



Department for
Energy Security
& Net Zero

Boiler Upgrade Scheme Regulations

Consultation

Closing date: 12 October 2023

August 2023



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Any enquiries regarding this publication should be sent to us at: boilerupgradescheme@energysecurity.gov.uk

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General Information

Why we are consulting

To set out policy proposals and invite stakeholder views on the introduction of several proposed amendments to the existing Boiler Upgrade Scheme Regulations.

Consultation details

Issued: 31 August 2023

Respond by: 12 October 2023, 23:59

Enquiries to: boilerupgradescheme@energysecurity.gov.uk

Consultation reference: [Proposed amendments to the Boiler Upgrade Scheme Regulations](#)

Audiences:

The consultation will be of particular interest to users of the Boiler Upgrade Scheme in addition to stakeholders in the heating and wider energy industry, representative groups, and those with wider interest in the UK's net zero ambition.

Territorial extent:

England and Wales

How to respond

Respond online at: beisgovuk.citizenspace.com/energy-efficiency/boiler-upgrade-scheme-changes-to-the-regulations

or

Email to: boilerupgradescheme@energysecurity.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and Data Protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details. The responses to the consultation may be utilised for the purposes of Scheme evaluation by an external evaluation contractor. Personal information will not be disclosed.

Quality Assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.go.uk

Introduction

The Government has set out an ambitious package of policy measures to help the United Kingdom move towards greater energy independence and become less dependent on volatile global gas markets. These commitments are set out in the March 2023 *Powering Up Britain*¹ publications. The war in Ukraine, and the pent-up demand due to the COVID-19 pandemic, pushed global gas prices to record highs, and many families have genuine concerns about their energy bills in the context of cost-of-living pressures.

In the longer term, in order to retain and enhance the UK's energy self-sufficiency, we need to generate more clean, affordable, home-grown power. But we also need more efficient homes and buildings that use less energy in the first place. Around half of the UK's total annual natural gas consumption is currently used in heating buildings. Making homes more energy efficient cuts household energy use and reduces energy bills, while also creating jobs across the country.

Heat pumps have a critical role to play in decarbonising how we heat our homes. They provide a highly efficient and low carbon alternative to existing fossil fuel systems and, as a result of their higher efficiency, heat pumps can reduce household bills. The Government is committed to supporting the growth of the heat pump market and to providing support where it is most needed to ease the transition to low carbon heating for businesses and households.

The Government has set out its intention to introduce the Future Homes Standard², mandating low carbon heat in new buildings from 2025. This will be introduced through an uplift to building regulations. The Government has also consulted on plans to introduce regulations for off gas grid properties, to phase out fossil fuel replacements later in the decade.

We recognise that the cost of installing a heat pump is currently higher than fossil fuel alternatives and therefore can be a significant barrier to uptake. The Government is providing support through a number of financial mechanisms, primarily the Boiler Upgrade Scheme, Home Upgrade Grant, and the Social Housing Decarbonisation Fund.

The Government has also set out proposals for the Clean Heat Market Mechanism (CHMM) which, from 2024, will place an obligation on the manufacturers of heating appliances to meet targets for the proportion of low-carbon heat pumps they sell each year, relative to fossil fuel boilers. It is designed to provide further clarity and stimulus for investment and innovation throughout the manufacturing and installer supply chain and enable the heating industry to transform the consumer proposition of heat pumps in the UK.

The Government is also working with industry to reduce the upfront cost of a heat pump and has set an ambition to reduce costs by at least 25% by 2025, making heat pumps as cheap to buy and run as gas boilers by 2030 at the latest.

¹ [Powering Up Britain \(2023\)](#)

² [Future Homes Standard \(Jan 2021\)](#)

To help support industry to invest in the domestic supply chain for heat pumps, the Government has launched the Heat Pump Investment Accelerator Competition (HPIAC)³ to support the construction of new or expansion, retooling or reworking of existing factories to produce heat pumps and heat pump components. The HPIAC will provide up to £30m in non-refundable grants to manufacturers seeking to invest in the UK's heat pump supply chain. The HPIAC will make grants of up to £15m per project, which could stimulate up to £270m of private sector investment, produce up to 270,000 heat pumps and components domestically and create up to 3,000 jobs.

Contractors installing heat pumps within Government schemes are required to be certified by the Microgeneration Certification Scheme (MCS), or equivalent. MCS ensure that installers are technically competent and offer appropriate guarantees to consumers. There are currently over 1,500 businesses in the UK certified with MCS to install heat pumps, estimated to employ over 4,500 installers.

