



Department for  
Business, Energy  
& Industrial Strategy

# **ENERGY COMPANY OBLIGATION: HELP TO HEAT APRIL 2017 TO SEPTEMBER 2018**

The Government Response to the ECO:  
Help to Heat Consultation



January 2017

# The Government Response to the ECO: Help to Heat Consultation

The Government Response and Impact Assessment can be found on the BEIS website:  
<https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>

## **Acknowledgements**

BEIS would like to thank all stakeholders who took the time to respond to the ECO: Help to Heat consultation.

April 2017 to September 2018

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# General information

## Purpose of this document

This document sets out the UK Government's response to the consultation on the ECO: Help to Heat.

The following supporting document has been published alongside the UK Government's response:

- a final stage impact assessment

The implementation of the first set of reforms for the extension period is subject to Parliamentary approval of the Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017, which will be laid before Parliament shortly.

### **Enquiries to:**

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### **Additional copies:**

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Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh language version. Please contact us under the above details to request alternative versions.

## Quality assurance

The consultation was carried out in accordance with the [Government's Consultation Principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

BEIS Consultation Co-ordinator, 1 Victoria Street, London SW1H 0ET

Email: [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)

# Ministerial Foreword

## Help for Those Most in Need

Improving a home's energy efficiency helps the occupants to keep warm, reduces their energy bills and protects their health and wellbeing. Those benefits are particularly important to households on lower incomes and in homes which are expensive to heat, and that is why these reforms will focus in particular on such households.

There are many wider benefits to society as a whole from more energy efficient homes. These include reducing people's need for energy, making supplies more secure and reducing carbon emissions, which is essential to meeting the UK's climate change targets. Furthermore, the companies and supply chains which install energy saving improvements in homes provide economic benefits across the country.

The Energy Company Obligation (ECO) is a scheme which has proved remarkably reliable in upgrading our housing stock since 2013. Over two million energy efficiency measures had been installed in over 1.6 million homes by November 2016. And ECO will be the main means by which the Government meets its manifesto commitment to insulate a further one million homes over the life of this Parliament. A greater focus of this support for low income households will be on working families, and the Government will continue to ring-fence a proportion of delivery for rural areas.

I am very grateful to all those who responded to the consultation on this subject which was issued in the summer. This document sets out how the Government plans to run ECO through to September 2018 in the light of those responses. There will be a further consultation on a longer term scheme running through to 2022 at a later date.

The decision at the last Spending Review to have a scheme in place beyond the life of this Parliament was designed to give greater certainty to energy suppliers, installers, local authorities and other energy stakeholders. These stakeholders are essential partners in connecting work on energy efficiency to other important priorities within local communities, whether they be health, economic regeneration, greater consumer empowerment or other initiatives to improve people's lives and well-being.

A handwritten signature in black ink, appearing to read 'Jesse Norman', written in a cursive style.

**JESSE NORMAN MP**  
**Minister for Energy and Industry**

# Summary of Government Response

## Overview of the scheme

1. The Energy Company Obligation scheme was launched in January 2013. As of November 2016, it has delivered energy efficiency measures to 1.6 million households in Great Britain, of which over 891,000 are low income and vulnerable households, or households in specified areas of low income.
2. The Government's Spending Review 2015 announced plans for a supplier obligation to run for five years from April 2017 at an estimated level of £640m per year, rising with inflation. The proposed scheme will be the primary vehicle through which the Government meets its manifesto commitment to insulate a million more homes over this Parliament, supporting its commitment to tackle fuel poverty. It will reduce energy bills for those on lower incomes. In addition, it will save 9 million tonnes of lifetime carbon emissions, making important progress against carbon budgets.
3. The Department of Energy and Climate Change (now The Department for Business, Energy and Industrial Strategy) published a consultation in June 2016 on the future of the Energy Company Obligation (ECO). It consulted on a one-year extension to the current ECO scheme with a set of specific measures intended to simplify and better target the use of funds.

## Responses to the consultation

4. The consultation ran from 29 June 2016 to 17 August 2016, with the consultation document published on the Government website and announced through a Government press release.
5. The consultation received 236 formal responses. A list of respondents is at Annex 1. Many respondents limited their responses to answering questions relating to specific areas of interest, others submitted general comments about the proposals, and as such response numbers will vary across consultation questions. All comments have been given full consideration in the development of this Government response as well as for the purpose of further developing proposals for the longer term scheme. The Department is grateful to everyone who took the time to respond to the consultation.
6. The majority of responses were supportive of most of the proposals, including increasing the relative size of the Affordable Warmth obligation and the focus on fuel poverty. Many stakeholders thought the savings requirements on energy suppliers should be higher.
7. Stakeholders generally agreed with focusing the scheme more on installations which made the most impact on reducing fuel poverty (more insulation, fewer replacement gas boilers), although views were split on the level of replacement boilers and solid wall insulation.

8. There were concerns about the scale of change for a one-year scheme, with suggestions on how to mitigate this. There was broad support for the overarching simplification of delivery and administration of the scheme.

### Key policy decisions

9. The key policy decisions taken that remain in line with what was proposed in the consultation are:

- the Energy Company Obligation will be extended at a level worth an estimated £640m per annum, rising with inflation, and re-balanced towards tackling fuel poverty and others who are on low incomes;
- the Affordable Warmth obligation will be increased as a proportion of the overall scheme (from around 36% to 70% of estimated supplier spend);
- the Carbon Emissions Reduction Obligation (CERO) will decrease as a proportion of the overall estimated spend, from approximately 34% to 30%;
- the Carbon Saving Community Obligation (CSCO) will be brought to an end;
- eligibility for Affordable Warmth will be simplified and better targeted. Sub-criteria will be removed for recipients of some means-tested benefits. The income thresholds for Tax Credit and Universal Credit recipients will be amended to better reflect disposable household income;
- eligibility for certain measures under Affordable Warmth will be extended to social housing in EPC Bands E, F or G;
- local authorities will be able to determine eligible homes under the new 'flexible eligibility' mechanism. Suppliers will be able to use this voluntarily for up to 10% of their Affordable Warmth obligation;
- the number of qualifying gas boiler replacements will be limited to the equivalent of around 25,000 per year;
- a requirement to deliver a minimum level of solid wall insulation will be retained;
- the requirement for CERO measures to be recommended in a Green Deal Advice Report or chartered surveyor's report will be removed;
- the method of assessing bill and carbon savings will be simplified. 'Deemed scores' will be introduced in place of the current Standard Assessment Procedure (SAP) methodology; and
- the Government will collect more detailed information on ECO costs.

10. The key changes from the proposals set out in the consultation are:

- the length of the ECO scheme extension will be increased from 12 months to 18 months;
- the size of the respective obligations on energy suppliers have been updated, partly reflecting new evidence on delivery costs provided during consultation. The existing obligations will be increased by the following amount during the extension period:
  - CERO: 7.3 million tonnes of lifetime carbon savings

- Affordable Warmth: £2.76 billion lifetime energy bill savings (notional)
- the requirement to deliver a minimum level of solid wall insulation will be increased from the proposed equivalent of 17,000 measures per year to 21,000 per year;
- the Affordable Warmth Group will be increased to around 4.7m rather than 4m households by raising the income threshold for recipients of Universal Credit and Tax Credit, thereby including more households who are in fuel poverty, and those on lower incomes, who may be struggling to meet heating and other bills;
- an uplift will be introduced to bring the new deemed scores more closely into line with the SAP scores achieved under the current scheme;
- central heating (including renewable heating) or district heating will not be eligible for installation in social housing under Affordable Warmth where there has previously been central heating (including renewable heating), district heating or electrical storage heating in place. This will avoid significant levels of ECO support going towards upgrading heating systems in social housing, which the Government expects to be carried out as part of social landlords' duty to provide tenants with a functioning heating system;
- local authorities will be able to determine non-fuel poor households as eligible for solid wall insulation, where this forms part of a project that delivers solid wall insulation to fuel poor, or low income and vulnerable households; and
- the Government will introduce a rural sub-obligation of 15% under CERO to safeguard and maintain delivery in rural areas under a simpler mechanism than the current CSCO.

### Conclusion and next steps

11. The Government is committed to helping those who are in or at risk of fuel poverty and those who can struggle to heat their homes, through a new, refocused obligation on energy suppliers, while continuing to take action to reduce carbon emissions by improving energy efficiency. A reformed supplier obligation will improve energy efficiency, reduce bills and make homes warmer for lower income and vulnerable households. It will precede a long-term obligation running from 2018 to 2022. The decisions set out in this Government response are subject to Parliamentary approval of the implementing regulations. Subject to the Parliamentary process, the Government is aiming to implement the regulations as soon as possible to provide certainty to the supply chain and enable suppliers to meet their obligations.



# Consultation Questions and Government Response

## 1. Purpose and structure of extension

### Consultation Question 1

Do you agree with our proposal to extend the current ECO by one year, whilst making improvements that transition to a longer-term fuel poverty focused obligation?

<sup>1</sup> Responses:	Yes: 80%	No: 9%	No View: 1%
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#### Summary of responses

1. A significant majority of stakeholders agreed that ECO should be refocused towards fuel poverty. They also agreed with extending the existing scheme, in order to ensure a smoother transition to further change from 2018. There was broad consensus that this transition would entail considerable changes to the current policy, and it could take the supply chain a while to adapt to it.
2. A number of respondents raised concerns that directing ECO towards tackling fuel poverty meant there would be a gap in Government energy efficiency policies targeting carbon reduction and those households that are more “able-to-pay”. Stakeholders recommended various proposals to counter this. The Government strategy to meet carbon budgets is currently being developed and will be announced in due course.
3. Some respondents, including the larger energy suppliers and some members of the energy efficiency industry, whilst agreeing with the proposal to extend the scheme, had concerns that the supply chain may not be able to adapt sufficiently quickly to the new requirements – in particular, delivering insulation rather than boilers to heat poor households. Others mentioned the significant investment in new IT systems and training that is required, and the slowdown that occurred during the transition between the Carbon Emissions Reduction Target (CERT) and ECO. Some stakeholders also thought that 12 months was too short to deliver the required level of solid wall insulation, as the lead in time for solid wall insulation was considerably longer than for other measures, and often could not be installed in winter conditions.

<sup>1</sup> Percentages throughout the document may not be 100% exactly due to rounding.

4. There were also arguments that if it did take a while for industry to deliver at scale, it could lead to a rise in market prices towards the end of the scheme, which would be passed onto bill payers.
5. The stakeholders who were concerned suggested a range of mitigation options. Some urged the Government to increase the extension period to 18 or 24 months (however, a few opposed this as it would delay the transition to a scheme fully focused on fuel poverty, and argued that if the extension was longer more than 70% of it should be focused on fuel poverty). Some respondents suggested that where a supplier did not meet its obligations, it could carry forward some of this shortfall into the successor scheme at a penalty rate (as implemented for CERO between ECO1 and ECO2, though it was never used as all suppliers met their obligations). Other suggestions for making delivery easier included increasing the percentage of Affordable Warmth that could be claimed under 'flexible eligibility'; reducing the relative size of Affordable Warmth; allowing social housing in EPC Band D to be treated in Affordable Warmth; increasing the number of gas qualifying boilers in Affordable Warmth; and reducing the solid wall minimum.

### **Government response**

6. The Government has decided to continue with the consultation proposal to refocus ECO towards tackling fuel poverty, whilst ensuring support is in place for lower income households who can struggle to heat their homes.
7. The Government has decided to extend ECO for 18 months in order to provide industry with a longer period to transition. BEIS modelling indicates that there is sufficient cost-effective insulation potential in low-income homes for suppliers to comply with the policy proposals. Nevertheless, the Government recognises the significant changes to the measure mix, the pool of eligible households, and scheme rules which will require new delivery models, IT systems and administrative processes. The shorter the obligation period, the greater the impact of short term rises in market prices (resulting from unforeseen bottlenecks in the supply chain) leading to higher energy bills for all consumers.
8. As explained further under questions 5 and 6, there has also been an increase in the size of the eligible pool for Affordable Warmth to 4.7 million households by including more households on Universal Credit and Tax Credit. This will increase the number of fuel poor households that will be eligible for Affordable Warmth, as well as households that are outside the definition of fuel poverty yet may still struggle to heat their homes.
9. The changes the Government is making now will increase the portion of the scheme directed at tackling fuel poverty whilst significantly improving how that part of the scheme is delivered – through better targeting and reduced bureaucracy. An 18-month scheme will provide more time to draw lessons from the operation of the extension period and implement them in the design of the successor scheme in 2018. Also, it will allow the Government to make quicker progress in the short-term towards the manifesto commitment of insulating 1 million homes, enabling more flexibility in the design of the successor scheme.

