




Department for
Business, Energy
& Industrial Strategy

ENERGY COMPANY OBLIGATION: ECO3, 2018 TO 2022

The Government Response to the ECO3,
2018 to 2022 Consultation



July 2018

The Government Response to the ECO3, 2018 to 2022 Consultation

The Government Response 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 ECO3, 2018-2022 consultation.

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General information

Purpose of this document

This document sets out the UK Government's response to the consultation on the Energy Company Obligation (3), 2018 to 2022.

The implementation of this Government response is subject to Parliamentary approval of the Electricity and Gas (Energy Company Obligation) Order 2018, which will be laid before Parliament shortly, and in Scotland is also subject to the approval of the Scottish Ministers.

A final stage Impact Assessment will be published ahead of the Parliamentary debates on the Order.

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Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh 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

Ministerial Foreword

In November 2017, we set out the Government's vision in the Industrial Strategy to continue to support and accelerate to a transformed economy that advances productivity and earning power in the UK. Alongside this, the Clean Growth Strategy set out our ambition to transition to a low carbon economy, including our aspiration for all homes to reach EPC Band C by 2035 where practical, cost effective and affordable. We have recently set out four grand challenges – including a clean growth grand challenge – and aims to use new technologies and modern construction practices to at least halve the energy use of new buildings by 2030. Such technologies and innovation can help to reduce the costs for existing buildings and the Energy Company Obligation scheme (ECO) is a key policy which will enable Government to deliver these aspirations whilst providing critical support to low income, and vulnerable households.

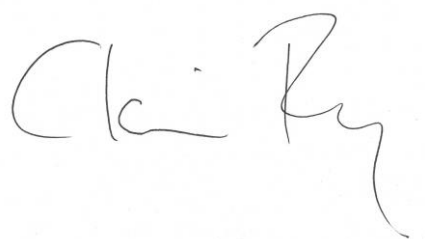
Since the Energy Company Obligation scheme (ECO) was launched in January 2013, 2.3 million energy efficiency measures have been installed in approximately 1.8m homes, helping to reduce people's energy bills, making homes more energy efficient, saving carbon and making our energy system more resilient.

The ECO3 scheme, that will run until March 2022, will focus entirely on low income and vulnerable households, helping to meet the Government's fuel poverty commitments.

Importantly, ECO will also encourage innovation by incentivising the inclusion of new, cost effective measures into the scheme, providing a boost for small, innovative companies across Great Britain. Local authorities will also have an expanded role, through Local Authority Flexible Eligibility, encouraging the use of their expertise to identify the most vulnerable households in their areas.

We would like to thank all of those who took the time to respond to the consultation. This document sets out how ECO will operate through to March 2022. The Clean Growth Strategy said that we would support home energy efficiency to 2028 at least at the current level of ECO funding. We will work with energy suppliers, installers, local authorities and other energy stakeholders on how we can continue to improve the energy efficiency of our homes.

We will continue our transition to low energy, low carbon homes while supporting working families, employment and innovation for an economy that works for everyone.

A handwritten signature in black ink, appearing to read 'Claire Perry', is positioned in the lower right area of the page.

Executive Summary

1. BEIS received 239 responses to the Energy Company Obligation consultation from a variety of stakeholders ranging from large energy suppliers and trade associations to individuals with an interest in energy efficiency and fuel poverty. Broadly, the responses were supportive of the Government's proposals. The final policy decisions set out in this document reflect the responses to the consultation as well as Government's wider strategic aims and are informed by the latest delivery statistics from the current scheme.
2. On the obligation threshold, Government has decided to reduce the obligation threshold from 1 April 2019 to 200,000 customer accounts and from 1 April 2020 to 150,000 customer accounts. This will create a more level playing field for suppliers, allow those below the new thresholds time to adjust and continue to protect new and recent market entrants. We will introduce an alternative taper mechanism from 1 April 2019 to complement the reduction in the threshold.
3. Using the evidence from the consultation and from current delivery, we have increased the overall target from the one we consulted on to £8.253bn lifetime bill savings. We have also reduced the bill savings target equivalent to 35,000 replacement heating systems and reflected the innovation uplifts.
4. Government will allow a capped amount of current ECO delivery to be carried over into the future scheme and will also permit early delivery of ECO3 measures during any gap between ECO regulations. We will not, however, permit carry-under from the current obligation period as it is unlikely to be required.
5. On the key question of whether the whole scheme should be focused on Affordable Warmth – low income, vulnerable and fuel poor households – there was support from most respondents and, therefore, Government intends that this will be the full focus of the scheme. We will also set the eligibility criteria as per the consultation proposal, which will result in around 6.6m households being eligible for the scheme. In addition, we will allow up to 25% of the obligation to be met through measures delivered under Local Authority Flexible Eligibility.
6. To protect rural households, Government will require suppliers to meet at least 15% of their obligation by delivering measures in rural areas. To strengthen the scheme's link to the Fuel Poverty Strategy further, we will also provide an uplift for measures delivered to low income households living in F and G rated properties under the Flexible Eligibility part of the scheme. Given landlords' responsibilities under the Private Rented Sector Minimum Standard Regulations, Government will limit the use of ECO in certain circumstances so that landlords do not use it to meet their basic requirements.
7. In general, there was a mixed response to the consultation proposals on eligible measures and Government has made some changes from the initial proposals. We will

continue to allow new, heating oil boilers, though these will be part of the broken heating system cap of 35,000 systems per year equivalent. This will help low income rural households replace broken oil boilers rather than having to rely on higher cost alternatives. We will also allow ground source heat pumps to be an eligible ECO measure even if they receive the Renewable Heat Incentive (RHI). Other technologies will not be eligible if they receive the RHI, reflecting the higher up-front cost and long-term benefits of ground source heat pumps. No measures will be eligible however, if an energy supplier claims assignment of rights under the RHI.

8. Government will implement a minimum of treating 17,000 solid walled homes per year, introducing flexibility so that these homes can be treated using solid wall insulation (SWI), or, if equivalent savings can be achieved in that property, using a combination of other insulation and renewable heating technologies.
9. To encourage a more multi-measure approach, we will allow inefficient heating systems to be upgraded outside of the broken heating system cap if they are installed alongside insulation. To maximise bill savings and reduce the risk of fraud and gaming noted by respondents, we will only permit certain insulation measures, excluding loft insulation.
10. The UK Government continues to expect ECO to remain a GB-wide scheme for the duration of the next obligation period. However, if the Scottish Government introduces a scheme for Scotland then, as proposed in the consultation, we will apportion a target for Scotland based on a three-year average of supply volumes.
11. Government will support a greater diversity of products and installations by allowing up to 10% of a supplier's obligation to be met through innovation. We will allow and encourage suppliers to do this under two options: Demonstration Actions and Innovation Score Uplifts. These will provide distinct routes to market for measures which have not been installed under ECO previously. Encouraging Demonstration Actions will not lead to any compromise on safety as new measures will have to meet rigorous product standards with consumer protection also considered during the application process. Similarly, Innovation Score Uplift measures will be subject to the same safety standards as other ECO measures. In addition, In-situ Performance, also capped at 10% but not part of innovation, will allow suppliers and manufacturers to demonstrate how their installations perform in the home, paving the way for more accurate data and a change in policy approach longer term.
12. On quality and standards, Government intends to adopt the quality mark and revised PAS standards once these are implemented and will allow for a clear and sufficient transition period between the current and future approach.
13. Alongside this document, Government will lay affirmative regulations in Parliament which we expect to be debated and come into force this autumn. Before October, BEIS will issue new guidance on innovation and updated guidance on Flexible Eligibility. These will be supplementary to the standard scheme guidance issued by Ofgem.

Consultation Questions and Government Responses

1. Suppliers

Consultation Question 1

Do you agree with the current supplier obligation threshold?

Responses:	Yes: 34%	No: 20%	No View: 46%
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Summary of responses

1. Of those who agreed with the current supplier obligation threshold, some gave the reason that the existing threshold encourages competition in the domestic energy retail market and has therefore reduced barriers to market entry and growth for small suppliers. Some highlighted that exempting smaller suppliers results in wider consumer choice. Several stakeholders suggested that lowering the threshold would place a burden on smaller suppliers as they lack economies of scale to deliver the obligation and would be subject to higher implementation costs.
2. Of those who disagreed with the current threshold, the majority proposed that it should be changed to between 50,000 and 150,000 customer accounts. Several gave the reason that the current threshold creates a distortion in the market as suppliers may purposefully avoid being obligated by keeping customer numbers just below the threshold. Some highlighted that there are several mechanisms in place to enable small suppliers to deliver their obligation if the threshold were lowered, such as the brokerage and trading mechanisms or outsourcing delivery of the scheme. Additionally, several stakeholders suggested that the proposed change to the taper mechanism would ease the burden on small, newly obligated suppliers.
3. Others suggested that as the bigger obligated suppliers have a larger percentage of consumers on Standard Variable Tariffs (SVT), a disproportionate number of less engaged, vulnerable consumers currently contribute towards the costs of the scheme, as active consumers are more likely to switch to smaller suppliers below the threshold. They suggested that removing or lowering the threshold may remove this risk and ensure scheme costs would be distributed more equitably amongst suppliers and consumers.
4. Several stakeholders recommended an alternative to lowering the threshold; introducing a mechanism that allows suppliers beneath the threshold to contribute to scheme costs either through paying into a 'fund' that a third party could use to deliver

¹Percentages throughout the document may not be 100% exactly due to rounding.

energy efficiency measures or redistributing money to obligated suppliers to deliver measures.

Government response

5. The Government will reduce the supplier obligation threshold from 1 April 2019 (Phase 2) of the future scheme to 200,000 customer accounts and supply volumes of 1,100 GWh/year gas and 400 GWh/year electricity, and then 150,000 customer accounts and supply volumes of 700 GWh/year gas and 300 GWh/year electricity from 1 April 2020 (Phase 3) for the remainder of the scheme. For Phase 1, Government will also update exempt supply volumes for the current 250,000 customer account threshold to 1,400 GWh/year gas and 500 GWh/year electricity, to reflect changes in average supply volumes in the domestic energy retail market.
6. Government has taken this decision in recognition of the market changes since the thresholds were originally set and that there are now many more suppliers operating in the market. We have balanced this with the on-going aim to minimise barriers to market entry by phasing in the reductions to the threshold over time. Reducing the customer account threshold at Phase 2 of the scheme will allow newly obligated suppliers, time to prepare for scheme participation, whilst distributing scheme costs across more suppliers and, therefore, more customers. Additionally, the Government will also introduce the supplier allowance approach alongside the lower threshold, replacing the current taper mechanism (see the response to question 2) which will further support smaller suppliers who will be obligated to deliver the scheme.
7. The Government considered alternatives to lowering the supplier obligation threshold, in particular, introducing a mechanism enabling suppliers beneath the threshold to contribute to scheme costs. However, the primary legislation for the supplier obligation does not provide a mechanism for redistributing funds between suppliers. Variants of this approach would require the creation of significant new arrangements to manage the funds collected to deliver energy efficiency measures. It is also the case that the targets defined by the primary legislation for the supplier obligation are for the promotion of actual measures by suppliers.
8. Subject to monitoring the market impacts of this change and the right mechanisms being put into place, Government expects that should a supplier obligation exist beyond ECO3, it could have no or minimal thresholds.

