



# ECO Steering Group Meeting

Room LG03-06,  
3 Whitehall Place.

10.30-12.30pm on Friday 26<sup>th</sup> September 2014.



# Agenda

## Welcome and Introductions

1. Actions from last meeting (held on 25/07/14) ..... Charles Phillips
2. ECO Delivery Update: .....(various presenters)
  - DECC
  - Ofgem
3. ECO Policy Update: .....(various presenters)
  - Guidance (Ofgem)
  - DECC – RdSAP
4. GDHIF / GDC ..... Richard Mellish / Robert Davis
5. CERT / CESP Evaluation ..... Matthew Evans (Ipsos MORI)

Any Other Business?



# Actions from last meeting (held on 25/07/14)

Agenda item 1 – Charles Phillips



## Actions & Answers (x3)

**Action 3:** *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.*

**Answer:** **No suggestions received.**

**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.*

**Answer:** **See discussion paper emailed to SG on 07/08/14, with previous minutes.**

**Action 5:** *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).*

**Answer:** **Adjoining areas are not applicable to rural areas .**



# ECO Delivery Update: DECC & Ofgem

Agenda item 2 – (various presenters)



# DECC Delivery Update

## Current Activities Update

Project	Status
Brokerage	<ul style="list-style-type: none"><li>• Trading update</li><li>• Legal services procurement for contract review commencing October</li><li>• Access to brokerage: addressing queries around FCA, considering next steps.</li></ul>
DWP Data Matching project for AWG	<ul style="list-style-type: none"><li>• Data matching working group agreed a framework earlier this year and companies have since come forward expressing an interest in becoming the intermediary for the pre-installation verification service.</li><li>• Energy UK intends to assist their members to choose an intermediary to simplify and shorten the procurement process.</li><li>• A formal process with an Invitation To Tender is proposed and the current aim is to have the service in place for April 2015 (ECO2).</li><li>• Energy UK cannot act on behalf of GDPs but this should not prevent GDPs accessing the service once it is operational.</li></ul>



# DECC Delivery Update

## Current Activities Update

Project	Status
CSCO Tool	<ul style="list-style-type: none"><li>Working with Ofgem who are currently in the process of selecting a company to develop and maintain an LSOA and postcode data set.</li><li>It is intended that this can be used by Ofgem, suppliers and industry to identify eligible CSCO areas</li></ul>
Reporting Simplification Working Group	<ul style="list-style-type: none"><li>Positive feedback from installers, welcome volunteer case studies</li><li>Group to continue – next meeting 08/10 (1.2 &amp; 2)</li></ul>
BT Open Reach	<ul style="list-style-type: none"><li>Sub-group of the Steering Group recommended this issue to be resolved through an amendment to PAS. Currently with BSI for consideration.</li><li>Views of Steering group sought on whether this is still an issue.</li></ul>
Monitoring and Evaluation	<ul style="list-style-type: none"><li>Latest GD and ECO Stats published 23/09</li></ul>



## Forward look and further ideas

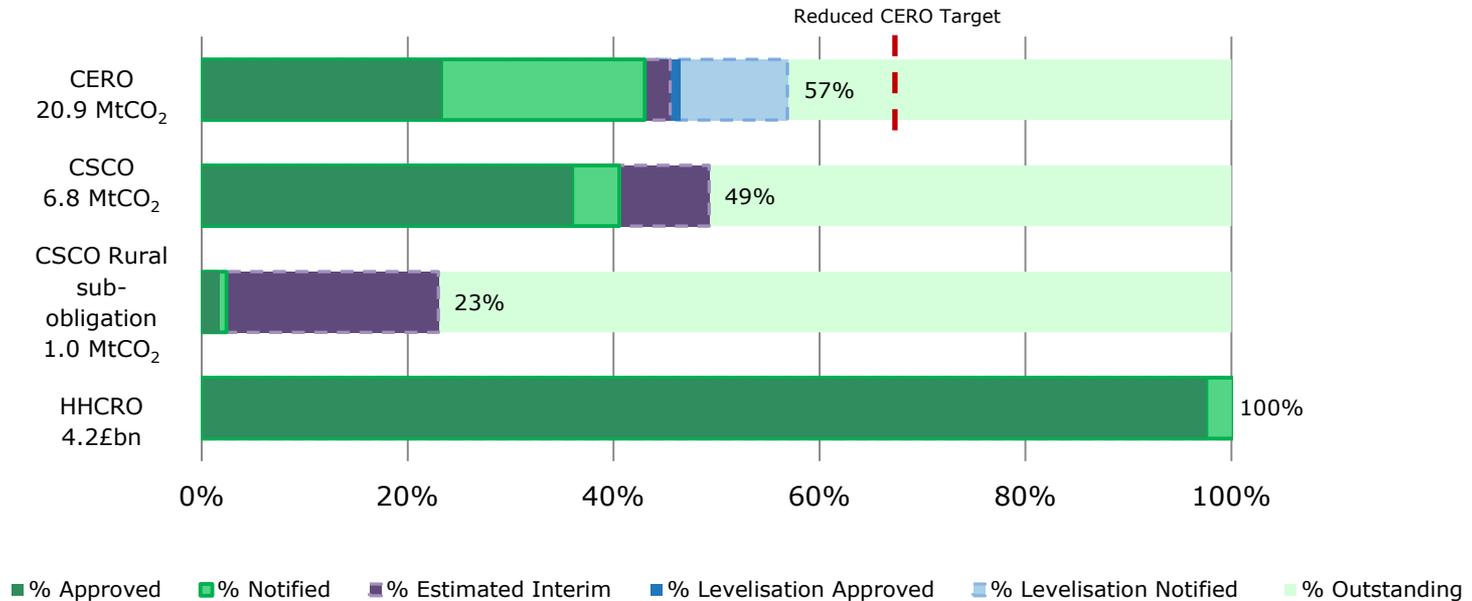
Topic	Status
Improved transparency of measure status	<ul style="list-style-type: none"><li>• Hear that installers sometimes unsure about status of measures they have submitted</li><li>• Particularly when installers are distant from energy companies</li><li>• Ofgem now issues rejection reports to suppliers, and has published HTTC review process</li><li>• DECC discussing with suppliers whether they can also assist in improving measure status transparency</li><li>• May be legal and technical difficulties, and ultimately suppliers' decision</li></ul>
Digital Customer Journey	<ul style="list-style-type: none"><li>• Project underway to redesign online entry points to DECC policies including GD, ECO, DRHI, etc</li></ul>
Scoring	<ul style="list-style-type: none"><li>• Consultation responses in support of revisiting deemed scoring. No timetable agreed at this stage.</li></ul>
ECO project case studies	<ul style="list-style-type: none"><li>• DECC would like to develop small number of ECO case studies – story, picture, quotes from residents. Ideas and input wanted.</li></ul>