10. The Government will put in place a single 18-month phase for the extension period. This avoids smaller suppliers becoming newly obligated for the final six months of the extension phase.
11. The Government will allow suppliers to transfer or re-elect CERO and Affordable Warmth measures up until 31 December 2018. This brings the deadline nearer to the point that Ofgem will make its final determination, providing more time for suppliers to balance obligations on each licence. In light of the 18-month obligation period, the Government will require the administrator to notify suppliers of their final compliance positions and submit its final report to the Secretary of State by 31 March 2019 (six months after the date specified in the illustrative draft legislation published alongside the consultation).
12. The Government is also looking favourably on enabling suppliers to ‘carry under’ a limited amount of shortfall against their obligations into a successor scheme, at a penalty rate. This should reduce the risk of price spikes towards the end of an obligation period. The Government will consider this in more detail – the amount of shortfall that can be carried under, the size of the penalty rate, and the obligations it would apply to – in the consultation on the 2018-2022 scheme.
13. The Government has decided not to pursue the other mitigation options proposed by stakeholders in paragraph 5.

## Consultation Question 2

Do you agree with the proposal to re-balance the obligations for 2017-18; by increasing the Affordable Warmth obligation by £1.84bn notional lifetime bill savings (provisional figure), increasing the Carbon Emission Reduction Obligation by 3.0 MtCO<sub>2</sub> (provisional figure), and not increasing the Carbon Saving Community Obligation?

Responses:	Yes: 61%	No: 22%	No View: 17%
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### Summary of responses

14. There was broad consensus that ECO should be targeted better at fuel poor households and that Affordable Warmth was the right obligation for achieving this. There was also general agreement to end CSCO – because it was less cost effective than CERO in delivering carbon savings, it was not well targeted at reducing fuel poverty, and many CSCO households had already been offered measures.
15. Some stakeholders argued for retaining CSCO, either instead of or alongside CERO, reasoning that it might be more expensive because it was targeted at harder-to-treat homes, and that it supported area-based schemes.
16. Some respondents wanted the carbon-focused obligations to make up a higher proportion of the scheme during the extension due to a risk that the supply chain was not ready to deliver insulation measures to low income households at scale.

17. A number of respondents were critical of the overall size of the scheme and suggested it should be higher in order to increase ambition in tackling fuel poverty and reducing carbon emissions.

### Government response

18. The Government has decided to implement the proposal as per the consultation – increase Affordable Warmth to approximately 70% of the overall scheme spend, reducing the CERO obligation to 30%, and end the CSCO obligation. The overall targets have changed since publication of the consultation due to updated assumptions detailed in the impact assessment, particularly in relation to the costs of measures, and the uplift in deemed scores (see Q29). The increase in the targets will be:
- CERO: 7.3 lifetime MtCO<sub>2</sub>
  - Affordable Warmth: £2.76bn notional lifetime bill savings
19. The Government estimates that this will result in 545,000 homes being treated during the 18-month period, of which nearly 500,000 will be insulated.
20. The Government believes that this achieves an appropriate balance between a better targeted scheme, and ensuring a smooth transition for the supply chain. Estimated scheme spending will remain at £640m per annum for the extension period, though the changes detailed above mean that total spend on Affordable Warmth will increase from £310m to £450m per year (at 2017 prices).

## Consultation Question 3

Do you agree that the CSCO deadline should remain at 31 March 2017?

Responses:	Yes: 54%	No: 14%	No View: 32%
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### Summary of responses

21. Of those who took a view on this proposal, the majority agreed that the CSCO deadline should remain at 31 March 2017, thereby removing the obligation for the extension.
22. Some respondents recommended that suppliers should have flexibility to retain 'excess' CSCO measures to mitigate any non-compliant CSCO measures that may be found during the extension period, and then move them to CERO or Affordable Warmth should this not be required. Some also recommended enabling suppliers to transfer and re-elect measures into a supplier's CSCO obligation during the extension period.

### Government response

23. The Government will retain the existing CSCO closedown deadline of 31 March 2017, with Ofgem notifying suppliers of its final determination for the CSCO obligation by 30 September 2017. The Government will also move the deadline for

CSCO qualifying actions to be transferred and re-elected from 30 April to 30 June 2017. This brings the deadline nearer to the point that Ofgem will make its final determination, providing more time for suppliers to ensure obligations are balanced across each licence.

24. From 1 July 2017, suppliers will not be able to transfer or re-elect qualifying actions into CSCO as this obligation will be fully closed down. However, suppliers may transfer or re-elect excess CSCO measures into CERO or Affordable Warmth obligations up until 31 December 2018, enabling suppliers to retain excess measures on their CSCO obligations to compensate for any CSCO measures found to be non-compliant after the obligation is closed down.
25. The Government will require the administrator to submit its final report to the Secretary of State by 31 March 2019, once CERO and Affordable Warmth have also completed.

### Consultation Question 4

Do you agree that there should be no rural sub-obligation from April 2017?

Responses:	Yes: 42%	No: 30%	No View: 28%
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#### Summary of responses

26. There were mixed views on this question but of those who gave a view, a small majority agreed with the proposal to remove the rural sub-obligation under CSCO.
27. Those in agreement with the proposal noted that delivery to rural homes has occurred outside of CSCO. Respondents also noted that removing the CSCO sub-obligation could reduce costs and that other proposed changes to the scheme will naturally incentivise delivery to rural homes.
28. Respondents who were opposed to the proposal cited concerns that delivery to rural homes would fall without a sub-obligation, and that some rural delivery under CERO was the result of CSCO rural work being done alongside it. Some also commented that delivery to rural homes to date had been too low and had excluded the more remote locations despite there being more F&G rated homes in those areas. Suggestions for addressing this included a different form of rural sub-obligation, uplifts for rural measures and opportunities to intervene if delivery to rural homes started to fall. Some recommended using a different definition of rural in order to better target more remote and 'deep rural' areas.

#### Government response

29. The Government has decided to remove the CSCO rural sub-obligation from April 2017, but introduce a new rural sub-obligation of 15% under CERO for the extension period to safeguard rural delivery. This will be a simpler obligation than the CSCO sub-obligation as homes in all areas defined as rural will be eligible. Delivery to a range of rural property types and locations, including 'deep rural' areas (villages, hamlets and isolated dwellings), has been taking place in CERO at a similar level as

within CSCO, despite only the latter having a rural delivery requirement. Therefore, the Government believes that introducing a sub-obligation under CERO will ensure delivery in rural communities without adding undue burden on energy suppliers.

30. There will continue to be incentives for rural delivery, including under Affordable Warmth. For example, the decision to significantly reduce the number of qualifying mains-gas boiler replacements, a measure more prevalent in urban areas, is expected to incentivise delivery of other measures in rural areas. The current uplifts for non-gas fuelled homes will be retained and will continue to act as an incentive for delivery in rural properties. The Government will also continue to gather address-level data in rural areas in order to monitor rural delivery.

## 2. Affordable Warmth targeting and household eligibility criteria

### Consultation Questions 5 & 6

5. Do you agree with our proposals to introduce income thresholds for 2017-18 which take account of household composition for Tax Credits and Universal Credit?

Responses:	Yes: 59%	No: 10%	No View: 31%
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6. Do you agree with our proposal to adopt ten household composition types with relative income thresholds based on whether the household consists of a single person or a couple and whether they have one, two, three or four or more dependent children?

Responses:	Yes: 55%	No: 13%	No View: 33%
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#### Summary of responses

31. A majority of respondents agreed with the proposals, stating that it would result in support being better targeted at households in fuel poverty compared to the existing criteria. Others pointed out that households that fall outside of the new criteria could still receive support through the proposed 'flexible eligibility' mechanism.
32. Several respondents welcomed the increase in the number of eligible households and the overall simplification of the criteria, arguing this would make delivery easier.
33. Of those who did not agree with the proposals, some were concerned that the new criteria would affect some groups more than others, such as households with fewer occupants. A number of respondents argued that complexity could increase, especially if electronic verification with the Department for Work and Pensions (DWP) was not updated to reflect the new criteria on time, or if the criteria were not available on benefit letters. A few said that the calculation was not accurate enough as it did not also



account for the different housing costs faced by households. Others suggested having fewer thresholds for simplicity.

### Government response

34. The Government has decided to adopt amended income thresholds for Tax Credit and Universal Credit as set out in the consultation, but with higher thresholds than originally proposed. Overall the eligibility criteria adopted will improve the fuel poverty targeting of the scheme, while increasing the number of eligible households to approximately 4.7m. This is approximately 0.7m more eligible households than in the consultation proposal, with most of them being on lower incomes and will include over 100,000 extra living in fuel poverty. The proportion of fuel poor homes of the total of eligible households will remain higher than under the current scheme (and is only slightly lower than the consultation proposals).
35. Accounting for households' income and household composition in the way proposed, whilst not requiring information about housing costs, achieves a balance between making sure that support is available for the intended households while not significantly increasing the existing evidence requirements.
36. The Department will work with DWP to ensure the verification service it provides is able to reflect the new criteria in advance of the extension period, before the new eligibility criteria come into force. The supply chain will also be able to verify criteria using benefit letters, as is current practice.
37. Households that are currently eligible, but fall outside of the proposed eligibility thresholds from 1<sup>st</sup> April 2017, may still be eligible for support under 'flexible eligibility' (see Question 12), or if they are in social housing with an EPC rating of E, F or G or under the CERO obligation.
38. Whilst the fuel poverty targeting is estimated on the basis of the measure of fuel poverty in England, changes which improve low income targeting are also relevant to Scotland and Wales.
39. Annex 2 outlines the new eligibility criteria for the scheme, including the income thresholds applicable.

## Consultation Question 7

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Do you agree with our proposals to allow recipients of other eligible benefits (Income Support, Income-based Jobseeker's Allowance and Income-related Employment and Support Allowance) to continue to be eligible and to remove the additional sub-criteria in 2017?

Responses:	Yes: 64%	No: 3%	No View: 33%
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### Summary of responses

40. A majority of respondents agreed with this proposal. Reasons given included the resulting increase in the number of eligible consumers, improving cost effectiveness,

and a decrease in administrative costs and compliance risks associated with checking sub-criteria.

41. Of those who disagreed, the main concern was that this simplification would result in a weakening of the focus on fuel poor and vulnerable households.

### **Government response**

42. The Government has decided to adopt the proposed changes to eligibility criteria for those in receipt of Income Support, Income-based Jobseeker's Allowance and Income-related Employment and Support Allowance, removing the sub-criteria. This will simplify the scheme, whilst the overall proposals result in improved targeting of fuel poor households.

## Consultation Question 8

Do you think we should amend the eligibility requirements so that those in receipt of Guarantee Credit continue to be eligible under Affordable Warmth but those only in receipt of Savings Credit should only qualify through CERO or if they meet the 'flexible eligibility' proposal?

Responses:	Yes: 42%	No: 16%	No View: 42%
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### **Summary of responses**

43. The majority of those who responded to this question agreed with the proposal. Most agreed the change was in line with a move towards a better focus on fuel poverty, and argued that the limited available funding should be targeted towards those most at risk of fuel poverty.

44. Several highlighted that Savings Credit recipients would continue to be eligible under CERO during the scheme extension, and also under flexible eligibility where the local authority has confirmed eligibility. A number of responses welcomed the alignment with the eligibility of the Core Group under the Warm Home Discount.

45. Of those who disagreed, some were concerned that Savings Credit recipients have an increased vulnerability to cold due to their age. Others argued that the change should be considered only once flexible eligibility was firmly established. A number of respondents said the change would complicate delivery, arguing it would reduce the eligible pool of households, though some conceded the impact on the size of the pool would be relatively small.