Consultation Question 2

Do you agree that we should amend the taper mechanism to a supplier allowance approach?

Responses:	Yes: 40%	No: 9%	No View: 51%
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Summary of responses

9. The majority of stakeholders who responded agreed with the proposal to amend the taper mechanism to a supplier allowance approach. Many stakeholders welcomed the support for smaller obligated suppliers, noting that the proposal would allow small suppliers to manage their obligation effectively alongside reducing administrative burdens. Some highlighted that the proposed approach was more equitable and supports growth in the market.
10. Some stakeholders agreed with the approach, subject to the supplier obligation threshold being lowered. They noted that the combination of a lower threshold and the proposed supplier allowance may alleviate market distortion, as there is less incentive to stay below the participation threshold.
11. Of those who disagreed, the main concern was that larger suppliers' obligations would increase disproportionately due to the proposed supplier allowance, leaving them adversely affected.

Government response

12. The Government has decided to amend the taper mechanism to a supplier allowance approach, from Phase 2 of the future scheme starting on 1 April 2019, aligning with the lowering of the supplier obligation threshold.
13. Introducing a supplier allowance approach alongside a lower threshold will support newly obligated and smaller suppliers in managing their obligation to deliver the scheme. In addition, this will minimise the impact on larger suppliers, as introducing the proposed approach at a lower threshold results in a smaller increase in their obligations, expected to be less than one percentage point for the largest supplier for a 150,000 customer account threshold.

Consultation Question 3

Do you agree with our proposed obligation phases for the future scheme?

Responses:	Yes: 52%	No: 9%	No View: 39%
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Summary of responses

14. The majority of stakeholders agreed with the proposed obligation phases for the future scheme. Many stakeholders welcomed the retention of the existing data collection points and timings for calculating obligations, ensuring minimal impact for administration of the future scheme.
15. Several stakeholders recommended that suppliers should be required to deliver their obligation proportionately across each phase of the obligation, to aid consistency in delivery across the supply chain.

Government response

16. The Government has decided to adopt the obligation phases for the future scheme, as proposed. The obligation phases are consistent with the current scheme's data collection requirements and obligation calculations, which will support a smooth transition.
17. Government will not make delivering a set proportion of a supplier's obligation before the end of each phase mandatory because this would increase the complexity for suppliers as well as reducing flexibility and increasing costs. Flexibility to allow cost effective delivery is a key principle behind supplier obligations. It is also the case that suppliers generally have an interest in maintaining a relatively smooth delivery profile, avoiding peaks and troughs in prices for smooth pricing profiles. Suppliers will be required to meet their obligation by the end of the scheme in March 2022.

Consultation Question 4

Do you agree that an unlimited amount of Affordable Warmth delivery (from 1 April 2017) and up to 20% CERO delivery should be allowed to be carried over to the future scheme (with the exception of oil and coal heating systems)?

Responses:	Yes: 51%	No: 14%	No View: 35%
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Summary of responses

18. The majority of stakeholders who responded agreed with the proposal to allow carry-over of measures to the future scheme. Many stakeholders stated that the proposal will enable a smooth transition between schemes, alleviating the risk of a hiatus in delivery and supporting the supply chain. Several suppliers welcomed the flexibility in delivery that the carry-over proposals would allow.
19. Of those who disagreed, several stakeholders suggested that carry-over of CERO delivery should either be decreased or disallowed, stating that allowing carry-over of CERO delivery was inappropriate as the proposal was to focus the future scheme on low income and vulnerable households and those living in fuel poverty.
20. Some suggested that there should be a cap on carry-over of Affordable Warmth delivery as being awarded ECO2t scores for carry-over may incentivise suppliers to increase delivery for carry-over as those scores are higher than the ECO3 scores. As a result, this may lead to a hiatus in delivery at the start of the future scheme. Some stated that allowing an unlimited amount of Affordable Warmth delivery may undermine the policy intent of the future scheme.
21. Several stated that not allowing the carry-over of oil heating measures would be challenging for the supply chain due to the large volumes of such measures delivered in the current scheme.
22. Many respondents called for Government to provide clarity on the conversion of CERO delivery scoring (carbon saving) to Affordable Warmth delivery scoring (lifetime bill saving).

Government response

23. Government has decided to allow suppliers to carry-over measures to the future scheme. This will enable suppliers to deliver above their ECO2t obligation to manage risks, enabling surplus savings to count towards the future scheme. Alongside the Government's approach to early delivery of measures (covered under the response to question 6) this should also ensure a smooth transition between schemes, supporting consistent delivery throughout the supply chain as well as resulting in households benefiting from measures earlier.

24. As proposed, suppliers will be allowed to carry-over an unlimited amount of Affordable Warmth delivery (heating qualifying actions completed from 1 April 2017 and notified under ECO2t) and up to 20% of CERO delivery (carbon qualifying actions completed from 1 April 2017 and notified under ECO2t) to the future scheme, with the exception of coal fuelled heating system measures. Carry-over of oil fuelled heating system measures will be allowed to the future scheme (see the response to question 16). All carry-over will count towards any maximums and minimums in the future scheme, as long as the measures meet the criteria for these maximums and minimums in the future scheme.
25. Finally, measures that are carried over will be awarded a score based on the current ECO2t scheme deemed scores, which includes any uplifts applied in the current scheme. Any ECO2t Affordable Warmth measures that are carried over will keep their ECO2t score. As the future scheme will be 100% Affordable Warmth, any CERO carry-over will be awarded the equivalent lifetime bill saving score based on Ofgem's published ECO2t deemed scores. CERO measures scored using SAP should use the equivalent SAP score for cost savings.

Consultation Question 5

Is carry-under necessary and do you agree with our planned approach?

Responses:	Yes: 38%	No: 24%	No View: 38%
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Summary of responses

26. Generally, stakeholders agreed in principle with the planned approach for the carry-under mechanism. Some suppliers highlighted that the mechanism could enable additional flexibility to manage their obligation in a cost-effective manner. In addition, some stakeholders noted that carry-under could help prevent inflated pricing at the end of an obligation period.
27. However, other stakeholders noted that although they agreed with the planned approach, carry-under is not necessary for the future scheme if suppliers are on track to meet their obligation targets.
28. Of those who disagreed, the main concern was that carry-under would incentivise non-compliance, highlighting that suppliers should be penalised if they fail to meet their obligation targets.

Government response

29. The Government has decided not to introduce a carry-under mechanism. Government has closely monitored suppliers' delivery, both during and since the consultation period, and concluded that they are largely on target to meet their obligations and,

therefore, should not need a carry-under provision. Ofgem will deal with non-compliance of the scheme in the usual way. This also supports the expectation that targets should be met by all suppliers within the obligation period.

Consultation Question 6

Do you agree with our planned approach to early delivery during a potential gap between schemes?

Responses:	Yes: 54%	No: 11%	No View: 35%
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Summary of responses

30. The majority of respondents agreed with our planned approach to early delivery during any potential gap between schemes. The main reason given was that the planned approach reduces the risk of a hiatus and supports the supply chain.
31. Respondents raised concerns that scoring measures using ECO2t scores without the 30% uplift would not sufficiently incentivise delivery during any potential hiatus and would increase the administrative burden as it would require a different scoring method to the current and future scheme scores.
32. Many respondents called for early clarity of eligibility and rules for this provision, to further minimise the risk of any potential gap in delivery between schemes.

Government response

33. Should the ECO Order for the future scheme not be brought into force to start immediately after the end of the current ECO scheme, measures that are completed in the period between when the current scheme ends and the future scheme starts, will be able to contribute towards the future scheme.
34. To sufficiently incentivise delivery in this period and help ensure continuity in the supply chain, the Government has decided these measures must meet ECO3 scheme rules and will be awarded ECO3 deemed scores. In addition, this will simplify the administration of this provision and will better align with the policy of the future scheme.
35. Ofgem will publish their ECO3 deemed score consultation response, which will set out their approach to ECO3 deemed scores, shortly. In addition, Ofgem will publish draft guidance before any potential gap between schemes.

2. Obligation targets and household eligibility

Consultation Question 7

Do you agree with the proposal to increase the Affordable Warmth obligation so that it represents 100% of the future scheme?

Responses:	Yes: 60%	No: 21%	No View: 19%
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Summary of responses

37. Most respondents agreed with the proposal to focus ECO entirely on Affordable Warmth. Others, while recognising the need to focus attention on low income, vulnerable and fuel poor households, disagreed that it should be 100% of ECO stating that, as it is paid for by all consumers of obligated suppliers, an element of CERO should remain, enabling all consumers to be eligible to benefit from the scheme.
38. Concerns were raised that the removal of CERO would result in social housing outside of the Affordable Warmth eligibility criteria not being able to receive energy efficiency measures under ECO and, given the costs, that some 'able to pay' households might potentially be deterred from installing energy efficiency measures. Of those who disagreed with the proposal, 55% thought some part of CERO should be retained, citing its usefulness for lead generation and in aiding area-based delivery of solid wall insulation and district heating measures. In contrast, respondents who supported the proposal regarded the removal of CERO as enabling funding to be targeted more at low income, vulnerable and fuel poor households.
39. Some respondents also raised concerns that moving to a 100% Affordable Warmth scheme would not be commensurate with the carbon emissions reduction targets and enabling the housing stock to be improved irrespective of the household's income level.
40. Other respondents raised concerns about the deliverability and cost of the proposed scheme.

Government response

41. The Government has decided to move to a 100% Affordable Warmth scheme with the aim of targeting ECO to low income, vulnerable and fuel poor households.
42. The Government acknowledges that the removal of CERO will result in lower carbon emissions reductions being achieved under the scheme. However, while the level of carbon savings under a 100% Affordable Warmth scheme will be reduced, it will still achieve carbon savings: we provisionally estimate lifetime carbon savings of 2.1 MtCO₂ for every year that the scheme is in operation. The Government therefore considers that the focus of ECO should be to assist those least able to afford energy efficiency measures given it is the main policy driver to deliver the Fuel Poverty

Strategy. There are other policies that address carbon savings in homes and across the economy more widely.

43. As noted in the consultation, should the Warm Home Discount be reformed, we intend that recipients of the Core Group rebate (as may then be defined), will automatically be eligible for ECO subject to the tenure criteria and restrictions which apply under ECO.
44. As part of the consultation we received further evidence about the costs of installation. Added to the latest evidence on the cost of delivering ECO2t and reflecting the final policy, we have increased the final obligation to £8.253bn lifetime bill savings from the £7.735bn which we consulted on.

