to ensure the central heating system is balanced.

202. As set out in the Heat and Buildings Strategy, Government will continue to seek to improve the efficiency of new and existing boilers, through the promotion of the best controls and system management and explore options to strengthen and extend the Boiler Plus Standards, supporting the preparation of homes for low carbon heating. We will look to test proposals on future boiler and heating system efficiency through an upcoming consultation, which will also consider the case for hydrogen-ready boilers and draw on the findings of the recent initial Boiler Plus Review and Energy-Related Products Policy Framework<sup>27</sup>. Any further changes and improvements that are made to the Boiler Plus Standards through Building Regulations for each nation will therefore be applicable through ECO4. In addition, further amendments made to regulations affecting boilers to improve standards will also be applicable through ECO4 including any made through updates to Ecodesign Regulations for Energy-Related Products.

**Question 48:** Do you agree with our proposal to restrict gas first-time gas central heating to households already connected to the gas grid?

Vote responses: 118 Yes: 49% No: 32% No View: 19%

Written responses: 66

### Summary of responses

203. Many respondents agreed that first-time mains-gas (and hybrid mains-gas) central heating should be restricted to households already connected to the gas grid. However, a

<sup>25</sup> Building Regulations Part L and F Review - Changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for existing dwellings and mitigating overheating in new dwellings (October 2021) – Welsh Government <https://gov.wales/building-regulations-part-l-and-f-review-stage-2a>

<sup>26</sup> Building regulations - energy standards and associated topics - proposed changes: consultation (2021) Scottish Government <https://www.gov.scot/publications/scottish-building-regulations-proposed-changes-energy-standards-associated-topics/pages/3/> Building Standards Domestic Technical Handbook (extract), Consultation proposals – Domestic Building Services Compliance Guide (July 2021) [Domestic Building Services Compliance Guides](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1011545/boiler-plus-policy-review.pdf)

<sup>27</sup> Boiler Plus (2018): Initial Policy Review, BEIS Research Paper Number 2021/012 (March 2021) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1011545/boiler-plus-policy-review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1011545/boiler-plus-policy-review.pdf); Energy-Related Products Policy Framework - BEIS (November 2021) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1034456/energy-related-products-policy-framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034456/energy-related-products-policy-framework.pdf)

---

minority of them requested guidance on what is meant by ‘connected to the gas grid’. A few also asked whether the Fuel Poverty Network Extension Scheme (FPNES) was ending and if not, the need to ensure no gaming of the two schemes. A few other respondents also stated that the majority of homes eligible for a mains-gas FTCH would be flats which should transition to a heat pump or DHC instead.

204. Of those who disagreed, views were mainly divided between those that stated gas heating should be banned through ECO or only allowed where alternative low carbon options are unsuitable, and those that stated gas and hybrid gas should be allowed off the gas grid in conjunction with FPNES. A minority also stated that the market is not sufficiently ready yet to only deliver low carbon heating in off-gas homes and homes would have limited heating options where a heat pump was not feasible.

### **Government response**

205. Government has decided to take forward the proposal that mains gas and hybrid mains gas FTCH may only be installed in the small number<sup>28</sup> of homes that are connected to the gas grid (on-gas homes) as of 31 March 2022. FTCH allows for the installation of a first time wet central heating system. FTCH can only be installed in homes which at no point prior to the installation of FTCH were heated by a wet central heating system or an efficient or repairable ESH; or where ESH is present, that they are all inefficient or broken immediately prior to the installation of FTCH and at no point prior to the installation were heated by a wet central heating system (see Q50). We support the installation of renewable heating systems and DHCs therefore there are no FTCH rule restrictions for the installation of these measures; and an on-gas home can also have a renewable heating measure or DHC and off-gas homes must follow the off-gas heating hierarchy approach.

206. We will define ‘on-gas homes’ as meaning homes which were connected to the mains supply of a relevant gas transporter immediately before 1 April 2022 and ‘off-gas homes’ that are not on-gas homes. We consider that on-gas homes are homes with a primary heating system which may be a fixed mains-gas heating system, or a fixed electric heating system with evidence (gas bill) of using a mains-gas cooker. For homes with no fixed heating system, evidence that the home is connected to mains-gas will be required; and off-gas homes to be homes where the primary heating system is a fixed coal, oil or LPG heating system, or a fixed electric heating system with no evidence of using a gas cooker, or no fixed heating system. We anticipate that there will be several ways of evidencing that a home is connected to mains-gas supply.

207. All homes that receive FTCH must first have cavity wall and loft/roof insulation installed in accordance with the minimum insulation preconditions for heating measures, unless all

---

<sup>28</sup> In 2019 there were approximately 70,000 (or 3%) fuel poor homes in England connected to the gas grid that did not have gas central heating that may benefit from gas first time central heating. Fuel Poverty Statistics England 2021 (2019 data) – Tables 10 and 13  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966471/Fuel\\_poverty\\_detailed\\_tables\\_2019\\_data\\_LILEE.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966471/Fuel_poverty_detailed_tables_2019_data_LILEE.xlsx)

---

eligible fabric measures are already installed (to meet current building regulations standards where possible) or where exemptions to the MR apply.

208. As set out in the Ten Point Plan<sup>29</sup>, we are investing in making our buildings more energy efficient and will be setting a path for moving away from fossil fuel boilers over to using heat pumps, heat networks and other low carbon technologies to heat homes over the next 15 years. We aim to shortly consult on requiring new gas boilers to be readily convertible to hydrogen ('hydrogen ready') by 2026 to prepare homes for a potential hydrogen conversion. This consultation will also test proposals on the future of broader boiler and heating system efficiency for on-gas homes.
209. The path for off-gas homes is clearer and we recently consulted on proposals to phase out the installation of high carbon fossil fuel heating systems<sup>30</sup> (coal, oil, and LPG) and as such, we are restricting support for gas FTCH to on-gas homes to align delivery with our off-gas net zero goals and prevent us from expanding our reliance on natural gas. Renewable heating measures and DHCs<sup>31</sup> are eligible for on and off-gas homes in accordance with the off-gas heating hierarchy (see Q51).
210. Ofgem is responsible for FPNES. The current planned end date is 31 March 2026, when the current Gas Distribution network price control will end. However, Ofgem has put measures in place to stop the scheme earlier, if appropriate, in response to wider Government (national and devolved) policy decisions<sup>32</sup>.

**Question 49:** Do you agree with our proposal for all new wet central heating systems to be installed as a "low-temperature heating system"?

Vote responses: 117 Yes: 61% No: 16% No View: 23%

Written responses: 27

## Summary of responses

211. The majority of respondents agreed that all new wet central heating systems installed should be low temperature to ensure heating systems are more efficient and are heat pump ready for future upgrades; some acknowledged that this is being proposed in changes to Building Regulations. However, respondents were concerned that higher costs will be

---

<sup>29</sup> HMG. 'The ten point plan for a green industrial revolution' (2020),

<https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution>

<sup>30</sup> Phasing out the installation of fossil fuel heating in homes off the gas grid, BEIS, (October 2021),

<https://www.gov.uk/government/consultations/phasing-out-fossil-fuel-heating-in-homes-off-the-gas-grid>

<sup>31</sup> Coal, oil, and LPG fuels are excluded both in on and off-gas homes and gas is excluded for use in off-gas homes.

<sup>32</sup> Ofgem, RIIO – 2 Final Determinations – GD Sector Annex (REVISED), (3 February 2021),

<https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator> (pages 19-21)

---

incurred in meeting this requirement. Guidance was requested on what this entails and when exemptions will be allowed.

212. The respondents that disagreed, stated that it is often not practicable to double the size of radiators and would increase costs, and that households would turn up the heating to increase the temperature of the home.

### Government response

213. Lower-temperature heat emitters are likely to result in lower running costs for fossil fuel heating systems and will support fuel poor households in transitioning to low carbon heating. Therefore, we support all newly installed and fully replaced wet central heating systems (including both the heating appliance and emitters) to be installed as a 'low temperature heating system'<sup>33</sup> through ECO4. This is in alignment with the guidance set out in the guidance to the Building Regulations, Approved Document L, Volume 1: Dwellings<sup>34</sup>, which comes into force in June 2022 to encourage new heating systems to be designed to operate at a flowrate temperature of 55 degrees Celsius or lower. We expect consistent rules will be introduced in Wales<sup>35</sup> and Scotland<sup>36</sup>.

**Question 50:** Do you agree with our proposals to expand the eligibility for first-time central heating?

Vote responses: 113 Yes: 63% No: 8% No View: 29%

Written responses: 33

### Summary of responses

214. The majority of respondents agreed to expand the eligibility criteria for FTCH. A few respondents stated that the definition should be expanded further to allow homes with gas back boilers and Agas that have one radiator, needed for health and safety requirements, to be eligible.

215. A few respondents on both sides stated that we should remove the requirement that homes must have never been heated by a wet central heating system or DHC to allow homes to receive renewable and district heating FTCH.

---

<sup>33</sup> A system sized to operate with a flow temperature of 55 degrees Celsius or lower. Where it is not feasible to install a system that can operate at this temperature it should be designed to the lowest possible temperature, while still meeting the heating needs of the dwelling.

<sup>34</sup> <https://www.gov.uk/government/publications/conservation-of-fuel-and-power-approved-document-l>

<sup>35</sup> Building Regulations Part L and F Review: Stage 2B (October 2021) <https://gov.wales/building-regulations-part-l-and-f-review-stage-2b>

<sup>36</sup> Scottish Building Regulations – Proposed Changes to Energy Standards and associated topics (July 2021) <https://www.gov.scot/publications/scottish-building-regulations-proposed-changes-energy-standards-associated-topics/documents/>

---

216. Of the few respondents that disagreed, many stated that only low carbon FTCH should be allowed.

### Government response

217. FTCH allows for the installation of a first time wet central heating system. Government has decided to amend the FTCH definition as proposed to only be installed in homes which at no point prior to the installation of FTCH were heated by a wet central heating system or an efficient or repairable ESH; or where ESH is present, that they are all inefficient or broken immediately prior to the installation of FTCH and at no point prior to the installation were heated by a wet central heating system. In alignment with our net zero goals, we support the installation of renewable heating systems and district heating. Therefore, there will be no FTCH rule restrictions for the installation of these measures; and an on-gas home can receive a renewable heating measure or DHC and off-gas homes must follow the off-gas heating hierarchy approach (Q51). This has previously been a barrier to delivery, particularly in social housing.

218. We do not consider that homes with one radiator connected to a heating appliance for health and safety reasons is a central heating system. Therefore, homes with gas back boilers and Agas with one radiator will be considered eligible for FTCH where the eligibility rules can be met.

**Question 51:** Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?

Vote responses: 116 Yes: 59% No: 12% No View: 29%

Written responses: 44

### Summary of responses

219. The majority of respondents agreed with the proposal to restrict biomass boilers and district heating systems to off-gas homes that are not electrically heated and cannot reasonably or practicably have a hydronic heat pump installed. However, a minority of respondents asked for guidance on what 'reasonable and practical' meant, how it would be evidenced and who would be responsible for making that decision. A few also asked for guidance on how the biomass sustainable fuel requirements would work and be evidenced.

220. A few respondents (that both agreed and disagreed with the proposal) stated that DHCs fuelled by a heat pump should be allowed instead of a heat pump. But a few others expressed concerns that district heating should only be allowed if regulations are in place through ECO with effective consumer protections.

---

221. Those respondents who disagreed commented on the order of measures to be considered and measures included themselves. Some commented about biomass, but messages were mixed; ranging from it being a high-cost fuel with challenging fuel supplies, incompatible with the Clean Air Strategy and should be banned in ECO; to those that wanted solid biomass heating systems to be allowed outside of rural areas to help with net zero targets. A few stated that ESH should be allowed before biomass/DHCs. A few others stated that oil, LPG, biofuels and hybrids should remain a final option for homes that cannot receive a heat pump, DHC or biomass heating system. A few also commented that the BEIS analysis on the number of homes suitable for a heat pump was misleading and local electricity grids will not support increased electrification.

### Government response

222. Government has decided to introduce the proposals on eligible heating measures in off-gas homes with two minor additions (to allow a DHC fuelled by a heat pump (stage 1) and to allow oil and LPG boiler repairs where no other eligible heating measure can be installed (stage 3)) in the form of a so-called 'off-gas heating hierarchy', where we require the installation of heating measures to be considered in the following order:

1. A hydronic heat pump or DHC fuelled by a heat pump;
2. Where it is not reasonably practicable to install one of the above, a solid biomass heating system<sup>37</sup> (in rural areas only<sup>38</sup>) or DHC fuelled by a source other than a heat pump (other than gas, coal, oil and LPG which are excluded fuels);
3. Where it is not reasonably practicable to install any of the above heating measures, broken oil or LPG heating systems may be repaired (subject to the Broken Heating Repair Cap – see Q43) or replacement electric heating may be installed in homes that are already electrically heated. Note, the repair of broken renewable and DHCs and efficient electric heating systems may take place outside the off-gas heating hierarchy rules (subject to the Broken Heating Repair cap – see Q43);
4. Where none of the above heating systems can be installed or repaired, that home would remain eligible for insulation. Following this, where there are too few ECO-eligible measures recommended in the PAS improvement option evaluation (IOE)<sup>39</sup> and, where applicable, pre-insulation EPC, these homes would be exempt from the MRs where appropriately evidenced (see Q57).

---

<sup>37</sup> Fuelled by woodfuel, which includes woodchip, logs, wood pellets and wood briquettes.

<sup>38</sup> We will define rural areas as those outside of settlements with a population of 10,000 people or more as classified by the 2011 Rural Urban Classification, <https://www.gov.uk/government/statistics/2011-rural-urban-classification> and Scottish Government Urban Rural Classification 2016 <https://www.gov.scot/publications/scottish-government-urban-rural-classification-2016/>. The classification of any given location will be determined at postcode level using the Office for National Statistics Postcode Directory look-up tool, <https://onsdigital.github.io/postcode-lookup/>.

<sup>39</sup> This document contains a list of all energy efficiency measures deemed appropriate for the property.