## Ofgem ECO Delivery Update

**Mary Smith & Cassie Sutherland**  
26/09/14

ofgem

## Operational Update



- The scheme is currently 67% of the way through phases 1-3 (which cover the period 1 January 2013 to 31 March 2015).
- 100% of the HHCRO obligation has been notified.
- Should the proposed legislative changes be accepted they are likely to have a material impact on suppliers progress towards CERO, CSCO and CSCO Rural.

## Operational Update

- **Hard-to-Treat Cavity (HTTC)**
  - The insulation of a hard-to-treat cavity (HTTC) wall is a primary measure under current ECO legislation.
  - A review by Ofgem in summer 2013 raised serious concerns about the accuracy of information notified for HTTC measures.
  - Following a consultation, new requirements were introduced for measures installed from 1 January 2014 to demonstrate that measures meet the definition of HTTC.
  - Approx 90k HTTC measures installed in 2013 are on hold while suppliers undertake a documentation review and a sample of site audit inspections.
  - We expect to receive all results from this review process by 31 October 2014.
  - We are determining outcomes of the review on an individual supplier basis as data is provided.
  - We expect to reach a final determination on these measures before Christmas 2014 (subject to data availability and quality).

## Operational Update

- **HHCRO Documentation Audit**
  - Review of boiler checklists, evidence of AWG status, and evidence of householder status now complete.
  - Sending results to suppliers shortly.
  - Issuing minded to reject letters for measures that have failed the audit.
  - Suppliers have the opportunity to submit further evidence.
  - Considering what next steps are appropriate.
- **Notification Post-Legislation**
  - Interim measures may be formally notified once the amending ECO Order has come into force.
  - Revised ECO data dictionary will come into effect once the legislation is made.
  - Issuing a revised notification template in advance of this.

**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**



# ECO Policy Update: Guidance (Ofgem) & DECC – RdSAP (no slides)

Agenda item 3 – (various presenters)

## Ofgem ECO Policy Update

**Mary Smith & Cassie Sutherland**  
26/09/14

ofgem

## Development Update – ECO1

- ECO 1.2 Consultation progress

Key Dates	Item	
July/August	Ofgem carry out early engagement with suppliers	✓
22 July	DECC laid amending Order	✓
11 August	Ofgem launch <i>six week</i> consultation	✓
22 September	Ofgem closed consultation	✓
Late October	Ofgem publish response to consultation and final guidance	-
Early December	Amending Order comes into force	-

## Development Update – ECO2

- Consulting on ECO2 Guidance (2015 - 2017)
  - The proposed changes to be introduced by the new ECO Order will extend the scheme from 1 April 2015 to 31 March 2017 (ECO2).
  - Two further consultation periods
    - Consultation on limited areas
      - Addressing some of the main requirements for HHCRO surplus actions for ECO2.
      - These relate to boiler warranties, the non-gas uplift and the boiler cost score deflator.
    - Consultation on guidance on all other areas
      - Will be consulted on later in the year.
      - Addressing all other changes that will have effect from 1 April 2015.

## Development Update – ECO2

Key Dates	Legislation	Consultation on limited areas	Consultation on guidance on all other areas
October	DECC publish and lay ECO2 Order	Ofgem launch <i>six week</i> consultation on limited areas	Ofgem carry out early engagement on remaining area
November		Ofgem close consultation	Ofgem launch consultation towards end of the year
December	ECO2 Order made (with effect of 1 April 2015)		
January		Ofgem publish response to consultation and final guidance	Ofgem close consultation on remaining changes
March			Ofgem publish response to consultation and final <b>ECO2 guidance</b> , incorporating guidance on limited changes

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# GDHIF / GDC (speaking – no slides)

Agenda item 4 – Richard Mellish / Robert Davis



# CERT / CESP Evaluation

Agenda item 5 – Matthew Evans (Ipsos MORI)



Version 1 Internal Use Only



# CERT & CESP Final Evaluation

Presentation to ECO Steering Group , 26<sup>th</sup> September 2014

# Background and scope of the evaluation

- Independent evaluation of the Carbon Emissions Reduction Target (CERT) and the Community Energy Savings Programme (CESP)
- Aims of the evaluation:
  - Determine if CERT and CESP met their objectives
  - Evidence to inform future energy efficiency policy design and implementation
- Three main research streams:
  1. Energy company cost analysis
  2. Process research (scheme delivery and programme administration)
  3. Householder experience

## Important to note:

- Not an impact assessment (evidence to inform separate IA)
- Focus on insulation measures

# Research undertaken

- **Cost analysis:** Obligated parties approached for detailed admin & delivery costs
- **Survey of housing associations, LAs & installers:** resource costs incurred.
- **Stakeholder research:** 61 qualitative interviews, lessons learned and underlying drivers of delivery costs.
- **7 Case Study communities:** A range of local areas for lessons on delivery.
  - **Process interviews:** 37 in-depth interviews with delivery stakeholders & desk review
  - **Householder interviews:** Quantitative in-home survey (100 x 5 areas), and follow-up qualitative interviews (5 x 5 areas)
- **National CERT customer survey:** establish take-up rates of CERT measures, satisfaction with installations, and costs incurred by householders.