### **Government response**

46. The Government will amend eligibility requirements for Pension Credit as proposed. Households who are solely in receipt of Savings Credit will no longer be eligible under Affordable Warmth simply by virtue of being on the benefit, but they will still qualify in the following circumstances: where they are on other eligible benefits (including Guarantee Credit); if they are in social housing with an EPC rating of E, F or G; under



‘flexible eligibility’ (where they are considered to be eligible by local authorities – see Question 12); or under CERO.

47. This is because households solely in receipt of Savings Credit tend to have higher disposable incomes than those in receipt of Guarantee Credit, and are less likely to be in fuel poverty than households in receipt of Guarantee Credit or the working age benefits proposed for inclusion in the scheme.

### Consultation Question 9

Do you agree with the proposal to extend eligibility to social tenure households with an EPC rating of E, F or G for their home, and for no additional benefits criteria or income thresholds to be required?

Responses:	Yes: 67%	No: 18%	No View: 15%
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#### Summary of responses

48. A clear majority of respondents were in support of this proposal. Many suggested variations on the approach, such as using a different definition of social housing, extending eligibility to all properties with storage heaters or those which are off the gas grid, and exceptions to the E, F and G restriction where economies of scale can be achieved. Many were in favour of extending eligibility to social housing properties by including EPC band D.

49. Those opposed to this proposal suggested social landlords should pay for, or subsidise, the cost of energy efficiency measures. There was also some concern that social housing would secure a disproportionately high number of measures, compared to the owner occupier or private rented sector, and suggestions for mitigating this included tightening the criteria to only hard-to-treat social properties or simply imposing a cap on delivery to social housing. Others emphasised that the limited funding available should be prioritised for owner occupier and private rented properties, to the exclusion of social housing.

#### Government response

50. The Government has decided to extend eligibility to social housing properties which have an EPC band of E, F or G. In light of the generally lower income levels of social housing tenants, and relatively high prevalence of fuel poverty experienced amongst social tenants who live in properties rated E, F and G (around 45% in England), the inclusion of the least energy efficient social properties is in line with fuel poverty objectives and justifies the inclusion of band E in addition to bands F and G. Doing this adds around 500,000 households to the eligible pool. It also strikes a balance between fuel poverty targeting and the simplicity of administrative requirements.

51. In contrast, the level of fuel poverty in social housing EPC band D properties is significantly lower. For example, in England it is only 18%. Including these households, around 1.5m properties, would have significantly reduced the targeting accuracy of the scheme. Similar arguments apply to A-D rated social properties that have storage heaters or are off the gas grid.

52. For the measures that are eligible in social housing, see answer to Question 22. In the private rented sector, the supplier obligation will work alongside the Private Rented Sector Regulations in order to deliver energy efficiency in this sector. The Government will consider how to better target fuel poverty, including households with high energy costs across social, private rented and owner occupier sectors in the development of the future scheme.

### Consultation Question 10

Do you agree an EPC would be an appropriate way of proving the efficiency banding of social housing, or whether alternative ways of evidencing may be sufficient in certain cases? Do you think any additional assurance should be required?

Responses:	Yes: 70%	No: 8%	No View: 21%
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#### Summary of responses

53. A large majority were in favour of using EPCs to prove the efficiency of social housing. Some respondents also supported the use of landlord declarations to confirm that EPCs were accurate, whereas others thought it was only necessary for older EPCs.
54. Some put forward additional options such as only accepting EPCs of a certain age (suggestions ranged from 6 months to 10 years), and cloning EPCs for similar properties (i.e. doing a sample of EPC assessments and then duplicating, without an assessment, for similar properties). However, some respondents were opposed to EPC cloning, while others argued for exemptions from an EPC requirement (in order to avoid additional costs), such as for properties with solid walls and/or those which are off the gas grid. Concerns were also raised about the viability of projects in blocks of flats where EPC ratings might vary between each flat.
55. A small number of respondents stated that EPCs should be paid for by the social landlord rather than the supplier, and some argued that a post-installation EPC should also be required.
56. A number of responses pointed to weaknesses in the EPC methodology, such as different versions of SAP and periodic changes in fuel prices. Chartered surveyors reports were supported by a small number of respondents, as was the use of information held by social landlords about their properties. Some argued that social and private rented sector properties should be treated in the same way, and expressed concern that suppliers might gravitate towards social properties if they were easier to target.

#### Government response

57. The Government has decided to adopt the policy as proposed. EPCs provide a standard and accessible methodology for indicating eligibility for the social housing sector, providing greater consistency and transparency compared to other methods (such as Chartered surveyor reports or landlords declarations).

58. Exceptions to the EPC requirement will not be permitted as this risks expanding the pool of eligible social properties beyond those that are most inefficient, thereby diminishing the accuracy of targeting of fuel poor households.
59. Instead of specifying an arbitrary maximum age limit for EPCs – increasing the costs of compliance in some instances and reducing accuracy in others – there will be a requirement on the social landlord to make a declaration that no changes have been made to the property since the EPC was issued which would lift its EPC rating above band E.

### Consultation Question 11

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Do you agree that measures delivered in new build homes should not be eligible under ECO from 1 April 2017?

Responses:	Yes: 80%	No: 4%	No View: 16%
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#### Summary of responses

60. A significant majority agreed with this proposal. Many cited that homes constructed after 1 April 2017 should meet stringent energy efficiency standards set out in building regulations.
61. Several respondents stated that more monitoring is required to ensure that all newly constructed homes meet building regulations. Similarly, other respondents recommended that construction companies should be liable for bringing properties up to the required standard if they are found to be non-compliant with building regulations.

#### Government response

62. From 1 April 2017, measures will not be eligible for ECO if they are delivered to properties during their construction (defined in the ECO legislation as unoccupied homes that are constructed on or after 1 April 2017). This will avoid ECO support being used for measures that are delivered as part of the construction of a new property.
63. The enforcement of building regulations for newly constructed homes falls outside the remit of the ECO scheme. The main purpose of Building Control is to help ensure the requirements of the Building Regulations are met. Building Control Bodies generally carry out inspections of building work on a risk assessment basis, and do not remove the primary responsibility for ensuring that the work complies with the Building Regulations from the person carrying out the work.

### Consultation Question 12

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Do you agree with the proposal to allow flexible eligibility? If so, what proportion of the 2017-18 Affordable Warmth obligation do you believe that suppliers should be able to

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deliver using this flexible eligibility route?

Responses:	Yes: 79%	No: 1%	No View: 20%
View on Cap:	Ten percent cap: 15%	Twenty percent cap: 50%	Other cap: 35%

### Summary of responses

64. A significant majority of respondents agreed with the proposal to allow flexible eligibility. The majority favoured a 20% cap. Some advocated 10%, or lower, on the basis that this would be sufficient for testing, while others were in favour of a higher percentage.
65. Stakeholders thought flexible eligibility would allow very vulnerable households to access potential support. Some thought eligibility should be restricted only to those who were found to be ineligible under the Affordable Warmth criteria. There was general support for the focus on private tenure homes.
66. Whilst some stressed the need for the mechanism to be optional, others thought that suppliers should be obliged to accept referrals. Some cautioned against overreliance on this mechanism, and warned that local authorities would need to manage customers' expectations. Several noted the need for the provision to be well designed and simple.

### Government response

67. The Government recognises the role local authorities can play in targeting support given their understanding of local circumstances, and has therefore decided to allow suppliers to achieve up to 10% of their Affordable Warmth target for the extension period in households identified under the flexible eligibility mechanism. A cap at 10% will provide sufficient breadth for this policy to be tested as a mechanism to identify households in fuel poverty or vulnerable to cold with the possibility of expanding it in future if it is evaluated to have been a success. The Government intends that flexible eligibility for local authorities should help delivery of the scheme and in particular, for two main categories of private tenure household that may otherwise be excluded under Affordable Warmth:
- Fuel poor households, in particular, those that are not in receipt of eligible benefits; and
  - Low income households that are vulnerable to the effects of living in a cold home.
68. The Government will not make flexible eligibility mandatory, firstly because it is untested, but also to avoid the mechanism increasing pressures on the costs of delivery.
69. To assist participants, the Government will aim to provide guidance to local authorities before the start of the extension period, including on the criteria to be used to identify the desired target groups (see also answer to question 14).

## Consultation Question 13

Do you consider that solid wall insulation for non-fuel poor private tenure homes should be included under flexible eligibility as described above?

Responses:	Yes: 69%	No: 8%	No View: 22%
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### Summary of responses

70. A majority of respondents agreed with the proposal. Many cited that solid wall projects in fuel poor or vulnerable private tenure households might not proceed without this provision (e.g. in blocks of flats). There was general consensus that under this proposal, or 'in-filling', a large proportion of households within a project should have to be in fuel poverty or vulnerable.
71. Some felt in-filling should be allowed only for blocks of flats, others argued it should apply to terraces, and some suggested defining it more broadly to include estates, postcodes or multi-postcode areas. A number of respondents stated the need for clear rules on what is allowed to avoid confusion or abuse.
72. Only a few respondents were against the proposal, with concerns that funding for non-fuel poor households could take up a significant proportion of funding which would otherwise be used for helping fuel poor and vulnerable households.
73. Some suggested including other measures within infilling, such as district heating, cavity wall insulation, floor insulation, glazing and boilers. Others argued it should be limited to solid wall insulation, but perhaps extended to include other measures from 2018, depending on evidence.

### Government response

74. The Government has decided that, under flexible eligibility, local authorities will be able to determine non-fuel poor households as eligible for Affordable Warmth in order to facilitate the installation of solid wall insulation. This will be allowed in private tenure flats, maisonettes, terraces or detached properties next door to each other, as long as at least two thirds of households in any individual project are declared fuel poor, or low income and vulnerable to the effects of living in a cold home, by the local authority. In the case of a pair of semi-detached properties, or in the case of a single building that contains two flats, at least one of the pair must be occupied by a household in fuel poverty or on a low income and vulnerable to the cold.
75. The Government recognises that many of the most inefficient private tenure fuel poor homes have solid walls. The Government anticipates that suppliers are likely to focus solid wall delivery on social tenure homes in Affordable Warmth (where they can take advantage of economies of scale), and in able-to-pay private tenure homes in CERO (where they may seek customer contributions). The in-filling provision seeks to make it easier to install solid wall insulation in fuel poor private tenure homes. During the extension, in-filling will not be extended to other measures, such as district heating or cavity wall insulation, which will continue to be supported under CERO.

## Consultation Question 14

Do you agree with the proposal to allow local authorities to determine whether some households are eligible through 'local authority declarations' in the way proposed?

Responses:	Yes: 80%	No: 4%	No View: 16%
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### Summary of responses

76. A significant majority agreed with this proposal. Many stated that local authorities were the appropriate party to identify fuel poor and low income and vulnerable households, with some adding that local authorities may be well placed to access additional funding. Most agreed that a declaration by the local authority was an appropriate method to determine eligibility under this proposal.
77. Suppliers generally requested that accountability for the accuracy of targeting should lie with local authorities and that a template declaration should be sufficient to prove eligibility.
78. There was broad agreement that local authorities should publish in advance the methods used to identify eligible households and an annual report on progress. Several felt that reports produced under the Home Energy Conservation Act could be used for these purposes. There were also calls for any verification process to be as simple as possible to avoid complexity and burdens for local authorities.
79. A large number of respondents asked for the Government to produce a standard declaration template to minimise administration and ensure consistency of approach. Several respondents called for common and clear criteria for targeting, to be set in guidance.
80. Several suggested local authorities should be allowed to nominate 'trusted intermediaries' to refer households on their behalf. Other respondents were more cautious and called for robust oversight, suggesting monitoring, evaluation, and a minority asked for pre-approval of local authority schemes by Ofgem.
81. Some expressed concerns over eligibility becoming a 'postcode lottery' and called for further thinking on how local authorities could be supported financially for the work. Some noted that best practice guidance would be helpful for those with fewer resources. A few noted that local authorities and suppliers should provide a good customer journey for vulnerable customers, calling for suppliers to notify local authorities when not taking forward their referrals.

### Government response

82. The Government has decided to allow local authorities to determine whether households are eligible for Affordable Warmth under the 'flexible eligibility' mechanism through 'local authority declarations'.



