



ECO Steering Group Meeting Minutes

Date	10.30am to 12.30pm on Friday 26th September 2014 (Room LG06 – 3 Whitehall Place).
Attendees	Charles Phillips (DECC – Chair), Simon Holmes (Acrobat Carbon Services Ltd), Graham Weller (British Gas), John Fawcitt (Certinergy), Peter Broad (Citizens Advice), John Mason (EDF Energy), Sofia Gkiousou (Energy UK), Mike Newell (E.On), Paul Bryan (Fitgas), David Briscoe (Fitgas), Dave Wills (GAIN), Matthew Butler (GHE Solar), Scott Davis (GHE Solar – dialled in), James Hardy (Greater London Authority), David Macauley (Green Deal Consortia), Vic Baines (Green Deal Energy Services UK Ltd), Jane Knight (Green Deal Network), Adrian Wright (Happy Energy), Erik Coates (Help-Link UK Ltd), Mary Anderson (Ipsos MORI), Matthew Evans (Ipsos MORI), Chris Hale (Ipsos MORI), Walter French (Mark Group), Steve Cole (National Housing Federation), Cassie Sutherland (Ofgem), Amanda Webb (Ofgem), Mary Smith (Ofgem), Claire Doherty (Scottish Power), Stephen Millward (SSE), Tobias Parker (Sustain), William Gillis (Warmzones), Chris Hunt (DECC), Will Broad (DECC), Nick Troja (DECC), Richard Mellish (DECC), Robert Davis (DECC), Rita Varsani (DECC) and Matt Webb (DECC).
Apologies (from those who responded)	Nina Higham (Aran Services), Kirk Rogers (Climate Energy), Emma Pinchbeck (Ecuity), Ben Parry (INCA), Hitendra Vaghji (Infinity Energy), Neil Marshall (National Insulation Association), Clarissa Corbisiero (Local Government Association), Mike Ockenden (Property Energy Professionals Association), David Adams (Willmott Dixon),.
Next meeting	10.30-12.30pm on Friday 31st October 2014 (Room LG03-06 – 3 Whitehall Place).

Meeting slides attached (see Annex A).

1. Previous Minutes and Actions

Three actions from previous meeting (held on 25/07/14). All answered (see Action section below). In summary:

Action 3 (from 25/07/14) – Steering Group members had been invited to send suggestions to DECC regarding practical solutions to the non-payment problem (keeping in mind that DECC is unable to get involved in contractual matters). Suggestions had not been received, though DECC was discussing with suppliers ways of making measure status more transparent to the supply chain.

Action 4 (from 25/07/14) – Discussion paper was sent to the group on SAP/RdSAP conversion. Government response on ECO conversion factor was emailed to the Group on 23/09/14 ahead of formal publication on 02/10/14 (see Annex B). [Now online, here: <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>].

Action 5 (from 25/07/14) – Confirmed: CSCO adjoining areas not applicable to rural areas.

2. ECO Delivery Update

DECC - Brokerage

Next month's Steering Group meeting will be dedicated to Brokerage so this presentation was short. The Group were asked to send any comments to feed into the contract review Project Initiation Document (PID) by 3 October. The finalised PID will determine the scope of the review. The contract review is planned to commence in October/early November 2014.

Steering Group to be aware: The Financial Conduct Authority (FCA) rules for CCA licencing have changed. All current GDPs will need to apply for the new licence within the time allowed by the FCA. DECC would not intend that this should mean that any company currently on brokerage would lose their right to access brokerage, but the question of the criteria for access may need to be looked at again in the longer term. In the meantime, any new participants wanting to access brokerage must be an authorised Green Deal Provider.

Question: Not aware of new FCA rules. What are they? *Answer:* Should be covered in the Green Deal Providers' meeting hosted by the GD ORB.

Comment: Getting a CCA licence is now more difficult and if there is an insistence on requiring it, then it could impact brokerage participation.