## • Desk review

# Limitations of evidence

- Evidence base:
  - Evaluation designed retrospectively - no baseline data
  - Limited monitoring requirement built into evaluation design
- Cost analysis:
  - Inconsistent level of detail (e.g. admin costs)
  - Gaps in the cost evidence (e.g. from LAs, installers etc)
- Stakeholder research:
  - Narrow focus in terms of measure types (insulation and heating)
- Householder survey:
  - No baseline to measure impact on attitudes, behaviour
  - Recall of participants
  - Small sample sizes for CESP non-customers and CERT customers – limits area analysis
  - Difficulty of accurately identifying a CERT measure via self-reported survey

# Performance against targets and costs of delivery

# CERT & CERT Extension: Delivery and Costs

- **CERT and CERT Extension:**

- Overall target of 293 Mt CO<sub>2</sub> savings between 2008 and 2012
- Overall CO<sub>2</sub> savings target exceeded (297 Mt CO<sub>2</sub>)

- **Costs to obligated parties:**

- Administrative costs estimated at £111.0m in real terms (2012/13 prices)
- Costs incurred in the delivery and installation of measures estimated at £3.6bn

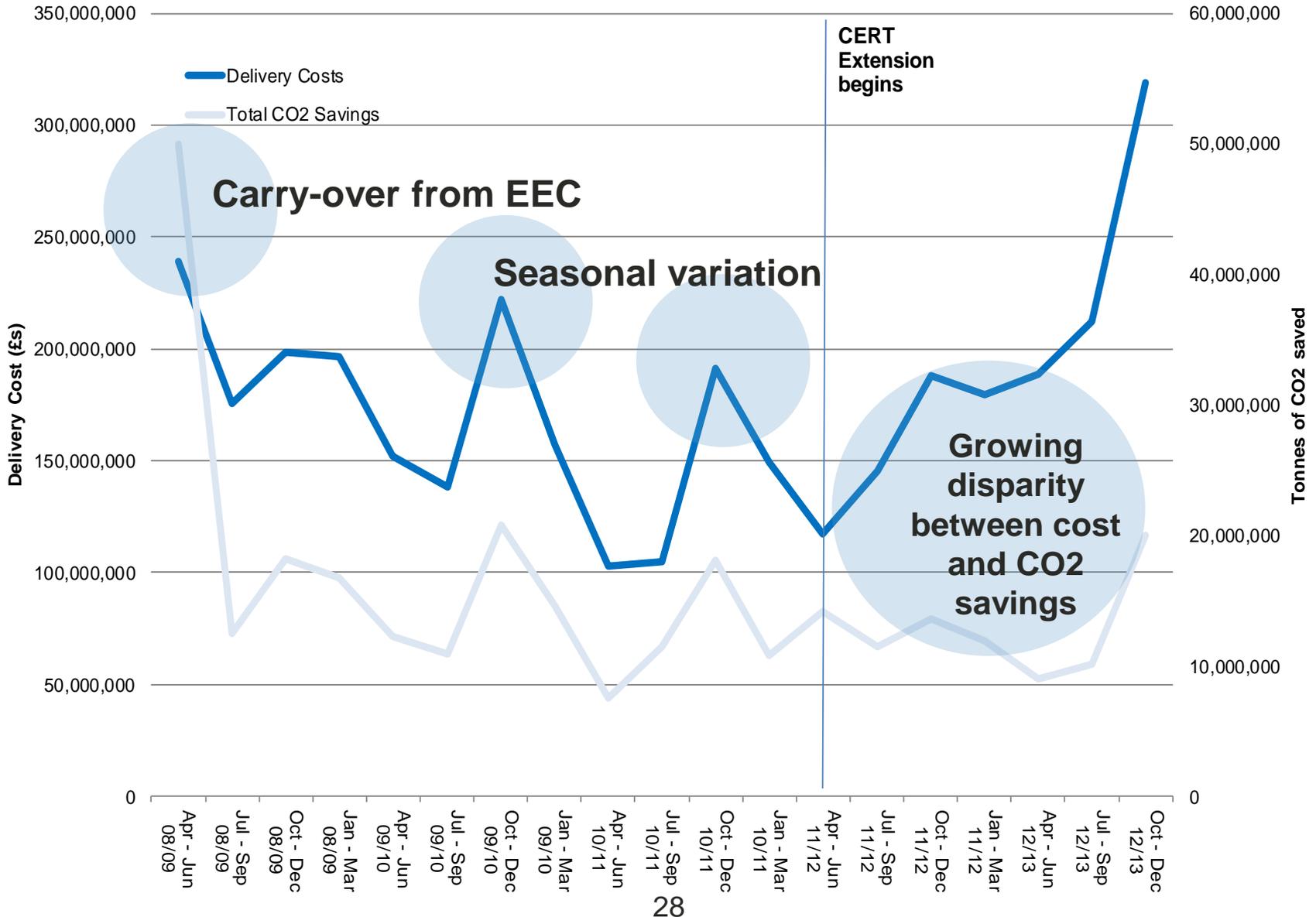
- **Costs to the consumer:**

- Cavity wall insulation contributions estimated at £132m
- Professionally installed loft insulation at £116m