The Government is working closely with industry to ensure there are sufficient installers to meet increasing demand for heat pumps. In July 2023, the Government launched a £5 million Heat Training Grant⁴ to train heat pump installers and heat network professionals across England. This will support 10,000 training opportunities up to 2025. Government has also announced an £8.85m skills scheme to support training for insulation and retrofit professionals, ensuring other home decarbonisation measures are not a barrier to heat pump deployment. These ongoing schemes are in addition to the £15m Government has already committed since 2020 to developing skills in the energy efficiency and low carbon heating sectors, supporting over 16,000 training opportunities to date.

To support with the upfront capital cost of a heat pump, the Government launched the £450m Boiler Upgrade Scheme in May 2022. The scheme provides grants of up to £6,000 for the installation of heat pumps and, in limited circumstances, biomass boilers to encourage property owners to replace existing fossil fuel heating with more efficient, low carbon heating systems.

The scheme's budget originally ran until 2025, but the Government has demonstrated its commitment to the deployment of heat pumps by announcing an extension of the scheme to 2028 with additional funding for each of the years following 2025. Industry is also responding well with a range of financial and mortgage incentives to help customers with the upfront costs of switching to low-carbon heating. These collective measures should provide industry with the certainty needed to confidently invest.

Since its launch, the scheme has delivered £65 million amount of grants, with 1,098 installers registered on the scheme.

We are consulting on various potential amendments to the Boiler Upgrade Scheme Regulations based upon industry and consumer feedback received since the scheme began. We would welcome views from a wide range of stakeholders on the proposals set out in this consultation, building on the valuable responses from many respondents to our previous

³ [Heat Pump Investment Accelerator Competition](#) (DESNZ)

⁴ [Heat Training Grant](#) (DESNZ)

consultations. There is no doubt that developing the market for heat pumps in the UK to the scale needed requires a major transformation. However, it is one that is already bringing both substantial opportunities for businesses and benefits for consumers here in the UK, just as it has in other countries where the heat pump market is thriving. The Boiler Upgrade Scheme is an integral part of this transformation. We look forward to hearing in responses how we can evolve the scheme design to work best for consumers and for the businesses involved.

Executive Summary

In 2022, the Government introduced the Boiler Upgrade Scheme to support the decarbonisation of heat in buildings. Under the scheme, capital grants are available to support the installation of heat pumps and biomass boilers in homes and small non-domestic buildings in England and Wales.

During this period, we have engaged Ofgem as the Scheme Administrator and a range of stakeholders to identify where changes may be needed to support a continued increase in deployment; and to bolster key areas of the market required to enable progress towards the target of 600,000 heat pump installs a year by 2028.

In this consultation, we set out proposed amendments to the Boiler Upgrade Scheme and are seeking views on whether we should be able to differentiate grant levels in different circumstances, whether to retain or amend the existing Energy Performance Certificate (EPC) requirements, and whether biomass boilers with a cooking function should be eligible under the scheme.

In this document we recognise ongoing work to review consumer protection in the low carbon heat market which may have implications for the scheme. We also note the March announcement of an extension to the scheme until 2028. We will not be consulting on these areas within this consultation and will provide further detail on our intentions in due course.

Differentiating grant levels

In 2022, the Government introduced the Boiler Upgrade Scheme to support the decarbonisation of heat in buildings. The scheme is installer-led and intentionally designed to provide a straightforward offer for property owners that minimises the amount of work they need to do to benefit from the scheme, as installers act on their behalf.

Grants available under the scheme are varied solely by the technology type. Currently property owners can access £5,000 towards the cost and installation of an air source heat pump or biomass boiler, and £6,000 towards the cost and installation of a ground source heat pump, including water source heat pumps. There is currently no difference in the grant value available to different property types, or property owner.

We recognise that even with the grant, the upfront capital costs of low carbon heat remain a barrier to uptake for certain properties and property owners. It is the Government's priority to ensure that no property is left behind in the transition to low carbon heat, ensuring that the market is mature enough to deliver the upcoming regulatory uplifts for both new and existing buildings. We therefore want to ensure that the scheme continues to provide a straightforward offer for consumers but that it is equally agile enough to provide different levels of support to different sections of the market in future, if needed.

The market has a significant role to play in driving down costs for consumers and making heat pumps an affordable option. Significant investment is already being made into heat pump manufacturing by industry and this needs to continue to establish a mature market and reduce the reliance on Government support for low carbon heating. The Clean Heat Market Mechanism will help encourage the market to provide a range of attractive choices for customers and move away from subsidy in the future.

At present, any specific differentiation for certain property types, existing fuel source or property owners would require a change to the regulations. We would welcome views on whether it should be possible to vary grant levels to differentiate between different types of property, existing fuel source, and/or property owner to support uptake under the scheme or to support wider government energy-related objectives. This could, for example, give the Government the option to vary grant levels based on existing fuel type. As an illustration, it is possible that heat pump costs will fall faster for properties currently with gas heating rather than those with oil heating. If this transpires then it may be appropriate, in future, to reduce the grant value faster for properties replacing gas heating than oil heating.