Private Rented Sector and the minimum energy efficiency standards¹

45. The ECO consultation did not include a specific question about the private rented sector and the minimum energy efficiency standards. However, 3% of all responses to question 7 suggested ECO should be aligned with the PRS minimum energy efficiency standards. The Government has decided to restrict ECO measures allowed in the private rented sector to reflect that landlords are separately required to meet minimum energy efficiency standards for certain private rented sector properties in England and Wales. As such, EPC Band F and G rated properties will only be eligible for high cost measures (e.g. solid wall insulation and renewables measures) so that landlords do not use ECO to meet their basic requirements.
46. PRS properties already at EPC Band E or above can benefit from any ECO measures, including First Time Central Heating, because landlords are only required to meet a minimum standard of EPC Band E at this time and there are no requirements on a landlord to improve the EPC rating of the property beyond Band E. Therefore, we would expect ECO measures to be additional. However, broken heating systems will not be allowed at all as Government expects landlords to provide working heating systems to their tenants.

¹ Part Three of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.

Consultation Question 8

Do you agree with our proposal to include a rural sub-obligation representing 15% of the total obligation?

Responses:	Yes: 58%	No: 15%	No View: 25%
			Partially Agree: 2%

Summary of responses

47. A significant number of respondents agreed with the proposal to include a 15% rural sub-obligation, citing the need to stimulate delivery in rural areas to help low income, vulnerable and fuel poor households, particularly where they live in off gas grid properties.
48. A number of respondents commented that the sub-obligation would oblige suppliers and the supply chain to proactively target rural homes. They stated that rural areas, and in particular, lower density areas, had not benefited from delivery of measures to the same extent as urban areas due to additional search and delivery costs.
49. Respondents who did not support this proposal believed a sub-obligation in a 100% Affordable Warmth scheme would prove challenging to deliver, partly because of the type of housing stock concerned and the higher delivery costs. Respondents also expressed concern that the proposal to remove oil boilers as an eligible measure and not allowing the interaction between ECO and RHI funding would make delivery to rural households more difficult.

Government response

50. The Government has decided to include a 15% rural sub-obligation. While BEIS statistics show that rural delivery as a whole is broadly in line with the England & Wales delivery average of around 20%, we want to ensure that low income, vulnerable and fuel poor households in rural areas continue to receive a fair share of support. The Government's target to lift as many fuel poor households as is reasonably practicable to EPC Band E by 2020, also supports retention of a specific focus on rural areas.
51. We will also retain the deemed score off gas grid uplift for insulation measures (see the response to question 28). We believe this will further incentivise delivery to rural areas. As set out in the response to questions 16 and 27, we will allow the replacement of broken oil boilers within the 35,000 heating measure cap; and will also allow an interaction between ECO and RHI funding for the installation of ground source heat pumps (subject to a limitation relating to assignment of rights). We believe this will lead to further delivery of measures to rural areas.
52. Finally, the increase in Flexible Eligibility to 25% may also help to deliver measures to rural areas.

Consultation Question 9

Do you agree with the proposal to include the disability benefits noted in Table 2 above within the eligibility criteria for private tenure households under ECO3?

Responses:	Yes: 68%	No: 9%	No View: 28%
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Summary of responses

53. Of those who responded to this question, the majority agreed that the stated disability benefits should be included giving reasons such as, the higher heating needs and vulnerability to the cold of people with disabilities experience and the likelihood that they are less likely to be in paid work. Other respondents stated that expanding the eligibility criteria was an effective means of reducing the costs of the scheme.
54. Those that disagreed stated that the inclusion of disability benefits would dilute the targeting of the scheme on fuel poor households. Others noted that it could lead to households receiving a measure that they could fully-fund themselves. Some respondents considered the addition of disability benefits to be unnecessary stating that where a low income household includes someone with a disability who is unable to work they may be eligible for the scheme under other scheme criteria.
55. Many respondents thought that an additional qualifying requirement should be introduced alongside disability benefits such as an equivalised income cap (similar to that proposed for Child Benefit eligibility).

Government response

56. The Government has decided to introduce this eligibility criteria to help disabled households as they may be vulnerable to the cold and as such have higher heating costs.
57. We have decided not to introduce an income threshold for these benefits or introduce an EPC Band requirement. Introducing an EPC Band rating criteria would reduce the eligible pool size while only marginally raising the number of fuel poor households in the scheme. The net effect of a reduction in the eligible pool is expected to be an increase in the search costs associated with finding eligible homes and would thus impact the total number of properties treated.
58. Whilst we accept that some households on disability benefits have higher incomes, this is often as a result of the receipt of those benefits which are intended to contribute to the higher living costs associated with disability.

Consultation Question 10

Do you agree that Child Benefit subject to an equivalised income threshold should be included within the ECO3 eligibility criteria for private tenure households?

Responses:	Yes: 66%	No: 3%	No View: 31%
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Summary of responses

59. A majority of respondents agreed with including Child Benefit as part of the scheme eligibility criteria. Some respondents also thought that this should be extended to social housing tenants who met the criteria; others thought that local authorities should be able to target support to households on Child Benefit.
60. However, there were more mixed views about the inclusion of an equivalised income threshold. While some respondents saw the inclusion of an income threshold as necessary since they considered Child Benefit was not a sufficiently good indicator of fuel poverty. Others were concerned that there could be an additional administrative burden given that DWP data matching cannot be used to verify income levels. Others thought that in setting the income thresholds, regional differences should be taken into account given regional variation in housing costs. To aid verification of income thresholds, some respondents thought that P60s could be used.
61. Some respondents proposed an alternative/additional criterion of an EPC Band rating to target the worst performing homes.
62. Some respondents thought the focus should be on households with younger children and that eligibility should be limited to households where it could be demonstrated that children under five were living at the property.

Government response

63. The Government has decided to extend eligibility to recipients of Child Benefit subject to the equivalised income thresholds as set out in the consultation document. Including equivalised income thresholds will ensure that only low income working families are eligible for support under the scheme.
64. As set out in the consultation, we believe this will provide assistance to low income working families who, under the current scheme, do not meet the current Affordable Warmth eligibility criteria.

Consultation Question 11

Do you agree with the proposal to remove the income thresholds under the future ECO scheme for households in receipt of Universal Credit and Tax Credits?

Responses:	Yes: 61%	No: 5%	No View: 34%
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Summary of responses

65. The majority of respondents to this question agreed with the removal of the income thresholds stating it was a welcome simplification particularly given the possibility of simply verifying eligibility through use of DWP data matching.
66. However, while some saw this proposal as fitting well with the benefits cap,² others were concerned that in the event of the benefit cap being removed this would impact upon the targeting of ECO.

Government response

67. The Government has decided to implement this proposal, which will serve to simplify verification of eligibility and help to broaden the eligible pool.

Consultation Question 12

Do you agree with the proposal that self-declaration is used for proving eligibility under the income threshold requirement attached to Child Benefit and for the benefits administered by Veterans UK?

Responses:	Yes: 52%	No: 14%	No View: 34%
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Summary of responses

68. While over a half of respondents agreed with the principle that self-declaration should be used to prove eligibility, many raised issues they thought would need to be addressed through guidance to enable suppliers, the supply chain, beneficiaries and others to understand the form of compliance and methodology required.
69. Some respondents observed that while self-declaration was administratively attractive, it was, as for any self-declaration system, susceptible to abuse and/or fraud. Accordingly, many suggested the necessity to implement some form of audit and/or spot check system carried out by Ofgem to ensure that rules were being followed.

² The limit placed on the total amount of income from certain benefits a household can receive that is set at a different level depending on whether the recipient lives inside or outside Greater London.

70. Other respondents asked what sanctions would be implemented in the event of a false or unintentional misdeclaration, while others sought reassurance that suppliers would not be held accountable for false self-declarations.

Government response

71. As set out in the consultation if a self-declaration is used, guidance will be published setting out the methodology in respect of self-declarations and acceptable forms of compliance.
72. Government will work with the Administrator to ensure that, to the fullest extent possible, a system is adopted that minimises any potential for abuse and/or fraud.

Consultation Question 13

Do you agree with the proposal to retain eligibility for social tenure housing only for those properties with an EPC Band rating of E, F or G?

Responses:	Yes: 38%	No: 42%	No View: 19%
			Partially Agree: 1%

Summary of responses

73. There were mixed views on this proposal. Approximately a third of respondents thought that social housing EPC Band D rated properties should be eligible for the scheme. Reasons ranged from driving down costs in relation to the delivery and installation of solid wall insulation and maximising low-cost insulation measures; supporting a wider set of rural homes; avoiding a ‘pepper pot (uncoordinated) approach’ on external wall insulation and district heating measures in low-medium high-rise blocks of flats; and, enabling the procurement of additional third-party funding from social housing providers to be used in conjunction with ECO funding. This was considered by some to be of even greater necessity in light of the proposed removal of CERO.
74. Almost a fifth of respondents thought that including social housing properties rated EPC Band D was in line with Government aspirations for as many fuel poor homes as reasonably practicable to reach EPC Band C by 2030.

Government response

75. For the reasons set out in the consultation, the Government has decided to retain eligibility for Affordable Warmth measures only for those social housing properties with an EPC Band rating of E, F and G.
76. However, Government has decided to extend any measures delivered under innovation to social housing properties with an EPC Band rating of D, E, F and G. Section 5 sets out further information on how innovation will work under the scheme.

Consultation Question 14

Please provide evidence on how the mapping tool described above could reduce the search costs of identifying eligible households, quantifying the cost reduction where possible.

Summary of responses

77. There were mixed views on whether a mapping tool at postcode level would be useful. Those that thought it would be useful were largely unable to quantify the potential benefits of such a tool. In general, respondents thought it would be likely to reduce administration costs and help particularly with multi-home, area-based projects.
78. There were differences in opinions from local authorities. Some stated that they already have mapping tools and sufficient information about households in their area and others claimed a mapping tool would be helpful for their areas.
79. Respondents raised concerns that areas with clusters of eligible households could be targeted repeatedly whilst those with few eligible homes will not be offered measures. It was also noted that identifying the eligible and suitable homes does not necessarily mean the householder will want a measure installed.

Government response

80. Due to the lack of evidence provided, we are unable to adjust our search cost assumptions on the basis of making available a targeting tool intended to reduce them. We will however, continue to work on developing a mapping tool to make use of Government-held and publicly-available data, co-operating with relevant expert third parties on this initiative.

Consultation Question 15

Do you agree that, subject to supportive evidence being available, up to 25% of ECO can be delivered through Flexible Eligibility?

Responses:	Yes: 68%	No: 10%	No View: 21%
			Partially Agree: 1%

Summary of responses

81. The majority of respondents agreed with the proposal to increase the level of Flexible Eligibility, with some stating that local authorities were best placed to assist in the effective targeting of those in or at risk of being in fuel poverty given their local knowledge of the housing stock in their areas. Some respondents thought Flexible Eligibility served to significantly reduce search and lead generation costs.
82. Opinion varied on the size of Flexible Eligibility that should be allowed under the scheme, with suggestions ranging from between 25% to 100%. Some respondents suggested that any percentage increase should be incremental and effected steadily over the course of ECO3. Some thought that it should be mandatory.
83. Of those that disagreed, concern centred on the time and resources available to local authorities and whether there was appetite to participate given the limited number of current published local authority Statements of Intent (SOI), all of which it was believed had had the consequence of impacting upon the potential delivery of the scheme under ECO2t. A few suggested that firm evidence was required that Flexible Eligibility was working before increasing the cap.
84. Some respondents raised concerns that limiting Flexible Eligibility to a small proportion of ECO3 could result in it the cap being met mid-scheme. Respondents thought that a higher proportion would help safeguard Flexible Eligibility delivery for the duration of the scheme.