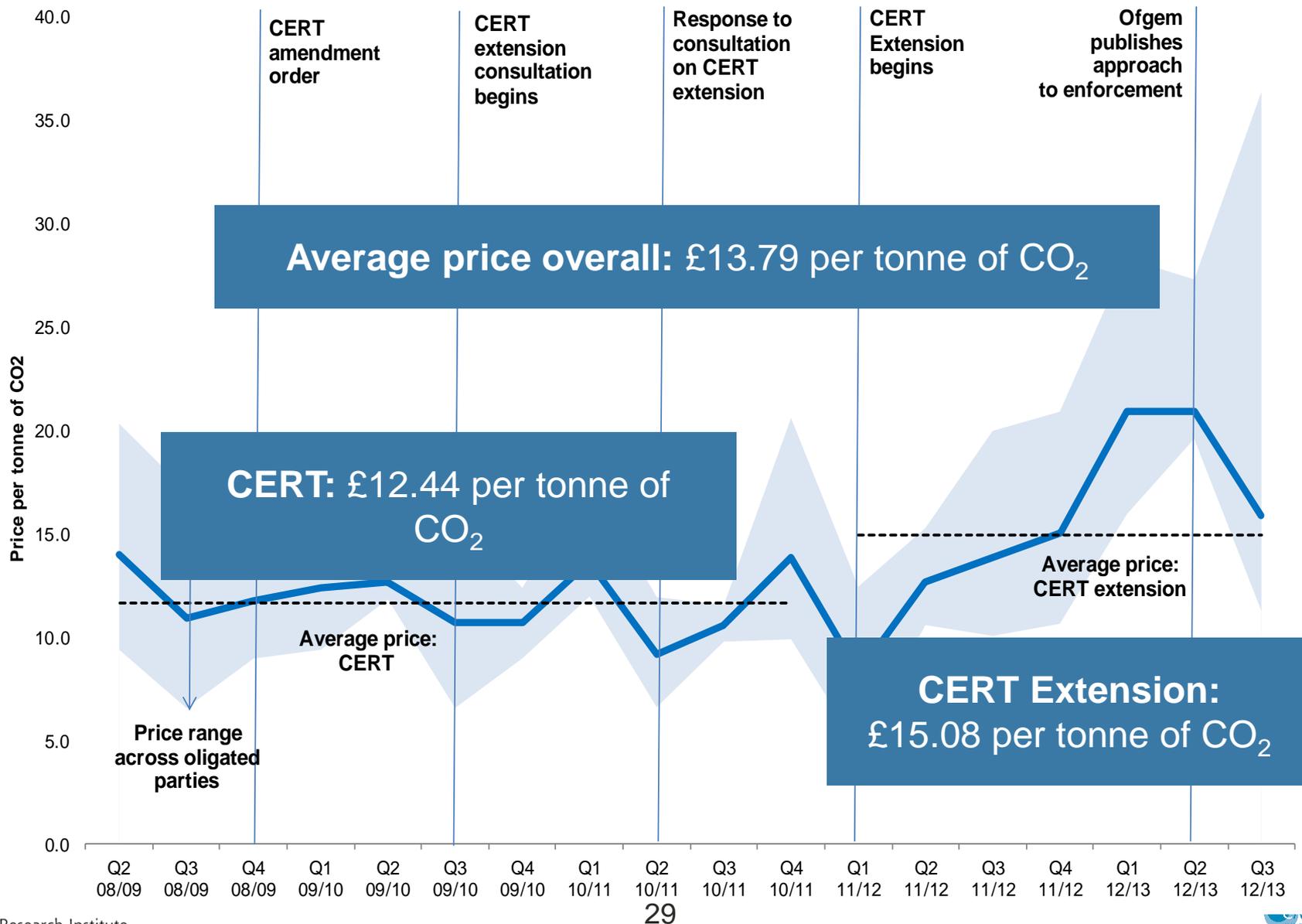
## **Costs not systematically assessed**

- Scheme management (DECC & Ofgem)
- Costs incurred by the wider public sector (e.g. Local Authorities)

# CERT & CERT Extension: Costs Over Time



# CERT & CERT Extension: Costs Over Time



# CESP: Overall Costs

- **Delivery**

- Overall target of 19 Mt CO<sub>2</sub> savings between 2009 and 2012
- Underperformance at 31 Dec 2012 with 16 Mt CO<sub>2</sub> achieved (mitigating activity will have narrowed this gap)