- 
223. We consider a measure will be reasonably practicable to install where it is shown to be technically feasible to install and does not result in an increase in energy bills.
224. Since ECO4 is an installer-led scheme there will be no ongoing obligations on biomass boiler owners to use approved sustainable fuel listed on the Biomass Suppliers List or equivalent schemes. However, we recognise that appropriate fuel use and boiler maintenance are vital to minimise emissions and improve system efficiency. We expect that, in accordance with MCS standards, installers will provide written information to customers which includes details of the appropriate fuel for their system and maintenance requirements following completion of the installation.
225. For off-gas homes, electrification of heat is the one pathway to net zero proven to work at scale across a broad spectrum of homes. The evidence indicates that low temperature air source heat pumps (which are electric powered) deliver high levels of energy efficiency, low carbon emissions and are consistent with net zero emissions as the electricity grid decarbonises. They are also commercially available, can be deployed at scale across most fossil fuel heated homes off the gas grid, and have lower running costs than many other low carbon heating systems.
226. Solid biomass heating systems and district heating are also net zero consistent and offer a secure and affordable fuel supply to consumers. Government is committed to legislating to implement heat networks regulation within this Parliament and will do so at the earliest possible opportunity. Regulation will include consumer protection rules which ensure all heat network consumers receive a fair price, a reliable supply of heating, and transparency of information. The Heat Trust Scheme will provide consumer protection until this is in place. Allowing the repair of broken oil and LPG heating systems as a last option (alongside electric heated homes, see Q52) gives homes that are unable to have an off-gas hierarchy heating measure support for heating whilst improving the insulation of the home.

**Question 52:** Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?

Vote responses: 116 Yes: 52% No: 21% No View: 27%

Written responses: 52

### Summary of responses

227. The majority of respondents agreed that electric heating should only be installed in homes that are already electrically heated (both on and off the gas grid) and in off-gas homes where it is not reasonably practicable to install a hydronic heat pump, solid biomass heating system or DHC. However, as was raised in response to Q51, a minority of

---

respondents asked for guidance on what ‘reasonable and practical’ meant, how it would be evidenced and who would be responsible for making that decision.

228. Of those that disagreed, some stated that ESH with smart controls should be allowed in all homes irrespective of the starting heating type. Some respondents also disagreed with the off-gas hierarchy approach and stated that any heating measure appropriate for the property should be allowed. A few respondents also questioned the place of electric heating in the order of the off-gas hierarchy, stating that electric heating should be aligned with or before biomass heating for air quality reasons.

### **Government response**

229. Government has decided to introduce the proposal that electric heating (other than heat pumps) may only be installed in homes that currently have electric heating (both on and off the gas grid) and in off-gas homes where it is not reasonably practicable to install a hydronic heat pump, solid biomass heating system or DHC, subject to the Broken Heating Replacement Cap. The approach set out in response to Q51 will be used to determine whether a heat pump, solid biomass heating system or DHC is reasonably practicable to install.

230. In accordance with our decision for Q46 replacement electric heating must be an ESH with a manufacturer responsiveness rating of 0.8 or above when assessed against SAP or other electric heating (such as air to air heat pumps or infrared heating) where the efficiency gains are either equivalent to or greater than those associated with installing new ESH, which may also be smart enabled. In addition, solar PV may be installed in a home that either already has or is installed alongside a hydronic heat pump, ESH with a manufacturer responsiveness rating of 0.8 or above when assessed against SAP or other electric heating with equivalent or greater efficiency gains than new ESH.

231. We recognise that electric heating can be a costly way to heat a home. However, for homes that are already electrically heated, where this is the only viable heating option, this will ensure that homes can receive support for new efficient heating systems. Combined with the minimum insulation preconditions for heating measures (unless exemptions apply) this should ensure reduced heating bills and carbon emissions, and future proof the home for net zero compatible heating. Where heating is smart enabled and/or linked with solar PV this will further enable a household to benefit from reduced heating bills.

---

## Smart meters advice

**Question 53:** Do you agree with our proposal that energy suppliers should be required to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS2035?

Vote responses: 114 Yes: 58% No: 20% No View: 22%

Written responses: 59

### Summary of responses

232. The majority of respondents agreed that advice on the benefits of smart meters and how to request one be installed (where one is not already installed in a home) must be provided to all ECO households alongside the initial retrofit energy advice requirements under PAS2035. While a few stated that the advice should be bespoke to the household, most respondents stated it should be impartial and part of the rounded package of energy efficiency advice. A few argued that ECO funding should not be used to meet this requirement since energy suppliers already have a duty to offer smart meters to their customers and that ECO measures should not be conditional on accepting a smart meter.
233. Of those who disagreed, comments were almost evenly split between energy suppliers and installers/managing agents and focused on who should be responsible for providing this advice. Energy suppliers stated that installers have the direct relationship with ECO customers and should be required to give this advice and the PAS certification bodies or TrustMark should provide evidence to confirm this has been provided to ECO households. Installers stated that smart meter advice is the responsibility of energy suppliers and Smart Energy GB, and energy suppliers should provide this information after ECO measures have been installed. A few energy suppliers also stated that ECO measures should be conditional on the acceptance and installation of a smart meter.

### Government response

234. Government has decided to introduce the requirement that smart meter advice must be provided to all ECO households before measures are installed, ideally alongside the initial retrofit energy efficiency advice provided to households required by PAS2035.
235. We want low income and vulnerable households to realise the benefits from smart meters and whilst information on smart meters is sometimes included in the energy advice provided through ECO, this is not always the case. Mandating smart meter advice will ensure a consistent consumer experience. This will, in turn, support our ambition to achieve a market-wide rollout of smart meters, enabling consumers to access digital energy services that put them in charge of their energy use. However, we are not mandating the installation of a smart meter alongside ECO measures since the decision to accept the offer of a smart meter rests with the consumer.

---

## Smart technologies and flexible heating systems

**Question 54:** How should suppliers be required to demonstrate that a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly?

Written responses: 57

### Summary of responses

236. Many respondents agreed on the need for flexibility and the inclusion of smart technologies combined with time-of-use tariffs into ECO4 where there is evidence of savings to household bills. Respondents agreed with the importance of installing sufficient energy storage to allow consumers to shift their heat demand away from peak periods and to remain comfortable even when the heating system is not drawing from the grid.
237. However, there were mixed views about how this should be evidenced. Some suggested that this should be the responsibility of the Retrofit Coordinator, a heating expert or appropriate competent person with relevant qualifications to advise on the appropriate standards. Suppliers and trade associations suggested that this should be the responsibility of PAS and be monitored by the Certification Bodies and TrustMark. Respondents suggested that measures which are compliant with the existing PAS framework or can demonstrate compliance with an emerging framework such as PAS1878 and PAS1879<sup>40</sup>, should offer sufficient assurances. Others suggested that this could be defined by either a working group, the innovation technical advisory panel (TAP) or submitted to BRE for assessment and approval.
238. Respondents also highlighted the importance of protecting consumers and the importance of providing them with advice on how to optimise their heating system and manage their consumption.

### Government response

239. Government supports the inclusion of smart technologies combined with time-of-use tariffs in ECO4 where there is evidence of savings to household heating bills. Using flexible heating systems alongside smart meters, smart tariffs and energy storage will enable consumers to change their consumption patterns to match times of cheap and abundant low carbon electricity, give consumers greater control over energy usage and comfort levels, and save money by helping to balance the energy system.

---

<sup>40</sup> PAS1878:2021, Energy smart appliances – System functionality and architecture – Specification and PAS1879:2021, Energy smart appliances – Demand side response operation – Code of practice  
<https://www.bsigroup.com/en-GB/about-bsi/uk-national-standards-body/about-standards/Innovation/energy-smart-appliances-programme/>

---

240. Ahead of any incorporation of smart technologies into the scheme via SAP, we will continue to allow energy suppliers to apply to Ofgem to receive a score through the Alternative Methodology route<sup>41</sup>. In order to be eligible as a smart technology, Ofgem could consider additional criteria, including providing energy bill savings and that the measure is safe, secure, smart-enabled and installed with sufficient energy storage. We welcome the feedback received on how such an application could demonstrate this. However, there was no conclusive approach proposed and as such, we will continue to work with Ofgem to consider the most appropriate approach for energy suppliers to demonstrate this, including ensuring the frameworks are in place to protect consumers who participate in smart energy.

241. Following any successful alternative methodology application, where a measure is considered to be an improvement on an existing measure (other than cost savings), energy suppliers can also apply for an IM uplift (see Q94).

---

<sup>41</sup> This includes both the standard Alternative Methodology and Data Light Measures routes (refer to Q72 and Q73).

---

# Chapter 4: Scoring

## Scoring a multiple measure approach

**Question 55:** Do you agree that the ECO4 scoring methodology must be based on the difference in average annual bill expenditure between the starting SAP rating and finishing SAP rating of a property, with regard given to the property's floor area?

Vote responses: 112 Yes: 55% No: 16% No View: 29%

Written responses: 65

### Summary of responses

242. Across most questions in the scoring chapter, including this one, a minority of respondents preferred not to provide fuller answers as they had not read Ofgem's scoring consultation, published towards the end of this consultation.
243. Most stakeholders expressing a view on the overall scoring methodology supported Government's proposed framework, including almost all responding energy suppliers. A minority of parties also made positive remarks about the use of floor areas within the framework, and the expected impact this would have on distributing ECO support more evenly across eligible households.
244. Some of those opposed to the framework highlighted concerns that SAP, being focussed on bill savings, would not capture the carbon-saving benefit brought about by heat pumps. Therefore, a few respondents suggested stronger incentivisation of heat pumps. A mixture of stakeholders expressed opposition to the perceived prevention of single measures in ECO4. Some stakeholders also raised concerns about the use of EPC assessments. We will respond to this point in our response to Q71, regarding evidencing.

### Government response

245. Government intends to implement the overarching score approach as consulted on. Relative to the other approaches, we expect our preference to result in greater support to the least efficient households, proportionately more delivery to smaller properties, and encourage improvement further up SAP bands in each retrofit. While this approach is more likely to result in multiple measure retrofits, industry will still be able to deliver single measure projects without penalty, providing these retrofits result in the MR being met.
246. We consider that any additional favouring of heat pumps, such as a heat pump uplift, would significantly raise the risk of bill increases rather than bill savings in some households, which would be contrary to the main objective of the scheme.

---

247. Modelling conducted on the scores produced by Ofgem has shown a less favourable distribution by floor area than Government finds acceptable. To further reduce the risk of the smallest properties not getting sufficient support in ECO4, Government plans to direct Ofgem, via ECO4 legislation, to strike a more equitable distribution of ECO4 support across floor area size, through the scores Ofgem is producing.

**Question 56:** Do you agree that the overarching ECO4 scores should be based on deemed savings, rather than the actual savings generated through bespoke SAP calculations at each property?

Vote responses: 110 Yes: 53% No: 15% No View: 32%

Written responses: 66

### Summary of responses

248. The majority of those voting supported this proposal, with installers being split roughly in half. Many of those favouring Government's position recognised the risk that gaming and fraudulent activity might pose were we to use actual savings derived from bespoke SAP calculations rather than deemed savings. Some of those opposed to the position raised specific concerns about the treatment of district heating under SAP and suggested alternative approaches, including full SAP rather than RdSAP assessment. No suppliers were against the proposal; several stated that their support was based on not having to audit SAP/RdSAP assessments. Further, a small number of installers, managing agents, and other industry parties noted the burdensome nature of bespoke SAP calculations and suggested that deemed scores would provide more consistency across the scheme.

### Government response

249. Government has decided to adopt the position outlined in the consultation, alongside more specific treatment for DHC-only retrofits. Using deemed savings rather than bespoke SAP calculations will result in the scheme being more practical and therefore easier for industry to deliver.

250. With this in mind, any RdSAP assessments produced for PAS2035 retrofit pathways B and C will be lodged, as PAS requires, in TrustMark's Data Warehouse, and therefore compliance assessed by TrustMark-licensed scheme providers (for pathway A, see Q71, below). Government also notes that the use of intermediate SAP bands<sup>42</sup> reduces the risk – relative to a system based in SAP points – that slight discrepancies in SAP/RdSAP assessments result in score differences.

---

<sup>42</sup> Intermediate SAP bands mirror the SAP band scale (A-G), but with each band split at the mid-point into high and low values. For example, band G covers points 1-20. Thus, low G occupies points 1-10, a high G, points 11-20. Band F covers points 21-39, hence low F covers 21-29, while high F covers 30-28, and so on.

---

251. As district heating systems (DHS) are more bespoke by nature, Government agrees with those stakeholders suggesting that a more tailored method is necessary for these installations, though PPSs for DHCs will be available. Government intends to require that for all ECO4 retrofits where only DHCs (or DHCs and any other non-PAS measures) are delivered, the starting and finishing intermediate SAP bands are evidenced via full SAP assessments. Furthermore, as in ECO3, sponsoring energy suppliers will be able to seek alternative methodology for DHC measures via application to Ofgem. Where DHCs are delivered in retrofits with other measures within the scope of PAS2035, submission of pre-retrofit RdSAP assessments will be accepted.

**Question 57:** Do you agree with our proposed approach for allowing exemptions to the minimum requirements? If you propose additional exemptions, please suggest how they could be evidenced.

Vote responses: 109 Yes: 58% No: 7% No View: 35%

Written responses: 58

### Summary of responses

252. Of those expressing a view, parties were overwhelmingly in favour of our proposal to allow exemptions to the MR in specific circumstances. We invited stakeholders to provide us with additional scenarios to consider. These are set out in the table below, alongside our view on each. Some parties also suggested some consumer-based scenarios for us to consider. These, excluding consumer choice, are covered under our response to Q60.

253. Many parties representing a range of stakeholders, especially energy suppliers, requested more information on how these exemptions might be evidenced. A minority of respondents suggested using PAS2035 documents, while others proposed relying on either rejected planning applications where appropriate, or chartered surveyor's reports. Some parties said setting more clearly defined exemptions (such as defining in metres what restricted access might look like) would help to reduce gaming risk. We have set out how we propose each exemption is evidenced below.

254. Several parties were concerned that exemptions would allow industry to avoid the ECO4 MR even where it was possible to meet them through other (non-exempted) measures in the property. To be clear, exemptions will not be given in these circumstances.

