



- MINUTES -

Chair Person: **Charles Phillips** (DECC)
Start Time: **10:30hrs**
End Time: **12:35hrs**

Minutes prepared by: **Shahzad Khan** (DECC)
Total Delegates Expected: **39** (non-DECC staff)
Total Attended: **26** (non-DECC staff)

Actions from previous meeting (on 27th Jun'14) together with response:

- A1:** *"DECC to prepare and circulate a project initiation document for the contract review."*
Answer: PID currently being reviewed. It'll be circulated to Steering Group thereafter (incl. reps for SHPs and LAs).
- A2:** *"DECC will seek views from LAs and Registered SHP representatives, to identify whether the existing standard brokerage contract contains any clauses that clashes with their legislative framework that governs them."*
Answer: DECC have directly contacted a number of LAs and so far only a couple have said they're not interested. Further comments are expected from others.

The meeting was accessible via conference call and some people dialled in (and out) as the meeting went on. After initial introductions, where one conference caller was identified, there were no further introductions so as not to break the flow of the meeting.

All delegates were provided with hardcopies of: Agenda, previous meeting minutes and a pack of 47 Power Point slides (see Annex A) relating to each Agenda item for the morning. Every Agenda item was discussed in sequence, with each corresponding slide(s) summarising main points. Some additional points were as follows:

● **Re. Electricity Demand Reduction Pilot Update (EDR - slides 3 to 10)**

- (ACTION 1 - answered)** DECC provided an update on the EDR Pilot prior to formal launch. If connected to the GB electricity grid and not currently in receipt of specified funding, all sectors are eligible to enter the pilot. Bids in the EDR auction will need to commit to deliver a capacity reduction of at least 100kW, although we welcome aggregation of smaller sites which get to this threshold. There will be no excess payment (or reduction) for over-delivery, although under-delivery will result in payment reductions. The pilot is expected to launch on Tuesday 29th July 2014 with the publication of Participant Handbook and Measurement & Verification Manual and opening to formal Expressions of Interest – Steering Group to be informed upon launch.

● **Re. Ofgem ECO 1.2 Consultation (slides 11 to 20)**

- (ACTION 2 - answered)** First batch of ECO supplier delivery plans have been received and are currently being assessed – with more being received on a monthly basis. A comment was made that clarity is required on monitoring methodology for hard-to-treat cavity work. Ofgem colleague replied relevant information is on the Ofgem website (<https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-hard-treat-cavity-measures-installed-1-january-2014-letter-suppliers>). Post meeting Ofgem comment: this information includes a copy of the letter we [Ofgem] sent to energy companies on 31 October 2013 outlining the details of the review process. This letter makes it clear that we [Ofgem] review and agree the site audit methodology for each supplier in advance to ensure consistency across suppliers.

There is no requirement for the narrow cavity width to be determined in line with the three-point methodology which took effect for measures installed in 2014. Where suppliers choose to drill more than one point per elevation, we [Ofgem] will make our determination of whether the measure passes or fails the site audit on the basis of the guidance which was in effect in 2013. If a single inspection point



measuring less than 50mm is found on an elevation during the site audits, this demonstrates that the elevation meets the definition of HTTC.

Ofgem colleagues in the room were keen for the Steering Group to have copies of the slides to ensure everyone had access to the hyper-links for the upcoming ECO 1.2 Consultation Events. A separate email with those links was sent to everyone on the Steering Group distribution list on Friday 25th Jul'14 at 15:51hrs. The email read:

*"The amending ECO Order has now been laid in Parliament and is expected to come into effect in November 2014. The majority of legislative amendments are prescriptive, however consultation workshops will be run to discuss specific issues where Ofgem is required to use discretion in our interpretation of the legislative amendments. The consultation will launch in early August with workshops focussed on **district heating, de minimis levels for primary measures and building regulations**.*

Eventbrite invites are linked below, and those wishing to attend should indicate which workshops they are interested in by 31st July 2014. To aid us in organising these events please provide a short explanation about why each delegate's attendance is appropriate. Due to limited capacity we may be unable to offer places to all workshops."

