



Department for
Business, Energy
& Industrial Strategy

ECO3: IMPROVING CONSUMER PROTECTION

The Government response to the ECO3:
improving consumer protection consultation



OGL

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Any enquiries regarding this publication should be sent to us at: enquiries@beis.gov.uk

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Ministerial Foreword

Making our homes more energy efficient is the best way to make them more comfortable and healthier to live in, cheaper to heat and more environmentally friendly. In our move to a net zero economy by 2050, we will have to make all our homes better insulated whilst adopting low carbon heating, electricity generation, storage and smart technologies where appropriate. This shift will not only reduce emissions, it will also reduce the difficulties low income and vulnerable families face from high heating bills and cold homes.

Positive change can only happen if people are willing to make significant changes to their homes. They will only be willing to make those changes if they are confident that the work will be carried out to a high standard by reputable companies and on those occasions where things do go wrong, they are put right quickly, and adequate consumer protections are in place.

As a significant step towards achieving this, we are introducing a new quality and consumer protection regime into the Energy Company Obligation (ECO). This is part of a long process begun under the independent Each Home Counts Review, which recommended the introduction of a new, comprehensive quality mark for the retrofitting of energy efficiency measures. That quality mark has been developed and implemented by TrustMark, is fully endorsed by Government, and is supported by new design and installation standards developed by a cross-section of industry working with Government.

To be eligible, the majority of ECO measures will have to be completed by TrustMark registered businesses and, following an appropriate transition period, to the new and improved standards. Households having measures installed by TrustMark registered businesses will receive an improved, more comprehensive service, including the greater provision of warranties. This will provide them with the confidence that everyone should have when they undertake major works on their home.

This is just the first step forward to making these standards the norm, and we will champion the roll-out of higher standards and consumer protection across the retrofit market. We will, of course, review how the new regime works for consumers and businesses, making changes where necessary. However, the ambition has to be that eventually, anyone making their home more energy efficient, whether under a Government scheme or of their own accord, will have the same level of confidence in that product or installation as they would expect of other comparable goods and as befits the value and importance of their home.



Executive Summary

BEIS received 110 responses to the ECO3: Improving Consumer Protection 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 main proposals on incorporating the newly reformed TrustMark Government Endorsed Quality scheme and the new domestic retrofit standards. The final policy decisions set out in this document reflect the responses to the consultation as well as Government's wider strategic aims and the rate of current ECO3 delivery.

Government has decided to incorporate TrustMark and the new and updated PAS standards into ECO3. In addition, taking note of evidence from the consultation and addressing concerns about industry readiness and increasing costs of implementing the updated PAS standards, Government intends to bring the amending regulations into force on 1 January 2020 to allow more time for businesses to register with TrustMark and will introduce the following:

- an extended transition period for certification and compliance with the updated PAS standards, ending 30th June 2021;
- a 20% uplift applying to all measures which are completed during the extended transition period by installers certified to and compliant with the PAS 2019 standards¹; and
- TrustMark also plans to amend its updated Framework to require guarantees in place for all ECO measures, with a minimum length of two years.

Government and TrustMark will implement a requirement for underfloor and room-in-roof insulation measures to be accompanied by a guarantee of 25 years or longer that meets the "appropriate guarantee" criteria. To allow time for guarantee providers to make these available, this will become a requirement from 1 July 2020.

In acknowledging support for multiple measure delivery and noting responses to the consultation, Government will retain an uplift for replacement broken boilers delivered outside the broken heating system cap but will reduce the uplift to 200% where they are not renewable heating measures.

Government is also changing the way first time central heating (FTCH) measures are treated under the scheme. Firstly, we will increase the lifetime for certain FTCH measures. Secondly, we will allow FTCH to be installed in PRS EPC Band F&G rated properties. We will also introduce a requirement that homes receiving FTCH will have to have their cavity walls and lofts/roofs insulated where such insulation is possible. This will further support low income and vulnerable households to heat their homes adequately and save money on their heating bills whilst also ensuring that cost effective insulation measures are installed. We will not, however, allow FTCH to be installed as in-fill under local authority flexible eligibility.

¹ PAS 2035:2019 and PAS 2030:2019

Alongside this response, TrustMark intends to publish its updated Framework Operating Requirements document which will reflect the changes outlined in this Government response. Government will lay amending regulations in Parliament which we expect to come into force on 1 January 2020. Ofgem intends to issue supplementary scheme guidance ahead of the regulations coming into force.

Consultation Questions and Government Responses

1. Improving consumer protection

Consultation Question 1

Do you agree with the proposal for the incorporation of TrustMark into ECO3 and, in particular, for installers to have to be TrustMark registered businesses to deliver eligible ECO3 measures, with the exception of demonstration actions and certain district heating systems (DHS) measures? In particular, do you agree that the increased financial protection requirements under the TrustMark Framework should apply in respect of ECO energy efficiency measures (except demonstration actions and certain DHS measures)?