### Government response

255. Government will include those exemptions to the MR proposed in the consultation, all of which mirror those used by the Domestic Renewable Heat Incentive (DRHI) scheme except the final exemption listed below, which was proposed in the ECO4 consultation. How each of these may be evidenced is listed below.

**Table 2: Evidencing exemptions to the minimum requirement**

Exemption to the minimum requirement	Evidenced via
Where the property is a listed building	A letter from planning dept. at relevant local authority, English Heritage, Cadw, or Historic Scotland stating that it is not possible to install a specific measure due to the building being a listed property / rejected planning application
Where the property is in a conservation area (and failed to gain planning permission)	A letter from planning dept. at relevant local authority, English Heritage, Cadw, or Historic Scotland stating that it is not possible to install a specific measure due to the building being in a conservation area
Where the property houses a protected species that would be materially affected by one or more installations	Letter from Natural England, Scottish Natural Heritage, Natural Resources Wales, or a chartered ecologist (a member of Chartered Institute of Ecology and Environmental Managers) stating which protected species is housed at the property and that installing the measure would materially affect the species
Where it would otherwise be unlawful – e.g., where planning permission has been refused	Letter from relevant local authority’s planning dept. or RICS stating which law prevents the installation of the measure(s)
Where local environmental conditions mean some measures can never be appropriately installed (e.g., regular exposure to driving rain)	PAS retrofit assessment, improvement options evaluation and medium-term improvement plan for the property
Where the structure/fabric of the building, or access constraints prevents installation of some measures (e.g., a narrow passageway that cannot accommodate scaffolding for external wall insulation, or a wall type that is not suitable for cavity or solid wall insulation)	PAS retrofit assessment, improvement options evaluation and medium-term improvement plan for the property
Where an off-gas home is not suitable for a relevant eligible heating system (see Government response to Q51 and Q52 for more information) and there are too few	PAS retrofit assessment, improvement options evaluation and medium-term improvement plan for the property

ECO-eligible measures recommended in the PAS IOE and pre-installation EPC	
---	--

256. While some stakeholders suggested Government sets out tighter definitions for exemptions, the evidence requirements reduce the risk of parties gaming the exemption process, while alignment with PAS also helps to minimise industry burden. Use of tighter definitions, particularly for the last two in the above table, might also preclude some retrofits from receiving exemptions where a retrofit assessor might reasonably have awarded one. Further, retrofits starting at band D only need to be improved to C, therefore we do not consider it proportionate to allow exemptions for these retrofits, noting also the administrative burden on Ofgem.

257. Government recognises that there may be cases at the boundaries of the above definitions where parties are likely to opt for exemptions. As such, we will cap the share of EFGs treated by each supplier that can be subject to exemptions at 5% of the EFG minimum (7,500). As with the data light measure cap set out in the ECO4 consultation, we intend for the 7,500 exemption-permissible EFG retrofits to be distributed across suppliers based on each supplier’s share of the obligation<sup>43</sup>. Although each exemption must be measure-specific, the effect of an exemption – that a new MR applies<sup>44</sup> – impacts the property at the project level, hence why it is necessary to set this cap at the retrofit level. Data from the DRHI scheme has been used to inform the cap level. Where an exemption is awarded and all possible, appropriate ECO-eligible measures have not been installed (excluding those covered by exemption), deflated PPSs will apply.

258. Government also considered other exemptions, including where boiler and/or ESH repair and replacement caps had been met. However, as boiler and ESH repair and replacement of efficient broken boilers and ESHs does not result in improvements to a property’s SAP score, this exemption would have no bearing on the MR. Additionally, replacement of inefficient boiler and ESHs is not capped.

259. Some parties suggested exemptions where consumer choice conflicted with the proposed measure package, however this would be difficult to evidence without adding significant complexity and cost for both Ofgem and industry. Consumers can exercise choice over the measures in a package where there are multiple measure routes for meeting the MR, and over whether to accept the total package where individual measure choice would conflict with the MR. Our position not to include choice as an exemption puts an onus on industry to explain to households the likely disruption involved in the process, including how long it will take and the benefit of each proposed measure. We will therefore not include this proposal as an exemption.

<sup>43</sup> For example, a supplier with 10% of the total obligation, would be allowed exemptions on 750 EFG retrofits.

<sup>44</sup> An exemption can only apply where the MR cannot be met via other ECO-eligible measures. Where an exemption does apply, all appropriate ECO-eligible measures must be installed.

---

260. Inclusion of asbestos removal was also suggested. We consider that this should be supported through the scheme where asbestos removal is necessary, but that the building fabric repair (BFR) uplift (formerly 'hard-to-treat', see Q67) would be a more appropriate mechanism for supporting this.

**Question 58:** Do you agree with our proposal to use deflated partial project scores for ongoing projects, ahead of completion?

Vote responses: 106 Yes: 36% No: 25% No View: 39%

Written responses: 56

### Summary of responses

261. Of those who gave a view, more stakeholders were in support of our approach than against, however views were relatively more mixed for this proposal. In part this was due to many of those against the proposal taking issue with the use of both a PPS cap and PPS deflation rate, which they felt added complexity and potentially created issues for the industry. We have set out reasons for taking this approach below. Managing agents were mostly against this proposal, energy suppliers and installers were both evenly split for and against, while all responding consumer groups favoured the approach.

262. Some respondents were concerned about the level of deflation, suggesting the bottom of our initial range (30%) and others suggesting even lower. Some stakeholders believe higher deflation rates would impact market prices and may wrongly impact those installers carrying out the earlier installations in a project, despite the deflation arising due to the actions of another installer.

### Government response

263. Government has proposed both a PPS cap<sup>45</sup> and deflation rate for ECO4 as this approach reduces risk while making the scheme more deliverable. The objective of the deflation rate is to facilitate payment to industry for projects under construction but also to serve as the final score for projects not meeting the MR. Setting the deflation rate too high is less likely to result in sufficient payments to industry, while setting the rate too low would not incentivise industry to meet the MRs. Setting the PPS cap too low or too high could result in the scheme being undeliverable or Government's objectives for the scheme not being met, respectively. The two measures are mutually supportive, with a PPS cap allowing a lower deflation rate and a deflation rate giving us greater confidence in setting a higher cap.

264. Following detailed analysis comparing the PPSs with the full project scores (FPSs), the deflation rate needs at least to result in smaller PPSs for retrofits than their corresponding

---

<sup>45</sup> The PPS cap places a limit on the percentage of each supplier's obligation that can be made up of PPS.

---

FPSs. We have therefore decided to set a deflation rate of 20%. This rate is the lowest Government can feasibly set without creating incentives not to meet the MR. Correspondingly, we are proposing to set the PPS cap at 12.5%. Whilst we have conducted internal analysis to inform the PPS cap rate, we recognise that these data are uncertain, so we have erred on setting a higher cap rate to minimise delivery risk, and subsequently provide industry greater flexibility for delivering ECO4. Government and Ofgem will monitor the effects of these rates on the market and on scheme delivery.

265. Some parties, primarily installers, have highlighted concerns that deflated scores would unduly fall on them. There are a number of steps installers can take to greatly reduce this risk, including: helping households make informed decisions about accepting ECO support, including the benefits and disruption associated with the retrofit; agreeing suitable contract terms with suppliers, managing agents and other installers to mitigate risk and ensure costs fall on the appropriate parties; and by taking on retrofits where they deliver all measures (such as expanding to deliver a greater range of measure types). More generally, we expect retrofit coordinators to take responsibility for ensuring that ECO4 retrofits are completed successfully and on time.

**Question 59:** Do you agree with our proposal to use deflated partial project scores where a project is found to be non-compliant with the minimum requirement at the point of notification?

Vote responses: 105 Yes: 40% No: 26% No View: 34%

Written responses: 45

### Summary of responses

266. Far more stakeholders agreed with this proposal than disagreed, with a range of stakeholder types, including energy suppliers, installers, industry bodies and all consumer groups supporting the approach. Those disagreeing were primarily made up of installers, energy suppliers and managing agents. However, we found some confusion over what not meeting the MR at the point of notification meant in practice. To clarify: Ofgem will know whether the MR is met at the point of final project re-notification, therefore this is the point at which the principle will apply.

267. As with Q58, some parties were concerned about the risk of some installers getting reduced scores because of the actions of other installers (e.g., the one responsible for a rejected measure). We have provided views on this aspect in our response to Q58.

### Government response

268. Government has decided to implement the proposal on rejections as consulted. We consider that where measures are subsequently rejected because they do not meet the requirements to be considered as qualifying actions, those projects will not have met the

---

MR in practice and therefore all the remaining measures in the package will receive PPSs, while rejected measures receive no score. This would apply to, for example, measures found to be invalid duplicates. For measures that Ofgem has not yet approved at the point of final project notification, e.g., due to a technical monitoring fail, industry would have an opportunity to rectify these to meet the MR in a project, however the late penalty (see Government response to Q82) would apply where the rectification occurs after the time limit, or an extension to that time limit. This reduces the risk of gaming in this scenario. Where a measure that Ofgem has not yet approved is successfully rectified, FPS can be awarded if the MR is met, although late penalties may also apply. To further mitigate gaming risk and administrative burden, we will not permit replacement measures to be installed in place of rejected measures after the time-limit or an extension to that time-limit. Parties can choose not to meet the MR in a project if they are content with deflated PPSs and the PPS cap is unmet.

269. Where measures have been rejected due to minor errors and can therefore still be considered qualifying actions, we consider that the MR will still be met in practice in these retrofits. Therefore, all remaining measures in those packages should receive FPSs, provided the MR is met. These types of errors could include a minor administrative error or a minor paperwork mistake, where the measure itself is still functioning normally. Some exceptions to this principle could apply, such as where the household is found to be ineligible and in cases of fraud<sup>46</sup>.

270. We have agreed with Ofgem where each rejection type sits with regards to this principle. Ofgem may choose to introduce new rejection types in the run up to or during ECO4, as occurs in ECO3. Where this takes place, Ofgem will determine whether each new rejection type conforms or conflicts with our principle on rejections. We will monitor delivery against this feature through ECO4.

**Question 60:** Do you agree with our proposal to use deflated partial project scores where a consumer ends a project before the minimum requirement has been met for reasons other than change of occupancy?

Vote responses: 104 Yes: 32% No: 31% No View: 38%

Written responses: 49

### Summary of responses

271. Slightly more stakeholders supported Government's position than opposed it, with the greatest share voting 'no view'. Many of those opposing the position did so on the basis that consumers should be able to end projects in other circumstances without deflation resulting. These circumstances included consumer choice and mental and physical ill

---

<sup>46</sup> Either of these examples could result in all measures in the project being rejected.

---

health, however few parties identified specific circumstances, with most stating that any situation outside of the installer's control should be valid.

## **Government response**

272. The position as consulted helps to minimise complexity in the scheme, the administrative burden for Ofgem, and fraud and gaming risk; therefore, Government intends to implement this. We have listed the scenarios we have considered and how hard they are to evidence. Installers can take several steps to reduce risk here:

- Agree a contract with other installers in same project (possibly via managing agent);
- Work as the only installer in project by delivering multiple measure types;
- Work on a mixture of single/double and 3+ measure projects.

273. We considered supplementing the current position with those scenarios proposed by stakeholders. The most commonly proposed scenario related to physical or mental ill health, however including this would add significant gaming risk and administrative cost. Government would have to distinguish which medical issues or illnesses would and would not be considered reasonable for ending a project early while Ofgem, energy suppliers and installers would suddenly have to handle and process sensitive personal data to evidence these medical issues. As such, we will not include this in the list of scenarios where households can end the project before the MR is met but which would result in FPSs. We also considered situations where a household prevents an installer from accessing the property mid-retrofit. As this often occurs where sub-standard work has occurred, providing FPSs in this situation would remove the incentive on the installer to resolve the issue. Further, evidencing this would be prone to gaming and fraud whilst adding cost and complexity. We will therefore not be including this scenario.

274. However, we propose to allow households to end projects before the MR is met where a death occurs in the household as this can be reliably evidenced and would not pose data handling risks. Outside of this scenario and change of occupancy, we are not proposing to include any other circumstances. Further, to align with the scope of exemptions and the building fabric repair uplift (previously referred to as 'hard-to-treat' see Q67) we will only allow exemptions to apply to retrofits starting at band E, F and G. This will reduce administrative burden for Ofgem and be more proportionate, given the expected improvement in the average retrofit starting at band D. As set out above, installers can take steps to reduce the risk to them by the actions of other installers in circumstances besides the two included in the proposal. Government will monitor the rate of consumers ending projects before the MR is met as the scheme progresses.

---

**Question 61:** Do you agree with our proposal to cap the share of a supplier's ECO obligation that can be comprised of scores from partial projects? Do you agree that this cap should be set between 20-30%?

Vote responses: 102 Yes: 34% No: 24% No View: 42%

Written responses: 46

### Summary of responses

275. Of those voting for or against, a comfortable majority were in favour of Government's position. A minority of those against the proposal had mistakenly thought that retrofits under construction would count towards the PPS cap, and that this therefore might create transition issues early in the scheme.
276. Many of those opposing the proposal, as well as some of those in favour, had suggested Government use a higher PPS cap than the identified range.
277. Parties in favour of the position included all consumer groups, half the responding measure manufacturers – with the other half stating 'no view' – and some installers and energy suppliers. Many of these recognised the encouragement the PPS cap would give for meeting Government's SAP band objectives. While some, including consumer groups and other non-supplier and non-installer bodies, suggested a much tighter cap than the provisional range.

### Government response

278. For the reasons set out in response to Q58, Government intends to deploy a PPS cap alongside a PPS deflation rate, with the cap rate set at 12.5% of each supplier's obligation. The only projects that contribute to the PPS cap are those not meeting the MR after the three-month time-limit (or extension to that limit) has passed, e.g., because an installer chose not to meet the MR or the consumer ended the project before the MR could be met for any reason other than a death in the household or a change of occupancy.
279. Government had also proposed in the consultation that the deflated PPS value of any measure delivered after the three-month time limit, or an extension to that time limit, should also contribute to the PPS cap. However, to reduce complexity and administrative burden for both Ofgem and suppliers, and noting that the late penalty already disincentivises delivery of late measures, late measures will not contribute to the PPS cap.
280. Retrofits containing rejected measures will only contribute to the PPS cap where PPSs are awarded to the remaining measures in those packages because the MR has not been met. Where a rejection occurs that does not result in PPSs being awarded to other measures in the same package, these packages would be considered to meet the MR in practice, therefore they will not contribute to the PPS cap.