83. In order to ensure accountability, reduce the scope for non-compliance, and monitor the effectiveness of the mechanism, the Government will require that:

- Local authorities issue a declaration to energy suppliers stating that they had determined a household, or a number of households, as eligible under Affordable Warmth, and the reasons for determining them as eligible; and
- Local authorities publish a 'statement of intent' detailing the methodology and criteria they intend to use to identify eligible customers, before they can provide a declaration to suppliers.

84. Therefore, provided the local authority has published a statement of intent, a local authority declaration will be sufficient proof of eligibility for a supplier.

85. As this is a new mechanism, the Government is keen to monitor its effectiveness without causing unnecessary administrative burden on local authorities. Therefore, the Government will also request that:

- Local authorities produce annual reports on their use of flexible eligibility. This will encourage local authorities to put in place internal assurance processes, as well as providing another mechanism for the Government to monitor flexible eligibility; and
- Local authorities collect and maintain evidence on their targeting processes, and participate in the evaluation of the mechanism.

86. To assist participants and encourage consistency, the Government will provide guidance on criteria to be used to identify the desired target groups (fuel poor households, low income households that are vulnerable to the effects of living in a cold home, or 'solid wall in-fill'), and on information to include in declarations, statements of intent and annual reports.

87. The Government recognises the importance of managing customer expectations under flexible eligibility, in particular, to avoid situations where customers are promised a measure that is then not delivered. There are a number of potential delivery models that could be followed, and it will be up to suppliers and local authorities to agree them in each area. The Government believes it is important that local authorities and suppliers establish robust partnerships with a strong understanding of mutual roles and responsibilities that provide a positive customer journey for fuel poor and vulnerable households.

88. The Government recognises that some local authorities are better resourced than others for energy efficiency delivery and may engage on flexible eligibility more proactively than others. The Government therefore encourages local authorities to share best practice with each other, including strategies, processes and documentation.

### Consultation Question 15

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Do you consider that schemes involving other intermediaries should be allowed, as described above, in addition to local authority declarations?

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Responses:	Yes: 60%	No: 17%	No View: 23%
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### Summary of responses

89. A majority of respondents agreed with this proposal. Several commented on the need for clear guidelines, piloting, and robust approvals processes to ensure third parties have suitable capability and knowledge.
90. However, a number of respondents either disagreed or had reservations. Several felt it would be best to test the provision with local authorities first before considering extending it to other intermediaries. Others saw a role for other intermediaries, but in referring on to local authorities, or with the intermediary being nominated by local authorities to carry out services on their behalf. Others saw risks for abuse or fraud in unregulated or unaccountable bodies becoming involved. Others disagreed on the basis that there could be too many organisations competing for limited funding, potentially duplicating efforts in the same areas, increasing complexity, and that local authority-led involvement fitted better with the National Institute for Health and Care Excellence (NICE) guidelines on excess winter deaths and cold homes.

### Government response

91. The Government will not take forward this proposal during the extension period, and will instead monitor local authority-led flexible eligibility first. Local authorities, through their social, housing and health responsibilities, are well placed to identify the target groups, and lead programmes of referral and support for warmer homes, including from the health sector. The Government encourages intermediaries to work in partnership with local authorities, but has decided that local authorities will have oversight and responsibility for how the mechanism is utilised in their areas.
92. The Government will consider the role of intermediaries for the 2018-2022 scheme, including how they are working with emerging local authority initiatives to target fuel poor homes.



### 3. Eligible energy efficiency measures

#### Consultation Questions 16, 17, 18, 19

**16.** Do you agree with the proposal aimed at limiting the delivery of qualifying gas boiler replacements (and not limiting other types of heating measure)?

Responses:	Yes: 49%	No: 33%	No View: 17%
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**17.** Do you agree that only measures installed after a specified date should count towards the Affordable Warmth minimum, and that date should be 1 July 2016?

Responses:	Yes: 46%	No: 13%	No View: 41%
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**18.** Do you agree with the proposal to in effect limit the delivery of qualifying gas boiler replacements at a level equivalent to 25,000 boilers under the ECO extension?

Responses:	Yes: 32%	No: 44%	No View: 25%
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**19.** Do you agree with our proposal not to impose new limits on the level of installation of the following measures?

Heating controls	Yes: 68%	No: 9%	No View: 23%
First time central heating	Yes: 68%	No: 8%	No View: 23%
Non-gas qualifying boilers	Yes: 64%	No: 12%	No View: 24%
Non-qualifying boilers	Yes: 63%	No: 11%	No View: 25%
Electric storage heaters	Yes: 63%	No: 12%	No View: 25%
Renewable heating	Yes: 65%	No: 11%	No View: 24%
Heat networks	Yes: 63%	No: 12%	No View: 25%

#### Summary of responses

93. There were a mix of responses to Question 16, but the majority of those who expressed a view supported the limiting of qualifying gas boiler replacements. Supporting responses highlighted that qualifying boiler replacements have dominated delivery under the current scheme, to the detriment of other beneficial measures, and often to the disadvantage of off-grid customers. Some also suggested that gains would be minimal where boilers with only minor faults were being replaced or where the boiler being replaced was not particularly old.

94. Those who opposed a limit on boiler numbers had concerns around the supply chain not being able to adapt quickly enough to this change and there being insufficient demand for insulation amongst eligible households. There were doubts about whether many easily identifiable insulation opportunities remained (as a result of measures already delivered through previous schemes) whilst some respondents also thought boilers were important for attracting interest in other measure types provided by ECO. All of the above difficulties could ultimately increase the cost of scheme delivery.
95. Some respondents suggested ECO should take a whole-house approach by preventing new boilers being installed unless insulation is installed at the same time. There were concerns about whether fuel poor households would be able to find alternative financial support for gas boiler replacements. Suggestions included maintaining safeguards for those most in need, including for smaller properties, which some respondents felt had been overlooked previously due to more favourable ECO scores for larger properties.
96. Question 18 received more opposition than support. Many felt that the proposed limit was too low. Reasons put forward included a less abrupt adjustment for the supply chain and concerns over whether or not fuel poor households would be able to find other means of funding gas boiler replacements. Some respondents were concerned that a low boiler limit would be reached early and thus make it difficult to find funding for new boilers to those who are most in need. Others felt that, where low income households managed to fund or co-fund a boiler replacement themselves, the expenditure or debt repayments required to pay for the installation would be burdensome and counterproductive for tackling fuel poverty. Some respondents thought that the boiler limit was too high and should be lowered or scrapped, arguing that gas qualifying boilers were over-incentivised and that other measures such as insulation were better at tackling fuel poverty.
97. Suggestions for more effective boiler replacements included prioritising boilers for those most in need, targeting of the oldest boilers first, and incentivising suppliers to deliver the more costly boiler installations. Some suggested that boiler replacements could be exempted from the cap where the measure was co-funded by a Clinical Commissioning Group, the landlord, or when it has been referred via flexible eligibility.
98. Those supporting a cap on boilers highlighted the importance of improving the fabric of buildings to increase energy efficiency and tackle fuel poverty. Some respondents hoped that fewer gas boiler installations would shift the focus towards first time heating systems and non-gas heating systems where the fuel poverty gap is often highest. Others felt that the move to deemed scores would help replacement boilers to be targeted at those who need it most.
99. There was clear support for measures delivered after 1 July 2016 to be counted towards the Affordable Warmth minimum (Question 17). Of those who agreed, several felt that this would give suppliers and their supply chain more time to shift their delivery away from qualifying boilers and meet their Affordable Warmth minimum by 31 March 2018. Several respondents also argued that the 1st July 2016 date might allow fuel poor households to receive measures one winter earlier than they otherwise would. However, several respondents said there was a risk that

suppliers would reach their Affordable Warmth minimum earlier than expected. This could increase the chances of a gap in delivery and could lead to negative impacts for fuel poor households and the supply chain. A number of respondents were opposed to the use of the 1st July 2016 date, soon after the publication of the consultation, as they felt that suppliers would not be starting from a level playing field on day one of the extension period.

100. For Question 19, there was clear support for not placing new limits on the installation of seven other measures (including first time central heating, non-gas and non-qualifying boilers, and renewable heating systems). Some respondents singled out first time central heating for support (including a number of calls for a minimum target), because the costs involved are often prohibitive. There were also calls for compulsory heating controls to be installed alongside first time heating systems and the provision of more post-install advice and support to ensure that the new systems were being used correctly. The availability of these measures was seen as particularly positive for those living off the gas grid. A number of respondents were in favour of renewable heating and heat networks where they prove to be cost effective (with additional support highlighted for reducing carbon emissions), however others questioned whether these technologies could divert too much funding away from lower cost measures.

### **Government response**

101. The Government has decided to place a limit on delivery of mains-gas qualifying boiler replacements, and for that limit to be equivalent to around 25,000 boiler replacements per annum (37,000 over the 18-month extension period). Mains gas boilers can be installed beyond this limit, though for a lower score. Concerns about reduced delivery of gas boiler replacements to fuel poor households have been carefully considered, and the Government acknowledges the positive impact that the significant number of boiler replacements delivered to date has made for many low income households. However, our analysis indicates that other measures such as insulation and first time central heating are more cost effective at making progress in tackling fuel poverty.
102. The limit should result in better outcomes for fuel poor households overall as it will ensure that the most beneficial measures are delivered in greater numbers, whereas they are currently crowded out by gas boiler installations. Furthermore, a supplier obligation which prioritises the most cost effective measures and attempts to require or allow boilers only in certain situations would increase complexity and is not the best vehicle for providing emergency support such as replacing broken boilers.
103. In line with the majority of stakeholders, the Government has decided to place no new limits on the measures listed in Q19, including first time central heating and non-gas qualifying boilers which are more important for tackling fuel poverty and yet have been less supported under ECO. In addition to the 37,000 gas qualifying boilers, this means there could still be significant support for replacement heating measures in the extension period.
104. The concerns of some stakeholders about the supply chain's ability to adapt have been addressed in the response to Q1, and by allowing early delivery against the new minimum target for measures that are not mains-gas qualifying boiler replacements. The Government judges that it is not necessary to, in addition, raise

the number of mains-gas qualifying boiler replacements that can be delivered, especially as this would lessen progress against fuel poverty objectives and the Government's commitment to insulate 1 million homes.

105. Measures which are not mains-gas qualifying boiler replacements will be eligible from 1 July 2016 to count towards the new minimum target. This is intended to ease the transition for the supply chain over a longer period, reduce the likelihood of spikes and troughs in activity, and enable suppliers to make early progress against their minimum target. Enabling this flexibility is important given the significant adjustment from mains-gas qualifying boiler replacements to other measures. It also means more homes will be insulated sooner.

### Consultation Question 20

Do you have views on whether Government should take action to prevent shifting the balance of measures delivered and the potential for energy suppliers to receive disproportionate benefit under ECO from renewable heating supported by RHI payments? If so, what action should be taken?

Responses:	Action is needed: 31%	Action not needed: 19%	No View: 49%
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#### Summary of responses

106. Of those who took a view on this proposal, the majority felt that the Government should take action to prevent shifting the balance of measures delivered and the potential for energy suppliers to receive disproportionate benefit under ECO from renewable heating supported by RHI payments.
107. Of those who agreed, several cited that this would prevent any crossover happening between the two schemes that could lead to a reduction in the number of measures that can be delivered through ECO and RHI. To address this, several respondents suggested that the number of RHI measures delivered under ECO should be limited.
108. Of those who disagreed that action is needed, several noted that cross over between the two schemes would be beneficial in addressing current barriers that prevent the installation of renewable heating.

#### Government response

109. The Government is supportive of renewable heating measures being delivered under ECO. RHI supported measures will not be excluded from ECO at this time as this can be an effective way of promoting renewable heat while continuing to meet the objectives of the scheme.
110. Therefore, the Government will continue to allow district heating solutions to be eligible under CERO. It will also continue to allow renewable heat and district heating systems to be supported under the Affordable Warmth obligation.
111. However, as per the response to Question 22, the Government will not allow boiler or other heating system installations or repairs (of any fuel type) in social tenure

properties to be supported through ECO, with the exception of first time central heating (including renewable heat) and first time district heating at properties with an EPC rating of E, F or G.

112. As such, renewable heating will not be eligible where there has at any time previously been central heating (including renewable heat), district heating or an electric storage heater in place within the social tenure property.