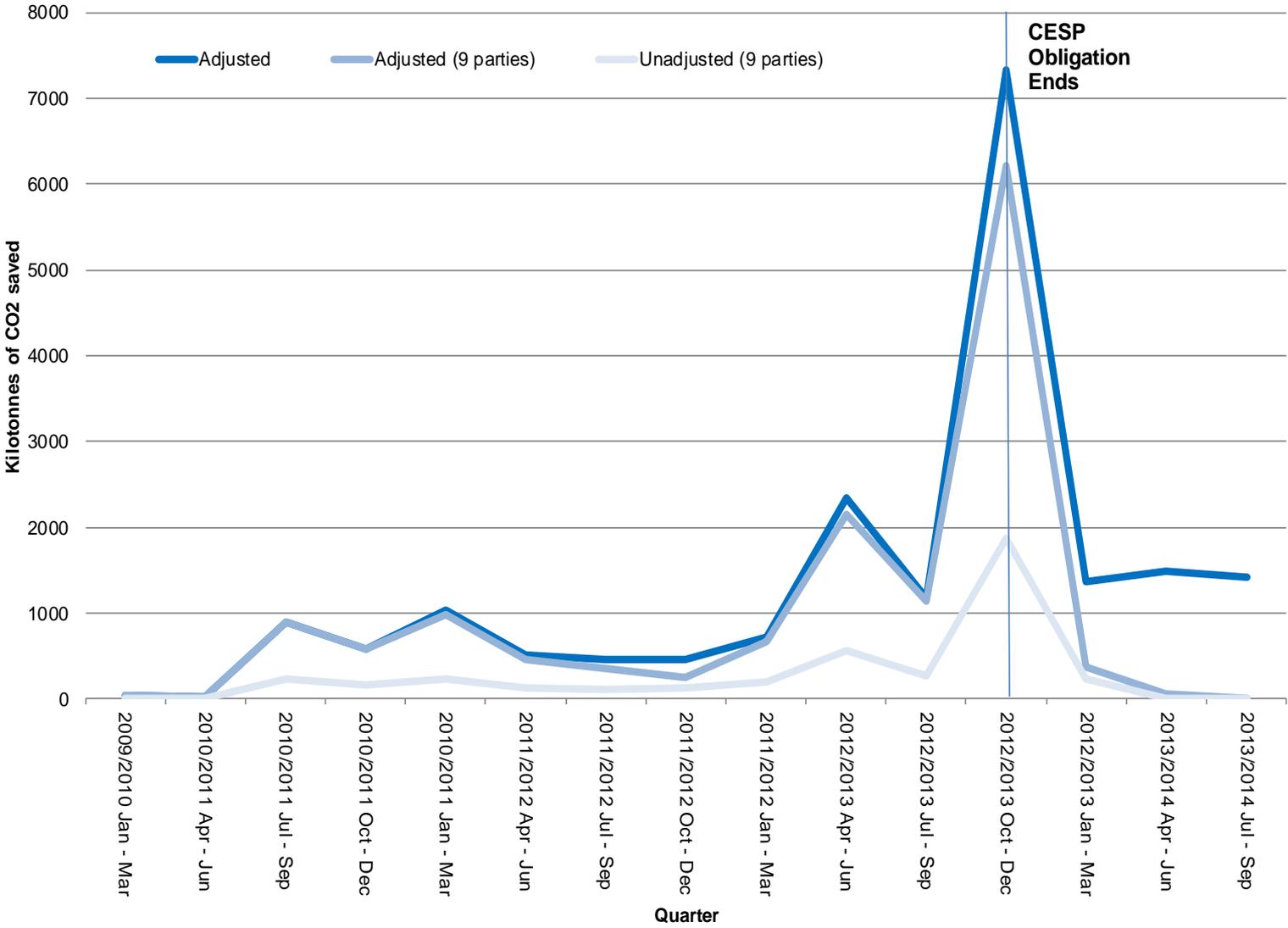
- **Costs to obligated parties:**

- Administrative costs estimated at £37.1m
- Costs incurred in the delivery of schemes estimated at £665

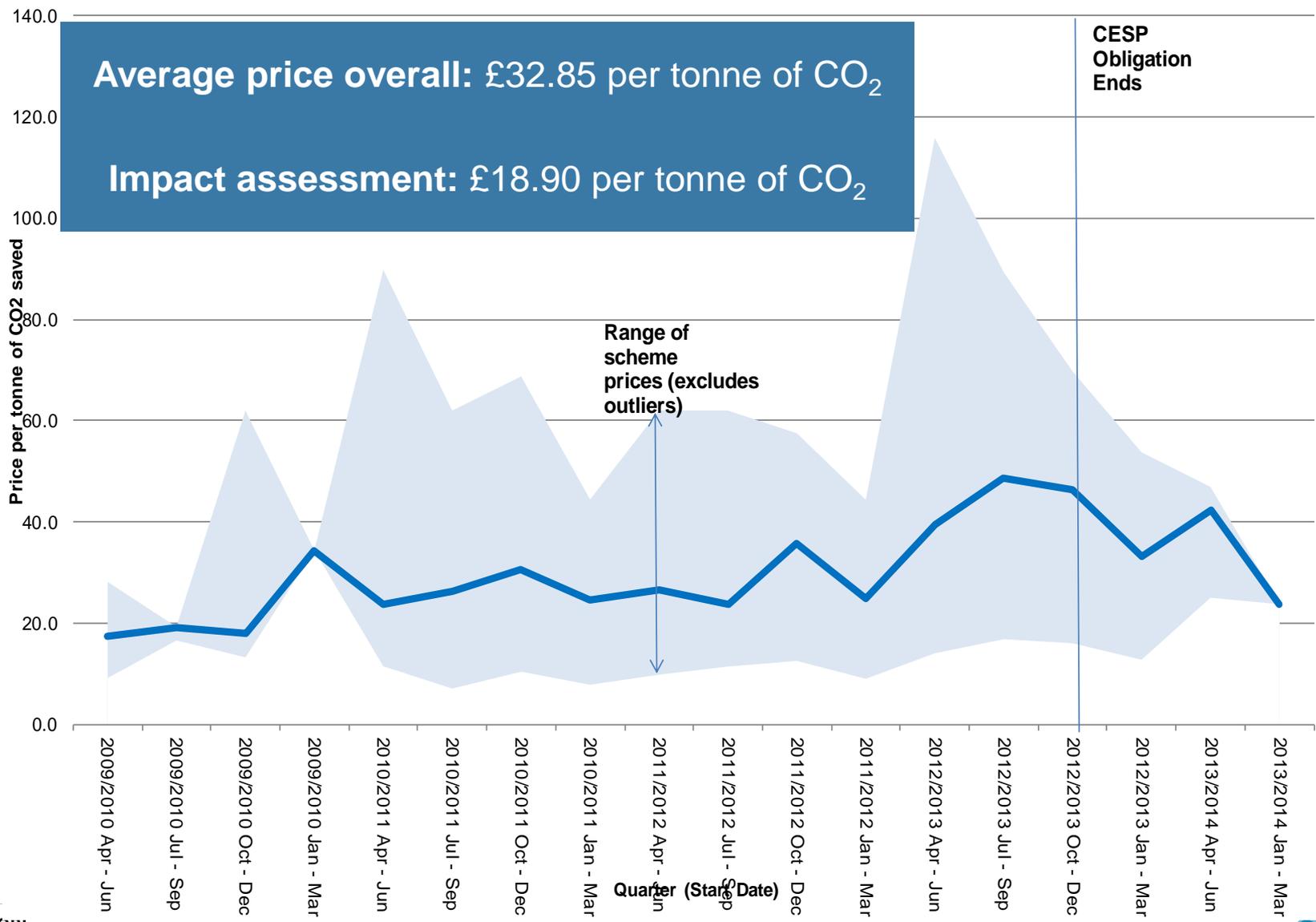
## **Wider costs**

- Systematic assessment has not been viable
- Contributions made by LAs and RSLs variable
- Significant planning costs: waste associated with aborted schemes