DECC – DWP Data Matching project for AWG

The matter was last raised in Feb/Mar 2014. The Data Matching Working Group met in April 2014 and agreed a preferred framework that suits both DWP and suppliers: an intermediary company will sit in the middle facilitating a data matching service between DWP and suppliers/GDPs (pre-installation for Affordable Warmth customers). Since then DECC have been ironing out issues with the working group members (e.g. legal, data protection and procurement). Energy UK (the industry body for the larger energy suppliers) came forward to assist their members in selecting an intermediary company. This should simplify the procurement process. Their preference is for a formal invitation to tender, which should be happening in the next couple of months. Though Energy UK is only acting for their members it must be stressed that this should not prevent others from using the service once it's up and running.

DECC – CSCO Tool

DECC are working with Ofgem who are in the process of selecting a company that can develop a tool which can be used to ascertain whether a postcode is in a relevant LSOA area. The tool is intended to be available for Ofgem, suppliers and industry to identify eligible CSCO areas. DECC will continue to update the Steering Group on progress.

Question: Roughly how long will it take to develop the tool? *Answer:* The tool being is scheduled to be at a deliverable stage by the end of the year (subject to Ofgem agreeing a project plan with the successful delivery company). Ofgem are going through the tender process at the moment.

DECC – Reporting Simplification Working Group (RSWG)

Positive feedback has been received from installers and suppliers but DECC would welcome a bit more information on the impact. Facts, figures and case studies would be welcome. Please feedback via the ECO mailbox: DECCECOTeam@decc.gsi.gov.uk. The RSWG will next meet on 8th Oct 2014. Next phase will be to focus on what we have in place already and see if anything needs tweaking in the context of legislative and guidance changes around ECO 1.2 and ECO 2.

DECC – BT Open Reach

DECC are aware of an issue faced by some people during external wall insulation jobs regarding existing communication structures on a building and how they're dealt with during the installation process. A sub-group of the Steering Group has recommended the solution should be addressed with an amendment to the wording in PAS. The matter is currently with BSI for consideration.

DECC asked the Steering Group if this is still a problem for the industry and if so to please inform DECC via the ECO mailbox: DECCECOTeam@decc.gsi.gov.uk. DECC thought that the focus already applied to this issue may have reduced its impact, but one stakeholder said that it was still a live issue.

DECC – Improved transparency of measure status

DECC are continuing to hear of supply chain issues relating to non-payment of installers. It is not appropriate for DECC to get involved with contractual issues. A large proportion of the issues seem to be related to the HTTC investigation which is on-going and will be concluded over the next couple of months. DECC are asking industry if there are any sensible and practical ideas on how to improve payment flows.

One specific thing that DECC has been considering is how to have greater transparency within the supply chain on the status of measures submitted to suppliers. Installers further down the supply chain are sometimes not aware, or do not have proof of, whether measures they have submitted have been notified, rejected or approved. Ofgem has helped this by producing rejection letters to suppliers and publishing their HTTC review process (which highlighted that HTTC measures had not yet been rejected). DECC have asked energy companies how possible it is for them to do the same. However, DECC understands there may be legal, IT and/or administrative issues.

Comment: Suppliers need someone to talk to (e.g. an ombudsman) not least for guidance and clarification, in particular where terms of brokerage contracts have been broken. Suppliers need someone neutral for guidance. *Response:* If referring to bilateral Brokerage contracts DECC would be interested to know where exactly there is ambiguity. DECC do not provide the function of explaining or guiding because that would be providing legal advice on a contract DECC are not party to.

Comment: If the contract breaks down the only option for the provider is to take legal action as there is no body to go to for advice/help. It would be helpful not to immediately go for litigation. *Response:* Have to remember this is a market and most similar markets don't have an intermediary function. Having an ombudsman seems like quite a regulatory mechanism.

Comment: GDPs are graded on brokerage but it would be helpful if Energy Companies were graded too. So those who do not pay on time will be given a lower rating - should work both ways. Somebody who buys the contract can look at the ratings and have the opportunity to pull out if it's deemed to be too risky.