We recognise that industry needs certainty on the grant values to plan upcoming installations and provide accurate quotes for customers. We would therefore publish the agreed grant values ahead of any change coming into force to ensure this can happen.

Question 1: Do you agree with the proposal to allow for the potential differentiation of the grant levels for different types of property or property owner within the regulations? Yes/No. Please provide evidence to support your response.

Energy Performance Certificate (EPC) requirements

The Government recognises that the energy efficiency of a building can improve heating system performance and the achieved efficiency of a heat pump system.

To ensure that installations under the Boiler Upgrade Scheme are only undertaken in properties appropriate for low carbon heat technologies, a property is therefore required to have a valid EPC (less than 10 years old) with no outstanding recommendations for loft or cavity wall insulation. This is because installing a heat pump in a well-insulated home minimises the heat demand of the property and can ensure the efficiency of the property for heat pump installation. The minimum insulation requirements are also relatively low-cost measures that could reduce costs for consumers and thereby increase confidence in the efficiency of heat pumps more generally. Of the 8,146 vouchers applied for under the scheme to July 2023 where there were outstanding EPC recommendations, 70% have been successfully redeemed and paid out by Ofgem.

We have sought to simplify the consumer journey by allowing applications to be made for properties with outstanding recommendations for loft or cavity wall insulation, provided that a newly generated EPC is submitted at the voucher redemption stage as evidence that such insulation has since been installed. This flexibility reduces disruption on the property owner who may wish to have the installation and insulation carried out at the same time. In addition, self-build properties do not have to supply an EPC at any stage of the process under the scheme because these properties are required to be insulated in line with current building regulations.

Under the current Boiler Upgrade Scheme regulations, Ofgem use EPC data to check that a property is sufficiently insulated with loft and cavity wall insulation, as heat pumps are most effective, and deliver the most carbon savings, in well insulated homes. The insulation requirements serve as a point of consumer protection as they make it more likely that a heat pump will operate at an acceptable efficiency. EPCs are used for other purposes within the scheme and serve as a tool for validating additional eligibility criteria. For example, EPCs are utilised by Ofgem to confirm the existing heating system within a property and ensure that public money is being appropriately spent on the replacement of fossil fuel systems, rather than existing low carbon heat systems, in order to drive carbon savings.

Microgeneration Certification Scheme (MCS) standards set out methodologies for assessing the property's viability for a heat pump, including a heat pump system performance estimate, which utilises a property's EPC, and heat loss calculator. The MCS heat pump system performance estimate provides the property owner with an estimate of performance and running costs prior to an install taking place to ensure they are making an informed choice when transitioning to a heat pump.

Some installers operating under the scheme have indicated that EPC requirements are an important eligibility criterion in ensuring that heat pumps are only installed in suitably insulated properties whilst others have argued that the requirements are a barrier to uptake and have asked for them to be removed. Where concerns have been raised by installers about EPC requirements under the scheme, it is not clear whether it is the requirement to have a valid EPC that is considered a barrier or whether it is the specific requirement to have no outstanding recommendations relating to loft or cavity wall insulation.

In addition, in its inquiry⁵ into the Boiler Upgrade Scheme, the Lords Environment and Climate Change Committee concluded that the use of EPC ratings and the associated insulation requirements under the scheme should be removed as they act as a barrier for some households and contribute to misconceptions about the relative cost of heat pump installations compared to other technologies, and that households should have access to reliable advice on how running costs differ according to the levels of insulation.

We want to strike an appropriate balance between ensuring that heat pumps are only installed in suitable properties whilst avoiding imposing any disproportionate requirements on consumers and installers. The Government therefore committed in its response to the Lords' Inquiry to consult on whether to make a change to the EPC requirements when reviewing the scheme regulations.

We would welcome further feedback and evidence on whether to retain the current requirement to have a valid EPC with no outstanding recommendations relating to loft or cavity wall insulation in order to be eligible for the scheme. We would also welcome views on whether, if we retain the requirements, there are any changes we can make to minimise potential burdens and ensure the consumer journey is as simple as possible whilst not weakening consumer protections.

We are not consulting on changes to EPCs, just on EPC requirements to be eligible for a grant under the Boiler Upgrade Scheme. The Government is currently working on proposals for improving EPC metrics, and intends to consult on these, taking account also of recently published proposals from the Climate Change Committee

Question 2: Should we maintain the current requirement for a valid EPC with no outstanding recommendations for loft or cavity wall insulation? Yes/No. Please provide evidence to support your response.