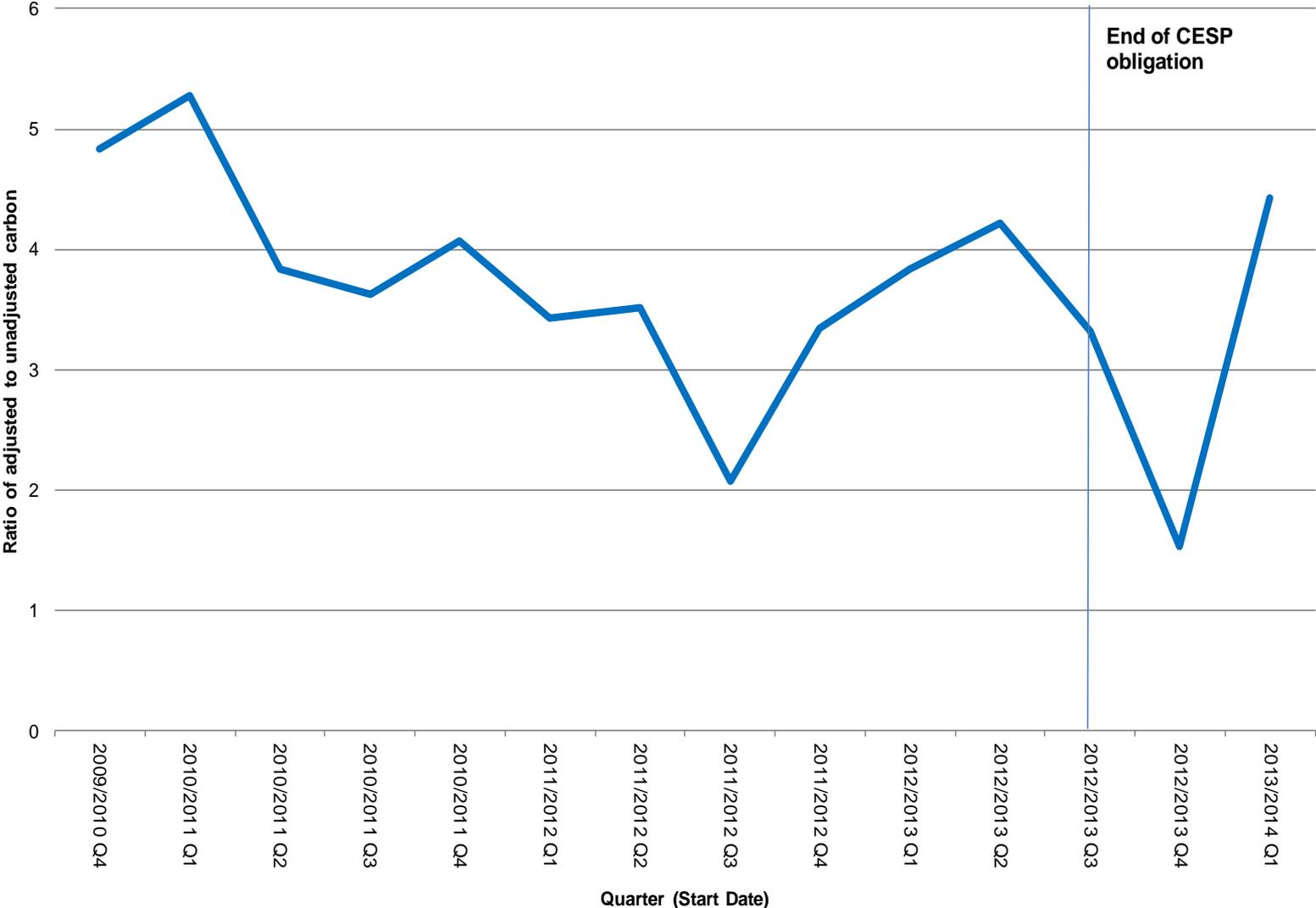
# CESP: Delivery Over Time (CO2 savings by end date)



# CESP: Price Over Time (CO2 savings by end date)



# CESP: Declining Scheme Efficiency



# Price Drivers

# Price drivers: CERT and CESP

CERT	CESP
<p><b>Scheme design (CERT extension):</b></p> <ul style="list-style-type: none"> <li>• Narrowing flexibility and competition</li> <li>• Short timescale / challenging targets</li> </ul>	<p><b>Scheme design:</b></p> <ul style="list-style-type: none"> <li>• IA set initial strategies and expectations</li> <li>• Complex scoring</li> <li>• Narrow scope (compared to CERT)</li> <li>• Timescales</li> </ul>
<p><b>Compliance rates by suppliers:</b> slow start to CERT Extension led to final squeeze</p>	<p><b>Scarcity:</b> paucity of cost-effective schemes</p>
<p><b>Supply side response:</b> limited evidence of CWI supply constraints</p>	<p><b>Availability of wider funding:</b> Public spending cuts resulted in partner funding decline</p>
<p><b>Search and verification costs:</b> SPG customers</p>	
<p><b>Competitive pricing by installers:</b> profit maximization as demand rose</p>	<p><b>Competitive auctioning:</b> Local authorities and housing associations sought best price possible as demand rose</p>

# Delivery of CERT and CESP schemes – area delivery & hard to treat

Theme	Commentary
<b>Area-based delivery</b>	<ul style="list-style-type: none"><li>• Many benefits: enhanced take-up, cost-effective delivery, wider outcomes</li><li>• CERT: significant amount of area-based delivery; but hindered by SPG obligation</li><li>• CESP: promoted area-based delivery; but did not align with community boundaries</li></ul>
<b>Geography</b>	<ul style="list-style-type: none"><li>• Rural under-representation for CERT and CESP</li><li>• Also challenges in urban areas, particularly London</li></ul>
<b>Hard-to-treat homes</b>	<ul style="list-style-type: none"><li>• CESP incentivized SWI delivery</li><li>• CERT delivered to ‘low-hanging fruit’</li><li>• CESP encouraged multiple measure delivery; but not a genuine whole-house approach</li></ul>