Comment: GDPs should be rated on quality as well as contract delivery.

General consensus in the room was positive to the above two suggestions. *Response:* Existing ratings system for DECC is a manual process, resource intensive and quite intricate. If it is not working then DECC need to look at why and possibly change it. DECC are happy to put a 'substantive look at ratings' on the Agenda for the next Steering Group (see Action section below – no. 1).

Comment: Most present in the room already have an idea of which companies don't pay quickly enough – as there's only 6 to choose from.

DECC – Digital customer journey

Steering Group to be aware: DECC are conducting a review of the information pages of its online systems and customer entry points (including ECO and all the energy efficiency and renewable schemes) to see how they link together and how useful they are.

DECC – Scoring

DECC informed Steering Group that whilst they did not look at moving to deemed scoring for ECO 2, they will keep this under review (no current timetable).

DECC – ECO project case studies

DECC would like to hear from suppliers, GDPs, and installers about best practice examples from around the country. This is required for two reasons: 1. to help inform the new Minister with specific examples of ECO in practice; and 2. to inform the end of year annual report (which DECC is obliged to produce under legislation).

Question: Are DECC just interested in good news stories? *Answer:* No, but do want to know what went well too. Please send to the ECO mailbox: DECCECOTeam@decc.gsi.gov.uk.

Ofgem – Delivery Update

This was an update on key aspects of operations. Currently the scheme is 67% of the way through phases 1-3 (covering the period 1st January 2013 to 31st March 2015). The chart on slide 10 of the presentation is taken from the monthly report published on 12th September 2014, showing measures notified to the end of July 2014 (and approved by end of August 2014). One highlight is 100% of HHCRO notified to Ofgem. The report includes the impact of some of the proposed legislative changes, including estimates for levelisation, the 33% CERO reduction and interim measures. However, excess actions from CERT/CESP are not included.

Key HTTC investigation dates were summarised on slide 11. Final results are expected to be received by 31st October 2014. There is a two-stage approach: 1. all evidence will have been received and a full and thorough review to have taken place by 31st October 2014 (incl. all measures having been assessed by this time); and 2. Ofgem are expecting to reach their final determination by Christmas 2014.

Question: If 100% of HHCRO has been notified already, are some suppliers still working toward HHCRO? *Answer:* Yes, some suppliers have not yet reached their obligation and some have indicated they will continue past 100%. Ofgem charts will continue to show progress past 100%.

3. ECO Policy Update

Ofgem – ECO1

Key dates summarised. ECO 1.2 consultation closed on 22nd September 2014, and is currently being reviewed. Ofgem are currently looking at all responses and taking into account all feedback (incl. request for de minimis levels for primary measures, district heating and building regulations). They are digesting and are in the process of revising guidance. Final version expected to be published around late October (though technically it will still be a draft until legislation comes into force). The Amending Order is expected to come into force in early December.

Ofgem – ECO2

Legislation is not yet laid (but will be soon). Ofgem are consulting on ECO guidance from 2015 to 2017. But there are some points on HHCRO on which Ofgem will provide early guidance (e.g. boiler warranties that may be required, uplifts applied to non-gas delivered measures affecting households without mains gas and boiler cost score). Ofgem will be running an early consultation on these areas prior to the full consultation.

Key dates summarised. DECC to publish in October 2014, laying order when both houses of parliament are back sometime in the middle of October. Looking to publish sometime next week although DECC have already distributed some information relating to warranties.

Ofgem to align with DECC order being laid and have a consultation on the limited areas which industry needs early sight of - in particular, boiler warranties and requirements for surplus actions delivered from 1 January 2015. Ofgem are launching a 6-week consultation on these limited areas by mid-October 2014. Consultation to close in mid-November 2014 and then published early January 2015.

Though the presentation slide (no. 18) states consultation on the guidance on all remaining areas to be published in March 2015, this will be early March at the latest (and Ofgem will try to bring this into February if possible). It was clarified most of the rules for ECO2 are the same as ECO1.