### Consultation Question 21

Do you consider that heat network schemes funded or part funded by the supplier obligation should be required to include arrangements for consumer protection?

Responses:	Yes: 54%	No: 6%	No View: 40%
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#### Summary of responses

113. Of those who took a view on this proposal, the majority felt that heat network schemes funded or part funded by the supplier obligation should be required to include arrangements for consumer protection.
114. Of those who agreed, several felt that consumer protection should be paramount in the delivery of energy efficiency schemes. However, a number of respondents argued that there should not be a blanket requirement for consumer protection for all heat networks installed under ECO. These respondents noted that currently, there is no consumer protection scheme that is inclusive of all heat networks including for example, installations to social housing. Several social housing providers supported this by stating that they already offer established consumer protection schemes, therefore introducing further requirements could discourage further investment in this area.
115. Similarly, of those who disagreed with this proposal, many argued that there are various redress processes already in place for heat networks, therefore mandating a blanket requirement would be burdensome and unnecessary.

#### Government response

116. The Government will not require all heat networks installed under ECO to provide a standardised level of consumer protection.
117. The Government is keen to ensure that households which are connected to local heat networks under ECO receive adequate consumer protection. However, any minimum requirements introduced should be suitable for all heat networks and take into account current redress mechanisms, such as Heat Trust, and those provided through social housing. Due to the short lead-in period before the start of the extension period, introducing any minimum requirements by 1 April 2017 would be administratively burdensome and impractical to implement. Setting minimum standards would require detailed guidance to indicate 'equivalent standards' of consumer protection that could be accepted as alternatives to schemes such as Heat

Trust. On-going monitoring would also be required to ensure that any minimum standards are met throughout the extension period.

118. The Government is currently piloting a mechanism through the Heat Network Investment Project (HNIP) that will include consumer protection as an eligibility criterion for HNIP funding. This pilot will require all heat networks to be a member of Heat Trust or evidence alternative contractual standards that are 'equivalent' to Heat Trust, which will be reviewed by the Government for the purposes of scoring the applications for funding. The Government will therefore review this mechanism when considering the introduction of a standardised level of consumer protection for heat networks within future energy efficiency schemes.

## Consultation Question 22

Do you agree with the proposal to allow insulation but not to allow boiler or other heating system replacements or repairs (of any fuel type) in social tenure properties, with the exception of first time central heating (including district heating) and renewable heat?

Responses:	Yes: 59%	No: 19%	No View: 22%
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### Summary of responses

119. Of those who took a view, a majority agreed with this proposal. Several cited that social landlords often have adequate funding and a duty to maintain and improve their housing stock, which should require the provision of central heating. Many noted that social landlords have previously received funds through the Decent Homes initiative, therefore ECO support should be directed to those most in need, in the private sector.
120. Of those who disagreed, several felt that there should not be any limitations placed on social housing as available capital can often be limited due to the requirement for low rents, and any restrictions would prevent a whole house approach to the installation of measures. Conversely, others argued that ECO support should not be directed to social housing at all, as overall the number of fuel poor living in social housing is lower than that living in the private rented sector.

### Government response

121. From April 2017, insulation measures within social housing with an EPC rating of E, F or G will be eligible under the Affordable Warmth part of ECO.
122. Boiler and other heating system replacements or repairs (of any fuel type) will not be eligible in social housing, with the exception of first time central heating (including renewable heat) or first time district heating at properties with an EPC rating of E, F or G.
123. That means that central heating (including renewable heating), and district heating and will not be eligible where there has at any time previously been central heating (including renewable heating), district heating or an electric storage heater in place in



the property. This will avoid significant levels of ECO support going towards upgrading heating systems in social housing, which the Government expects to be carried out as part of social landlords' duty to provide tenants with a functioning heating system.

## Consultation Question 23 & 24

**23. Do you agree that we should retain a solid wall minimum within the scheme?**

Responses:	Yes: 72%	No: 7%	No View: 20%
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**24. Do you agree that the solid wall minimum is set at the right level?**

Responses:	Yes: 22%	No: 44%	No View: 34%
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### Summary of responses

124. There was very strong support for retaining a solid wall minimum within a transitional year. Reasons provided included how it was an important measure for reducing carbon emissions; how it was critical for tackling fuel poverty as those who struggle to heat their homes often live in solid walled properties; and, how industry needed certainty in order to invest and has struggled due to the stop-start nature of some previous Government programmes.
125. Those who argued against it pointed out that solid wall insulation was an expensive measure and that a greater volume of low cost measures could be funded instead. Some raised concerns about the quality of some solid wall insulation measures delivered under ECO, cautioned against raising the minimum too quickly, and questioned whether it was an appropriate measure to deliver under a supplier obligation. Some energy companies were concerned that 12 months was too short a time period to deliver a solid wall minimum due to long lead in times.
126. Almost half of respondents disagreed with the level of the solid wall minimum, and a significant majority of these felt it should be higher, rather than lower. In addition, some stakeholders argued that solid wall insulation has a lower cost than assumed in the pre-consultation impact assessment, largely due to contributions from third parties such as Scottish and Welsh Government programmes, local authorities, social housing providers and domestic customers. They argued that therefore the solid wall minimum could be higher without crowding out support for lower cost insulation measures.

### Government response

127. The Government has decided to retain a solid wall minimum. Solid wall insulation helps tackle fuel poverty, and it makes up a significant proportion of remaining potential for reducing carbon emissions in the domestic sector.
128. As stated in the response to Question 2, the Department has revised some of the assumptions in the impact assessment, including those for solid wall insulation (though the Government also recognises that current market conditions are not

necessarily reflective of those that will be experienced in the extension period, with increased targets, different measures and new households to be targeted). As a result, more measures can be assumed to be delivered under the scheme for the same level of spend. The Government has therefore decided to increase the solid wall minimum from the equivalent of 17,000 to 21,000 measures per annum, which is around 32,000 over the 18-month extension period. This is closer to the level required under the current scheme (around 25,000 per annum) and should provide a smoother transition for industry. Suppliers can choose to deliver more than 32,000 solid wall measures - under the current scheme some suppliers are delivering above the rate required to comply with their obligations.

## Consultation Question 25 & 26

**25.** Do you agree that an in-use factor of 15% should be applied to party wall insulation measures delivered under CERO after 31 March 2017?

Responses:	Yes: 31%	No: 15%	No View: 54%
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**26.** Do you agree that party wall insulation measures installed after 31 March 2017 should support secondary measures?

Responses:	Yes: 40%	No: 12%	No View: 48%
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### Summary of responses

129. Of those who took a view on this proposal, the majority agreed that from 1 April 2017 an in-use factor (IUF) of 15% should be applied to party wall insulation (PWI) measures delivered under CERO and that PWI measures should support secondary measures.
130. Of those who agreed, several felt this would bring PWI in line with other measures such as flat roof and under floor insulation. Many also noted that allowing PWI to support secondary measures would encourage a 'whole house approach' which could help reduce delivery costs.
131. Of those who disagreed, some claimed that PWI is not cost effective and therefore may not represent value for money in terms of the cost savings achieved. Other respondents felt that the rationale and criteria for the IUF should be transparent and open to challenge.
132. Several respondents argued that there is no longer a need for the added complexity of primary or secondary measures since hard-to-treat measures were removed from the scheme.

### Government response

133. From 1 April 2017, the Government will apply an in-use factor of 15% to party wall insulation (PWI) measures and allow them to support secondary measures. This



brings PWI in line with other primary insulation measures by awarding a more accurate carbon saving and allowing multiple measures to be delivered alongside PWI. As such, this could increase the number of PWI measures installed and may therefore reduce overall delivery costs.

134. Although some respondents argued that primary and secondary measures are unnecessary, the Government will retain this aspect of the scheme for the extension period in order to encourage the installation of multiple measures to households, which is important for measures to achieve optimum carbon and cost savings.

## 4. Delivery and administration

### Consultation Question 27 & 28

**27.** Do you agree that the requirement for measures to be recommended on either a Green Deal Advice Report (GDAR) or a Chartered Surveyor’s Report (CSR) should be removed from 1 April 2017?

Responses:	Yes: 65%	No: 12%	No View: 23%
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**28.** Do you have views on whether any alternative requirements should be introduced in order to provide consumer advice, or ensure technical suitability of a measure prior to its installation?

Responses:	Alternatives are needed: 53%	Alternatives are not needed: 11%	No View: 36%
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#### Summary of responses

135. A majority agreed with question 27, in particular citing that GDARs and CSRs do not justify their cost to the scheme and removing these will simplify administration. Of those who disagreed, several believed that these requirements are needed in order for the property to be inspected to ensure measure suitability, and also to provide appropriate advice to consumers. A number of respondents also argued that Energy Performance Certificates should be retained, as a channel through which the energy efficiency of UK housing can be monitored.
136. A majority also thought that alternative requirements should be introduced. Several respondents felt that that an independent assessment is necessary to ensure measures are suitable and to improve industry standards. Many also stressed the importance of local and unbiased consumer advice from organisations such as the Energy Saving Advice Service, the Energy Savings Trust, or local authorities.
137. Of those who felt alternatives are not necessary, a number of respondents argued that technical suitability should be covered by PAS 2030 and other industry standards.

#### Government response

138. From 1 April 2017 the Government will not require CERO measures to be recommended in a CSR or GDAR. Although they do provide benefits, in terms of consumer advice, the Government believes that, for ECO, these are outweighed by the additional cost and administrative burden they add to the scheme when implemented as a mandatory requirement. However, customers can still commission a GDAR, CSR or alternative energy advice product prior to installation of an ECO measure on a voluntary basis.

139. GDARs are based on a number of fixed assumptions and are not designed to provide robust assurance of installation quality which is better provided through a pre-installation survey. CSRs have often been prepared via a desktop exercise based on an Energy Performance Certificate (EPC), and therefore have similar limitations. Further, evidence does not support that either drive the uptake of multiple measures.
140. The Government has commissioned an update to the Publicly Available Specifications (PAS) 2030 and 2031 with a view to strengthen the pre-installation survey. This should improve the assessment and design of measures delivered under the scheme, whilst providing greater technical assurance than that seen through GDARs or CSRs. The Each Home Counts Review undertaken by Peter Bonfield<sup>2</sup> has recommended mechanisms which may offer both an improved design approach, and suitable consumer protection and advice. The implementation of the recommendations from the Review will be industry-led and Government will consider how the outcomes of this process will interact with the longer term scheme from 2018.
141. The Government considers that currently there are no alternative cost effective products or mechanisms that could be required under the scheme that would simultaneously provide robust consumer advice and ensure technical suitability. This includes EPCs, which are not designed to provide robust technical assurance relating to the suitability of a measure.
142. Not having a requirement for GDARs or EPCs will not affect the Government's ability to monitor the energy efficiency of the housing stock. The Government relies primarily on English and Scottish housing survey data to assess the energy efficiency levels of UK housing as this data is more representative than EPCs which only capture around 50% of UK housing stock in particular circumstances (such as when a house is constructed or sold).
143. As the number of EPCs generated through ECO makes up only a small percentage of the total EPC market (estimated at less than 10%), removing this requirement should not impact EPC data on a large scale.

### Consultation Question 29

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Do you agree that from 1 April 2017 we should move to a system of deemed scoring, as described above, rather than the current bespoke RdSAP or SAP based property by property assessments?

Responses:	Yes: 64%	No: 19%	No View: 18%
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<sup>2</sup> The Each Home Counts review - see <https://www.gov.uk/government/publications/each-home-counts-review-of-consumer-advice-protection-standards-and-enforcement-for-energy-efficiency-and-renewable-energy>.

### Summary of responses

144. A majority of respondents agreed that deemed scores should replace the current RdSAP or SAP based assessments. Many cited that the introduction of deemed scores will simplify the scheme, reduce delivery costs, improve the customer journey, and encourage a whole house approach. Several respondents also claimed that removing the added complexity associated with SAP/RdSAP scoring would result in fewer errors and inaccuracies in ECO scores.
145. Of those who disagreed, many questioned the methodology of deemed scores, arguing that limited inputs will decrease the accuracy of scores, which could detract from targeting those most in need and the properties with the largest potential savings.
146. Additionally, a range of stakeholders, including both those in agreement and against, expressed concerns that deemed scores appeared to be considerably lower than those calculated using bespoke SAP and RdSAP assessments. There were concerns that suppliers that deliver early against their extension obligations would be awarded the higher SAP/RdSAP scores, yet they would count towards a future target calculated using the lower deemed scores. This would result in fewer homes being treated than intended.
147. As such, respondents recommended that scores should be differentiated to include more specifics such as product type. Other respondents also suggested that SAP and RdSAP assessments should be retained for more high cost and complex measures such as solid wall insulation in order to prevent score discrepancies.