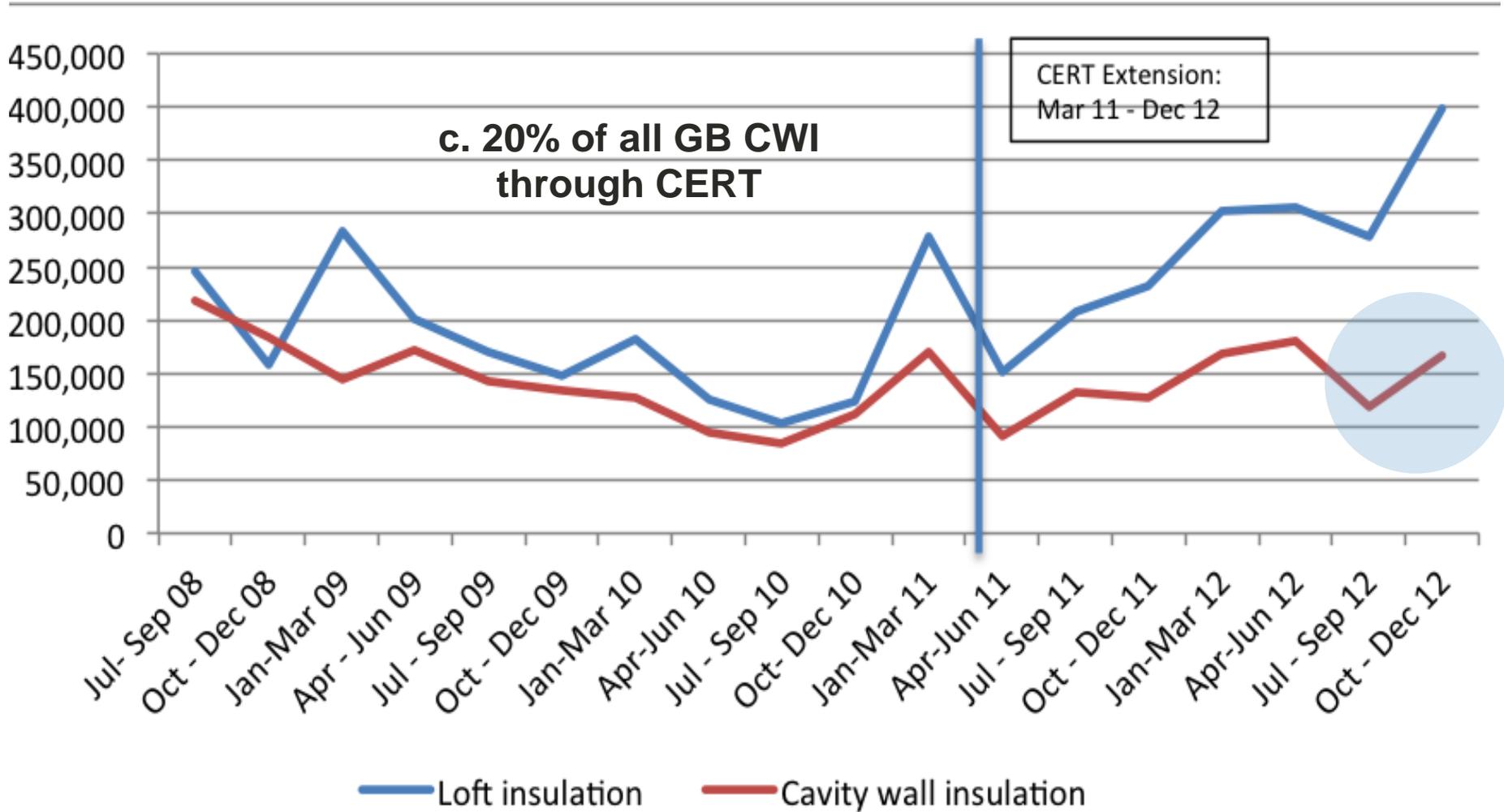
# Delivery of CERT and CESP schemes – customer targeting

Theme	Commentary
<b>Customer engagement</b>	<ul style="list-style-type: none"><li>• No single ‘right way’ to engage with customers</li><li>• Combination of methods often employed</li><li>• Local knowledge important for successful engagement</li><li>• Issues: ‘Too good to be true’ challenge; marketing fatigue.</li></ul>
<b>Targeting vulnerable customers</b>	<ul style="list-style-type: none"><li>• Personalised approaches more successful than generic marketing</li><li>• Major issues in identifying and evidencing SPG customers</li><li>• Lack of monitoring data on vulnerable customers reached by CESP</li></ul>
<b>Targeting private households</b>	<ul style="list-style-type: none"><li>• CERT predominantly benefitted private properties, but private rented sector under-represented</li><li>• Private take-up under CESP dependent on level of subsidy – more viable at end of programme</li></ul>