**Question 62:** Do you agree with our proposal to use deflated partial project scores for in-fill homes, with a deflation of between 20% and 30%?

Vote responses: 105 Yes: 21% No: 30% No View: 49%

Written responses: 41

### Summary of responses

281. Just under half of stakeholders stated 'no view' in response to our proposal to apply deflated PPS to in-fill measures, albeit with a lower deflation rate than the wider scheme. Appreciably more stakeholders were opposed to this, including most energy suppliers. Installers were split between the three options, with slightly more being opposed than stating 'yes' or 'no view'. Among those agreeing, many supported our proposal to exclude in-fill scores from contributing to the PPS cap.
282. Some stakeholders suggested a nuanced approach to in-fill. For example, suggesting in-fill properties receive full scores where these met the MR, however this would require verification for these retrofits, adding cost and complexity.

### Government response

283. Following concern expressed by stakeholders that deflated PPSs for in-fill would make these projects less attractive, Government intends to award PPS without a deflator to in-fill retrofits. These retrofits will not count towards the PPS cap. This is because a moderate differential exists for single measure in-fill retrofits and the equivalent FPS, in part due to the correction factor applied by Ofgem to PPSs<sup>47</sup>. In-fill households may be able to pay and are likely to provide contributions to bridge this gap. This strikes the right balance between encouraging contributions from in-fill households and ensuring such retrofits are still economical, while the scheme itself remains focussed on low income households. By removing the proposed deflator, this will reduce the risk of in-fill projects being uneconomical in ECO4.

---

<sup>47</sup> See Ofgem's scoring consultation, part 1: [www.ofgem.gov.uk/publications/energy-company-obligation-eco4-consultation-scoring-methodology-part-1](http://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-consultation-scoring-methodology-part-1)

---

## Move to annual rather than lifetime bill savings

**Question 63:** Do you agree with our proposal to incentivise the use of longer lifetime measures through minimum requirements and heating insulation preconditions rather than including measure lifetimes in ECO4 scores?

Vote responses: 107 Yes: 49% No: 11% No View: 40%

Written responses: 33

### Summary of responses

284. Among those for and against, stakeholders mostly agreed with our preference for encouraging longer lifetime measures via MRs and minimum insulation preconditions than through scoring. While most of those opposed to the approach were installers, nearly twice as many installers supported the position. Many stakeholders recognised that the minimum insulation pre-conditions and MR would provide sufficient incentive for longer lifetime measures.

### Government response

285. Government has decided to implement the proposal to base ECO4 scores in annual rather than lifetime bill savings. Use of lifetime bill savings in projects with multiple measures creates perverse incentives for industry, resulting in fewer households receiving ECO support and fewer households being improved to band C.

286. We will monitor measure deployment as ECO4 progresses to understand the impact of relying on our MR and heating insulation preconditions to encourage longer lifetime measures.

**Question 64:** Do you agree that we should continue to require measure lifetimes through the scheme to benchmark guarantee requirements and for scheme reporting purposes outside of the scoring framework?

Vote responses: 106 Yes: 54% No: 6% No View: 41%

Written responses: 29

### Summary of responses

287. Of those stakeholders who had a view, they were overwhelmingly supportive of this proposal. A few energy suppliers and other parties opposed this requirement, with the former doing so as they considered that the responsibility for standards and guarantees would better sit with TrustMark. Several energy suppliers agreeing with the proposal

---

echoed this perspective. Other parties agreed that measure lifetimes were an important feature in the reporting landscape for ECO4.

### Government response

288. Government considers that all current and new measures should have an associated lifetime to be installed through the scheme. We expect that this will be used to benchmark TrustMark's appropriate guarantee requirements and supplement reporting for the wider scheme.

289. Government has considered stakeholders' views on TrustMark's role in the implementation of standards and guarantees under ECO4. The Government response to Q91 confirms an intention to have TrustMark implement all guarantees and standards via their registration and compliance with the Framework Operating Requirements rather than through ECO regulations.

## Applying uplifts

**Question 65:** Do you agree with our methodology for applying innovation uplifts relative to the expected savings of a particular innovation measure type?

Vote responses: 106 Yes: 56% No: 7% No View: 38%

Written responses: 40

### Summary of responses

290. A majority of stakeholders backed our proposed methodology for applying the innovation uplift. A mix of other stakeholders were opposed, with consumer groups against the concept of ECO supporting innovative measures rather than the methodology we outlined.

291. A few respondents were concerned the order of measure installation would affect the IM uplift. Ofgem have accounted for this in the scores, such that the order of installation will not affect PPSs. This means the value of the IM uplift applied to a given measure will be the same regardless of the order of installation. It also means parties will not be incentivised to game the installation order for a greater score, with or without IMs in the project.

### Government response

292. Government will take forward the IM uplift proposal as outlined in the consultation. However, we have developed a less complex method for applying this uplift, but which is still proportionate to the share of the PPS savings the IM accounts for in that specific package of measures. The uplift will simply apply to the PPS for the IM rather than be set relative to other measures in the package. For example, where a 25% IM uplift is applied to

an IM with a PPS value of 12 annual bill savings, 3 annual bill savings would be added to the total score for the project. Some respondents suggested that the process for gaining IM uplifts should not be based on only one criterion – it is not. A range of factors are considered as part of this, and parties do not have to satisfy all criteria to achieve IM status. However, the uplift will only be awarded where savings from IMs are proven, as is the case in ECO3.

**Question 66:** Do you agree with our proposal to provide a fixed score uplift of ~£60 annual bill savings for all broken boiler replacements and ~£16 annual bill savings for each broken ESH replacement?

Please provide information on the cost of boiler and ESH repairs to help inform the level of uplift required for heating repairs relative to replacements.

Vote responses: 105 Yes: 28% No: 21% No View: 51%

Written responses: 44

### Summary of responses

293. While a greater proportion of parties agreed with the position than disagreed, the majority of respondents voted 'no view'. Many of those opposing the proposal had mistaken the value of the uplifts to be £16 and £60, rather than £16 and £60 of annual bill savings. These are separate values, with the latter worth far more than the former. Some respondents opposing the uplifts raised issues with the carbon impact of support for gas boiler repair and replacements. We have addressed these views in the measures chapter and in our response to Q48 specifically. A minority of parties suggested that PAS costs should be reflected in these uplift values, however we have assumed PAS costs per retrofit (rather than per measure), so these are included.

### Government response

294. Very few stakeholders provided additional quantitative information on the costs of boiler and ESH repairs. The information we did receive was not broad enough to provide a representative dataset nor did it invalidate our proposed approach in the consultation. Government plans to deploy the uplifts as proposed however at the following rates, reflecting the change in the pounds per annual bill savings figure modelled in the final IA: £140 annual bill savings for all broken efficient boiler replacements and £40 annual bill savings for all broken ESH replacements. Whilst these rates are quite different to those set out in the ECO4 consultation, their change is directly proportional to the change to the overall ECO4 target.

295. We intend to apply the same rates as set out above for broken efficient repairs of boilers and ESHs, i.e., £140 and £40 annual bill savings, respectively. These have been set in

---

accordance with our intention to encourage repairs over replacements to reduce cost and waste.

296. We note also that broken heating system replacements that either change the heat type or result in a more efficient system of the same heat type will improve the SAP score. In these instances, the above uplifts will not apply; these improvements will be scored as any other measures, and Ofgem have created specific PPSs for these instances. The above uplifts only apply where the replacement measure is of the same kind as the measure being replaced.

## Hard-to-treat homes

**Question 67:** Do you agree with our proposal to allow uplifts for hard-to-treat issues for owner-occupied E, F, and G homes only?

Vote responses: 113 Yes: 54% No: 20% No View: 26%

Written responses: 49

### Summary of responses

297. Over half of respondents agreed with the position. Some respondents suggested that the uplift should include social housing, while a minority advocated inclusion of band D properties. However, many parties were in favour of excluding band D properties on the grounds we set out in our consultation. A small number of parties had not realised that, while only one hard-to-treat (HTT) uplift can be applied to a given retrofit, this could cover any number of HTT issues in that retrofit provided these are relevant to the ECO4 measure(s) installed, notwithstanding the HTT spend cap of £1,000 per property. Some suggested using a higher per retrofit cap.

### Government response

298. Recognising that a previous definition of the term 'hard-to-treat' had been used in ECO and that other government schemes (such as GHG LAD) use the term in the context of the original definition, we propose to henceforth refer to ECO4 HTT concepts as 'building fabric repair (BFR)'.

299. Government intends to implement its proposal to limit eligibility of the BFR uplift to band E, F and G owner-occupier homes only, thereby safeguarding ECO4 support for the least efficient households. However, recognising data submitted by a range of stakeholders on the costs of a variety of BFR issues, Government will introduce a fourth 'highest' cost range category. This will further reduce the risk that some of the least efficient households miss out on support because of the presence of BFR issues in those properties. The new cost range category and associated mid-point is set out in the table below. There will be four

rates of BFR uplift in ECO4, as opposed to the three outlined in the consultation. Therefore, the BFR spend cap rises to £1500. This cap means the highest assumed spend in the uplift is £1,500, however the actual BFR spend in the property can surpass this.

**Table 3: Building Fabric Repair Cost Ranges**

Cost range category	Cost range	Mid-point
Low	£50-200	£125
Medium	£201-500	£351
High	£501-1,000	£751
Highest	£1,001-1,500	£1251

300. To claim the low BFR uplift, at least £50 must be spent on BFR issues in the retrofit. This prevents e.g., £2 of spend resulting in an uplift being awarded.

**Question 68:** Do you agree with our proposed methodology for hard-to-treat uplifts? Please also suggest forms of evidencing for hard-to-treat?

Vote responses: 106 Yes: 37% No: 24% No View: 40%

Written responses: 45

**Summary of responses**

301. A majority of those voting ‘yes’ or ‘no’ agreed with Government’s position. Of those that did not, over half were energy suppliers and installers, though more of both agreed with the position than not. A minority of those disagreeing, principally energy suppliers, suggested using a scoring system rather than a simple uplift for incentivising BFR issues. Many respondents favoured evidencing BFR issues through PAS as well as accompanying invoices and photos. A smaller but still significant minority preferred use of chartered surveyor’s or structural engineer’s reports on the basis these would reduce gaming risk.

**Government response**

302. Developing a scoring system for all BFR issues would be a time and resource intensive undertaking, partly due to the large variety of BFR issues and variation within each type of issue. We received a range of cost data and prevalence of BFR issues, although not enough to inform the creation of such a system. This would therefore be a disproportionate exercise.

303. Instead, Government plans to evidence non-extraction BFR issues using PAS2035 and any additional such information as is required by Ofgem. This will reduce complexity for industry (which already operates in accordance with PAS2035 for ECO3) and rely on the

---

existing PAS2035 compliance framework. Nevertheless, Government recognises that this does not eliminate the risk of fraud entirely. We are therefore taking three additional steps to reduce gaming risk associated with the BFR uplift:

1. Using cost range categories in the BFR uplift to reduce the incentive to inflate costs of BFR issues;
2. Requiring parties to specify the cost of each BFR issue rectified in a property where the BFR uplift is claimed. These figures will be stored in TrustMark's Data Warehouse alongside relevant PAS documentation. These can then be compared across the scheme, with anomalous figures flagged for investigation;
3. Capping the total amount that each supplier can claim through the BFR uplift.

304. Government plans to set the BFR cap at 0.5% of each supplier's total obligation. This figure has been set using data on the prevalence of BFR issues from the English Housing Survey database and in stakeholder responses to the consultation, and data on the average cost of BFR issues per retrofit from responses to the consultation and further engagement with industry.

**Question 69:** What work should be within scope of the HTT uplift? Should the extraction of defective loft and/or cavity wall insulation be included? If not, how could extraction be monitored more effectively through the scheme?

Vote responses: 68    Include extraction: 65%    Exclude extraction: 9%    No View: 26%

Written responses: 69

### Summary of responses

305. A large majority of stakeholders stated a preference for including extraction of CWI and loft insulation (LI) in ECO4. Of these, most stated that this should be evidenced by an independent and qualified party, with many stakeholders explicitly proposing chartered surveyor's reports. A minority of respondents favoured relying on the PAS framework, alongside photos and invoices to evidence extractions. A few respondents noted that extractions should only take place where no guarantee is available for the measure. Many parties provided helpful examples of works that might be included within the scope of the uplift. A minority of organisations repeated their preference for a higher per retrofit BFR cap, stating that the proposed level of £1,000 would omit some works from scope on grounds of economic feasibility.

### Government response

306. As proposed, Government intends to align the scope of the BFR uplift with the definition set out in PAS; i.e., it will include "existing construction defects or structural defects or

leaks, and of any condensation and/or mould growth in the dwelling”<sup>48</sup>. However, recognising the breadth of this definition, we have also set out a *non-exhaustive* list of additional items in table 4 that are and are not covered by the uplift.

**Table 4: Scope of the BFR uplift**

In Scope	Out of scope
Removal of asbestos where this is a legal and/or regulatory requirement	Relaying carpets
	Moving items in loft spaces and furniture generally
	Repainting damaged surfaces
	Installation of flood mitigation measures
	Installation of ventilation measures

307. Government intends to include the cost of extraction of defective cavity wall and loft insulation in the scope of the uplift. By defective, we mean the complete and total failure of the insulation measure, for example, not just some gaps in the distribution of a cavity wall insulation measure. Where these measures are replaced, they will be scored as any other CWI or LI installed in ECO4 is scored. However, industry will not be allowed to claim the BFR uplift for defective cavity wall or loft insulation that is covered by insurance or a warranty – or where a warranty should have reasonably been in place.