### Government response

148. From 1 April 2017 the Government will require all savings to be calculated using deemed scores, with the exception of district heating measures. This change will simplify the scheme, improve the customer journey and reduce delivery costs, enabling more homes to be treated within an obligation period. The risk of fraud and gaming should also be decreased by removing additional complexities and making it easier to monitor scoring inputs. It is the Government's view that these benefits outweigh the loss of precision when calculating the savings for individual measures.
149. The Government recognises the concerns that result from deemed scores being lower than SAP/RdSAP scores. The difference is likely to be because it is easier to 'optimise' SAP/RdSAP scores – for example installers that assess a number of homes can cherry pick those with the greatest savings. This means that, based on modelled delivery, deemed scores are approximately 20-50% lower than SAP/RdSAP scores. As a result, suppliers that deliver early against their extension obligations would be awarded higher scores than assumed in the modelling, leading to them needing to install fewer measures to meet their obligations. This, in turn, would reduce the number of homes treated under the scheme.
150. In order to off-set this risk, the Government will apply an uplift of 30% to the deemed scores for all measures installed from 1 April 2017 for the duration of the extension, and increase the size of the obligation correspondingly. This will limit any reduction in the number of measures suppliers need to install in order to comply with their obligations, should they deliver early. The uplift is towards the lower end of the range of the difference in the scores because it will still be possible to optimise deemed

scores (for example by using better performing products) – but not to the same degree as with SAP/RdSAP.

151. The Government considered alternatives to an up-lift, in particular a full closedown of all obligations prior to the start of the extension period. This option would have been administratively burdensome and would have involved reducing the scores of some surplus measures that had already been delivered, which could have caused uncertainty for the supply chain.
152. Although a small number of respondents argued that deemed scores should not be applied to high cost measures such as solid wall insulation, for which the cost of a SAP/RdSAP survey would be a smaller percentage of overall measure costs, the Government believes that the benefits outlined above, including an improved customer journey, commercial certainty and reduced admin costs, still outweigh the benefits of a full SAP/RdSAP survey.
153. Ofgem has recently published its response to its consultation on deemed scores and this addresses a number of points raised by respondents to this consultation.<sup>3</sup>

### Consultation Question 30

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Do you agree that savings for district heating system measures should be calculated based on bespoke SAP or RdSAP assessments, rather than deemed scores?

Responses:	Yes: 56%	No: 8%	No View: 36%
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#### Summary of responses

154. A majority of respondents agreed that savings for district heating systems should be calculated based on bespoke SAP or RdSAP assessments rather than deemed scores. Many stated that district heating measures are too complex to be accurately captured in deemed scores and that the assessment costs are justified.
155. Of those who disagreed, some argued that simplification is important, given the complex nature of the SAP/RdSAP assessments for district heating, and therefore suggested deemed scores should be applied or bespoke calculators similar to those used under a previous supplier obligation, the Community Energy Savings Programme 2009.

#### Government response

156. The Government will continue to require all savings from district heating measures to be calculated based on bespoke SAP or RdSAP assessments, rather than deemed scores.

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<sup>3</sup> The consultation response and deemed scores can be found here: <https://www.ofgem.gov.uk/publications-and-updates/eco2-consultation-deemed-scores>.

157. This will ensure that the wide range of configurations for district heating measures are captured effectively within the scheme, which would not be possible through the limited scope of deemed scores. Further, as district heating projects have a particularly long lead in time compared to other measures, changing the scoring system for the extension could undermine projects that have already been contracted. Additionally, the Government does not consider SAP or RdSAP scoring of district heating measures to add significantly to delivery costs as detailed planning, including bespoke property assessments is already required.

## Consultation Question 31 & 32

**31.** Do you agree that up to 5% of each supplier’s measures should be granted automatic extensions for up to three months?

Responses:	Yes: 47%	No: 8%	No View: 44%
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**32.** Do you agree with removing the restriction on extensions where it is due to supplier administrative oversight?

Responses:	Yes: 49%	No: 7%	No View: 44%
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### Summary of responses

158. Of those who took a view on these proposals, the majority agreed that up to 5% of each supplier’s measures should be granted automatic extensions for up to three months and that the restriction on extensions where it is due to supplier administrative oversight should be removed. Several respondents felt this would simplify administration for energy suppliers and the supply chain as well as reduce the risk of otherwise compliant measures being rejected. However a number of respondents recommended that Ofgem should retain overall discretion on granting extensions to ensure the practice is not abused. Others also argued that more should be done to prevent the retention of payments from installers due to the risk of measures being rejected.

159. Of those who disagreed with these proposals, some recommended that the percentage of measures granted automatic extensions should be increased or that the reporting window for all measures should be extended to further reduce the risk of measures being rejected and payments to the supply chain being withheld.

### Government response

160. From 1 April 2017 the Government will allow 5% of each supplier’s measures to be granted an automatic extension for up to three months. The 5% figure will be calculated as set out in the consultation document. It will be calculated at a group company level, e.g. across all its licences. The Government intends this to provide some flexibility within the one-month reporting requirement, without sacrificing the benefits of regular and timely reporting.

161. Where an energy company submits a measure after the notification deadline due to an administrative oversight, the Government will allow such measures to be included in the 5% automatic extension figure or to be submitted via an extension request.
162. The administrator will retain overall discretion to determine whether an extension request over and above the 5% limit will be accepted. This will include determining a 'reasonable excuse' for failing to notify a measure by the notification deadline.
163. Ofgem has introduced a quarterly reconciliation process to review measures that have yet to be approved, in order to avoid them being left awaiting approval until the end of the scheme. This, coupled with the new provisions set out in this response, should help reduce uncertainty about the validity of measures, and any contractual disputes that result from this (the Government does not have sight of, or become involved with third party contractual matters, which are for the supply chain to resolve).

## Consultation Question 33 & 34

**33.** Do you agree that we should introduce a mechanism for the trading of obligations between licensed suppliers?

Responses:	Yes: 43%	No: 8%	No View: 49%
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**34.** Do you agree that Ofgem E-Serve should approve trades, to ensure that energy suppliers can bear the consequences of non-compliance?

Responses:	Yes: 46%	No: 5%	No View: 49%
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### Summary of responses

164. Of those who took a view on these proposals, the majority agreed that a mechanism for trading obligations should be introduced, and that Ofgem E-serve should approve trades. Several stated that trading would make it easier for smaller suppliers to enter the market and meet obligations while allowing suppliers greater commercial flexibility to specialise in certain types of delivery. Many respondents also agreed that there should be a 6-month trading window from 1 April to 31 September 2017 in order to ensure trading takes place during the first few months of the scheme to reduce the risk of non-compliance.
165. Of those who agreed that Ofgem E-Serve should approve trades, many felt this would help ensure non-compliance against obligations is managed effectively.
166. Of those who disagreed with Question 33, some took the view that trading could reduce market competition through the creation of monopolies. Of those who disagreed with Question 34, some cited that Ofgem should not be involved in a mechanism relating to competitive commercial markets.



## Government response

167. From 1 April 2017 obligated suppliers will be permitted to trade all or part of their obligations between one another. Where a supplier trades all or part of its obligation to another obligated supplier, the supplier taking on the additional obligation will be held legally responsible for delivering that obligation. Allowing trading within the extension period will provide additional flexibility for obligated suppliers in how they discharge their obligations, and may also help to reduce delivery costs by simplifying scheme administration through the consolidation of obligations onto single licences.
168. Trading will be permitted within a nine-month trading window from 1 April 2017 to 31 December 2017 to ensure that trades do not impact the ability of Ofgem E-serve and the supply chain to monitor progress towards the achievement of supplier obligations. This trading window has been extended from the proposed 6-month period in the consultation, because of the longer 18-month extension period.
169. Trading could create risks of a supplier taking on more obligations than it can deliver, and could impact on Ofgem's ability to take enforcement action for non-compliance with the obligations. Therefore the Government will give Ofgem the power to reject trades if it considers there is a significant risk that a trade would adversely affect its ability to enforce compliance. Where a trade is being made between obligated suppliers that are not part of the same group, Ofgem will be able to reject the trade if it considers there is a significant risk that the supplier taking on the obligation will be unable to achieve it.
170. The Government considers the likelihood that trading will distort the market and create monopolies to be low. Further, consolidation of multiple suppliers' obligations onto a single supplier will be limited by the powers provided to Ofgem described above.

## Consultation Question 35 & 36

**35.** Do you agree the version of PAS 2030 cited in the ECO regulations should be updated to refer to the most recent version, following the anticipated updates to PAS 2030?

Responses:	Yes: 66%	No: 3%	No View: 31%
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**36.** Do you agree that installation companies delivering measures which are referred to in PAS 2030 under the extension to ECO should be certified against the requirements set out in PAS 2030?

Responses:	Yes: 62%	No: 3%	No View: 35%
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### Summary of responses

171. A majority of respondents agreed with these proposals. Several stated that all installations should be required to meet the most recent specified standard to ensure consistency in quality and high standards and to protect consumers. Many respondents noted that the update to PAS should take on board any related recommendations from the Each Home Counts Review in order to strengthen consumer protection, provide a robust accreditation framework and improve quality.
172. A number of respondents also cited that all installation companies delivering ECO measures which are referred to in PAS 2030 should be certified against the requirements set out in PAS 2030 to ensure all parties are accredited to the same standards across industry.
173. However some respondents were concerned that there may not be enough time for installers to become certified against the improved standards.

### Government Response

174. The Government will update the ECO regulations to refer to the most recent version of PAS 2030. This will ensure that measures delivered under the extension to ECO can benefit from the strengthened PAS 2030 framework.
175. The Government will require all installation companies to be certified against PAS 2030 for ECO measures completed from 1 April 2017. This will ensure that all installation companies are operating to the same minimum standard.
176. The Government agrees with a number of respondents that claimed the majority of installation companies should already be PAS certified. Therefore the Government will not provide additional time for installation companies to become certified against PAS before the start of the extension year.
177. However, as it may take time for installation companies to become compliant with the updated PAS 2030 standards, the Government will allow all measures referred to in PAS and completed on or after 1 April 2017 to be installed in accordance with either PAS 2030:2014 Edition 1 or PAS 2030:2017 Edition 1 up until 31 May 2017.
178. All measures referred to in PAS and completed on or after 1 June 2017 must be installed in accordance with PAS 2030:2017 Edition 1.
179. The Government believes this grace period should allow sufficient time for installation companies to become compliant with the updated standard.

## Consultation Question 37

Do you think there is value in collecting and publishing more information on ECO costs in the future? If you do, what information do you think should be collected and how should it be obtained?

Responses:	Yes: 61%	No: 8%	No View: 31%
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### Summary of responses

180. A majority of respondents saw value in collecting and publishing more information on ECO costs. Many noted that this would enable more accurate cost evaluation to assist the future design of the scheme. However, several respondents questioned how accurate the data would be if it is provided voluntarily from the supply chain, or is considered to be commercially sensitive to the supply chain.
181. Of those who disagreed, some had concerns that additional data collection could increase the cost of the scheme and be overly burdensome on suppliers who do not collect, or have access to additional cost data.
182. Several respondents argued that energy suppliers should be required to collect additional cost data from their supply chain. Others disagreed stating that this would be costly and burdensome to implement for suppliers. Some stakeholders supported this by stating that additional cost data should be collected from the supply chain directly by the Government.

### Government response

183. The Government intends to collect and publish more information on scheme costs during the extension period. This will most likely be through sample surveys, in order to avoid administrative burden. The aim is to broaden understanding of the impact of policies on consumers, third party contributions towards measure costs, and administrative costs, in order to feed into policy decisions and modelling for future schemes.

