



## Committee on Fuel Poverty

[cfp@beis.gov.uk](mailto:cfp@beis.gov.uk)

21<sup>st</sup> December 2022

Dear ECO+ Team,

The Committee on Fuel Poverty (CFP) is an advisory Non-Departmental Public Body sponsored by the Department for Business, Energy & Industrial Strategy (BEIS). We monitor and provide independent, expert advice on Government's strategy to improve the energy efficiency of the homes of the fuel poor in England to make them more affordable to heat.

The ECO+ scheme is being introduced in response to the unprecedented increase in energy prices, which mean that, even with government support to subsidise bills, the typical household is paying about £2,500 a year. We already know that the government has committed to capping bills from next April for another 12 months, with targeted support for those most in need, resulting in a typical household paying £3000 next year – nearly two and a half times as much as they would have spent last year.

It is therefore of critical importance that the government's energy efficiency schemes help as many fuel poor households as possible improve their energy efficiency, and thus reduce their energy bills, as quickly as possible.

The CFP therefore welcomes the proposal to ensure that hundreds of thousands more homes can benefit from individual measures, making an immediate positive impact on energy bills in those homes.

This is a largely technical consultation and the CFP has therefore responded to a small number of the consultation questions.

- 1 Do you agree with the proposal to set mandatory annual targets for ECO+?**
- 2 Do you agree with the approach set out to implementing mandatory annual targets for ECO+?**
- 3 Do you agree with our proposal to facilitate early delivery under ECO+ ahead of the ECO+ Order coming into force?**

The CFP agrees that there should be mandatory annual targets for ECO+ as well as an overall obligation. This proposal reflects experience that Ofgem has in the past

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been faced with low rates of progress towards multi-year targets but with very limited ability to improve performance. Given energy prices are at historic highs, it is crucial that energy suppliers are fully incentivised to make as fast a start as possible to delivering their obligations under the scheme.

- 5 Do you agree with our proposal to allow each supplier a maximum of 10% carry- under of the Year 1 obligation to Year 2 for ECO+?**
- 6 Do you agree with our proposal to allow unlimited carry-over between annual targets for each of the first two years of ECO+?**

The scheme rules need to strike the appropriate balance between incentivising the early delivery of measures and giving enough time for the supply chain to fully develop to deliver these additional measures.

However, the consultation proposes doing this in two ways. Firstly, by only requiring obligated suppliers to deliver 13% of their obligation in year 1. And secondly, by allowing them to under-deliver by up to 10% on that year 1 target. The CFP is concerned that, taken together, this is an overly cautious approach to delivery in year 1, when any measures delivered will help consumers faced with historically high energy bills.

As such, CFP recommends that BEIS looks again at the combination of the year 1 target and the proposed under-delivery allowance, and ensures it sets a combination which is achievable but sufficiently stretching for suppliers.

CFP agrees that there should be unlimited carry-over between targets if there is over-delivery in the first two years of the scheme. This is clearly in the interests of consumers, allowing and not penalising the early delivery of measures.

- 14 Do you agree ECO+ should target two groups with the first focusing on a general group with wider eligibility requirements and the second focusing on low-income households in line with ECO4?**
- 18 Do you agree with our proposal to set a low-income group minimum requirement equivalent to 20% of each annual target with flexibility on whether the remaining obligation is delivered to low-income or general group households?**

CFP recognises that a key aim of ECO+ is to achieve rapid installation of energy efficiency measures to a wider pool of households. It is not a scheme aimed exclusively or predominantly at addressing fuel poverty.

As such, CFP does not object to the scheme targeting two groups. It is concerned, however, that the balance of delivery between the two groups is in the wrong place.

CFP is aware that there are already several schemes focussed on delivering benefits for those in fuel poverty. However, these schemes are limited in terms of their targeting on the fuel poor. The schemes include the Warm Home Discount, which has a modelled fuel poverty 'hit rate' of 47% in England and Wales, the Energy

Company Obligation, the latest iteration of which (ECO4) has an estimated hit rate in England of 32%, and the Home Upgrade Grant (HUG), with an estimated hit rate of 40%.

Given this, CFP believes that setting a minimum requirement of 20% of each annual target on the low-income group is significantly too low.

CFP believes the low-income group minimum requirement target should be 50% of the obligation.

**19 Do you agree that we should allow up to 80% of a supplier's low-income minimum requirement to be met through LA and Supplier Flex, with unlimited flex permitted beyond the low-income minimum requirement?**

CFP supports moves to ensure that services identifying those most in need can get help under ECO+. Local Authorities have a key role to play in achieving this. However, health practitioners are also extremely well placed to identify those who can most benefit from ECO+ and other schemes. CFP calls on the government to find ways to enable health practitioners to be able to make referrals.

**28. Do you agree that rural uplifts of 35% should apply in Scotland and Wales only?**

No. Whilst CFP recognises that the HUG scheme is in place in England, the fuel poor living in rural areas are dependent first on their Local Authority successfully bidding for funding, and then being accurately targeted (as noted above the fuel poverty hit rate for HUG is about 40%). Encouraging obligated suppliers to target these homes, especially in locations where Local Authorities have not successfully bid for HUG funding, would give these homes a fairer chance of receiving the energy efficiency measures that are so desperately needed. CFP therefore believes the rural uplift of 35% should also apply in England.

**44 Do you agree with our proposal to offer only single insulation measures to both eligibility groups?**

CFP sees merit in the single-measure approach to ECO+ as a way of maximising both the number of households that can benefit from energy efficiency measures and efficiencies in the supply chain. This does come at the expense of maximising search costs. The search cost for some measures (such as loft insulation) can form a significant proportion of the overall cost of the measure. CFP encourages BEIS to think about how it can ensure that leads which might indicate that multiple measures could be installed over time are not lost, and can be considered in future schemes.

**77 Do you agree with our proposal to allow connections to district heating systems fuelled wholly or partly by gas to be installed in off-gas homes?**

The consultation document is unclear on how many off-grid homes in practice might be connected to a district heating scheme if this amendment is made, and whether this would represent good value for money compared to alternatives that would contribute positively towards meeting the government's net zero commitments and a fair transition for those in fuel poverty. CFP recognises that such a measure may be a helpful stopgap to help some of those most in need in rural communities, but has not seen enough in terms of costs not only of installation but of subsequently moving to non-fossil fuel energy supply to support this proposal.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Caroline Flint', with a stylized flourish at the end.

**RT Hon Caroline Flint**

**Chair – Committee on Fuel Poverty**

**Members:** Liz Bisset; Anuradha Singh; Belinda Littleton, Anthony Pygram and Gordon McGregor.