308. Extractions will only be permitted where a chartered surveyor’s report substantiates the need for an extraction of the relevant measure, however the cost of the report cannot be claimed under the BFR uplift. All other BFR issues will need to be evidenced in the retrofit assessment for the project. However, as outlined in the consultation, the uplift will only apply to those BFR issues that *need* be rectified before the retrofit begins; those BFR issues that are identified and recommended for repair but for which repair is not essential will not be eligible for the uplift, noting requirements set out in section 8.6.3 of PAS3035:2019.

**Question 70:** Should the cost per £ bill savings be based on the final ECO4 IA or from ECO4 published energy efficiency statistics?

Vote responses: 100 Final ECO4 IA: 19% ECO4 published energy efficiency statistics: 23% No View: 58%

Written responses: 32

**Summary of responses**

<sup>48</sup> PAS2035:2019, 8.3.1.

---

309. Of those providing a view, slightly more stakeholders preferred that we rely on the ECO4 published energy efficiency statistics (PEES) rather than the final ECO4 IA, however the majority expressed no view. Many stakeholders suggested relying on whatever sources provided the most up to date information. Most energy suppliers prefer reliance on the final ECO4 IA, while half of installers were evenly split between favouring the two options, the other half of installers offered no view. Most consumer groups and a broad range of other stakeholder types preferred the ECO4 PEES.

### Government response

310. Government plans to balance providing certainty to industry for BFR scores awarded with using the most up to date information to inform the cost per £ of bill savings of improving a household. As we await further analysis, the route to be taken on this question will be clarified via either Ofgem guidance or an update to all ECO-obligated suppliers.

## Evidencing

**Question 71:** Do you agree with our approach for evidencing scores for ECO4?

Vote responses: 103 Yes: 53% No: 13% No View: 34%

Written responses: 49

### Summary of responses

311. A majority of parties agree with our proposed approach to evidencing scores in ECO4, even when accounting for those voting 'no view'. Fewer than an eighth of groups disagreed with the approach, with these mostly encompassing installers and a few energy suppliers. However, twice as many installers and almost three times as many energy suppliers agreed with the approach. Just under half of those against the approach had specifically preferred a complete cessation of EPC use for evidencing in ECO. A few stakeholders, mostly energy suppliers, had raised concerns about having to quality assure the underlying data of every EPC lodged, due to concerns over the robustness of EPCs. Some of those agreeing with the position also referred to EPC concerns, however many of those recognised that EPCs are likely only to be lodged in few circumstances given PAS requirements.

### Government response

312. We acknowledge stakeholders raised concerns around EPC manipulation, including the potential to exaggerate certain property characteristics (such as ceiling height or floor area) to increase their ECO score, as has happened under earlier iterations of ECO. However, government has robust arrangements in place to address this. The EPC regime is subject to a programme of planned, unplanned, and risk-based, criteria-led smart audits, incorporating random sampling. The government has agreements with the six Accreditation

---

Schemes that require them to operate a sound complaints procedure and have Fraud Identification Plans in place.

313. Furthermore, Government's Action Plan will reform the EPC framework, resulting in a more robust EPC system<sup>49</sup>. As this will not come into effect until later in ECO4, we are proposing to rely on the PAS framework, with RdSAP assessments lodged in the Data Warehouse for all ECO4 retrofits in scope of PAS2035. Trustmark plans to introduce automated checks to help identify and flag inconsistencies in pre- and post-installation RdSAP assessments lodged for ECO4 retrofits. Where PAS2035 does not require a SAP or RdSAP assessment but is still relevant (i.e., pathway A retrofits), we will require that an RdSAP assessment is conducted and lodged within TrustMark's Data Warehouse. These will be compliance checked as standard by TrustMark-licensed scheme providers, so ECO-obligated suppliers will not be required to verify these. Further, as the scoring system uses intermediate SAP bands rather than SAP points, slight variations to RdSAP assessments that differ to actual conditions are not likely to affect scores.
314. In some circumstances, PAS is not relevant to a retrofit, e.g., where only DHCs are fitted, data light measures or a mixture thereof. All these retrofit types must be evidenced by a pre-retrofit EPC. This will ensure these retrofits are appropriately compliance assessed. To reduce the risk of inaccurate existing EPCs being used to evidence pre-retrofit SAP ratings and floor areas, Government will align with the DRHI scheme and only permit EPCs that are up to two years old in pre-retrofit evidencing. Government does not intend to require that an EPC is produced for the consumer's benefit in every retrofit as this would incur significant additional cost and add complexity. Ofgem will decide whether a post-retrofit RdSAP/SAP assessment is necessary to determine a project's finishing SAP rating. If Ofgem decides this is needed, we will require that this document is lodged as an EPC for projects with only DHCs and/or data light measures. For all ECO4 projects in scope of PAS, post-retrofit RdSAP assessments will be lodged in TrustMark's Data Warehouse.
315. For accuracy purposes we intend to require that the post-retrofit assessment must mirror the pre-retrofit assessment, such that mixing pre and post SAP and RdSAP assessments in a single retrofit will not be permitted. As noted above, any retrofit containing only a DHC (or a DHC with any other measures out of the scope of PAS2035) should be measured using a full pre-retrofit SAP assessment, from which a pre-retrofit EPC is produced. Ofgem will determine whether a post-retrofit assessment is necessary for these projects.
316. Regarding the version of SAP to be used in ECO4, the ECO4 scores are based in the current version of SAP: SAP 2012 as SAP 10.2 will not come into force until Summer 2022. Moreover, the RdSAP 10 update will not be ready for a further six months following the SAP 10 update. Therefore, Government plans to retain use of SAP 2012 for scores for the

---

<sup>49</sup><https://www.gov.uk/government/publications/improving-energy-performance-certificates-action-plan-progress-report/improving-energy-performance-certificates-action-plan-progress-report>

---

foreseeable future. Depending on the outcome of any analysis of SAP 10 scores and the impact these might have on the scheme, Government will consult on a potential score update ahead of any decision on this, should we consider that an update to scores is worthwhile.

## Alternative Methodology scores

**Question 72:** Do you agree with our proposal to allow alternative methodology scores to be produced for measures that are not recognised in SAP?

Vote responses: 110 Yes: 63% No: 1% No View: 36%

Written responses: 28

### Summary of responses

317. The majority of respondents agreed with this proposal, with several suggesting that the alternative methodology/data light measure (AM/DLM) routes would support development in the energy efficiency market and measures that can achieve quantifiable savings to be included in ECO4 if the methodology was robust.
318. Only one respondent disagreed absolutely with our proposals but did not specify why.
319. It was noted that SAP remains a barrier to innovation. Respondents suggested that the AM/DLM routes could support overcoming that barrier, although there was a misconception from a number of respondents regarding the main objective of the routes. Many respondents considered that sufficient standard measure types already exist under the scheme; and cautioned that the primary focus of the scheme should remain on existing energy efficiency measures instead of newer, innovative measures.
320. A number of respondents requested further clarity on how AM/DLM measures would be expected to meet the scheme's MRs. They also wanted further information of how measures could align with PAS standards and TrustMark consumer protection requirements.

### Government response

321. Government has decided to allow alternative methodology scores to be produced for measures as a voluntary route to suppliers meeting their obligations - recognising that this could contribute towards overcoming the existing barriers to wider SAP inclusion.
322. A number of stakeholders had suggested we employ a 'data light measure' cap, not realising we have already proposed a cap of 5,000 of each data light measure. However, this is the whole scheme rather than annual figure. Each supplier's share of that 5,000 is equivalent to their share of the overall ECO4 target.

- 
323. Government recognises that there are risks of score inaccuracy with the data light measures given that they are more indicative than absolute. However, Ofgem will seek to reduce this through a robust application process, while the measure cap set by Government will work to mitigate this further.
324. The AM application process will take a similar approach to that which is currently undertaken by Ofgem. Ofgem intend to update their guidance in view of making their requirements for this process clear and efficient. Specifically for data light measures, applications submitted via this route will be subject to further expert input on savings and evidencing requirements.
325. Ofgem will require that applications show evidence of compliance with wider ECO standards, and that these measures be delivered as per appropriate standards and consumer protection requirements.
326. Redress mechanisms will be the equivalent to what will be expected in the general ECO scheme.

**Question 73:** Do you agree with our proposal for all alternative methodology scores to count towards the minimum requirement?

Vote responses: 106 Yes: 56% No: 2% No View: 42%

Written responses: 11

### Summary of responses

327. The majority of respondents agreed with this proposal. Of those who disagreed with our proposals, there were no specific views provided on the reason behind this. Stakeholders generally welcomed the approach, wanting assurance that there should be a robust system in place to mitigate any risk of score inaccuracy. A few respondents considered that there was more benefit in focusing on the main measures under ECO4, and highlighted that a cap would be beneficial, although the consultation sets out that DLMs will be subject to the cap.

### Government response

328. Alternative methodology scores will count towards the MR under ECO4.
329. Government recognises the concerns of stakeholders regarding the ability for data light measures to contribute to the MR. Ofgem published a methodology for converting 'data

---

light scores' into an expected SAP increase to allow AMs to count towards the MR as part of their first scoring consultation<sup>50</sup>.

330. Ofgem will be able to review and revise scores where necessary and we will work closely with Ofgem to ensure that a system is adopted that minimises any potential complications or administrative issues that may arise with the implementation of this mechanism.

331. The final approach to including alternative methodologies and data light measures in the MR will be subject to the wording in the published legislation for ECO4.

## ECO4 cost assumptions

**Question 74:** Solid wall insulation: Do you agree with our assumption of a 0% third party contribution for solid wall insulation (SWI)?

Vote responses: 105 Yes: 50% No: 7% No View: 44%

Written responses: 42

### Summary of responses

332. Of those who provided a view, most respondents agreed with the proposal to have a 0% third-party contribution for SWI under ECO4. Several of these highlighted that installations under ECO3 often command significant third-party contributions and that PAS2035 requirements will likely increase these going forward. Moreover, a few respondents noted that these issues affect rural properties even more acutely. The minority who disagreed with this proposal suggested that a zero-contribution model would be ideal (not only for SWI but ECO4 in totality), however in practice contributions will likely continue to be required.

**Question 75:** Are the current cost assumptions for ventilation outlined in Table 12 reflective of the costs of complying with ventilation requirements set out in PAS2035?

Vote responses: 103 Yes: 17% No: 17% No View: 66%

Written responses: 40

### Summary of responses

333. Of those who provided a view, responses were mixed, with many using this opportunity to criticise the ventilation requirements themselves rather than commenting on accuracy of cost data. Some respondents who answered 'yes' noted that the costs typically landed on

---

<sup>50</sup> Ofgem's ECO4 scoring methodology consultation (part 1) is available at:  
<https://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-consultation-scoring-methodology-part-1>

the more expensive side of Table 12. Those who answered 'no' suggested that the costs in Table 12 are between 10% and 30% lower than in reality.

**Question 76:** Ancillary work: Should the costs of delivering specific ancillary services related to insulation, be captured through the delivery cost assumptions in the ECO4 final stage Impact Assessment?

Vote responses: 101 Yes: 48% No: 5% No View: 48%

Written responses: 36

### Summary of responses

334. The majority of respondents suggested that ancillary works are likely to be much more expansive and specific than those listed. Many respondents also suggested it would be worthwhile to capture the costs of ancillary works as these will be important in persuading consumers to accept more intensive and intrusive installations. Several respondents, both in favour and against the proposal, whilst recognising the need to address ancillary works, noted that without appropriate scope, apportioning funding for this could detract from ECO4's overall delivery targets.

### Government response

335. Government will use a 0% third-party contribution assumption for SWI in modelling. Government will consider the information provided in response to Q74 to Q76 and adjust cost assumptions accordingly. We will continue to work on revising the accuracy of these costs by making use of Government-held and publicly available data and by co-operating with relevant external stakeholders.

**Question 77:** Data Warehouse and Hard-to-treat: (a) How feasible would it be for all delivery costs incurred as a result of the installation of measures to be lodged and stored within TrustMark's Data Warehouse, and how do you think all measures costs should be recorded, e.g., to ensure any gaming risks are mitigated where possible? and (b) Please provide BEIS with any further evidence of the costs associated with remediation of hard-to-treat issues, as required in 8.3.1, bullet three, of PAS2035, as well as evidence of the prevalence of these issues in the housing stock.

(a) Written responses: 37

(b) Written responses: 13

### Summary of responses

336. (a) Of those who provided a view, responses were mixed. Most identified that it would be feasible to identify and lodge delivery costs in TrustMark's Data Warehouse. However, many respondents also noted that without a discrete list of options for these costs,

---

predetermined by BEIS or TrustMark, doing so could add significant administrative burden to the lodgement process. A few respondents also noted that this is not a matter for ECO4 alone and should apply to all government energy efficiency schemes that fall under TrustMark's remit.

337. (b) Few respondents were able to provide further cost data in relation to the remediation of hard-to-treat issues, mainly citing properties with these issues are often not improved via ECO support and therefore such information is not available. However, some did provide information relating to their prevalence under other government energy efficiency schemes. A small minority of respondents noted that enabling work will be one of the largest costs under ECO4 and therefore a cap and limit on hard-to-treat costs should apply.

### **Government response**

338. (a) Government recognises the concerns stakeholders have raised regarding the increased administrative burden that would be associated with collecting cost information. As a minimum, we believe it is important to collect data relating to customer contributions. Outside of this, we are working to determine the granularity of other cost information needed to inform future policy. We are also working with TrustMark to ensure that appropriate data structures are in place to collect the information in a straightforward manner.

339. (b) Government will consider the information provided and adjust cost assumptions accordingly. We will continue to work on revising the accuracy of these costs by making use of Government-held and publicly available data and by co-operating with relevant external stakeholders.

---

# Chapter 5: ECO4 in Scotland

## Separate rules for ECO in Scotland

**Question 78a:** In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to apportion the cost envelope between England & Wales and Scotland using a methodology based on the total amount of gas and electricity supplied in each region, with an equal weighting for each fuel?

Vote responses: 113      Yes: 22%      No: 27%      No View: 50%

Written responses: 35

### Summary of responses

340. The majority of respondents did not have a view on these proposals, with numerous respondents unable to comment without clarity on Scotland's position.