[ECO Guidance 1.2 Consultation Workshop: District Heating \(Wednesday 13th August\)](#)

[ECO Guidance 1.2 Consultation Workshop: De minimis Levels for Primary Measures and Building Regulations \(Thursday 28th August\)](#)

There was some discussion around payment issues for measures installed under ECO, with particular reference given to uncertainties arising from Ofgem's HTTC review. It was noted that there has been a lack of clarity as to what would be considered compliant and how measures are intended to be validated through the technical monitoring process. Ofgem stated that an open letter had been published in July (see Annex B) to address some of these issues. This was welcomed by the Chair, and the Steering Group agreed that there needed to be more transparency through the supply chain, including engagement from suppliers on how they intend to observe these validation and compliance requirements.

Ofgem commented that one possible solution might be for suppliers to create and cascade through the supply chain their own measure rejection reports. These would, in addition to the rejection reports being issued by Ofgem, include measures which had been rejected by the supplier without being notified to Ofgem. Installers could then request these reports when informed that a measure had been rejected by a supplier, thereby providing additional visibility to installers on measure status.

Some suppliers commented that they wanted installers to go direct to them when there was a payment or information issue, and it was noted that this was a difficult area for suppliers to take forward on any collective basis. The Chair summed up by saying that it was unclear what if anything further could be undertaken at a joint, collaborative, level to address payment issues in the supply chain; but it was an issue of interest to new DECC Ministers who were hopeful that the recent Ofgem open letter might help catalyse an improvement (Ministers have since written an open letter to the obligated ECO companies, which may also be of interest to the supply chain, copy attached at Annex C). DECC would be happy to receive suggestions for concrete actions which might have a positive effect on payment flows, without impinging on commercial, contractual issues.

(ACTION 3)

(ACTION 4)

Separately, DECC noted that it would shortly circulate a paper on options for handling the revised 2012 versions of SAP/RdSAP for ECO purposes, given that outputs of the 2012 version would be expressed in carbon equivalents (including some non-carbon emissions) whereas the ECO target is expressed strictly in carbon terms.



- **Re. Green Deal Communities Update (Slide 21 – Steve Ives from DECC speaking)**

£88million of funding has been provided to Local Authority projects (in Apr to May'14, with completion by Mar'15). The majority of projects are already underway, with some due to begin pending procurement issues. There is a focus on 'street by street' delivery. There is confidence that the majority of projects will deliver by Mar'15 – funding is in Local Authority accounts to do so.

To date 800 Green Deal Assessments have been completed. DECC are working with LAs on troubleshooting issues and setting up a web presence to share best practice. A comment was made that LGA have an online hub which is free for LAs to use (<https://knowledgehub.local.gov.uk/>) .

- **Re. PRS Consultation (slides 22 to 28)**

Looking at slide 24, it was clarified that a tenant's right to request energy efficiency improvements by Apr'16 is conditional. For example, could be refused: if doing so decreases value of the property; if the landlord cannot gain consent; or if the landlord already has plans to implement improvements.

On Tuesday 22nd Jul'14 the Government published a set of documents relating to Fuel Poverty, Private Rental Sector and ECO (see link: <https://www.gov.uk/government/news/cutting-the-cost-of-keeping-warm-to-tackle-fuel-poverty>). DECC are looking at building regulations regarding financing. DECC are not defining what alternative financing options are but are asking for feedback. A delegate asked what "cost effective" meant. The answer was if it could be done under the Green Deal.

There was a comment about issues with mixed tenancy leaseholders in blocks of flats: having approval problems when treating the whole building.

- **Green Deal Home Improvement Fund**

The Chair reiterated news that the Green Deal Home Improvement Fund (GDHIF) is now closed for applications due to overwhelming demand. There was a surge in applications over the last two days (24th-25th Jul'14) as a result of changes made by DECC earlier in the week (at one point demand reached £3million per hour). Closure of the GDHIF was officially announced last evening at 18:30hrs (Thursday 24th Jul'14).