Question: Is the volume of ECO2 the same as ECO1? *Answer:* It is proportionally the same as ECO1, taking into account the reduction to the CERO obligation.

Question: Given political uncertainties next year, and with manifestos starting to come out, is there a sense of how rapidly changes could be made? – trying to plan ahead. *Answer:* The government of the day will take its own decision. Legislative change would always take some time, but market impacts could be felt more quickly.

DECC – Policy update (no slides)

ECO 1.2 legislation (to 2015) is already laid in parliament, and will be voted on in November 2014. ECO2 legislation (from 2015-17) has not yet been published but expect to do so w/c 29/09/14, laid in parliament about 10 days later. The complete ECO legislation will then be voted on in November 2014, to come into force at the end of November or beginning of December 2014.

There is a 3rd ECO order too (1.3 - which is the conversion change to SAP and RdSAP). At the August 2014 Steering Group DECC spoke about how to approach the change over from the old 2009 version to 2012 version. The issue is that the new version of RdSAP does not produce carbon outcomes but greenhouse gas outcomes instead. ECO targets are set in carbon. The consultation paper was sent to the Steering Group in August 2014 (thank you for responses). DECC has already sent the Steering Group the Government response on the ECO conversion factor (see Annex B). Technically the response is expected to be published on 2nd October 2014. [Now online, here: <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>].

In the response, most people supported option 1: a weighted conversion factor of 0.925 - there was no suggestion that this would make a huge material difference to costs. For ECO2, effective from April 2015, it is the new version of RdSAP that will be used. However, DECC are proposing there will be a window between now and March 2015 where Energy Companies can use either versions of RdSAP. This window straddles the formal RdSAP switchover date of early November 2014 [note: since postponed to early December]. Crucial to this is delivery, with software companies needing to have their scoring tools ready (e.g. for GD, EPC and ECO purposes). So DECC are keeping the switchover date under review and it's conceivable that date may change. Legislatively this won't matter too much due to the window under which either version of RdSAP can be used.

Question: Can energy companies insist on a particular version of RdSAP, even if the legislation allows both? As one has already said they won't accept EPCs raised before 1st November 2014. *Answer:* It is energy companies' choice which version to use. We have heard that software companies are building tools which allow EPCs created under the old version of RdSAP to be accessed for scoring purposes, therefore moving to the new RdSAP won't make the old lodgements redundant. This was touched on in the Q&A section of the circulated Government response on ECO conversion factor document (see Question 3 on page 8 in Annex B).

Ofgem welcome any further questions on ECO 1.3 as they will be producing some guidance on the implications of the change. Send questions to eco@ofgem.gov.uk. There will be an update on this issue at next month's Steering Group meeting as DECC are meeting software companies on 08/10/14 (see Action section below – no. 2).

The question was raised as to whether ECO2 surplus actions would be scored under 9.1. DECC will confirm for next the Steering Group meeting (see Action section below – no. 3).

4. GDHIF / GDC

Green Deal Home Improvement Fund (GDHIF)

The scheme closed on 24/07/14 with 22k applications received, worth about £118million in total. DECC now have 21k approved applications, 20k of which have so far been translated into vouchers. So speculation during the last days of the scheme that a large number of the applications might have been non-complaint has turned out not to be the case. Around 1k of applications require more checks. Most checks are on multiple applications

being received for the same property. DECC are working with landlords and managing agents to validate the position.

To the end of August 2014 DECC had paid out 1,205 vouchers worth about £5.5million. In 6 weeks DECC received the same number of applications as were expected for a year. There were 4 people working on the scheme at the Administrator, there are now 10 (resource increased during September 2014). Another problem was receiving incomplete applications resulting in DECC having to go back to applicants and asking for more information. DECC have issued guidance on what the application issues are (what's missing) and more information on how to complete the forms in order to make it easier for people to have their vouchers approved first time. DECC are aiming to make payments within 30 working days but are working with Capita to bring the turnaround time down. People have 6 months in which to redeem the vouchers.