341. Respondents who disagreed with the methodology thought that it did not take into account the levels of fuel poverty or regional differences of Scotland such as off-gas areas with all electric heating, remote and rural communities with higher transmission charges, climate/geography and higher average energy consumption. Respondents said that allocation could be based on regional customer numbers, or fuel poor household percentages in Scotland as a share of all fuel poor households in GB, and that the total target for Scotland should be determined using gas and electricity volumes, averaged over a three-year period, therefore making suppliers' share of a Scotland target the same as their share of the GB target.

### Government response

342. The Scottish Government have requested the UK Government to put in place an ECO4 scheme covering Scotland. Under a GB-wide ECO4 scheme as described in this government response, apportionment of the target is not necessary.

**Question 78b:** In the event that separate rules are made for ECO in Scotland, do you agree with the proposal that the calculation is based on an average taken from the last three years of domestic gas and electricity consumption data published annually in December by BEIS?

Vote responses: 113      Yes: 22%      No: 27%      No View: 50%

Written responses: 35

### Summary of responses

---

343. Some respondents suggested that a separate Scottish scheme could mean having parallel schemes running under different rules and regulations, and thereby increasing administrative costs and delivery challenges for the supply chain, including disincentivising suppliers from wanting to deliver obligations in Scotland. It was suggested that any calculations could be based on the number of consumers paying for gas and electricity over generalised consumption data, which would provide a more equitable division of spend across the nations.

### Government response

344. The Scottish Government have requested the UK Government to put in place an ECO4 scheme covering Scotland. Under a GB-wide ECO4 scheme as described in this government response, apportionment of the target is not necessary.

**Question 79:** In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to apportion an individual supplier's targets between Scotland and the rest of GB?

Vote responses: 99    Yes: 31%    No: 12%    No View: 57%

Written responses: 27

### Summary of responses

345. The majority of respondents did not have a view on these proposals, with numerous respondents unable to comment without clarity on Scotland's position.

346. Many respondents cited that apportionment is a sensible approach but raised concerns on the proportionality given Scotland's specific fuel poverty challenges, suggesting that different proportions between suppliers could result in competitive distortions if delivery costs vary between Scotland and the rest of GB.

347. Most respondents called for clarity, fairness and consistency across schemes should Scotland have a separate ECO scheme, and flagged risks that uncertainty might see suppliers avoiding projects in Scotland, thereby affecting vulnerable Scottish households.

### Government response

348. The Scottish Government have requested the UK Government to put in place an ECO4 scheme covering Scotland. Under a GB-wide ECO4 scheme as described in this government response, apportionment of the target is not necessary.

---

# Chapter 6: Delivery and Administration

## Project Completion Timings

**Question 80:** Do you agree with setting a project completion time of three months, from the completion of the first measure in any package other than for DHS? We welcome views regarding what timescale should be permitted for DHS installations.

Vote responses: 106 Yes: 36% No: 36% No View: 27%

Written responses: 60

### Summary of responses

349. There was an even split between respondents who agreed and disagreed with the 3-month project completion timeline.
350. Respondents who agreed with the proposal considered that it appeared to be a reasonable approach but cautioned that there could be barriers to delivering within the specified timeframe, while suggesting that they would be content with this approach on the basis that Ofgem would permit exemptions and extensions under specified circumstances.
351. Respondents who disagreed expressed concerns regarding the ability to meet this timeframe due to the ECO4 multiple measure objectives, multiple installers and additional barriers such as building fabric repair issues, complex measures, blocks of flats, consumer issues and regional weather conditions. Those respondents proposed that a 6-month timeframe was appropriate with Ofgem permitting exemptions and extensions in certain circumstances.

### DHS

352. Most respondents suggested that a minimum of nine months should be permitted with scope for Ofgem to permit exemptions, while others suggested that the complexity of DHS warranted a minimum of one year for these measures.

### Government response

353. Government will set project completion timelines at three months from the date of the installation of the first measure for all measures except DHCs, which will be for a period of six months from the date of the first installation.
354. The DHC exemption will mitigate some of the more complex risks that may arise during these specific projects, while the response to Q99 of the consultation sets out the next steps on Pay-For-Performance.

---

355. Government recognises that this approach is less than what is currently provided under ECO3, especially in light of the wider focus on multiple measure delivery with multiple installers. However, there was not enough data supporting justification to retain a six-month period of delivery, and evidence that was provided substantiated periods that were significantly lower than the proposed three months.

356. Following this approach, Government considers that consumers will not be inundated with multiple installers delivering measures for extensive periods, and delays in remunerating supply chain will be kept to a minimum, thereby supporting efficient delivery across households and installers.

**Question 81:** Do you agree with our proposal to allow an extension of three months to be permitted by Ofgem in certain circumstances?

Vote responses: 106 Yes: 67% No: 5% No View: 28%

Written responses: 37

### Summary of responses

357. An overwhelming majority of respondents agreed with this proposal. Respondents who agreed suggested that extensions should be granted for unforeseen circumstances such as building fabric repair issues, complex measures, blocks of flats, consumer issues and regional weather conditions.

358. Many respondents linked their responses to Q80 on the 3-month project timescale, where many considered that 6 months should be the minimum timescale for measures (excluding DHCs).

359. Respondents' views on approach to the extension did not clarify whether their agreement correlated with a 3-month timescale with an extension, or a 6-month project timescale without one. However, some were amenable to a 3-month timescale with a 3-month extension, while one respondent suggested 6 months with an extension.

### Government response

360. Government will set the extension time for the delivery of measures at a period of up to three months from the expiration date of the three-month project timeline including for DHCs.

361. Government has considered all the circumstances under which an extension may be necessary, and these considerations as well as any final decision on an extension will fall to Ofgem.

362. Government intends to work with Ofgem to ensure that the extension process is robust and fit for purpose and expects that suppliers will ensure adequate communication and regular engagement with Ofgem takes place where issues first arise.

**Question 82:** Do you agree with our proposal to award deflated partial project scores for measures delivered after the three-month time period has passed?

Vote responses: 103 Yes: 41% No: 26% No View: 33%

Written responses: 46

### Summary of responses

363. A plurality of respondents agreed with this proposal.

364. Respondents who agreed considered that the timeframe could provide an incentive for measures to be delivered on time in view of prompt payment, while others suggested that they were content if unforeseen circumstances were acknowledged by Ofgem through an extension or appeals process.

365. Of those who disagreed with the proposal, some suggested that this might disincentivise multiple measure delivery, with others expressing concern that this could negatively impact delivery costs. Instead, they proposed either a 6-month period for completion ahead of a partial/deflated score, or a full score award followed by an uplift upon completion of all measures.

### Government response

366. To avoid projects with late measures that meet the MR having both partial and full project scores, Government intends to take a simpler approach to scoring late measures: the PPS deflation rate will be applied to the PPS for the late measure, then deducted from the total score. This approach mirrors the application of the IM uplift. For example, if the FPS for a project with a late measure is 100 ABS, the PPS for the late measure is 30 ABS, and 20% of the late measure's PPS is 6 ABS, 6 ABS will be deducted from the original FPS (100 ABS) leaving a final score of 94.

**Question 83:** Do you agree with the proposals on measure notifications and extensions?

Vote responses: 103 Yes: 50% No: 9% No View: 42%

Written responses: 15

### Summary of responses

367. Many respondents did not have a view on the proposals. Of those who did give a view, most agreed with the proposal on the basis that it worked well under the current scheme and provided continuity between ECO3 and ECO4. Those who responded no were mostly energy suppliers and wished for the measures to not be notified in order and to have one notification at the end of the project rather than partial project scores.

### Government response

368. Government recognises that the Retrofit Coordinator will likely oversee the lodgement of measures to TrustMark's Data Warehouse and Suppliers will oversee the ECO4 notification process. As there could be valid reasons why a Mid-Term Improvement Plan is not delivered exactly as planned, we will not require measures to be notified in order of the MTIP, as there are other checks and balances on the projects' compliance with PAS2035. Where non-compliant measures are lodged with Trustmark, these will be reported to Ofgem.

369. The logic of Partial Project Scores is to mitigate against installers being left without payment for too long<sup>51</sup>. Therefore, Government will introduce the proposed policies on measure notifications and extensions.

**Question 84a:** Do you agree with the proposed obligation phases for the future scheme?

Vote responses: 103                      Yes: 48%      No: 6%              No View: 46%

Written responses: 12

**Question 84b:** Do you agree with the proposal to retain the 1 February deadline for suppliers to notify Ofgem, and for suppliers to be notified of their obligation on or before 7 March, prior to the commencement of the next phase?

Vote responses:    98      Yes: 43%      No: 3%              No View: 54%

Written responses: 10

### Summary of responses

370. Many respondents were in favour of retaining annual obligation phases with those having no view following closely. The majority of respondents had no view on the notification deadline.

371. Of the very few that provided a detailed response there were mixed views, which included, ensuring the phases did not run longer than a year, incentivising delivery of

<sup>51</sup> See pages 67 - 68 of the ECO4 Consultation: <https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026>

---

minimum levels within each phase and for Ofgem to complete timely reviews at the end of each phase. A few respondents also noted that it would be preferable for suppliers to be notified of their obligation as early as possible.

372. Of the written responses, many respondents did not agree with annual obligation phases and preferred for obligation targets to be determined every six months, in line with proposals for the Warm Home Discount reporting period from 2023, due to the increase in suppliers and movement of customers between suppliers. It was felt that basing targets on the previous year's consumption would be advantageous for a growing supplier when recovering costs from customers but could be detrimental for a supplier who loses customers after the target is set.

373. A few did not agree with the notification deadline, stating this should be much earlier to allow sufficient time for commercial decisions to be made prior to the start of the phase.

### Government response

374. Government has decided to maintain annual obligation phases, with Phase 1 commencing at the start of the scheme and running until 31 March 2023, followed by three annual phases starting 1 April. Government has also decided to adopt the new obligation notification date, which will allow Ofgem sufficient additional time to calculate obligation targets, crucial for when supplier obligation thresholds are significantly reduced with a resultant increase in administrative duties.

375. Government will not be aligning the obligation target setting dates with the Warm Home Discount (WHD). Under the WHD Core Group, the changing customer numbers create greater distortions than is the case under ECO, with shrinking suppliers effectively funding some growing suppliers' customers. That distortion would become relatively greater as the WHD obligation threshold is reduced.

376. We acknowledge that there has been a lot of change in the market since the consultation and setting annual phases is imperfect. Nevertheless, we think it continues to strike the right balance between accuracy and simplicity.

**Question 85:** Do you agree with the proposal to retain the mechanism for the trading of obligations and setting the deadline for applications as 30 September 2025?

Vote responses: 102 Yes: 41% No: 5% No View: 54%

Written responses: 5

### Summary of responses

377. The majority had no view on this proposal. Of those that had a view many were in favour, citing that the mechanism worked well and would benefit smaller, newly obligated

---

suppliers. It was also suggested that the deadline for applications be aligned with applications for the transfer of qualifying actions.

378. The few that disagreed felt that only smaller suppliers should be allowed to trade, whilst larger suppliers should meet their own obligations.

### Government response

379. Government has decided to retain the mechanism for the trading of some or all of a

**Question 86:** Do you agree with the proposal to retain the mechanism for the transfer of qualifying actions and setting the deadline for applications as 30 June 2026?

Vote responses: 102 Yes: 40% No: 3% No View: 57%

Written responses: 4

supplier's obligations, as most respondents were in favour of this proposal. Retaining this option will continue to allow flexibility for suppliers when deciding on how they discharge their obligations.

380. Government has maintained the deadline by which suppliers can trade their obligation to ensure suppliers have delivered their obligation by the scheme end date, 31 March 2026.

### Summary of responses

381. The majority of respondents had no view on this proposal. Of those that had a view, many were in favour. Whilst agreeing, it was strongly suggested for measures not to require 'approved' status for intra-supplier transfers, to ease the process of consolidating licences, especially useful in the cases of mergers and acquisitions.

382. The few that disagreed argued that only smaller suppliers should be allowed to trade, whilst larger suppliers should meet their own obligations.

### Government response

383. Government has decided to retain the mechanism for the transfer of measures as this has worked successfully under ECO3. Most respondents have welcomed retaining this mechanism and we therefore intend for this to continue to be offered as an option for suppliers. All measures forming part of an ECO4 project along with any associated in-fill measures will be required to be transferred together. Government will allow for all measures to be transferred between suppliers within the same group (intra-supplier transfers) as ultimately obligations will remain within the same group. Applications for inter-supplier transfers will still continue to require that measures have been assessed as approved by Ofgem. Ofgem guidance will clarify the circumstances within which inter-supplier and intra-supplier transfers can be affected.

---

**Question 87:** Do you agree that an application for the transfer of qualifying actions should not be approved, if there is significant risk that the applicant supplier would be unable to deliver its obligation?

Vote responses: 102      Yes: 41%      No: 5%      No View: 54%

Written responses: 15

### Summary of responses

384. The majority of respondents had no view on this proposal. Of those that had a view, many agreed with the proposal although noting that clarity was needed on what would be defined as 'significant risk'. There were concerns that smaller suppliers may have little proof of delivery and could be disadvantaged, if the transfer application was made early during the obligation. Other views in support included the possibility of the applicant supplier providing plans to Ofgem to prove their ability to deliver their obligation.
385. The few that did not agree with this proposal cited that any risk should be for the applicant supplier to calculate and that there was no need for changes to the current position as it was highly unlikely that a supplier would agree a transfer where they were at risk of not fulfilling their own obligation.

### Government response

386. Government has decided to include provision within the Regulations to enable Ofgem to reject an application for the transfer of measures where there is significant risk that the applicant supplier will be unable to fulfil its obligation.
387. When considering applications for the transfer of measures the default position will be to approve transfer requests, though Ofgem will consider a number of factors e.g., the applicant supplier's delivery to date, delivery track record and plans for future delivery.

---

# Chapter 7: Quality and Standards

## Guarantees

**Question 88:** What actions do you consider appropriate to reduce the level of technical monitoring (TM) fails for loft insulation?