## Consultation Question 38

Do you agree that, with the exception of the Affordable Warmth minimum requirement, the new scheme rules being proposed should be introduced for measures installed from 1 April 2017?

Responses:	Yes: 62%	No: 6%	No View: 31%
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### Summary of responses

184. A majority agreed with this proposal. Many felt introducing rules at different times could cause uncertainty and complexity. Additionally, some respondents felt that introducing new requirements before 1 April 2017 would not allow enough time for suppliers and the supply chain to implement changes. Others argued that postponing the introduction of scheme rules could result in a hiatus in delivery for suppliers who have met their obligations and therefore risk future contracts being lost.
185. Of those who disagreed, a number of respondents expressed concerns that introducing new scheme rules from 1 April 2017 would not allow industry sufficient time to adapt their delivery models. Conversely, other respondents argued that new

scheme rules should be introduced as soon as possible to allow more time for suppliers to meet their obligations.

### Government response

186. New scheme rules (aside from the Affordable Warmth minimum) that are implemented as a result of this consultation will come into effect on 1 April 2017 subject to parliamentary approval. The Government believes this will provide clarity for the supply chain and simplify delivery by preventing two sets of rules running in parallel.
187. Current timelines for amending the ECO Order would make it difficult to implement new rules any earlier than this. Additionally, introducing new rules earlier than 1 April 2017 would place significant pressure on suppliers and the supply chain.
188. The Government does not intend to postpone the introduction of new requirements until after 1 April 2017 because this would delay the benefits of the proposed reforms, and the majority of responses indicated that suppliers and the supply chain would be able to implement the changes by the time the scheme commences.

## Consultation Question 39

Government invites views on whether we should introduce any additional rules to incentivise greater delivery to areas with higher delivery costs?

Responses:	Additional rules are needed: 51%	Additional rules are not needed: 12%	No View: 37%
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### Summary of responses

189. A majority of respondents felt that additional rules should be introduced to incentivise greater delivery to areas with higher delivery costs. Several suggested that incentives should be introduced in the form of uplifts for rural areas or hard-to-treat measures. Similarly, some respondents recommended that suppliers should be legally required to deliver a minimum level to high cost areas.
190. Of those who disagreed, several felt that additional requirements such as uplifts and minimum delivery requirements would increase the cost and complexity of the scheme. Additionally some respondents argued that the non-gas uplift, solid wall minimum and Affordable Warmth minimum will successfully incentivise delivery of high cost measures. Other respondents also noted that the introduction of local authority flexibility would enable easier targeting of households in more remote, hard-to-reach areas which are often more expensive to treat.

### Government response

191. The Government has decided not to introduce additional requirements in order to incentivise delivery to areas with higher costs during the extension period other than the rural sub-obligation under CERO described under Question 4. The Government believes that existing incentives for non-gas fuelled properties in Affordable Warmth

and the move away from qualifying mains-gas boiler replacements will drive delivery to low income and vulnerable households in rural areas (see Question 4); that the solid wall minimum will guarantee delivery to solid walled homes (see Questions 23 and 24); and that the greater focus on fuel poverty will drive delivery towards those who need it most. In combination, the Government believes that these mechanisms will result in support going to homes which will often be harder-to-treat or in harder-to-reach areas. In some cases local authority involvement in determining eligibility (see Question 14) could reduce suppliers' search costs for households in more remote regions.

192. Introducing any additional requirements or incentives would add complexity during the extension period whilst limiting flexibility for suppliers, which could reduce cost effectiveness, and undermine one of the fundamental principles of a supplier obligation.

193. The Government will continue to monitor and publish data on which measures are delivered, to which types of property and to which areas, and will consider any further changes for the 2018-2022 scheme.

### Consultation Question 40

Should a brokerage mechanism be continued?

Responses:	Yes: 23%	No: 20%	No View: 57%
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#### Summary of responses

194. Of those that responded, a slim majority felt that brokerage should be continued. Many said that the brokerage mechanism was useful, with some citing that it enabled smaller companies to access ECO, to which they may otherwise not have had access. Some energy suppliers felt that brokerage allowed a way of entering into contracts to cover shortfalls in delivering their obligations.

195. A number of respondents felt that the current brokerage model lacked transparency in terms of where the liability lay for the performance of measures. Some thought that brokerage only drove lower costs, creating a negative impact on the quality of installations and an increase in customer contributions.

#### Government response

196. The Government has decided to retain brokerage for the extension. The Government sees benefits in assisting market access for smaller installers, the ability for suppliers to swiftly enter into contracts, and the additional cost transparency that it provides. The brokerage contract was amended in 2015, enabling the buyer the option to use the cooling off period if the Technical Monitoring failure was in excess of 10% or other failure rates determined by Ofgem. In addition to this, wider quality issues should be improved by the outputs from the Each Home Counts Review.

197. The standard brokerage contract sets out the responsibilities of the buyer and seller of the installation measure (and the contract specifies certain 'cures' for failed measures).
198. The Government has made some minor changes to brokerage for the extension period to bring it in line with the policy changes outlined in this document, for example updating the lots so that they reflect the new obligation structure. These changes came into effect in November 2016.

### Consultation Question 41

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If a brokerage mechanism continued in the future, what eligibility criteria and due diligence checks should be carried out to enable access to a range of organisations?

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#### Summary of responses

199. There were mixed views about the eligibility criteria and due diligence checks. A number of respondents suggested that the current brokerage due diligence needs to be strengthened. Others thought that the current Green Deal Provider registration process offers adequate checks. Some felt that participants should not be required to register as a Green Deal Provider.
200. Some respondents thought that due diligence checks should mirror those used by energy suppliers in bilateral contracts, and should include credit rating, Financial Conduct Authority approval, financial stability checks, technical competence e.g. PAS certification, and their understanding of ECO compliance requirements and technical monitoring.

#### Government response

201. The Government has decided to retain the existing due diligence process for the extension period. In 2016, some changes were made to the brokerage contract to strengthen due diligence, and the Government will monitor the effectiveness of these on brokerage delivery. Further changes will be considered for any brokerage model for the 2018-2022 scheme.

### Consultation Question 42

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In addition, should access for an individual organisation be reviewed for any reason (e.g. at certain intervals or for certain behaviours)? If yes, what should be considered as part of the review?

Responses:	Yes: 28%	No: 3%	No View: 70%
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### Summary of responses

202. Of those that responded, a majority agreed that access should be reviewed at certain points. Some suggested that eligibility requirements should be checked on an annual basis and where standards are not met, access to brokerage should be withdrawn.

### Government response

203. The Government has decided not to make any radical changes to brokerage at this time, including changing the access requirements. However, these proposals will be considered in the design of any future brokerage model for the 2018-2022 scheme.

## Consultation Question 43

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Is brokerage a barrier to local delivery? Please provide reasons and, if 'yes', explain how it is a barrier and your recommendations (if applicable) for how we could remove the barrier(s) to improve local delivery under brokerage?

Responses:	Yes: 23%	No: 12%	No View: 65%
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### Summary of responses

204. Of those that responded, a majority felt brokerage was a barrier to local delivery. Some felt that local authorities and housing associations should be able to access brokerage without having to register as a Green Deal Provider. However, others felt that the brokerage model is complicated and doesn't support local involvement. Some respondents, particularly the supply chain, wanted to see regional lots on brokerage, to enable local delivery.

### Government response

205. The Government has decided not to make any radical changes to brokerage at this time. The Government will consider the impacts on local delivery in the design of any future brokerage model for the 2018-2022 scheme.

## Consultation Question 44

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Does the current performance rating system provide the assurance of quality and delivery needed? Please justify your response and, if 'no', what changes would you recommend?

Responses:	Yes: 5%	No: 17%	No View: 78%
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### Summary of responses

206. A majority of respondents felt that the current performance rating system did not provide adequate assurance for quality or delivery. Some suggested that the ratings

system needed to reflect the quality of previous installations. It was also suggested that the ratings system needed to better differentiate between established and new sellers, because all new sellers start off with a 100% rating, which is only reduced if and when delivery is not met. In addition some respondents suggested that there should be sanctions for poor performance, which could include withdrawal of access to brokerage or loss of PAS accreditation.

### Government response

207. The Government has decided to retain the current ratings system for the extension period. In 2016, the Government made changes to brokerage which provided greater transparency about the installer organisation delivering under brokerage, and the introduction of a cooling off period which allows the buyer to undertake due diligence checks on the seller before a contract is confirmed. The Government will monitor brokerage delivery in light of these changes. Further reforms will be considered for any brokerage platform for the 2018-2022 scheme.

## Consultation Question 45

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If brokerage continued, would you recommend any substantial changes to its design to better reflect the future fuel poverty focus?

Responses:	Yes: 21%	No: 7%	No View: 72%
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### Summary of responses

208. Of those that responded to this question, a majority recommended changes. This included changes to the lots, particularly under Affordable Warmth, to reflect policy changes for the extension. In addition, some respondents recommended the introduction of pricing to include a fraction of a penny. Recommendations also included a requirement for sellers to provide delivery profiles, before contracts were agreed.

### Government response

209. The Government has updated lots so that they are in line with the new scheme structure during the extension period, and pricing to reflect the fraction of a penny. More radical changes will be considered for any brokerage model for the 2018-2022 scheme.



## 5. Second set of reforms (2018-2022)

### Consultation Question 46 & 47

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**46.** Government invites views on the aspects of the future supplier obligation (eg measures, scoring, objectives) where a Scottish scheme could diverge from the GB-wide scheme without increasing the administration or policy costs unreasonably.

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**47.** When would you consider that differences between an English and Welsh scheme and a Scottish scheme could be detrimental to the operation and competition of the United Kingdom-wide energy market?

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#### Summary of responses

210. A variety of views were expressed, with a mix between respondents who believed that a Scottish scheme should be as similar as possible to a scheme for England and Wales, and respondents who believed that it was important that the Scottish scheme should reflect Scottish priorities.
211. There was no consensus on what aspects of the schemes should be kept the same, or should be different.
212. Many respondents stated that they would prefer a single, GB-wide supplier obligation. Reasons given included that differing schemes would increase administration and reporting requirements, would reduce potential for economies of scale, and support for households may differ depending on where they are located.
213. A majority of obligated suppliers that expressed a preference stated that they would like to see all obligated suppliers given the same proportion of their obligation to deliver in Scotland, rather than be given a Scottish target based on the proportion of their market share in Scotland.

#### Government response

214. The Government will use the responses to inform future policy decisions regarding the future obligation (2018-2022).
215. As such, further details will be consulted on by the UK or Scottish Government as appropriate before a devolved obligation is introduced.

### Consultation Question 48 & 49

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**48.** Do you believe there is any justification for changing the customer number threshold in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes', describe any actions you recommend in relation to addressing the proportionally higher fixed costs that may be borne by smaller obligated suppliers.

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Responses:	Yes: 20%	No: 14%	No View: 65%
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**49.** Do you believe there is any justification for changing the taper for newly obligated suppliers in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes', describe how you recommend amending the taper.

Responses:	Yes: 18%	No: 13%	No View: 69%
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### Summary of responses

216. Most of the respondents who answered 'yes' to question 48, stated that the threshold should be lowered, some giving the reason that the obligation is currently being spread over an increasingly smaller customer base. Some suggested that a lower threshold could be made possible through trading of obligations (paying another supplier to discharge the obligation on their behalf), or through a 'buy-out' (where smaller suppliers pay a fixed amount of money into a fund), in exchange for discharging their obligation.
217. Reasons given by those who did not favour a change in threshold included that smaller suppliers face disproportionate costs, and that the Competition and Markets Authority did not find the current level of the threshold to be market-distorting<sup>4</sup>.
218. Most of the respondents who answered 'yes' to question 49, stated that the taper should be removed, with some stating that it would not be needed if smaller suppliers can trade their obligations, or if a 'buy-out' was introduced, enabling suppliers to discharge their obligation at a fixed cost.
219. Some respondents expressed concerns that obligated suppliers face a disincentive to growth when moving up the taper, as for every extra unit of energy they supply, their obligation increases at twice the rate of those energy suppliers that are above the taper.
220. Reasons given by those who did not favour a change in the taper included that the taper was useful to smaller suppliers, and that the Competition and Markets Authority did not find the current level of the taper to be market-distorting.