Lessons learned from the scheme: the vast majority of applications were for solid wall insulation; clearly £6k was enough to entice people. DECC are having some workshops with industry to discuss this in order to better design the next phase of the scheme.

Question: When checks were being done did DECC also check if the company applying had the capacity to do the job? *Answer:* Clarified it is the householder that applies. Not sure how company capacity can be checked. Point to note: although a company's name may appear on the application it may not be the same company that carries out the work (as it's the householder making the application and they can shop around).

Question: Surely this opens the scheme to abuse? A marketing company can go through with one contractor and have it signed off? *Answer:* If the company have put a lot of effort into the marketing and have acted quickly then that's not an illegitimate use of the scheme.

Comment: Maybe not an illegitimate use, but it appears to be an abuse of the scheme as not everyone is getting a fair share. A start-up company maybe slow to act compared to a big marketing companies who will be quick. A big part of the budget was taken up by insulation. Have heard from lots of people who've said they had yet to get their marketing underway or they have done jobs and tried to apply thereafter but found the scheme to be closed. *Response:* There was always a finite amount of money. Not sure how we legislate against some companies moving quicker than others.

Question: Why were applications being submitted so rapidly in the last few days compared to 4 weeks prior? *Answer:* Looking at trends there was no evidence of new companies suddenly applying at the last minute who hadn't previously done so. It was just accelerated. DECC did publically say that after the first 50million applications there would be a review of the use of the remainder of the budget. A choice needed to be made on announcing changing rates. DECC chose to give a few days' notice, which was enough for people who had done a lot of work with customers already to drive through their applications.

Comment: Message on changing rates went out the wrong way and could have been done better. People assumed that when the scheme closed that Green Deal had closed completely. People were put off the Green Deal Scheme as a result. Government money was put in for the right reasons but seems to have had a detrimental effect. *Response:* Goes back to the main point which is there was always a finite amount of money for the scheme. Generally people seemed to be clear that it was GDHIF that was closing rather than another element of Green Deal.

Question: What date is the scheme starting again next year and can underspend be rolled over? *Answer:* DECC are still trying to work out the final spend for this year, and what is remaining. Though rolling over underspend to next year may be problematic due to HM Treasury rules. [Note: since the meeting a further £100m for household energy efficiency has been announced with GDHIF re-opening before the end of November.]

Question: How much notice will be given to industry of a new scheme? *Answer:* As much as possible. DECC are having workshops with industry next month to understand their timescales.

Question: Are DECC publishing numbers (e.g. how many solid walls etc.)? *Answer:* DECC publish monthly statistics (incl. how many applications received and vouchers issued) as well as quarterly statistics. The latter provide more detail but are produced in arrears (the September 2014 statistics cover the period to end of June 2014 – so won't cover the last minute surge in applications).

Question: Going forward will the budget be split in light of the popularity of solid wall insulation? *Answer:* Not sure at present, but it is an option to consider. Richard Mellish (DECC Deputy Director) is personally happy to receive suggestions for improvement. A short email with a couple of bullets addressed to Richard can be sent via the ECO mailbox: DECCECOTeam@decc.gsi.gov.uk.

Green Deal Communities (GDC)

Up to w/e 19/09/14 authorities engaged with around 40k homes through a mixture direct mail, community events and door knocking. Around 2.5k assessments are booked and waiting to be carried out; and around 1.8k assessments have been completed. Around 450 households have signed up to either Green Deal or Energy Plan, and of those 250 installations have been completed.

A lot of the projects have been slow to get going but the majority are expected to launch in the next few weeks. The 3 or 4 early projects completed have provided momentum: other residents see the results and become interested. If anyone is interested in working with local authorities on projects please contact Robert Davis (Robert.Davis@decc.gsi.gov.uk) and he will put you in touch with appropriate local authorities (as provider, ECO provider or installer). A number of local authorities are looking for partners in different areas.