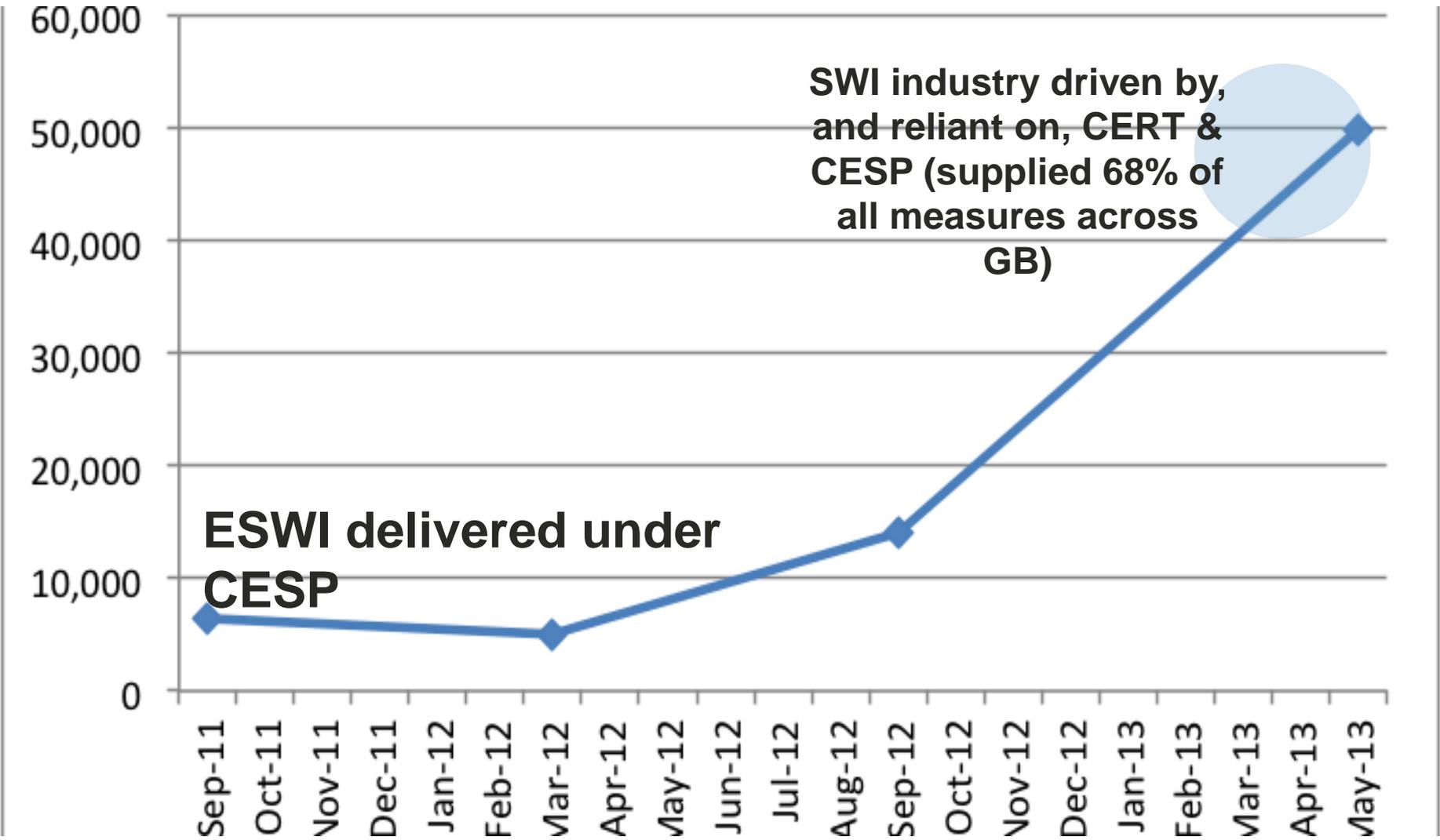
# Delivery of CERT and CESP schemes – partnerships & quality

Theme	Commentary
<b>Partnership working</b>	<ul style="list-style-type: none"><li>• Regarded as critical to delivery</li><li>• Benefits: Local knowledge; data; trust; leadership; advice; holistic delivery; resources</li><li>• Limitations: inconsistency; competing priorities; resources; skills; programme timescales; competition.</li></ul>
<b>Quality</b>	<ul style="list-style-type: none"><li>• Concerns about quality of works expressed by some stakeholders</li><li>• Customer satisfaction rates good, but lower for CESP than CERT</li><li>• Lack of long-term monitoring</li></ul>

# Impact on industry: CERT



# Impact on industry: CESP



# Customer experience

Most have benefited from the measures and as a result some are more satisfied with their home (CESP more so than CERT)

**81%** CESP and **69%** CERT customers consider they have benefited from the measures installed a great deal or a fair amount



Just 3% of all customers say they haven't benefited at all

**31%** of CESP and **20%** of CERT customers are more satisfied with their home as a place to live

**48%** of CESP, but just **8%** of CERT, customers attributed this to the measures

**And CESP is widely believed to have improved local communities, visually AND economically**



**82% CESP customers believe the scheme has had a positive impact on their neighbourhood as a place to live.**

***“[The measures installed] makes it look more respectable, a more green neighbourhood. [It is] quite nice all the houses look the same now.”***

CERT customer, Case

Study D

***“The regeneration is huge. The whole area has been transformed. People are saying that it’s the best thing that’s ever happened to the area. In one street, they decided to move on to other things – a community gardening project, hanging baskets, they have taken over care of public realm and they’re getting kids and schools involved.”***

# Most have benefitted from improved thermal comfort

**72%** CERT national customers agree their home feels warmer since the measures were installed

...more than those who installed  
**Non-CERT measures (61%)**

**75%** CESP and **63%** CERT case study customers  
agree their home feels warmer since the measures were  
installed



# Many factors make assessing impact on bills challenging...



**Both customers and non-customers have seen increases in bills**

But there are problems with isolating impact on bills

- No baseline + increasing prices
- Pre-payment meters
- Energy costs included in service charges
- Changing to different tariffs
- The 'erratic' nature of the weather

However, when asked directly, the picture is positive...

**41% CERT national customers say the amount they spend on energy has decreased**

**39% CESP customers say their spending on heating has decreased**

# And many customers feel they can now afford to heat their homes adequately



**58%** CESP and **44%** CERT case study customers agree they can now afford to heat their home to an adequate level since the measures were installed

# Conclusions

# Implications for future policy

## Evaluating and monitoring success

- Programme evaluation planned at the outset
- Clarity on expectations & baseline to evaluate against
- Compulsory disclosure of data from obliged parties?
- Alternative to defined area-based approach?
- Without incentives, tenure delivery will be uneven
- Data sharing

## Reaching the fuel poor / equity

## Delivery

- Requirement for longer delivery timescales for complex schemes
- Able to 'design out' peaks and troughs?
- Local authority role important

## Design / admin

- Balance between simplicity and certainty of outcome
- Plan transitional arrangements – e.g. overlapping obligations
- Transparency of administrator decisions

**Thank you. Questions?**



# Any Other Business?

Next meeting:

10.30-12.30pm on Friday 31<sup>st</sup> October 2014

Room LG03-06, 3 Whitehall Place.