Comments were made about the validity of all applications. One delegate recalled hearing of incidents where companies were making speculative applications and later selling on vouchers. Another delegate said a "soft voucher offer" has resulted in the scheme being exploited. And another delegate asked whether the 2-day surge meant something was wrong with the application process. The Chair replied it would be wrong to draw any conclusions right now. All applications received up to the scheme's closure will be honoured, assuming they proved to be valid; indeed this was the reason for early closure. Applications will be monitored closely. DECC could not give any sort of commitment at this stage, but the possibility of launching another offer later in the year was not precluded, , if there proved to be underspend as a result of a significant number of current applications not proceeding.

- **Re. Fuel Poverty Strategy (update from slides 29 to 34)**

To highlight the Government's commitment to make a real and lasting difference on fuel poverty, DECC have:

- laid draft regulations to create in law a new fuel poverty target
- launched *Cutting the cost of keeping warm* - a consultation to help prepare for a new fuel poverty strategy



- published the findings of the first *Triennial Review of the Fuel Poverty Advisory Group for England (FPAG)* – confirming FPAG's critical role in scrutinising our strategy to keep us on track towards our target, and recommending ways in which FPAG could be reformed.

Also published:

- *Fuel Poverty Energy Efficiency Rating Methodology* - setting out in detail how to measure the energy efficiency of fuel poor households in relation to a new fuel poverty target for England.
- *Understanding the Behaviour of Households in Fuel Poverty* - a literature review on understanding the behaviour of fuel poor households.

The Fuel Poverty (England) Regulations 2014 were laid before Parliament on 22 July:

- Regulations will create in law a new fuel poverty target - to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C, by 2030.

Consultation proposes:

- As many fuel poor homes as is reasonably practicable to Band E by 2020
- As many fuel poor homes as is reasonably practicable to Band D by 2025

• **Re. The Future of the Energy Company Obligation (updates from slides 35 to 45)**

The Future of the Energy Company Obligation consultation was published on Tuesday 22nd Jul'14 (see link: <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>). Government Response as follows.

2015 Targets CERO:

- Reduced to 14MtCO₂ and applied to Phase 3 only.
- Fungible with 1.1 multiple if 2015 target not met
- CSCO and AW: No changes

Surplus actions:

- CERO & CSCO - surplus permitted
- AW - measures installed from 1 Jan 14 eligible; but with 'exchange rate' equalising the value across both periods (uplifts and deflator).

Replacement boilers (surplus actions):

- 1 Jan 14 and 31 Dec 14 – option to provide installation warranty that meets the 15-17 requirements
- 1 Jan and 31 Mar 15 - must meet relevant 15-17 warranty requirements
- Warranty reflected in exchange rates.

New 2017 targets:

- CERO - 12.4 MtCO₂
- CSCO - 6 MtCO₂
- Affordable Warmth - £3.7bn (notional bill savings).

Solid Wall Minimum Obligation:

- Target for 2017 set at 4MtCO₂ – equivalent to 100,000 households.
- Set on a phased basis, commencing from scheme inception on 1 January 2013.
- SWI lifetime set as 36 years, with an appropriate guarantee required.
- Secondary measures not permitted to count towards this target.

Levelisation:

- Threshold set at 35%, with the multiplier set at 1.75.



- Primary measures above 35% – SWI and HTTC – eligible for the carbon uplift.
- Invite energy suppliers to set out publicly how they propose to pass any additional cost savings to consumers.

Affordable Warmth - Non-gas households:

- Uplifted scores will apply to measures where main space heating systems are ‘non-gas’:
- 35% for insulation measures
- 45% for ‘non-gas’ qualifying boilers
- Deflated score (20%) will apply to gas ‘qualifying boilers’ replacements
- Introduction of repair and replacement ‘qualifying electric storage heaters’. These will be scored in the same way as ‘qualifying boilers’.

• **Re. AOB**

(ACTION 5)

**(ACTION 6 -
answered)**

One delegate asked whether the new lower income rural areas were subject to the same “adjoining areas” mechanism as CSCO areas (DECC to follow up with SEA). Also, it was asked whether a renewable heating system could be claimed as a qualifying boiler and receive the non-gas uplift (it can); and if DECC have analysed which renewable technologies would score more favourably than others (no).

Next Steering Group meeting is on Friday 26th September 2014 from 10.30 to 12.30hrs (LG03-05 – 3WHP).