5. CERT / CESP Evaluation

A presentation by Ipsos MORI (Matthew Evans, Mary Anderson and Chris Hale) summarising the CERT & CESP Final Evaluation (in full here: <http://www.ipsos-mori.com/researchpublications/publications/1697/CERT-and-CESP-Final-Evaluation.aspx>). Summary provided on presentation slides 22-49 (see Annex A). It was highlighted that the evaluation was designed retrospectively and with no baseline data.

Question: Costs seem to be very quantitative and benefits seem to be qualitative. Does the full impact assessment have a quantitative view on the benefits? *Answer:* This is not intended to be an impact assessment but is providing evidence for a future assessment. Benefits were largely qualitative because of what Ipsos MORI could accomplish within the confines of the evaluation and the understanding that it wasn't intended to be a full impact assessment – and because there wasn't a baseline to compare to.

Question: How is this going to be used? Also, ECO and future framework seem to have been covered as well as rural (in some detail). But one thing that hasn't been covered is London. What about geographic delivery? The Mayor is concerned about the lack of investment in London. How are DECC going to pinpoint these specifics and take them forward? *Answer:* What we have is a diagnosis of an issue not why it's an issue. DECC need to understand why industry seem to be avoiding London. Is it simply because London is more expensive? And even if there is an identifiable barrier DECC may not have a solution that could just be imposed.

Question: Was there any sense that this is a less efficient scheme? *Answer:* Ipsos MORI got the sense that CESP was priming the solid wall supply market. They had some data from installers on cost per property for solid wall installations and the message was that costs just vary so much according to type of property. Ipsos MORI couldn't see a trend in declining costs, but they suspect costs per property were a bit higher than they were under ECO.

Comment: Cost per tCO₂ is in no way comparable. For example, there is 3 times uplift on solid wall carbon. *Response:* Ipsos MORI said there is a section in the full report which explains this (see section 8.3 of full Evaluation, 'Variations across sub-obligations' – page 96 onwards. Web link is listed above).

Any Other Business?

The meeting Chair, Charles Phillips, announced he will be changing roles towards the end of October 2014.

Actions

Ref	Actions	Owner	Deadline	Status
26/09/14 - Action 1.	Put 'substantive look at Ratings' on the Agenda for the next Steering Group meeting.	Shahzad Khan	31.10.14	OPEN
26/09/14 - Action 2.	Provide ECO1.3 update following DECC meeting with software companies on 08/10/14. Put as Agenda item. <i>Answer:</i> Software Release Decision email to ECO Steering Group sent on 14/10/14 @ 10.26hrs.	Shahzad Khan	31.10.14	CLOSED
26/09/14 - Action 3.	DECC to confirm whether ECO2 surplus actions would be scored under 9.1.	Shahzad Khan	31.10.14	OPEN
25/07/14 - 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. <i>Answer:</i> No suggestions received.	Catherine Birkbeck	26.09.14	CLOSED
25/07/14 - 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. <i>Answer:</i> See discussion paper emailed to SG on 07/08/14, with previous minutes. [And Government response is now online, here: https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation].	Shahzad Khan	26.09.14	CLOSED
25/07/14 - 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).	Catherine Birkbeck	26.09.14	CLOSED

	Answer: Adjoining areas are not applicable to rural areas.			
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Meetings Schedule

Sep'14	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15
<p>Fri 26th 10.30-12.30pm Rm LG03-06 – 3 Whitehall Place</p>	<p>Fri 31st (was 24th) 10.30-12.30pm Rm LG03-06 – 3 Whitehall Place</p>	<p>Fri 28th 2-4pm Rms A&B – Nobel House (DEFRA)</p>	<p>Thurs 18th 2.30-4.30pm Rms A&B – Noble House (DEFRA)</p>	<p>Fri 30th 10.30-12.30pm Rm TBC</p>	<p>Fri 27th 10.30-12.30pm Rm TBC</p>	<p>Fri 27th 10.30-12.30pm Rm TBC</p>