Government response

85. The Government has decided to implement the proposal as set out the consultation and increase the percentage of the scheme that can be delivered under Flexible Eligibility to 25%.
86. This increase recognises that local authorities play a significant role in helping to identify low income, vulnerable and fuel poor homes, including those who are vulnerable to cold, and are best placed in knowing how to help their local communities.
87. Whilst the Government acknowledges that the number of measures delivered under the current scheme has not reached its full 10% potential, we recognise that establishing local schemes and partnerships and publishing SOIs has taken time.

Local authorities have also taken time to understand how Flexible Eligibility can be used to its greatest effect, to help those most in need in their local areas. We are pleased that the number of SOIs published has increased during the current scheme and, more recently, that there has been a significant increase in measures being delivered under Flexible Eligibility. We also expect that a longer, three-and-a-half-year scheme, with a higher proportion of Flexible Eligibility allowed, will be attractive to local authorities, in particular those that have not yet participated.

88. There will be a further incentive to target EPC Band F and G rated properties under Flexible Eligibility, with an introduction of a 25% uplift for these properties. The response to question 28 provides more information.
89. The Government will update the LA Flexible Eligibility guidance. This will include examples of current best practice.

3. Eligible Energy Efficiency Measures

Consultation Question 16

Do you agree with our proposal to exclude the installation or repair of oil and coal fuelled heating systems?

Responses:	Yes: 50%	No: 29%	No View: 21%
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Summary of responses

- 90. The majority of respondents agreed with this proposal. Those that agreed cited that continuing to install oil and coal is not consistent with the Clean Growth Strategy or the decarbonisation of heat. Many of those that agreed, stated that there was a need to ensure that low income households are supported in the transition to low carbon heating.
- 91. Those who disagreed thought that the proposal was unequitable for low income off-grid households, as oil is often the only cost effective and viable method of heating their homes. Many of those who disagreed understood the rationale for removing oil heating systems but thought the change should be phased in through a cap or restricted to upgrading the least efficient oil systems, rather than a complete prohibition.
- 92. Respondents did not make any specific arguments to retain coal heating systems.

Government response

- 93. The Government has set out the long-term vision on clean growth including the commitment to phase out carbon intensive fuels from 2020, starting with new homes. We acknowledge, however, the concerns about how a complete restriction from October 2018 (before the phasing out starts), could impact on off-grid, low income and vulnerable households. Government will therefore allow limited oil boiler delivery to take place within the broken heating system cap and will also allow the repair of broken oil boilers within the 5% cap for all boiler repairs.
- 94. Coal heating replacement or repairs will not be allowed under the future scheme. Oil boilers will not be allowed under first time central heating (FTCH), district heating, solid walled homes minimum, rural minimum, inefficient heating system replacements or innovation measures.
- 95. The Government expects that oil boilers will be delivered mostly in rural areas, although the policy does not exclude other areas. Any oil boilers delivered in rural areas within the broken heating system cap will not be counted within the rural minimum requirements as we want to encourage primarily insulation measures and do not want

energy suppliers to have an additional incentive of meeting their rural minimum by installing heating oil boilers in large houses.

96. The Government believes that allowing the replacement of broken oil heating systems under the cap, will help low income, vulnerable and fuel poor households in rural areas, while also complementing the longer term aims of the Clean Growth Strategy.

Consultation Question 17

Do you agree with the broadening of the criteria for the installation of first time central heating?

Responses:	Yes: 70%	No: 8%	No View: 22%
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Summary of responses

97. The majority of respondents agreed with the proposal to broaden the criteria for the installation of first time central heating (FTCH). Some respondents considered that allowing the replacement of electric heating with a gas central heating system was against the Government's long-term decarbonisation goals.
98. Several respondents thought that a higher score or other incentives may be required to ensure FTCH is installed. There were mixed views on whether social housing should be included in the FTCH eligibility criteria. Some thought that social housing should be excluded as this should be the responsibility of the housing provider, whilst others considered that there should not be a limit on delivery to social housing. Some respondents thought that there should be a minimum requirement for FTCH, linked with the Fuel Poor Network Extension Scheme (FPNES).

Government response

99. FTCH complements the long-term Clean Growth Strategy, by providing help to households now where it is needed. While in the longer term, from 2020, there will be a phasing out of carbon intensive heating fuels, starting with new homes off the gas grid, FTCH will continue to be an eligible measure during the ECO3 scheme. It will enable low income, vulnerable and fuel poor households, particularly in rural areas, to benefit from energy efficient heating and potentially enable the co-ordination of the existing FPNES scheme with the installation of heating measures under ECO.
100. Properties with 100% broken or inefficient³ electric storage heaters will be eligible for FTCH.
101. Social housing will continue to be eligible for FTCH as long as it is an EPC Band E, F and G rated property. Prior insulation requirements will continue to apply where the

³ An electric storage heater is inefficient if it has a manufactured responsiveness rating of 0.2 or less when assessed against the Standard Assessment Procedure.

FTCH is a district heating connection to an EPC Band E, F and G rated social housing property. Private domestic premises, outside of the private rented sector, will continue to be eligible for FTCH if the household meets the eligibility criteria (i.e. receipt of eligible benefits or identified under LA Flexible Eligibility).

102. While we are not providing additional incentives for the installation of FTCH, we will allow and do expect ECO funding to be used alongside the Warm Homes Fund to enable those on low incomes to benefit from FTCH.
103. Further information on measures eligibility for the Private Rented Sector is in the response to question 7.

Consultation Question 18

Do you agree with our proposed approach to limit the replacement of all broken heating systems to the equivalent of 35,000 per year, (excluding the installation of FTCH, renewable and district heating systems, inefficient heating upgrades delivered alongside insulation and heating controls) and our proposals for limiting certain heating repairs?

Responses:	Yes: 32%	No: 28%	No View: 40%
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Summary of responses

104. There were mixed responses to this question. Some respondents thought that there should not be any restrictions on replacing heating systems or that the cap was too low, whilst others considered the cap too high. Those that supported the proposal for a 35,000 limit considered that this created a fair balance of delivery between the heat and insulation sectors.

Government response

105. The Government has decided to limit the replacement of broken heating systems to the equivalent of 35,000 per year – this will now include oil heating systems. Furthermore, the installation of, renewable, district and first time central heating and inefficient heating upgrades accompanied by insulation will be allowed to be delivered outside of the cap. Heating repairs will be limited as proposed in the consultation. This is consistent with the need to focus on measures that are most cost effective in tackling fuel poverty and supporting renewables in line with our commitment on clean growth.
106. As set out in the consultation, the heating system must be considered broken down and unable to be economically repaired to be eligible, and if electric storage heating, 100% of the total storage heaters in the property are broken and unable to be economically repaired to be eligible. This will ensure premises without any heating system will receive support under the cap.

107. Heating controls do not fall into any caps, and the repair of boilers and broken electric storage heaters will be limited to 5% of each of the supplier's obligations, as proposed in the consultation.
108. Furthermore, there will be additional eligibility restrictions for private rented properties (please see the responses to questions 7 and 17 for further information).

Consultation Question 19

Do you agree with our proposal to allow certain heating system upgrades where they are delivered alongside certain insulation measures?

Responses:	Yes: 63%	No: 14%	No View: 23%
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Summary of responses

109. The majority of responses supported the proposals to allow certain heating system upgrades alongside insulation. Those that supported this proposal stated that encouraging the installation of heating and insulation measures would drive additional benefits as part of a whole house approach and give more flexibility to help overcome the challenge of delivering insulation. Several respondents thought that the deemed scores were too low and installing two measures may mean that low income households would be required to make an additional contribution which they could not afford. The main concerns raised by those who did not support this proposal thought that it was unfair to households that had already received insulation under previous schemes, and could lead to gaming, particularly for the installation of loft top-up insulation.

Government response

110. The Government has decided to allow upgrades to inefficient heating systems and heating measures to be delivered outside of the broken heating system cap, as long as the upgrade or broken heating system replacement is accompanied by insulation measures. One of the best long-term solutions to address fuel poverty is by dealing with the fabric of the property through insulation, as this increases comfort and reduces heating requirements.
111. The definition of inefficient heating will be as proposed in the consultation. The insulation measure will be the primary measure and the heating measure will be the secondary measure.
112. The Government has decided to limit the insulation types allowed alongside the heating upgrade, to avoid the inclusion of cheaper and easier to install insulation. Loft or rafter insulation will not be allowed as households are more likely to accept these measures without a heating upgrade. The policy intent is to install other types of

insulation that householders may be more reluctant to have installed due to it causing more disruption. Allowing a heating upgrade as part of a combination of measures is intended to create an incentive for the householder. Under this policy only the following insulation types will be allowed as the primary insulation measure:

- wall insulation (insulation of a cavity wall, or solid wall insulation);
- Room in Roof insulation;
- flat roof insulation;
- insulation of a mobile home; and
- under floor insulation.

Consultation Questions 20, 21 and 22

20. Do you agree with our proposal to include a requirement to treat a minimum number of solid walled homes? What technologies or combinations of technologies could cost effectively deliver the same bill saving outcomes as SWI?

Responses:	Yes: 46%	No: 31%	No View: 23%
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21. Alternatively, do you believe that an SWI-only minimum should be continued?

Responses:	Yes: 40%	No: 25%	No View: 35%
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22. Do you agree that the minimum is set at the right level (17,000 homes treated per annum)?

Responses:	Yes: 19%	No: 45%	No View: 36%
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Summary of responses

113. Of those who responded, the majority agreed with the proposal to treat a minimum number of solid walled homes. Many respondents agreed in principle with the proposal to allow flexibility through delivering alternative technologies that deliver the same or higher bill saving outcomes as SWI. The main reason given was the flexibility to deliver alternative technologies could help to encourage further innovation in the industry and encourage the installation of cost-effective measures in solid walled homes.
114. Of those who disagreed with the proposal and believed an SWI-only minimum should be retained, many were of the view that a fabric first approach is crucial to meet carbon and fuel poverty targets, and a solid walled home should be insulated before installing any other measures. In addition, several respondents stated that the comfort savings and health benefits from alternative technologies, were not comparable to installing SWI in a solid walled home. Some respondents were concerned that moving away from a SWI-only minimum could inflate the cost of SWI and highlighted the importance of continuing support for the industry.