Question 3: If you consider the EPC requirements to be a barrier to uptake, what specifically do you consider to be the issue:

- a) Requirement to have a valid EPC
- b) Requirement to have a valid EPC with no outstanding recommendations relating to loft or cavity wall insulation
- c) Other

⁵ [Boiler Upgrade Scheme Inquiry \(February 2023\) Lords Environment and Climate Change Committee](#)

Please select one of the above and provide evidence to support your response.

Question 4: If we retain the EPC requirements, are there any potential changes we could make to ease the consumer journey without risking heat pumps being installed in unsuitable properties? For example, allowing the submission of an expired EPC with no recommendations for loft or cavity wall insulation.

Biomass boilers with a cooking function

Under the current Boiler Upgrade Scheme regulations, biomass boilers are eligible if they comply with a set of technology specific criteria. They must burn solid biomass, minimise direct heat loss to the surrounding area, provide heat through a liquid medium and not provide a cooking function. The rationale for excluding biomass boilers with a cooking function was to encourage efficient, whole-house heating systems. Biomass boilers with a cooking function are not therefore included on Ofgem's product eligibility list (PEL) as they are ineligible under the scheme regulations.

We have listened to concerns raised by industry that these biomass boilers should be eligible under the scheme regulations and included on the PEL. We accept the argument that these biomass boilers could fill a gap in the market replacing fossil fuel style AGA cookers in houses which are unsuitable for a heat pump, and that their inclusion is not incompatible with the scheme's aims provided that the cooking function is incidental and cannot be controlled separately to the heating function of the property.

We are therefore seeking views on whether to amend the regulations to allow for biomass boilers to be eligible if they have a cooking function, but only if the cooking function is integrated into the whole property heating system and cannot be controlled separately to the heating function. We do not however recommend supporting biomass cookers which do not service the property's full space and water heating demand as this would be incompatible with the scheme's aims of encouraging efficient, whole-house heating systems.

Question 5: Should we allow biomass boilers with a cooking function provided the cooking function is integrated and cannot be controlled separately to the heating function of the property? Yes / No. Please provide evidence to support your response.

Future Developments

Consumer codes

All contractors on the Boiler Upgrade Scheme must be Microgeneration Certification Scheme (MCS) certified. Currently MCS certification requires that contractors must also be a member of a Chartered Trading Standards Institute approved Consumer Code.

In June 2023, MCS launched their MCS Scheme Redevelopment Consultation, which invited views on proposals to transform the way that their scheme operates and the delivery of consumer protections.⁶ The consultation is now closed and MCS are analysing responses.

MCS propose no longer mandating membership of a Consumer Code as part of their scheme as they plan a new approach to customer service, support and protections. This will be elevated and delivered through a new 'Customer Duty' with obligations to safeguard customers embedded directly into the scheme itself. MCS acknowledge that in addition to this, some contractors may benefit from the services offered by a Consumer Code. The new MCS Customer Duty will set out the rights and responsibilities of any customer receiving advice, quotes, installations, products and services from their MCS certified contractor (and their subcontractors). The Customer Duty will be reinforced by new MCS Scheme Rules and a contract between MCS and the contractor.

We recognise that the proposals made in MCS's consultation will implicate all contractors operating under the Boiler Upgrade Scheme. We will continue to work with MCS and other stakeholders to understand the outcomes of their consultation.

We will also reflect on the observations set out in the Competition and Markets Authority's findings report on consumer protection in the green heating and insulation sector⁷. This notes that the standards landscape overseeing quality and consumer protection standards for member businesses offers important protections but can be complex and confusing for people to navigate, with varied levels of standard and risk of future gaps.

We will then determine in due course whether any changes are required for the Boiler Upgrade Scheme.

⁶ [MCS Scheme Redevelopment Consultation \(June 2023\) MCS](#)

⁷ [Consumer protection in the green heating and insulation sector \(May 2023\) Competition and Markets Authority](#)

Extension of the Boiler Upgrade Scheme until 2028

As set out in the Government's Powering Up Britain statement, we have an ambition to phase out all new and replacement natural gas boilers by 2035 so that homes are heated by British electricity, not imported gas. We want to make it as cheap to buy and run a heat pump as a gas boiler by extending the Boiler Upgrade Scheme by three years until 2028.

This extension will be supported by an additional budget allocation for each of these years. We have not yet set a budget level for the extended scheme as we want to see how much demand grows in the short term and any decision on funding will be subject to future Spending Review decisions.

This extension demonstrates the Government's commitment to delivering our ambition of 600,000 heat pump installations a year by 2028 - giving industry the certainty needed to invest confidently in heat pumps, scale up manufacturing and upskill installers. We will provide further details of the extended Boiler Upgrade Scheme in due course.

This publication is available from: www.gov.uk/government/consultations/proposed-amendments-to-the-boiler-upgrade-scheme-regulations

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