Written Responses: 50      No View: 9

### Summary of responses

388. Several respondents suggested that this should fall within the scope of TrustMark as they could implement it through their guarantee requirements, while others considered that PAS2035 would resolve some issues. However, due to the recent transition, it is currently too early to see whether this will result in a reduction in technical monitoring failures.
389. The majority of respondents with views suggested introducing evidencing requirements via pre and post install photos and/or videos that would evidence the condition of the loft prior to the installation. A number of respondents also expressed the need for an industry-wide guide focused on correct installation practices, in addition to upskilling installers and technical monitoring agents.
390. Several respondents also suggested that guidance and regulation on loft inspection was necessary, while a few recommended an update to the existing CITB guidance and householder advice on loft insulation (LI) maintenance and invalidation of the guarantee.

### Government response

391. Government considers it an appropriate step to address and subsequently reduce the number of technical monitoring fails for LI via TrustMark intervention and evidencing requirements.
392. It is worth noting that the consultation was written before TrustMark took on responsibility for score monitoring evidence from Ofgem on 1 July 2021. TrustMark has provided assurance that it will be reviewing the process for ECO4, and have full oversight of the monitoring process for all measures, including LI.
393. TrustMark has updated its engagement requirements for its Quality Assurance (QA) process, and all its appointed QA Inspection businesses will be going through ATMA (or equivalent), which will ensure that all participants comply with the QA framework<sup>52</sup>. There

---

<sup>52</sup> Trustmark Framework Operating Requirements: [www.trustmark.org.uk/docs/default-source/drafts/for-v2-0-\(draft\)-final-08072019.pdf](http://www.trustmark.org.uk/docs/default-source/drafts/for-v2-0-(draft)-final-08072019.pdf)

---

are specific clauses in the TrustMark code of conduct<sup>53</sup> which should ensure consistency across monitoring requirements.

394. The TrustMark QA process will be subject to continuous improvement through ECO4, with adequate training for QA Inspectors, as well as a consistent compliance, performance and health and safety system.

395. Government has considered the concerns of stakeholders and is working closely with Ofgem and TrustMark to assemble a system that is robust and fit for purpose.

**Question 89:** Should the guarantee durations for loft insulation and boilers be increased and to what duration?

Vote responses: 85 Yes: 39% No: 19% No View: 42%

Written responses: 50

### Summary of responses

396. The majority of respondents agreed with this proposal, although a large number considered that this should sit within the scope of TrustMark's financial protection mechanism.

397. Of those who agreed, there were mixed views on durations, which ranged from 5-10 and 5-25 years for boilers and LI respectively, but the majority of those who suggested specific durations cited a 5-year minimum for both.

398. A number of respondents suggested that for boilers five years would be more consistent with the industry standard and general consumer protection legislation, as some boiler manufacturers already provide a 10-year guarantee with boiler installations. Many suggested that this would provide increased protection for consumers over what is provided by the current 2-year guarantee under ECO3/TrustMark.

399. Respondents considered that a 2-year LI guarantee was not sufficient for the measure to present any latent defects, as issues could arise after the guarantee period.

400. Those who disagreed expressed concerns regarding a rise in scheme costs and suggested that these costs should be embedded in TrustMark's financial protection mechanism.

### Government response

401. Government considers that boiler and LI guarantees should be increased to strengthen consumer protection requirements. We believe that the increase in duration is an

---

<sup>53</sup> TrustMark Code of Conduct: [www.trustmark.org.uk/docs/default-source/scheme-documents/trustmark-code-of-conduct\\_version-1\\_4oct2018.pdf?sfvrsn=56659307\\_4](http://www.trustmark.org.uk/docs/default-source/scheme-documents/trustmark-code-of-conduct_version-1_4oct2018.pdf?sfvrsn=56659307_4)

---

appropriate step to take alongside wider reforms to increase consumer protections under ECO4.

402. These changes will be implemented via TrustMark registration and compliance under their Framework Operating Requirements (see Q91).
403. While Government, Ofgem and TrustMark have a desire to increase the guarantee durations of LI and boilers to a suitable level, much of this is driven by the level of appetite for change from industry, manufacturers, and guarantee providers. Therefore, the exact guarantee durations will be subject to Government working closely with Ofgem and TrustMark, taking into account scheme delivery costs for suppliers within the TrustMark Framework Operating Requirements.

**Question 90:** What should be required for heating repair guarantee scope and length to ensure that these measures can be delivered through the scheme with appropriate consumer protection?

Written Responses: 44      No view: 13

### Summary of responses

404. A number of respondents considered that a duration of between six months and two years for a repair warranty, covering the part that was repaired, would be sufficient to ensure adequate consumer protection on this measure type.
405. Several respondents raised concerns about the complexity in guaranteeing repairs and uncertainty around evidencing requirements for repairs, given that replacement boilers were comparatively easier to evidence. Some also flagged concerns regarding the clarity of the process that might be required if a new fault arose that was unconnected to the previous repair; and who might cover investigation and subsequent repair costs.
406. A number of respondents considered that this is a matter for TrustMark, while a few others called for wider engagement/consultation on this matter.

### Government response

407. Government considers that the scope and length of boiler and ESH repair guarantees should be reduced from two years to one year, and to cover only the faulty part that is repaired rather than the whole heating system
408. It is worth clarifying that this will only apply to broken efficient boilers and ESH, where economic to repair, with the exception of oil/LPG heating systems (see Q44).
409. We consider that covering only the part that is repaired will remove barriers around installers taking on liability for the entire heating system following a boiler/ESH repair (of one or more components of the heating system). Alongside the broken heating repair uplift,

---

this approach will help to incentivise the delivery of boiler and ESH repairs under ECO4. As set out in the consultation we also consider that this approach will also reduce the number of boiler duplicates and maintain sufficient consumer protection requirements.

410. These changes will be implemented via TrustMark registration and compliance under their Framework Operating Requirements (see Q91).
411. To reduce the risk of non-compliance of the repair and replacement rules, Government will continue to work with Ofgem, TrustMark and industry to explore the potential to benchmark the cost of repairs for common faults and the guarantee, tighten up the evidential verification requirements to ensure the assessment is accurate, and improve the monitoring of duplicate replacements.

**Question 91:** If appropriate safeguards are put in place to prevent ECO guarantee requirements being changed without sufficient consultation with BEIS and wider industry, should all ECO guarantee requirements be mandated via TrustMark registration and compliance, rather than through ECO regulations?

Responses: 103    Yes: 50%    No: 17%    No View: 33%

Written responses: 53

### Summary of responses

412. Those who agreed considered that this approach and using the Data Warehouse would ensure consistency across the scheme, and also reduce the administrative burden on Ofgem, although there would need to be sufficient provisions to ensure industry concerns about practical delivery, capacity and costs are considered given that TrustMark is not part of Government.
413. Of those who disagreed, a number of respondents suggested that this would create a further administrative burden on suppliers and installers, and also had concerns regarding legal recourse if there was dissatisfaction with their requirements.
414. A few respondents also suggested that there should be wider consultation on any changes with parties outside of BEIS, Ofgem and industry.

### Government response

415. Government has decided that all guarantee requirements will be mandated by TrustMark through its registration and compliance process, rather than specifically through ECO regulations.
416. Government will ensure that the guarantee requirements are consistent with our policy intent on consumer protection, and we will work closely with Ofgem and TrustMark to ensure a seamless transition for the implementation of this change. We will prioritise the

---

agreement of a robust process that ensures any changes to the TrustMark Framework Operating Requirements, and any guarantee requirements, are first consulted on, allowing Government, Ofgem, and external stakeholders to provide a fair and open amendment process.

417. Government recognises the concerns of respondents regarding its legal recourse should it be dissatisfied with any decisions made by TrustMark, given Ofgem was previously responsible as the directed administrator. Therefore, Government intends to implement an overarching set of requirements via a Memorandum of Understanding, which will also be required across all other government energy efficiency delivery schemes.

## Installation Standards

**Question 92:** Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?

Vote responses: 110 Yes: 76% No: 8% No View: 15%

Written responses: 54

### Summary of responses

418. Most respondents were broadly in support of the continuation of this approach. However, most in favour caveated their responses suggesting that MCS should be referenced in legislation or properly accounted for under PAS to ensure that measures are installed to that standard (where applicable). Some respondents noted the lack of availability of certified retrofit installers/assessors/coordinators and suggested that more needs to be done in terms of upskilling. A few respondents noted that retrofit coordinators should have more flexibility and be able to use their expertise in enforcing PAS, especially around ventilation.

419. The minority not in support of this proposal argued that the new PAS standards are too onerous, provide little benefit and duplicate processes, and that they have led to geographic disparities arising from installer market exits and low availability. The difficulty in getting new measures incorporated into PAS (in its current version) was also cited several times.

### Government response

420. Given the broad support for this proposal Government will retain the overarching approach for installation standards under ECO4, however the manner in which it will be enforced will differ to ECO3 and is explored further in Q93. Government is aware of the difficulty of getting new measures incorporated into PAS and is working closely with BSI to determine how to expedite this process.

---

421. In response to concerns raised regarding the availability of PAS certified persons, Government has invested £6.9 million to support the upskilling of supply chains in energy efficiency and low carbon heating measures. The BEIS Skills Training Competition scheme helped 18 different training providers deliver around 7,000 completely free or subsidised training courses across England. These training packages covered a wide range of skills and certifications across both energy efficiency and clean heat measures. Amongst the training packages was the provision and delivery of training to PAS2035 standards, including retrofit assessor and retrofit coordinator training.

**Question 93:** Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO legislation for ECO4?

Vote responses: 107 Yes: 48% No: 22% No View: 30%

Written responses: 52

### Summary of responses

422. Most respondents were in support of this proposal in principle and acknowledged how this may aid the inclusion of new eligible measures but caveated their answers by raising concerns about TrustMark's capacity to ensure compliance.
423. Those who did not support this proposal stated that referencing PAS in legislation is the strongest method of ensuring compliance and consumer protection. Trade associations highlighted that TrustMark should not have a monopoly on certification and that all bodies capable of doing so should be able to as this may reduce costs.
424. Some stated that TrustMark systems and warranties are not available in Scotland, and adoption of these may increase the cost of insulation significantly. Also, that MCS measures should be wholly enforced through MCS, and this should be referred to in legislation. Some respondents argued that legislation should clearly identify TrustMark's (and some instances, Ofgem's) role in ensuring compliance with PAS.

### Government response

425. ECO4 projects are expected to be carried out in accordance with the latest PAS2035 standards and associated processes<sup>54</sup>; this includes installation in accordance with latest version of PAS2030 and MCS standards where relevant. Government intends to proceed with removing reference to PAS2035:2019 and PAS2030:2019 from the ECO4 order. The published TrustMark Framework provides an overview of TrustMark's responsibilities. This Framework requires compliance and certification with PAS standards for all relevant ECO measures and has developed systems for checking that certification is current and in place for the measures being delivered by installers.

---

<sup>54</sup> This includes instances where only MCS relevant measures are installed.

- 
426. Furthermore, in response to stakeholder arguments regarding reference to PAS in legislation being the strongest route to compliance – TrustMark was established, in part, to perform this role. Therefore, Government is content that TrustMark will continue to carry out this role in ECO4. Government acknowledges stakeholder concerns regarding TrustMark’s capacity and is working closely with them to ensure future delivery of ECO measures is not impacted and that potential for duplication of administration is minimised.
427. We also acknowledge that TrustMark has not replaced UKAS in the accreditation and certification process, and we continue to believe the extra consumer protections under TrustMark will complement the UKAS process.

---

# Chapter 8: Innovation

## Innovation Measures

**Question 94:** Do you agree with our proposal to retain the Innovation Measure mechanism, which would be capped at 10% of a supplier's obligation?

Vote responses: 109 Yes: 59% No: 11% No View: 30%

Written responses: 40

### Summary of responses

428. The majority of stakeholders agreed with the proposal to retain Innovation Measures (IMs) for ECO4. Continued policies to encourage innovation were welcomed, viewed as a vital way to bring new products to market that may increase the appeal of energy efficiency measures for consumers.

429. Of those who disagreed, the primary concern was the lack of success under the IM route since its introduction. Considering the slow progress, several stakeholders questioned whether the 10% cap should be removed to encourage uptake.

### Government response

430. Government has decided to retain the IM mechanism on a voluntary basis, up to a cap of 10% of a supplier's obligation.

431. It is recognised that the cap has not been fully utilised under ECO3, due to low delivery under the IM route. However, the proposed reforms to the process intend to encourage greater uptake. This cap may be reviewed during the scheme if there is evidence to demonstrate improved delivery via the IM route and benefit of increasing the cap. Suppliers will be consulted ahead of any amendments.

**Question 95:** Do you agree with our proposal to introduce a 'High' level of uplift of 45%, alongside the current 'Standard' 25%, based on a distinction between a moderate improvement and substantial improvement, decided upon by the TAP?

Vote responses: 106 Yes: 52% No: 13% No View: 35%

Written responses: 36

### Summary of responses

- 
432. The majority of respondents agreed with the proposal to introduce two levels of uplift. The higher uplift was welcomed as a way of stimulating delivery, referencing past concerns that the 25% uplift was insufficient to offset the costs involved. However, for some, this agreement was subject to clear guidance and transparent assessment criteria to be made available ahead of the future scheme.
433. Of those who disagreed, several stakeholders were concerned about the number of uplifts included under ECO4, stating that it risked becoming overly complex. Others were concerned that the removal of 'materially different' as an application requirement could lead to gaming.
434. Several stakeholders also highlighted concerns over the slow administrative process, suggesting communication between Ofgem and applicants must be improved, or that direct lines of communication should be opened with Technical Advisory Panel (TAP) members.

**Question 96:** Do you agree with our proposal to expand on the current criteria for determining whether there is an improvement to include environmental impact, consumer care and delivery costs?

Vote responses: 110 Yes: 57% No: 7% No View: 36%

Written responses: 30

### Summary of responses

435. The majority of respondents supported the expansion of the current assessment criteria to consider environmental impact, consumer care and delivery costs, agreeing that a more holistic approach would be beneficial.
436. A few stakeholders welcomed the inclusion of environmental impact as a way of supporting products with lower carbon emissions, particularly those demonstrating low levels of embodied carbon as the operational carbon of buildings reduces. However, there were also concerns over the lack of established methodology available for reporting on whole life embodied carbon at present.
437. Several stakeholders were positive about the inclusion of consumer care, suggesting that this should include products that improve consumer confidence in the measures installed in their homes. Other suggestions included suitability and accessibility for vulnerable householders.