115. With regards to alternative technologies or combinations of technologies, generally, respondents attributed the following technologies, in combination or singularly, as capable of delivering the same savings as SWI: underfloor insulation, room in roof insulation, heating measures and measures delivered under the innovation proposals.
116. However, some respondents raised concerns about possible heating measures being delivered to solid walled homes. The main reason given was that installing a new heating system in an uninsulated house may not resolve issues with high energy bills. The heating system also has a much shorter lifetime than insulation, meaning it may need to be replaced several times compared to the lifetime of an installed insulation measure.
117. Some respondents considered that there are no equivalent technologies or combinations of technologies that could deliver the same savings as SWI. Some highlighted that in the majority of solid walled premises, alternative technologies have already been explored (i.e. loft and cavity wall insulation), and only SWI would raise the energy efficiency of the property. Others thought only alternative technologies should be explored, if it is not feasible to install SWI.
118. Several respondents recommended extending eligibility to social housing EPC Band D rated properties, which would increase the number of properties eligible for SWI and support this proposal. Some raised concerns about wider issues regarding standards of SWI installation. In addition, some respondents suggested that if not implemented appropriately, this proposal could be more susceptible to fraud.
119. Many respondents considered that the proposed minimum was too low. They thought that the current equivalent 21,000 level should be retained or increased to deliver more SWI to the low income, vulnerable and fuel poor households.

Government response

120. Government has decided to allow suppliers to meet their solid wall minimum, either through delivering SWI or combinations of alternative technologies that achieve the equivalent or higher lifetime bill savings. We still expect that in most circumstances this will be achieved through SWI. However, this allows additional flexibility for alternative technologies to be delivered which could be more appropriate or cost-effective, alongside supporting innovation.
121. The minimum will be set, as proposed, at the equivalent of 17,000 solid walled homes per annum. We acknowledge that whilst this is a reduction in current delivery to solid walled homes, insulating solid walls is generally less socially cost effective than other energy efficiency interventions. Therefore, the minimum needs to strike a balance between continuing to treat solid walled properties and to support the solid wall industry supply chain industry, while also ensuring that the scheme delivers value for money by treating low income, vulnerable and fuel poor homes at the lowest social cost. In addition, the total target for the minimum takes up a significant proportion of the scheme and increasing the minimum would decrease the diversity of the measure mix.

122. Suppliers can also meet their solid wall minimum by installing alternative measures in solid walled premises, providing the measures achieve the equivalent or higher lifetime bill savings than installing solid wall insulation to that premise. Fossil fuelled heating systems will not be allowed to be used to meet the solid wall minimum. Renewable heating systems (including district heating) and insulation will be allowed to meet the solid wall minimum as long as they deliver the equivalent or higher lifetime bills savings to SWI. This focuses support more towards a fabric first approach, as well as continuing support for renewable technologies.
123. Government will not expand eligibility to include social housing EPC Band D rated properties in the solid wall minimum, as analysis shows that widening eligibility would increase the pool beyond our policy intent, and Fuel Poverty Strategy targets, as explained in section 2 above.

Consultation Questions 23, 24 and 25

23. Do you think a 66% minimum requirement of eligible households should be introduced under Affordable Warmth for the Solid Wall Insulation and District Heating? Please suggest an alternative preferred percentage and supporting evidence where applicable.

Responses:	Yes: 33%	No: 23%	No View: 42%
			Partially Agree: 2%

24. Do you think the in-fill mechanism should be implemented using the same area-based methodologies used for the current Flexible Eligibility in-fill mechanism? Please suggest an alternative preferred mechanism and supporting evidence where applicable.

Responses:	Yes: 44%	No: 10%	No View: 46%
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25. Do you agree that all eligible and in-fill measures should be notified together and within six months after the first measure was completed?

Responses:	Yes: 45%	No: 11%	No View: 43%
			Partially Agree: 1%

Summary of responses

124. There were mixed responses to these questions. The majority of respondents were of the view that 66% was the appropriate minimum requirement, while others considered a 50% in-fill should be introduced for private tenure households (so it was consistent with LA Flexible Eligibility in-fill). Some responses considered that 66% could restrict delivery in London where there is a prevalence of multiple occupancy properties and an above average level of leaseholders. Some respondents thought that two different in-fill mechanisms could add further complexity to the scheme.

125. Some respondents proposed that in-fill measures should include EPC Band D rated properties and cavity wall insulation for blocks of flats which may not be insulated without it.
126. The majority of respondents agreed with the same area based approach as used under LA Flexible Eligibility, while others thought the in-fill area should be wider. Some stated that aligning the methodology would simplify and help consistency of approach across the in-fill part of the scheme, while others thought that aligning was not needed.
127. The majority of respondents agreed that measures should be notified together within six months after the first measure was completed, while some shared the view that some flexibility was required to take account of situations outside of an installer's control and/or with respect to larger projects.
128. Some of those opposing the six-month notification were concerned that projects could be subject to unforeseen delays; impacted by adverse weather conditions or other environmental conditions; and building control compliance. While some proposed a mechanism to request an exception to the six-month or a twelve-month time-limit on provision of evidence, others suggested that the measures should be reported between nine or twelve months or within the ECO3 period.
129. Other respondents made the additional comment that measures must be assessed against the rules in place at the time measures are installed to avoid eligible Affordable Warmth properties becoming ineligible with the consequence that in-fill measures are invalidated.

Government Response

130. The Government has decided to introduce an in-fill mechanism under Affordable Warmth for solid wall insulation and district heating measures, as proposed in the consultation. This means that if 66% of eligible households receive either of these measures, an adjacent property can also receive the same measure, as long as the number of these 'in-fill' properties does not exceed 34% in that area. The in-fill areas will be limited and further guidance will be provided by the Administrator.
131. The Government has decided to have different in-fill proportions for Affordable Warmth and LA Flexible Eligibility, but the rules on the in-fill areas outside of Flexible Eligibility will be as proposed in the consultation.
132. The Government understands that a balance needs to be struck to enable cost effective delivery through economies of scale, while ensuring that support is provided to low income, vulnerable and fuel poor households. The introduction of this mechanism is intended to meet this challenge. SWI measures installed for fuel poor homes and non-fuel poor homes will count towards the Solid Walled Homes Minimum.
133. The Government wants to ensure that all measures are notified in a timely manner. Therefore we will introduce the six-month notification requirement as proposed in the consultation. The Government has noted concerns around situations such as

environmental conditions that could impact notification deadlines, and these should be notified to the Administrator, as with any extension requests.

Consultation Question 26

Do you agree that the proportion of homes in the same building, adjacent buildings or the same terrace that can receive solid wall insulation as ‘in-fill’ under ECO Flexible Eligibility should be limited to 50%?

Responses:	Yes: 47%	No: 13%	No View: 40%
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Summary of responses

134. The majority of those who responded agreed with the proposed limit, commenting that this would help to simplify administration and bring it in line with semi-detached houses, helping the housing stock as a whole. Just over 6% supported a higher increase in the level of in-fill under LA Flexible Eligibility, with suggestions of 66%, 70% and 75% as a means to increase the uptake of SWI and enable economies of scale, particularly in relation to blocks of flats and/or housing estates.
135. Of those who disagreed, some thought that in deprived areas, the scheme should operate on the basis that if one household is eligible for support then the whole terrace of the property type should also qualify for support. In contrast, other respondents were concerned that help would be going towards non-fuel poor homes.

Government response

136. The Government has decided that it will allow in-fill to count for up to 50% of the eligible households under the Local Authority Flexible Eligibility part of the scheme. The Government recognises the importance of helping local authorities to deliver LA Flexible Eligibility and manage their residents' expectations and to avoid situations where a decision could be perceived as inequitable as it could result in one household not receiving a measure due to them not living adjacent to an eligible household.
137. The Government recognises that qualifying eligibility has been difficult when dealing with some large blocks of flats. We consider that this new proposal will help ease the burden of calculating which homes qualify. The Local Authority Flexible Eligibility guidance will be updated to reflect this change in proportion of in-fill properties.

Consultation Question 27

Do you agree that any measures which receive the RHI should not be eligible for ECO?

Responses:	Yes: 29%	No: 39%	No View: 32%
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Summary of responses

138. Most respondents who expressed a view opposed this change for a variety of reasons. The main arguments for opposing the proposals were: it would mean low income households would not benefit from renewable heating measures; it would limit the measures available to low income rural households who face the worst fuel poverty; it was seen as inconsistent with the Clean Growth Strategy, specifically the aim to decarbonise off-grid heating; it was contrary to the original intention and subsequent use of ECO alongside other funding streams; it would stifle innovation, particularly around renewable district heating systems.
139. Many of those who opposed the proposal thought that it should be allowed in certain circumstances including: in deep rural areas; for particular technologies which are not sufficiently supported under the RHI; if energy suppliers are prevented from claiming the RHI payments under assignment of rights; under the innovation part of ECO.
140. Whilst those who supported the proposal largely did so on the basis that they viewed the combination of funding streams as a double subsidy, a significant number of those respondents thought it was reasonable to introduce the restriction only due to the introduction of assignment of rights and would not have supported it otherwise.

Government response

141. Measures in receipt of either domestic or non-domestic RHI will not be eligible for ECO, unless they are a ground source heat pump (GSHP). GSHP will not be eligible as an ECO measure if obligated energy suppliers receive the RHI payments under assignment of rights.
142. We have made an exception for GSHP as they have high up-front costs largely associated with the installation of the ground loop. The ground loop, which can serve a single or several premises, has an expected lifetime of 80 years to which new heat pump units can be connected over the decades. In that way it is similar to district heating or a gas network, serving as a piece of infrastructure. Furthermore, the current RHI tariffs are not sufficient in most cases to incentivise the installation of GSHP, hence there is a rationale for ECO contributing to the up-front cost and allowing low income households to benefit from the low running costs of the technology, especially in rural areas.

143. Obligated suppliers should not be able to receive RHI payments whilst meeting their obligations and therefore if an obligated supplier is in receipt of RHI payments the GSHP will not be eligible as an ECO measure.

Consultation Question 28

Do you agree with our approach for scoring ECO3 measures?

Responses:	Yes: 37%	No: 25%	No View: 38%
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Summary of responses

144. Of those who responded to this question, a small majority agreed with the proposed approach for scoring ECO3 measures. Several welcomed the proposed uplift under the broken heating cap, and there was general agreement over the use of deemed scores.
145. Overall, this question promoted a mixed response. Many respondents, whether favouring the scoring approach or not, raised concerns over the deemed scores attributed to certain measures, or the proposed uplifts.
146. Based on the proposed deemed scores for RIRI and FTCH, some thought they would require an uplift to encourage their installation. Further support for solid wall was also raised on a few occasions, as was the requirement for a larger rural uplift.
147. Several respondents stated that smaller property types should be incentivised. It was argued that currently the deemed scores did not support their viability, and this would impact on a substantial portion of the Affordable Warmth target group.
148. Of those that disagreed with the approach, a small number of responses stated that deemed scores were too generic and not able to accurately reflect product variation, or correctly reflect the housing stock. Some thought that ECO3 should move away from incentivising measures and focus on the least energy efficient homes.
149. A small number of respondents were against the removal of the 30% deemed scores uplift as it would cause disruption to the supply chain when combined with other proposed changes to the scheme or possibly lead to increased customer contributions. The latter would place a substantial financial burden on low income, vulnerable and fuel poor households.