### Government response

221. The responses given will inform future policy decisions regarding threshold levels and any taper in the future obligation (2018-2022). Any changes will be subject to further consultation.

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<sup>4</sup> <https://www.gov.uk/cma-cases/energy-market-investigation>

## Consultation Question 50

Under current and previous supplier obligations, are there barriers in scheme design inhibiting innovation in delivery models and technologies? If so, how should we design the scheme in order to overcome these barriers and incentivise the delivery of innovative products, technologies and delivery models in a future supplier obligation?

Responses:	Yes: 57%	No: 1%	No View: 42%
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### Summary of responses

222. Many respondents thought that SAP and RdSAP, the current measure scoring process, is too rigid. While some stated that the introduction of deemed scores would provide an opportunity to provide new scores for innovative technologies, more stated that it would not. Suggested solutions included a target for suppliers to install innovative measures, differentiation between measures using different lifetimes and in-use factors, and an alternative scoring model to encourage innovation (akin to 'demonstration actions' in CERT).
223. A number of respondents stated that the scoring system should also reward innovation in installation of measures, innovation in services and behavioural change, or innovation in advice and instruction for households receiving measures.
224. A number of respondents also expressed concerns that the nature of a supplier obligation itself stifles innovation, that short obligation periods make it difficult for suppliers to try new measures or products, and that suppliers needed incentives to do more than the minimum requirements to gain a score.

### Government response

225. The Government recognises that supplier obligations must strike a balance between encouraging innovation and ensuring that reliable savings are delivered using well-tested and established measures, technologies and methods. The views expressed will be taken into account when considering the design of the future obligation. Any changes will be subject to further consultation.

## Consultation Question 51

Government invites views on what specific improvements could be made to the design of the ECO scheme to facilitate administration and delivery.

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### Summary of responses

226. The majority of views to this question are already covered in the specific questions within the consultation. Many thought that the scheme should be simplified, to

reduce the administrative burden on suppliers and the supply chain, and that any new proposals to the scheme should bear in mind the need for simplicity.

227. Many respondents were in favour of a long-term obligation, as this would improve market stability, investor confidence and help drive innovation.
228. In addition, many respondents supported a locally driven approach, and were keen to see suitable mechanisms around that.
229. Some respondents, particularly suppliers, suggested that the role of the administrator should be more clearly defined to distinguish its administrative and enforcement functions. They also wanted to see greater certainty relating to the approval status of measures as the obligation progresses; a review of the audit requirements to ensure that they hold relevance; and, greater reliance on existing certification rather than Technical Monitoring, particularly given the review of PAS and the recommendations of the Each Home Counts review.

### **Government response**

230. The Government has made a number of changes around simplification and local delivery as set out in the specific responses within this consultation.
231. The responses provided will inform future policy decisions regarding administration and delivery of the future obligation (2018-2022). Any changes will be subject to further consultation.









## Annex 1: List of respondents

1. A & M Energy Solutions Ltd
2. A.C.Whyte & Co Ltd
3. Acrobat Carbon Services
4. Affinity Sutton
5. Age Scotland
6. Age UK
7. Agility Eco
8. Arun District Council
9. Association for Decentralised Energy (ADE)
10. Association for Technical Monitoring Agents
11. Association for the Conservation of Energy
12. Association of Local Energy Officers
13. Association of Local Energy Officers (ALEO) East Midlands
14. Association of Local Energy Officers (ALEO) North West
15. Association of Local Energy Officers (ALEO) South West
16. Association of Local Energy Officers (ALEO) West Midlands
17. Association of Residential Letting Agents
18. Avanti Gas
19. Barnsley Metropolitan Borough Council
20. Bassetlaw District Council
21. Bath & North East Somerset Council, Energy at Home Scheme
22. Baxi

23. BEAMA Limited
24. Beat the Cold
25. Benx Limited
26. BillSaveUK Limited
27. Bluewire Hub Ltd
28. Bolsover District Council Housing and Rykneld Homes Ltd
29. Bosch Thermotechnology Ltd
30. Bournemouth Affordable Warmth Partnership
31. Bournemouth Borough Council
32. Brent Council
33. Bristol City Council
34. Bristol Energy
35. British Gas
36. British Rigid Urethane Foam Manufacturer's Association (BRUFMA)
37. Broadland District Council and South Norfolk Council
38. Builders Merchant Federation (BMF)
39. Calibrate Ltd
40. Calor Gas
41. Cambridge City Council
42. Carbon Limiting Technologies
43. Carbon Trust
44. CarbonPlan Limited
45. Cavity Wall and Loft Clearance Solutions Ltd
46. Caylo Ltd

47. Cenergist Ltd
48. Central Bedfordshire Council
49. Centre for Sustainable Energy (CSE)
50. Centre on Innovation and Energy Demand (University of Sussex)
51. Certsure LLP
52. Citizen's Advice
53. City of Bradford Metropolitan District Council
54. City of Wakefield Metropolitan District Council
55. City of York Council
56. Comhairle Nan Eilean Siar
57. Community Energy England
58. Community Energy Plus
59. Community Energy Scotland
60. Community Housing Cymru
61. Confederation of British Industries (CBI)
62. Construction Products Association
63. Co-Op Energy
64. Core Cities
65. Cornwall Council
66. Council of Mortgage Lenders
67. Cutland Consulting Ltd
68. Cyngor Gwynedd
69. Daventry District Council
70. Derby City Council

71. DHL Energy Services Limited
72. Direct Savings
73. Distinction Energy Ltd
74. Dorset County Council
75. Durham County Council
76. East Hampshire District Council, Private Sector Housing
77. East Riding of Yorkshire Council
78. Ecotricity Group Ltd
79. EDF Energy
80. Ellipse Energy Ltd
81. Elmhurst Energy
82. Energiesprong UK
83. Energise Sussex Coast
84. Energy 2 Green Deal Ltd
85. Energy Action Scotland
86. Energy Networks Association (ENA)
87. Energy Saving Trust
88. Energy UK (E.UK)
89. Engie
90. ENRG Property Assessments
91. Environmental Change Institute, University of Oxford
92. EON
93. eTech Solutions Limited
94. Evolve

95. EWIS UK Ltd
96. Falkirk Council
97. First Utility
98. FPS Ltd
99. Gemserv Ltd
100. Generation Rent
101. Glasgow City Council
102. Glen Dimplex Heating
103. Gosport Borough Council
104. Greater London Authority
105. Greater Manchester Combined Authority (GMCA)
106. Green Deal Consortia (GDC)
107. Green Deal First
108. Ground Source Heat Pump Association
109. Grundfos
110. GSR Heating Ltd
111. Hampshire County Council
112. Happy Energy
113. Harborough District Council
114. Haringey Council
115. Havant Borough Council and East Hampshire District Council
116. Heating and Hot-water Industry Council (HHIC)
117. Horsham District Council
118. IDEA

119. InstaGroup
120. Insulated Render and Cladding Association (INCA)
121. Isothane Limited
122. Warm Wales~Cymru Gynnes CBC and Wales & West Utilities Ltd
123. Keep Sheffield Warm
124. Keepmoat
125. Kensa Heat Pumps
126. Kent County Council
127. Kingspan Insulation Ltd
128. Kinnell Holdings Limited
129. Knauf
130. Lakehouse PLC
131. Lancashire Energy Officers Group
132. Leeds City Council
133. Lewisham Council
134. Lincolnshire County Council
135. Liverpool City Council
136. Llewellyn Smith
137. Local Government Association (LGA)
138. London Borough of Islington
139. London Borough of Lambeth Council
140. Manders Consultancy
141. Marches Energy Agency
142. Market Owl

143. Mears Group
144. Middlesbrough Affordable Warmth Partnership
145. Mineral Wool Manufacturers' Association
146. My Home Survey Ltd
147. NAPIT Trade Association
148. National Blown Bead Association (NBBA)
149. National Energy Action (NEA)
150. National Energy Foundation
151. National Energy Services
152. National Grid
153. National Housing Federation
154. National Insulation Association (NIA)
155. National Landlords Association
156. Nest Labs
157. North Ayrshire Council
158. North West Energy Consulting
159. Northern Gas Networks
160. Norwich City Council
161. Nottingham Energy Partnership
162. Nottinghamshire and Derbyshire Local Authorities Energy Partnership (LAEP)
163. Npower
164. Ofgem E-Serve
165. Oldham Council
166. Orbit Group



167. Osborne Energy Ltd
168. Ovo Energy
169. Oxford City Council
170. Park Home Association
171. Park Home Insulations Ltd
172. Peterborough City Council
173. Policy Connect
174. Polypearl Limited
175. Portsmouth City Council
176. Private Housing Officers' Group
177. Procure Plus
178. Public Health England
179. PWR
180. QRL Radiators Limited Radiator Manufacturer
181. Residential Landlords Association
182. Resourcematics Limited
183. Rhondda Cynon Taf County Borough Council
184. Rockwool Ltd
185. Royal Institution of Chartered Surveyors
186. Saint-Gobain
187. SCIS Ltd
188. Scottish Federation of Housing Association
189. Scottish Land & Estates
190. ScottishPower

191. SERS Scotland Ltd
192. Southend Borough Council
193. Southern Gas Networks (SGN)
194. SPS Envirowall Ltd
195. SSE
196. Stockton District Advice and Information Service
197. Stockton-on-Tees Borough Council
198. Stoke-on-Trent City Council
199. Sustain Ltd
200. Sustainable Energy Association (SEA)
201. Sustainable Housing Action Partnership (SHAP)
202. Thames Water
203. The Behavioural Insights Team
204. The Environment Centre (tEC)
205. The Footprint Trust
206. The Homebuyersfriend Ltd
207. The Kent and Medway Sustainable Energy Partnership (KMSEP)
208. The Retrofit Academy
209. The Royal Society for the Protection of Birds (RSPB)
210. The Warmergroup Ltd
211. ThermaBead Ltd
212. Three Rivers District Council
213. Tighean Innse Gall
214. Trueco

- 215. UCL Energy Institute
- 216. UK Green Building Council (UKGBC)
- 217. UKLPG
- 218. Utilita Energy Ltd
- 219. Viessmann
- 220. Viridis
- 221. W Hughes & Son Ltd
- 222. Warm Front Limited
- 223. Warm Up North
- 224. Warmhome Insulation Ltd
- 225. Warmzones
- 226. Watford Borough Council
- 227. Welsh Government
- 228. West Lindsey District Council
- 229. West Yorkshire Combined Authority
- 230. Wetherby Building Systems Limited
- 231. Willmott Dixon Energy Services
- 232. Wolseley UK Ltd

In addition, four responses from individuals were received.

## Annex 2: Income thresholds for Universal Credit and Tax Credit eligibility

1. The table below shows the income thresholds for Universal Credit and Tax Credit recipients which will apply from April 2017 under Affordable Warmth. These have been set in order to ensure that more households on lower incomes are eligible than originally proposed. The thresholds mean that households receiving tax credits or universal credit with an income no higher than the typical (median) household will be eligible. The thresholds are adjusted depending on the number of and type of people in the household. This follows the methodology set out in Annex A of the consultation, which will improve the fuel poverty targeting of the scheme, compared to the current scheme, and include more working families on lower income.
2. The definitions of income used for the thresholds for Tax Credit (annual gross income) and Universal Credit (monthly net earned income) are different, reflecting the different information that can be verified in the respective award letters. Our analysis has shown that there is typically little difference between gross income and earned income for those households that will be captured under these thresholds. Therefore, despite using different income definitions, the income thresholds set out below by family composition for Tax Credit and Universal Credit are comparable on an annualised basis (any difference stems from rounding).

**Table: Income thresholds for Tax Credit and Universal Credit recipients' eligibility**

Household composition	Tax Credit recipients - Gross income (annual)	Universal Credit recipients - Net earned income (monthly)
<b>1 adult</b>	<b>£13,200</b>	<b>£1,100</b>
and 1 child	£17,400	£1,450
and 2 children	£21,600	£1,800
and three children	£25,800	£2,150
and four or more children	£30,000	£2,500
<b>2 adults</b>	<b>£19,800</b>	<b>£1,650</b>
and 1 child	£24,000	£2,000
and 2 children	£28,200	£2,350
and three children	£32,400	£2,700
and four or more children	£36,600	£3,050





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