### Government response

438. This response covers Q95 and Q96.
439. Government has decided that the IM route will now have two levels of uplift. There will be a 25% uplift awarded for applications that demonstrate a reasonable explanation of how

---

the measure is an improvement against its standard counterparts which are commonly available on the market, and a new 45% uplift for measures that demonstrate a substantial improvement across a range of criteria (including, but not limited to, expected bill savings, supplier cost savings, environmental impact, or other benefits). The applications will be considered by the TAP, who will subsequently provide a recommendation on the measure to Ofgem. The final decision on whether the explanation provided within an application for why a measure is an improvement is reasonable, and the relative uplift for such improvements will sit with Ofgem.

440. Government also intends to remove the requirement for IMs to be "materially different" from measures delivered through previous schemes for ECO4.

441. Government will work closely with Ofgem to clarify the IM route criteria, which will be detailed in the published Innovation guidance. The uplift thresholds will also be clearly defined within this updated guidance, and Government expects that the policy intentions underpinning the ECO scheme will accurately capture an intent to reduce fuel poverty whilst contributing towards wider BEIS net zero considerations. Government believes that the expansion of the assessment criteria addresses the wide support from the consultation responses for a more holistic approach to innovation.

**Question 97:** Do you agree with our proposal to reward sponsoring suppliers with an increased uplift of 2% after application approval?

Vote responses: 107 Yes: 23% No: 15% No View: 62%

Written responses: 25

### Summary of responses

442. The majority of respondents had no view on this proposal.

443. Of those who provided a view, some agreed with the introduction of an uplift for sponsoring suppliers to reward the time and effort to submit an IM application. However, a common view between both those respondents who agreed and disagreed was that this uplift should be set at 5%, rather than the 2% proposed. The latter was not viewed as enough of an incentive to discourage the use of exclusivity clauses, given the commercial risks associated with innovation.

444. Some respondents were concerned about increased scheme complexity given the number of new uplifts being introduced.

### Government response

445. Government recognises the importance of rewarding the sponsoring supplier that incurs the additional time and costs associated with the IM process. Reflecting the views in the

---

consultation responses, the sponsoring supplier uplift will be set at 5%, rather than the 2% proposed initially.

446. This uplift counts towards the 10% cap on IMs.

## Demonstration Actions

**Question 98:** Given the proposed reforms to ECO4 and the continued focus on providing support to low income, vulnerable and fuel poor householders, should the DA mechanism be retained for ECO4, and be the vehicle used in providing support for single measure product testing? Are there any other mechanisms that may be better suited to product testing?

Vote responses: 107 Yes: 35% No: 16% No View: 49%

Written responses: 37

### Summary of responses

447. The majority of respondents had no view on this proposal.

448. Several respondents who agreed suggested that although the mechanism was underutilised and had numerous barriers, it is currently the most appropriate route for manufacturers/innovators to gain ECO support. Many acknowledged that the route would likely still receive limited uptake but still considered it a viable route to supporting innovation.

449. Of those who disagreed with or had no view on the proposals, several respondents suggested alternative mechanisms which sit outside the Departmental portfolio that could support the testing and deployment of newer measures, recognising that the existing barriers would only increase with new delivery objectives under ECO4.

### Government response

450. Government has decided to remove the Demonstration Action (DA) mechanism for the reasons set out in the consultation, and it will no longer be used as the vehicle for the testing of single measures in fuel poor households or addressing the current gaps in support and barriers to SAP inclusion.

451. Government recognises the need to provide support for new and emerging products across the energy efficiency sector. However, given the poor uptake and success rate of the DA under ECO3 we do not think ECO4 is the right vehicle for that support.

452. Government also recognises that the DA mechanism currently goes some way to bridge the gap in supporting innovative products with SAP inclusion. However, there are concerns

---

a retained and reformed DA mechanism will use much needed funding on the testing of products rather than bringing homes out of fuel poverty.

453. A number of respondents suggested mechanisms including the Energy Systems Catapult living lab and the Prospering From an Energy Revolution demonstrator programme as alternatives to the current DA mechanism, and ten other mechanisms that could potentially support similar outputs to that of the DA have been reviewed by Government. Of those, the most comparable mechanisms were the Energy Entrepreneurs Fund and Thermal Energy Innovation Fund. Therefore, we are exploring further how testing and commercialisation objectives might be achieved through existing or new mechanisms.
454. There are other routes that already support new and emerging technologies, such as Innovate UK, while there are also a number of Research Councils which aim to support development of technologies by offering blended funding solutions for innovations earlier in the development stages (Technology Readiness Levels 3-7).
455. Government considers these routes to be a more suitable way of gathering data via the testing of individual products due to the noted tensions with our fuel poverty targets for a scheme which aims to deliver deeper retrofit through multiple measure delivery.
456. Government recognises that there are technologies not currently delivered in ECO that perhaps could be and could help alleviate fuel poverty. Therefore, existing measures will still be able to apply to be included in the scheme via the reformed IM route, and new measures that are able to collect sufficient data on cost savings for a score to be developed can apply under the alternative methodology route, which includes a 'data light measure' element.

---

## Pay for performance

**Question 99:** Do you agree with our proposed approach to a reformed in-situ performance mechanism, including piloting methodologies tested through the SMETER trials?

Vote responses: 105 Yes: 40% No: 10% No View: 50%

Written responses: 42

### Summary of responses

457. Stakeholders generally agreed with our proposed approach to reforming the ECO3 in-situ performance (ISP) mechanism. Of the minority that disagreed, around a third were from parties – mostly consumer groups – that felt the ECO scheme was not an appropriate place to test innovative approaches to delivery. Some of those favouring the approach, primarily energy suppliers and installers, suggested that Government should ensure that its reforms to ISP result in the mechanism being very clearly attractive to energy suppliers, to ensure participation in contrast with the experience in ECO3. Many parties, including consumer groups and energy suppliers, stated their explicit agreement with our proposal to keep the mechanism voluntary in ECO4. A few parties queried how accuracy might be rewarded and verified across the SMETER methodologies used and pointed to the risk of less accurate methods being used. Across the consultation questions from the scoring chapter, a minority of stakeholders stated that much or all of the scheme should be based on actual, monitored scores, rather than assumed ones.

### Government response

458. Government has continued to engage with stakeholders on pay-for-performance (PFP), following the ECO4 consultation, including a workshop with various industry stakeholders in December 2021. In consultation responses and through input at the workshop, many stakeholders highlighted the importance of accuracy in any ECO4 PFP mechanism. Government agrees that this should be one of the highest priorities in PFP.

459. Upcoming findings are expected from the Department's work on SMETERs as a means of assessing in-use energy efficiency performance in domestic properties that can inform development of a more robust and accurate PFP mechanism. Recognising this and stakeholder input on accuracy, Government plans to introduce the PFP mechanism later in ECO4. Initiating a more accurate and dependable mechanism at the start of the scheme would have required delaying the start of ECO4, resulting in a larger gap between schemes and consequently more disruption to industry. Government is therefore committed to establishing a robust and effective PFP mechanism in ECO4 as soon as possible, ahead of the 2023/24 heating season.

460. A transformation of the ECO scheme – over the longer term – using pay-for-performance-style approaches could result in much smaller administrative costs and

---

therefore a greater proportion of scheme funding going towards achieving ECO aims. Further, this approach will transform the consumer offer, providing households with greater transparency and certainty whilst raising the performance of installed measures.

461. Later in ECO4, Government expects to publish detailed guidance on ECO4 PFP. This will set out how obligated energy suppliers can participate in and be rewarded through ECO4 PFP, and all associated requirements and conditions of the mechanism.

# Annex 1

## ECO4 uplifts, deflators, caps, and minimums

Table i: Updated table of ECO4 uplifts

Uplift	Limit on the uplift in each package	When is the uplift applied?	Rate/value	Scope
Rural, off-gas homes	1	Project complete, and measures approved	35%	All SAP bands and tenures. Scotland & Wales only
Broken efficient boiler replacement	1	When measure notified	140 annual bill savings	All SAP bands, GB-wide. Owner occupier only.
Broken efficient boiler repair	1	When measure notified	140 annual bill savings	All SAP bands, GB-wide. Owner occupier only.
Broken efficient ESH replacement	No limit	When measure notified	40 annual bill savings	All SAP bands, GB-wide. Owner occupier only.
Broken efficient ESH repair	No limit	When measure notified	40 annual bill savings	All SAP bands, GB-wide. Owner occupier only.
Innovation measure	One per IM in package	When measure notified	25% or 45% of IM PPS	All SAP bands and tenures. GB wide
Innovation measure sponsoring supplier	One per IM in package	When measure notified	5%	All SAP bands and tenures. GB wide.

Building Fabric Repair	1	When measure notified	Based on cost of rectified BFR issues in home	Band E-G only, GB-wide. Owner occupier only.
Pay-For-Performance <sup>55</sup>	1	Project complete, all measures approved/rejected	TBC	All SAP bands, and tenures GB-wide <sup>56</sup>
ECO4 Flex route 4	1	When measure notified	10%	All SAP bands, owner occupier and private rented sector

**Table ii: ECO4 deflators**

Deflator	How deflator is applied	Rate/value	Applicable to all D-Gs?	Applicable to all tenure types?
Partial Project Score deflation rate	Applied to whole package score, including uplift values	20%	Yes, where MR is not met.	Yes, where MR is not met.

**Table iii: ECO4 minimums**

Minimum	Rate/value	Rate applies to:
EFG minimum (in private tenure homes)	150,000 equivalent EFG retrofits across ECO4	Each ECO-obligated energy supplier
SWI minimum	90,000 SWI (1 SWI per £2,492 of HHRCO)	Each ECO-obligated energy supplier

<sup>55</sup> As set out in Government's response to question 99, we plan to introduce PFP later in ECO4.

<sup>56</sup> We will exclude a minority of property types from participating in ECO4 PFP, where these types of properties have not been sufficiently tested with SMETER approaches.

**Table iv: ECO4 caps**

<b>Cap</b>	<b>Rate/value</b>	<b>Score impact for measures/retrofits delivered beyond cap</b>
Innovation measure	10% of each supplier's obligation	Scored as normal with IM uplift(s) excluded
Pay-For-Performance <sup>55</sup>	10% of each supplier's obligation	Not scored after final determination
Partial Project Score	12.5%	Not scored after final determination
Exemptions	7,500 exemptions allowed across ECO4. Each supplier's share of this (to the nearest whole retrofit) is equivalent to their share of total ECO4 obligation	Awarded deflated PPSs
Data Light Measures	5,000 of a given DLM allowed to be delivered across ECO4. Each supplier's share of this (to the nearest whole measure) is equivalent to their share of total ECO4 obligation	Not scored after final determination
Building Fabric Repair	0.5% of each supplier's obligation	BFR rectifications beyond cap not scored after final determination
ECO4 Flex	50% of a supplier's obligation	Not scored after final determination unless household also qualifies for main scheme and is counted under the main scheme
Efficient boiler and ESH repair	An equivalent of 5,000 homes per year. Each supplier's share of this (to the nearest whole home) is equivalent to their share of total ECO4 obligation.	Not scored after final determination

---

Efficient boiler and ESH replacement	An equivalent of 5,000 homes per year. Each supplier's share of this (to the nearest whole home) is equivalent to their share of total ECO4 obligation.	Not scored after final determination
--------------------------------------	---	--------------------------------------

---

## Annex 2: List of respondents

1. A2Dominion
2. Advance ECO Limited
2. Age UK
4. Agility Eco Services Limited
5. AirEx
6. Association for Decentralised Energy (ADE)
7. BEAMA Limited
8. BidConnector Limited
9. Bierce Surveying Limited
10. Building Products Distributors Limited
11. Building Research Establishment
12. Bulb Energy
13. Cenergist Limited
14. Centre for Energy Policy, University of Strathclyde
15. Centre for Sustainable Energy
16. Chartered Institute of Building (CIOB)
17. Citizens Advice
18. Citizens Advice Scotland
19. City Energy Network Limited
20. Committee on Fuel Poverty (CFP)
21. County Council
22. Croydon Council
23. Distinction Energy Limited
24. E.ON UK
25. E3G
26. ECO Room in Roof
27. Ecogee Limited
28. EDF Energy
29. Edwards Harts Consultants
30. Elmhurst Energy
31. End Fuel Poverty Coalition
32. Energiesprong UK
33. Energy Action Scotland
34. Energy Network Association
35. Energy Saving Trust (EST)
36. Energy UK
37. Environmental Building Services Contractor
38. Ezy-Fit Limited
39. Glen Dimplex Heating & Ventilation
40. Good Energy
41. Greater London Authority (GLA)
42. Grundfos
43. Healthy Homes Solutions Limited
44. Heat Pump Association (HPA)
45. Heat Save surveyors
46. Heating and Hotwater Industry Council (HHIC)

- 
47. Historic England
  48. Insulated Render & Cladding Association (INCA)
  49. InstaGroup
  50. Institute for Public Policy Research
  51. Institute of Historic Building Conservation
  52. Kensa
  53. Kingspan Insulation Limited
  54. Liquid Gas UK
  55. MCS
  56. Mineral Wool Insulation Manufacturers Association (MIMA)
  57. NAPIT
  58. National Housing Federation
  59. National Energy Association (NEA)
  60. National Insulation Association (NIA)
  61. Ofgem
  62. Oil Firing Technical Association (OFTEC)
  63. Olympus Energy
  64. Pure Planet
  65. Rockwool
  66. Royal Institute of British Architects (RIBA)
  67. Scope
  68. Severn Wye Energy Agency
  69. Smart Energy GB
  70. Solar Energy UK
  71. Sustainable Energy Association (SEA)
  72. The Eco Option (SW) Limited
  73. The Insulation Assurance Authority (IAA)
  74. Tighean Innse Gall
  75. Together Energy
  76. TrustMark Limited
  77. United Kingdom Accreditation Service (UKAS)
  78. United Kingdom and Ireland Fuel Distributors Association (UKIFDA)
  79. Utilita Energy Limited
  80. Vaillant Group UK Limited
  81. Viessmann
  82. Welsh Government

In addition, responses from 60 individuals were received.

This publication is available from: <https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026>

If you need a version of this document in a more accessible format, please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.