Government response

150. The Government will continue to require savings to be calculated using the deemed scores set by Ofgem, except for district heating. Although we recognise that deemed scores are less precise than individual calculations, Government believes that the reduced complexity reduces costs and the risk of fraud.

151. The overarching 30% uplift to all deemed scores will be removed. The uplift was introduced to provide parity between the SAP based scores under ECO2 and the lower deemed scores introduced for ECO2t. Without the uplift, there would have been a large incentive for early delivery under ECO2 and consequently fewer measures installed under ECO2t. As ECO3 is a three and half year scheme, this impact is reduced, and it is not necessary to increase the scores to match the previous scheme.
152. A 400% uplift will be adopted to provide support for the replacement of broken boilers under the cap to low income, vulnerable and fuel poor households. This will ensure that these measures will continue to be delivered once the qualifying scoring concept is removed. Without this uplift BEIS analysis suggests replacement of broken heating systems will be relatively low and homes with broken boilers may not receive the support from the scheme that they need, especially if they are unable to make a financial contribution. The uplift will also be applied to broken oil boilers that are delivered under the cap. Any broken ESH that are replaced will receive an uplift of 240%.
153. A score uplift of 35% will continue to help drive the delivery of insulation to households off the gas grid. An uplift of 25% will be available to owner-occupied properties with an EPC Band rating of F or G when they receive insulation measures under Local Authority Flexible Eligibility. This is to encourage local authorities to target the least energy efficient homes in their areas.
154. When a measure is eligible for multiple uplifts it will only be possible to claim one uplift: combinations of uplifts will not be allowed under any part of the scheme. This includes any uplifts under the broken heating cap and innovation score uplifts.
155. Government believes that these uplifts are necessary to target support in circumstances described above. Providing uplifts for other individual measures or for specific property types will complicate the scheme further, and may impact on the effectiveness of this approach.
156. Fuel poverty is an issue of a household living on a low income and in a home which has high energy costs. The proposed eligibility criteria for the Affordable Warmth Group helps to ensure that most households supported are living on a low income, and the proposed scoring mechanism incentivises delivery to higher cost homes.
157. The process for determining uplifts for innovation is described in section 5.

4. ECO in Scotland

Consultation Question 29

In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to: (a) apportion the cost envelope between England & Wales and Scotland using a methodology based on the total amount of gas and electricity supplied in each region, with an equal weighting for each fuel? (b) that the calculation is based on an average taken from the last three years of domestic gas and electricity consumption data published annually in December by BEIS?

Responses:	Yes: 36%	No: 12%	No View: 52%
Responses:	Yes: 35%	No: 9%	No View: 56%

Summary of responses (question 29a)

159. Of those who agreed with this proposal, a number stated that the methodology proposed would provide an equitable distribution of the ECO cost envelope; others thought that the proposed methodology took into account geographic distribution lines and would help to offset the current practice of disproportionate delivery to some areas due to additional funding being available.
160. Respondents who disagreed with the methodology thought that it did not take into account the regional differences of Scotland (e.g. the specific nature of the Scottish housing stock, climate conditions and geography) or the levels of fuel poverty in Scotland.
161. Thirteen percent of respondents stated that there would be additional scheme administration costs if there were two separate schemes.

Government response

162. The Government will apportion the ECO cost envelope between England & Wales and Scotland as set out in the consultation should Scottish Ministers decide to have a separate ECO scheme in Scotland.

Summary of responses (question 29b)

163. Some respondents to this question thought that the calculation should be based on one year's data (as is current ECO practice) rather than using data from the previous three years.
164. Respondents who disagreed with the proposed approach expressed concern about the variation in fuel consumption between Scotland and England & Wales. They thought that the use of a volume basis approach would not provide an equitable

division of spend across the different nations. Some respondents thought that the number of fuel poor customers in each nation should be used as part of the calculation.

Government Response

165. The Government has decided to use an average of the previous three-year energy consumption as part of the calculation. It believes that using an average taken from the last three years of domestic gas and electricity consumption data is more equitable as it can take into account the impact of a year in which there was a mild or very cold winter that could result in unusual levels of energy consumption.

Consultation Question 30

In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to apportion an individual supplier's targets between Scotland and the rest of GB?

Responses:	Yes: 36%	No: 11%	No View: 53%
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Summary of responses

166. Respondents gave mixed views to this proposal. Respondents who agreed with the proposal, also considered that delivery and administration costs could increase as separate rules would need to be followed to deliver separate ECO schemes in England & Wales and Scotland (if Scotland had a different scheme). Some respondents thought that ECO should remain a GB-wide scheme.
167. Respondents who disagreed with the proposal focused on the market position of individual suppliers. A number of reasons were provided, including: as there are three dominant Scottish suppliers this would prove a challenge for other suppliers to deliver their target in Scotland; the obligation should be based on a supplier's share of the Scottish market; if a supplier had a minimal presence in either Scotland or England & Wales, they should be able to meet their obligation in full in the region where they had a majority of customers.

Government Response

168. Whilst recognising that individual suppliers have different customer bases across Great Britain, the Government believes that it is more equitable and efficient for all obligated suppliers to face the same proportion of the overall aggregate obligation targets between England & Wales and Scotland if a separate Scottish scheme is introduced. Therefore, the individual supplier targets will be apportioned using the same methodology as set out in the consultation to apportion the overall target. It will be a decision for individual suppliers on how they deliver their obligation.

5. Innovation

Consultation Question 31

Do you agree that obligated suppliers should have the option of delivering a proportion of their obligation through innovative products, technologies and processes and, if so, where the maximum allowed should sit between 10% and 20%?

Responses:	Yes: 69%	No: 15%	No View: 16%
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Summary of responses

169. A majority of respondents supported the inclusion of innovation within ECO3, and of those a small minority (approximately 30%) supported a cap of 10%, the same number supported 20%, and the remainder supported a range between 10% and 20%. Some respondents suggested that there should be a minimum obligation rather than a voluntary maximum, while others suggested that the percentage should be periodically reviewed dependent on how innovation was being delivered. Many respondents thought there should be a sub-cap for individual innovation measures to avoid the dominance of one or very few measures.
170. Respondents were concerned about the safety of new measures and clarity was sought on the required safety standards. Similarly, concerns were raised over installing innovative measures into the homes of those on low incomes, who may be vulnerable or fuel poor, without proper redress mechanisms in place. Some respondents suggested that suppliers should have a contingency fund for remedial purposes, and that eligibility for receiving innovative measures should be open to a wider group, which would also reduce search costs. It was suggested that there should be a value for money test within the application to prevent significant funds being poorly spent on innovation projects.
171. However, respondents were positive about the introduction of innovation and thought it a positive way of allowing new measures into the scheme and supporting the insulation industry towards using more cost-effective and better products. Innovation was regarded as a positive step towards meeting the goal of making the GB housing stock more energy efficient as set out in the Clean Growth Strategy and the Government's clean growth grand challenge.

Government response

172. The Government has decided to allow innovation on a voluntary basis up to a cap of 10% of a supplier's obligation. An additional route - In-situ Performance – will be outside of the innovation cap but also capped at 10%. This reflects the wide support for innovation in the consultation responses, and the Government's aim to promote innovation as set out in the Industrial Strategy and Clean Growth Strategy. There will

be a sub-cap of 5% of a supplier’s total delivered obligation, taking account of trading, that will apply to each innovative measure accepted under the scheme. This is to ensure that a variety of measures are brought into the scheme through innovation. While there will not be a mandatory minimum, the overall obligation target reflects the uplifts that will be awarded to measures delivered under innovation, thereby encouraging their use.

173. While the innovation cap is set at 10% of the scheme, Government will review this during the scheme if there is evidence to show that a variety of new, well-performing measures are being delivered through this route. This could result in the innovation being increased. We would consult energy suppliers before any amendments were made to ensure changes are well evidenced.
174. The safety of measures installed into homes is of the utmost importance, and to ensure high standards, each innovative measure will have to complete a rigorous application process. A Demonstration Action will have to be at the final stages of development and to have already been initially tested in a live environment. All Demonstration Actions and Innovation Score Uplift measures will have to meet the relevant safety requirements for that measure. A BEIS-Ofgem panel will assess all applications. The panel will not approve any application that does not show evidence of safety and compliance with ECO standards, cost-effectiveness and value for money. Redress mechanisms will be the same as in the general ECO scheme. Any exclusivity issues (including contingency fund issues for Demonstration Actions) will be a commercial matter between suppliers, manufacturers and installers. To help suppliers to identify eligible households for new, innovative measures, the scheme eligibility will be widened to include social housing EPC Band D properties for Demonstration Actions and Innovation Score Uplift measures.

Consultation Question 32

Do you agree with the proposed routes through which ECO can support innovation?
Please provide reasons, and if applicable, any alternative preferred proposals.

Responses:	Yes: 49%	No: 18%	No View: 33%
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Summary of responses

175. The majority of respondents broadly agreed with our proposed innovation routes, however many qualified this agreement with concerns or alternative ideas. Respondents suggested that alternative monitoring of the performance of measures should be an available option as a step towards a pay for performance scheme and a move away from the reliance on EPC bandings. They also thought the focus should be on building performance rather than the number of measures installed. Others suggested that the proposed innovation routes should be combined into one, advising that this would encourage simplicity and a focus on the whole house approach. Some

respondents proposed a new Supplier Flexibility, which would work in a similar way to Local Authority Flexible Eligibility and would allow suppliers to have a degree of flexibility when finding eligible homes.

176. Similar concerns were raised in relation to this question as for question 31. In addition, respondents were primarily concerned with clarity. As innovation is a new part of the scheme, they considered there could be a high risk of 'gaming' and that this needed to be taken into account. While suppliers showed an interest in using innovation they wanted detailed guidance and a full understanding of how it would work for all parties, including the householders who receive measures. There was also a concern that it would be too complicated administratively meaning it would not be used to its full potential.
177. Overall, the responses were positive and considered that innovation would be a good way of encouraging the delivery of smart technologies, and newer types of insulation, that would help to improve the energy efficiency of the housing stock. Respondents also thought that this may be a method that encourages the use of renewables, helping to deliver the aims of the Clean Growth Strategy. Many noted the positive impact moving to a pay for performance type scheme could have on the overall standard of measures delivered in the long-term, and were also supportive of encouraging a whole-house approach.

Government response

178. The Government has re-considered the three routes proposed in the consultation to make them simpler to understand and administer. There will now be two innovation routes (Demonstration Actions and Innovation Score Uplifts) and the proposed third route (In-situ Performance) will be included as part of the wider scheme.
179. Demonstration Actions and Innovation Score Uplifts will encourage new measures to be introduced into the scheme. Applications for these routes will be sponsored by an obligated supplier who will be incentivised to support new measures by receiving an uplift towards their obligation target. For Demonstration Actions suppliers will receive a Lifetime Bill Saving score based upon their financial support for the action and an uplift to reflect their overheads and sponsorship. An uplift of 25% to the measure types existing deemed score will be applied for Innovation Score Uplifts for the length of the scheme or until the 5% delivery cap is reached.
180. Under the main part of the scheme, suppliers will now be able to carry out In-situ Performance monitoring of measures for up to 10% of their target. If the measures are proven to perform well against the set targets, suppliers will receive any additional savings towards their obligation target. The monitoring equipment and methodology will be subject to an application process to ensure accuracy. We have introduced this as a way of progressing towards a pay for performance scheme, as suggested by some respondents, while keeping the innovation routes as simple to administer and deliver as possible.

181. Social housing EPC Band D homes will be eligible for innovative measures. This increases the number of eligible homes by approximately two million and, therefore, we do not believe that supplier flexibility is necessary.
182. BEIS and Ofgem will publish guidance setting out the innovation routes and In-situ Performance in further detail. The guidance will describe specific policy and application information such as: the uplifts available, what criteria should be met, and what information has to be submitted to the panel. When an application is accepted, Ofgem will publish relevant information, including the new deemed score, with uplift, for Innovation Score Uplifts, for each measure to ensure transparency for other scheme participants. The guidance, application process and application panel will reduce the opportunity for gaming, as applications will need to demonstrate the necessary evidence and requirements before receiving approval to be delivered under the scheme.

Consultation Question 33

Are there other ways in which suppliers can meet their targets more cost effectively, in order to maximise energy bill savings achieved through the scheme, while also ensuring that work is done to the right standards?

Responses:	Yes: 49%	No: 18%	No View: 33%
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Summary of responses

183. The large majority of those who responded thought there were other ways suppliers could meet their targets more cost-effectively. Some respondents argued that supplier obligations are better suited to driving down costs than improving quality. There was a broad range of ideas about how to reduce costs, including: more Flexible Eligibility; more area-based approaches enabling economies of scale; the provision of mapping tools; having longer-term policy stability. Several respondents noted that focus needs to be on better performance of measures because search and installation costs are unlikely to fall. More focus on skills, improved standards – including new PAS standards – and the robust implementation and enforcement of those standards, were mentioned as the best way to raise quality.

Government response

184. The Government has decided not to make any more specific policy changes following the responses to this question. However, several of the suggestions for reducing costs are being implemented namely: the option of more of the obligation being met through flexible eligibility; greater potential for in-fill to take advantage of economies of scale and laying regulations for three and a half years for longer-term stability. As noted earlier, we also intend to develop mapping tools to help identify eligible and potentially suitable homes. A further discussion about standards is included in section 7 below.

6. Delivery and Administration

Consultation Questions 34 and 35

34. Do you think the one-month reporting period should be extended? Please provide reasons, including any alternative preferred proposals, and supporting evidence where applicable.

Responses:	Yes: 22%	No: 18%	No View: 56%
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35. If the one-month reporting period was extended, do you think the 5% extensions provision could be removed?

Responses:	Yes: 27%	No: 10%	No View: 63%
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Summary of responses

185. Most respondents had either no view or did not respond to these questions. Of those that did provide a view, a small majority thought that the one-month reporting period should be extended. Some thought the current rules didn't take account of the length of the supply chain, adding to the pressure of reporting in a reduced timescale at each stage. Others considered that the issue was exacerbated further during the start of the scheme, when installers needed time to understand new scheme rules. Some suggested a two- or three-month period could mitigate this.
186. A small majority thought that the 5% extensions provision could be removed if the reporting period was extended to two months or more.
187. Of those that disagreed with extending the reporting period, some raised concerns about possible payment delays while others thought that the market is now used to the current one-month rule and has adapted accordingly. Some raised concerns about their ability to monitor delivery progress against targets and address compliance issues in a timely way.
188. Of those that disagreed with the removal of 5% extensions, they considered that while currently used minimally, it was a useful safety net, which saved time and effort, which would otherwise require a formal permissions process.

Government response

189. The Government has decided to retain the one-month rule, as it retains flexibility without sacrificing the benefits of regular and timely reporting. There is a balance of requiring measures to be notified against a set timeframe, while acknowledging that delays may mean otherwise compliant measures being rejected if reported after the deadline, unless there was some flexibility.

190. Where an energy supplier submits a measure after the notification deadline due to an administrative oversight, the Government will continue to allow such measures to be included in the 5% automatic extension figure or to be submitted via an extension request.
191. The Administrator will continue to 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.

Consultation Question 36

Do you agree with the proposal to retain the mechanism for the trading of obligations?

Responses:	Yes: 29%	No: 8%	No View: 63%
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Summary of responses

192. Most respondents agreed with this proposal as it allows flexibility and can be a more cost-effective way for small suppliers to meet their obligations, as it can help to minimise their administration costs. Some respondents who supported this proposal nevertheless thought that it should be made more transparent or the value of the trades limited. There was also support for the maintenance, expansion and reform of brokerage.
193. Those who opposed the trading mechanism did so on the basis that it makes delivery of the obligation less transparent, creates more opportunities for gaming and is most likely to be a mechanism for financial transfers from small to large suppliers.

Government response

194. While it is still at a relatively early stage, the trading mechanism appears to be a success. It has been welcomed by most respondents and we therefore intend to continue to offer it as an option for suppliers. It may become an even more important element of ECO as the obligation thresholds are reduced during the scheme.

7. Quality and Standards

Consultation Question 37

Once the quality mark requirements are fully established, functional and enforced, do you agree that in order for installers to deliver ECO measures under the quality mark, they should be quality mark approved and compliant with quality mark requirements?

Responses:	Yes: 56%	No: 13%	No View: 31%
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Summary of responses

195. There was strong support for installers to be quality mark approved and compliant to be able to deliver ECO measures. Many respondents had similar views and considered that the Each Home Counts (EHC) Framework should improve the overall quality and safety of installations, ensuring high levels of workmanship and customer satisfaction.
196. However, although mainly or partially agreeing, other responses thought that it could be detrimental to both the quality mark and ECO3 to include it without any certainty about the underlying framework, and that more information was required to make a fully informed decision.
197. A number of respondents stressed the importance of early engagement and a transition period, or phased introduction, to any new standards that need to be met under the scheme. This requirement was necessary to provide time for the industry to adjust, and for certification bodies to become accredited, prior to certifying installers.
198. Respondents were also cautious of the potential added costs without yet knowing the benefits, stating that the quality mark must not be cost-prohibitive for the supply chain.
199. Of those disagreeing with this question, some specified that the quality mark needed to demonstrate its effectiveness before being adopted under ECO3. Others disagreed with the quality mark approach, stating that the current scheme arrangements already provide adequate protection for consumers.

Government response

200. The Government has decided that ECO3 will not initially include the EHC quality mark as a route for compliance. Although there is strong support for the scheme to include the quality mark, we have taken into account respondents' comments that there should be a clear transitional arrangement to ensure the EHC scheme is fully developed before including it as part of ECO and that industry should have sufficient time to become compliant. This also takes into account the expected timings of quality mark implementation.

201. Following the start of the quality mark, the Government will assess at what point in time it can be included in ECO3 which is likely to coincide with the publication of the update to the PAS standards in the first half of 2019.
202. The Government welcomes the positive response from stakeholders to adopt the quality mark, and we will hold a further consultation on including the quality mark in ECO in due course.

Consultation Question 38

Do you agree that once the quality mark is established and functional, and where we are satisfied with the guarantee principles enforced through the quality mark, all solid wall, cavity wall, park home and room in roof insulation delivered under the scheme should be accompanied by a quality mark approved guarantee in order to receive the standard applicable lifetime?

Responses:	Yes: 51%	No: 10%	No View: 39%
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Summary of responses

203. There was considerable support for this proposal, with those in agreement advising that consumers would benefit from a clear and simple redress policy. The quality mark framework would also add an additional level of insurance that the installation was completed to the required standard.
204. Several respondents who agreed, also had concerns about the proposed approach to guarantees, maintaining that quality mark principles need to be satisfactory, and guarantees should offer the same levels of protection as currently provided under ECO. Other respondents who agreed, stated that existing guarantees should be incorporated under the quality mark and it should work within the existing mechanisms. A number of respondents also thought that care should be taken not to increase costs further.
205. Of those in favour, a few questioned why room in roof insulation (RIRI) was not included in the proposal, whilst others stated that suitable levels of enforcement and oversight would also be needed.
206. Of those who disagreed, or offered comment, many said they were not able to endorse this proposal without further specific details. Others stated similar reasons to those in support, recommending the need for the quality mark to provide at least the same level of protection for consumers as the current guarantees required under ECO, and that it should not lead to an increase in costs.

Government response

207. As the quality mark is not yet fully functional, the Government will require all solid wall, cavity wall, and park home insulation to be accompanied by other (i.e. not quality mark) approved guarantees. The Administrator must be satisfied any guarantee meets the criteria as set out under the current ECO2t scheme, for the measure to be awarded the standard applicable lifetime.
208. When the EHC quality mark is included in the ECO regulations, installations will need to have an appropriate guarantee as part of quality mark, and therefore ECO, to be compliant.

Consultation Questions 39 and 40

39. Do you agree that all ECO measures referenced in PAS 2030 and PAS 2035 should be installed in accordance with PAS2035 and the latest version of the PAS 2030?

Responses:	Yes: 52%	No: 7%	No View: 41%
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40. Do you agree that installers delivering measures referenced in PAS 2030 and PAS 2035 should be certified against PAS 2035 and the latest version of PAS 2030?

Responses:	Yes: 53%	No: 6%	No View: 41%
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Summary of responses

209. There was very strong support for both proposals, agreeing that measures referenced in PAS 2030:2017 and PAS 2035 should be installed in accordance with the latest versions of these standards, and installers should also be certified to them.
210. Respondents who agreed stated that if and when ECO is subject to both these standards it should not have additional requirements, and there should be a simple route to demonstrate compliance. PAS was also necessary to continue to build consumer confidence and improve quality.
211. Many of those who disagreed with the proposals in one or both cases stated that there is still significant uncertainty over the content of the standards. However, a few respondents advised that a new updated PAS will not make any significant difference to the quality of installations.
212. Respondents who both agreed and disagreed with these questions had concerns that it could lead to additional costs for either installers or consumers. They also stated that in certain cases, PAS requirements had excluded smaller contractors and local companies from participating in the scheme. Many also stated that there should be a transition period for installers to become certified to the new, updated standards and

that installers should have their current skills recognised and be allowed to continue to deliver measures under the scheme whilst transitioning to the new requirements.

Government response

213. The Government has decided that the scheme will continue to use the most recent version of PAS 2030:2017, as the revision to PAS 2030 and the development of PAS 2035 are still being finalised.
214. Installers will be required to install measures in accordance with PAS 2030:2017 and have the relevant certifications.
215. Requiring PAS 2030:2017 will ensure that installation companies are operating to the same minimum standard, and it will continue to provide a robust framework in the interim.
216. The Government intends to review whether the existing PAS 2030 requirements should be replaced by the new standards following their completion in early 2019 and will consider appropriate transition arrangements in due course.

Consultation Question 41

Do you consider that heat networks installed under ECO, or connections to heat networks should require specific consumer protection standards?

Responses:	Yes: 52%	No: 4%	No View: 44%
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Summary of responses

217. Of those who responded to this question, a very large majority thought that heat networks should provide specific consumer protection.
218. A key reason given was the customer's inability to manage their own energy in many cases, leaving them vulnerable to high standing charges and price increases. Others in agreement stated that there was often no clear means for settling complaints or consumer redress.
219. Some advised that ECO should necessitate that heat networks must be covered by the Heat Trust scheme specifically, whilst others in agreement simply stated that there should be adequate or equivalent consumer protection.
220. While other respondents agreed in principle, they did not believe this was appropriate in all circumstances. Several respondents raised the point that many local authorities and public bodies should be exempt as consumers are protected through existing independent bodies with an established procedure for complaints.

221. Of those who disagreed, the main reason provided was that a general approach to consumer protection was not appropriate for all the types of heat networks.

Government response

222. The Government believes that there should be a standardised level of consumer protection for heat networks under ECO, and that this should be comparable to the quality and performance standards for other regulated utilities. Therefore, all district heating measures need be covered by standards that are equivalent to those under the Heat Trust scheme. Shared ground loops, will be exempt from this requirement, as heat recipients have their own heat pump units and are generally free to choose their own energy supplier.

223. The Government acknowledges that not all district heating (as defined in ECO) currently supported under ECO will be eligible for the Heat Trust scheme, or the heat supplier may not wish to join. In these cases, equivalent standards of consumer protection will need be provided as an alternative to Heat Trust membership.

Consultation Question 42

The Government invites views on the general requirements set out in this consultation and the illustrative draft of the ECO Order.

Summary of responses

224. Many views submitted under this question have been summarised previously in the responses to other questions in this document.

225. In addition to these, many respondents stated that funding for ECO should be increased to help reduce fuel poverty, or other schemes should be introduced to offer further support. There were similar concerns for energy efficiency funding in general, with calls for an increase to meet the target of getting fuel poor homes to EPC Band C by 2030.

226. While some respondents welcomed ECO funding having a continued focus on low income, vulnerable and fuel poor households, other responses suggested there should be a strategic and long-term plan of energy efficiency investment and implementation. Others also stated that ECO is not the most effective means of addressing fuel poverty, and support should be funded through general taxation.

227. A number of respondents reiterated their concerns about customer contributions towards ECO measures calling for contributions to be either capped or prohibited.

228. Several strongly believed that the cost assumptions in the Impact Assessment are conservative and the delivery costs are higher than they are in practice.

229. Finally, some respondents advised that ECO needs to measure the actual impacts and success of installations, and more data needs to be collected during the scheme to evidence performance.

Government response

230. As set out in the consultation, the Government does not intend to include specific requirements on customer contributions. Although the scheme is now focused on low income, vulnerable and fuel poor households, it is the householder's decision whether to accept a measure and provide a contribution (if that is required by the installer). However, we intend to continue to monitor third party and consumer contributions to ECO measures to inform future policy decisions.

231. Although the current scheme will continue to use deemed scores as a basis for scoring measures, respondents' concerns about the lack of data on In-situ Performance and pay for performance are being addressed under the innovation element of the scheme (see response to question 32).

232. The Government believes that an ECO fully focused on Affordable Warmth is a cost-effective way of tackling fuel poverty and is consistent with the Fuel Poverty Strategy and Hills Review on Fuel Poverty. The Review stated that energy efficiency policies were the most cost-effective way of tackling fuel poverty, and supplier driven policies which are focused on low income households have the largest benefits for fuel poverty.

233. We do recognise, however, that ECO needs to be seen alongside other policies that can help with fuel poverty. Both Warm Home Discount and the Private Rental Sector Regulations, for instance, contribute to reducing fuel poverty.

234. The Clean Growth Strategy also stated that we will consider the best form of support for home energy efficiency beyond 2022, recognising the need to save carbon and upgrade all fuel poor homes to Band C by 2030. There will be support for home energy efficiency to 2028 at least at the current level of ECO funding.

Annex 1: List of respondents

1. A & M Energy Solutions Ltd
2. ACRE
3. Acrobat Carbon Services
4. ADEPT
5. Age UK
6. Agility ECO
7. Alsager Energy and Property Services
8. Anesco
9. Aran Energy Services
10. Arun District Council in partnership with Crawley Borough Council, Chichester District Council, Horsham District Council and Mid Sussex District Council
11. Ashden
12. Association for Local Energy Officers (ALEO) London
13. Association for the Conservation of Energy and Association for Decentralised Energy
14. Association of Local Energy Officers (ALEO) National Secretariat
15. Association of Local Energy Officers (South West branch)
16. Association of Local Energy Officers North West (ALEO NW)
17. Atostrum Ltd
18. Auriga Services Ltd
19. AvantiGas
20. Barnsley Metropolitan Borough Council
21. Baxi
22. BEAMA Ltd
23. Beat the Cold
24. Benx Ltd
25. BillSaveUK
26. Bournemouth Affordable Warmth Partnership
27. Bournemouth Borough Council and Borough of Poole
28. BPD Ltd
29. Bristol City Council
30. Bristol Energy

31. Broadoak Properties Ltd
32. Building Research Establishment
33. Bulb Energy
34. Cadent Gas
35. Calor Gas
36. Cambridge City Council
37. Canetis Technologies
38. Cardiff Council
39. Cavity Insulation Guarantee Agency (CIGA)
40. Cenergist Ltd
41. Centre for Sustainable Energy
42. Centrica
43. Certsure LLP
44. Chimney Sheep Ltd
45. CITB
46. Citizens Advice
47. City of Bradford Metropolitan District Council
48. CIVALLI
49. CLA
50. Climate Insulation Ltd
51. Co-operative Energy
52. Collective of Registered Social Landlords and Local Authorities
53. Committee on Fuel Poverty
54. Core Cities
55. Cornwall Insight
56. Cosy Devon
57. Dacorum Borough Council
58. DCHI
59. Derby County Council
60. Derbyshire Healthy Home Programme
61. Distinction Energy
62. Dorset County Council
63. Dumfries and Galloway Council
64. Durham County Council

65. E.ON
66. East Riding of Yorkshire Council
67. ECO Matters
68. EDF Energy
69. Effective Energy Solutions Ltd
70. Elmhurst Energy
71. Energiesprong
72. Energy Action Scotland
73. Energy Agency
74. Energy Capital
75. Energy Care Group Limited
76. Energy Efficiency Association
77. Energy Saving Trust
78. Energy UK
79. EnergyPro Ltd and Open Energy Efficiency
80. Energystore
81. Engie (Places & Communities)
82. ESB Energy
83. eTech Solutions Ltd
84. Everwarm
85. Evolve Home Energy Solutions
86. Fieldstone Energy Capital
87. First Utility Limited
88. FPS (Federation of Petroleum Suppliers)
89. Glasgow County Council
90. GlenDimplex
91. Good Energy
92. Greater London Authority (GLA)
93. Green Angel Syndicate
94. Green Dynamo
95. Green Network Energy
96. Greendealshop Com Ltd
97. Ground Source Heat Pump Association
98. Grundfos
99. Happy Energy Solutions Ltd

100. Heat Pump Association (HPA)
101. Heating and Hot Water Industry Council (HHIC)
102. Herefordshire Government
103. Incommunities Group Ltd
104. Instagroup
105. Insulated Render and Cladding Association (INCA)
106. Insulated Render Systems (Scotland) Ltd
107. Insulation Manufacturers Association (IMA)
108. Irt Surveys Limited
109. Irvine Housing Association
110. iSupply Energy
111. JR Carbon Consulting Ltd
112. Kensa Group
113. Kent and Medqay Sustainable Energy Partnership (KMSEP)
114. Kent Energy Efficiency Partnership
115. Kingspan Insulation Limited
116. Knauf Insulation
117. KSB Projects Ltd
118. Leeds Beckett University
119. Leeds City Council
120. London Borough of Islington
121. Marches Energy Agency
122. Mauer
123. Mears
124. Middlesborough Affordable Warmth Partnership
125. Mineral Wool Insulation Manufacturers Association (MIMA)
126. MMW Green Solutions Ltd
127. Mould Growth Consultants Ltd
128. NAPIT Certification
129. National Energy Action (NEA)
130. National Insulation Association (NIA)
131. NES
132. Nest Labs
133. Network Energy Ltd

134. NIA Scotland
135. NIBE Energy Systems UK
136. Norwich County Council
137. Nottingham City Council
138. Nottingham City Homes
139. Nottinghamshire and Derbyshire LAEP
140. Npower
141. Ofgem
142. Oil Firing Technical Association (OFTEC)
143. Osaka Gas UK
144. OVO Energy
145. Oxford City Council
146. Pacifica Group (Heating, insulation and renewables installer)
147. Pixie Energy
148. Plymouth City Council
149. Policy Connect
150. Polypearl Ltd
151. Private Housing Officers' Group (PHOG)
152. Property Energy Professionals Association (PEPA)
153. Provincial Seals Ltd
154. Purbeck District Council
155. Q-bot
156. Recoup Energy Solutions Ltd
157. Residential Landlords Association
158. Resourcematics Ltd & Platform D-Risk Ltd
159. Rhondda Cynon Taf County Borough Council
160. Safeguard Europe
161. Safeguard Europe Ltd
162. Saint-Gobain UK & Ireland
163. SCOPE
164. Scottish Federation of Housing Association (SFHA)
165. Scottish Land & Estates
166. Scottish Power
167. Sers Energy Solutions (Scotland) Ltd

168. SGN
169. Shetland Islands Council
170. Six Cylinder Ltd
171. Solar Trade Association (STA)
172. South Gloucestershire Council
173. South Lakeland Distric Council
174. South Yorkshire Housing Association
175. Spark Energy
176. SPS Envirowall Ltd
177. SSE
178. Stockton-on-Tees Borough Council
179. STROMA certification
180. Suffolk County Council
181. Sustain Ltd
182. Sustainable Energy Association (SEA)
183. Sustainable Housing Action Partnership (SHAP)
184. Sustainable Traditional Buildings Alliance
185. SWIGA
186. Swindon Borough Council & Wiltshire Council
187. Switchee Ltd
188. Tamar Energy Community, and the S.W. Devon Community Energy Partnership
189. Tebway Ltd
190. The Engineering Support Partnership Limited
191. the Environment Centre (tEC)
192. The Heritage Alliance
193. The UK Development Group Limited
194. The Warmer Group
195. Thermabead
196. Three Rivers District Council
197. UKLPG
198. United Kingdom Accreditation Services
199. University of Exeter
200. Utilita
201. Vendigital Ltd
202. Ventive

203. Viessmann
204. Wales & West Utilities
205. Warm & Well in North Yorkshire, Citizens Advice Mid-North Yorkshire
206. Warm Front Ltd
207. Warm Zones cic
208. Warmahomes
209. Warmer Worcestershire Network
210. Welsh Government
211. West Midlands ALEO
212. West Yorkshire Combined Authority
213. Westdale Services Ltd
214. Wetherby Building Systems Ltd
215. Windhager
216. YES Energy Solutions
217. Your Homes Newcastle

In addition, responses from 22 individuals were received.



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