Responses:

Yes: 67%
No: 28 %
No View: 5 %

Summary of responses

Incorporation of Trustmark (with exceptions for demonstration actions and certain district heating system (DHS) measures)

1. Overall², there was support from respondents for the proposal to integrate the newly reformed TrustMark Government Endorsed Quality Scheme into the ECO3 scheme, requiring that all measures (except demonstration actions and certain DHS measures) must be installed by a TrustMark registered business. The supporting rationale was that respondents expect that the greater oversight across the market, provided by Trustmark, will increase standards and give the consumer better protection, especially when supported by the introduction of the new PAS 2035:2019 and PAS 2030:2019 standards. Some commented that this was a step in the right direction which should have been implemented sooner and across the whole home improvement sector. It was argued that this needs to be supported by a move towards delivery of multiple measures and whole house retrofit in government policy.
2. Although agreeing in principle, a large proportion of respondents raised a varied number of concerns and considerations regarding the proposed changes and how they may affect the market. These mainly focused on the cost implications envisaged for the supply chain, and in particular SMEs, as they move to the new PAS 2035:2019 and PAS 2030:2019 standards, in addition to the new TrustMark Framework. A number of respondents disagreed with the impact assessment published alongside the consultation, noting that it did not fully consider all costs such as those linked to new

² Percentages throughout the document may not be 100% exactly due to rounding.

guarantee and financial protection requirements. Some responses highlighted that the higher costs could put delivery of ECO3 targets at risk.

3. A few respondents were concerned that the new requirements might be undermined by some businesses resistant to change who may not upskill or change to meet TrustMark or PAS requirements. It was noted by a few respondents that TrustMark must properly vet companies and work with scheme providers to mitigate this risk and that it should be recognised that TrustMark requirements will go beyond certification bodies' compliance requirements. A couple of respondents argued that the proposed change to compliance should only be applicable to ECO delivery and not all TrustMark registered businesses.
4. Several respondents also raised concerns regarding technical monitoring, some of whom supported it being moved to TrustMark so that there was oversight of technical monitoring agents. A few respondents requested more detail on the plans for technical monitoring in the future.
5. Of the respondents who referenced the proposed exceptions for demonstration actions and certain DHS measures from the requirements to be delivered by TrustMark registered businesses, the majority agreed. However, a few respondents disagreed, noting that all consumers should receive the same level of protection under TrustMark.
6. A few raised concerns regarding lodgement and the TrustMark Data Warehouse and requested some extra time to test this and become business ready before requirements come into force. Others raised concerns about the proposed implementation and transition period and suggested more time would help the supply chain.
7. Of the respondents who disagreed with the proposal, many stated the same concerns as outlined above. Additionally, a few opposed the incorporation of TrustMark as they believe that there are already adequate provisions for certain sectors through existing Competent Person Schemes and Accreditation Bodies and they could not see the benefit of adding TrustMark requirements to their delivery areas.

Financial protection requirements

8. Of those respondents who specifically commented on the financial protection arrangements, the majority agreed that full financial protection should be required for all ECO measures. It was also noted that vulnerable and low-income households living in fuel poverty will be better protected by the increased financial protection requirements and that these improvements may also help to increase uptake of energy efficiency under ECO.
9. Some respondents raised concerns that the proposed six-year warranty was too long and will add a substantial additional cost to the scheme which was not included in the accompanying impact assessment. Others noted that in some instances this will exceed the lifetimes of measures and/or is not offered in the market, thereby stopping delivery of those measures.
10. The respondents who disagreed commented that the market already provided adequate financial protection and therefore the TrustMark requirements were not needed.

Transitional arrangements

11. We asked a separate question on the transitional arrangements (question 11) for all the proposed changes to ECO3, however, many respondents commented on the transitional arrangements in their responses to this question. The main theme of responses on transition concerned the requirements around becoming a TrustMark registered business and the transition from PAS 2030:2017 to PAS 2030:2019 and PAS 2035:2019.
12. The majority of respondents who agreed with the transitional arrangements did so without stating any reservations. However, a number of respondents raised concerns around the timelines being too tight and asked for a short grace period to become TrustMark registered and requested longer to move to PAS 2035:2019 and PAS 2030:2019, in order for industry to find the best way to apply it and for the Competent Person Schemes (CPS) to be updated to align with the new standards and qualification requirements within the standards.
13. There was a clear demand for more collaboration across industry and government to ensure readiness, including accreditation services, training and qualification bodies, and Government departments, BEIS and MHCLG.

Government response

14. Given the overarching support for the proposal to incorporate TrustMark and the new PAS standards into ECO3, Government will proceed with implementing these changes. We have taken on concerns around the potential overlap between TrustMark and the existing CPS schemes and are satisfied that the TrustMark model is suitably designed to work alongside scheme providers in each sector to ensure that the existing expertise and consumer protection in the market is built upon rather than adding any unnecessary duplication.
15. We have had discussions with MHCLG, who are supportive of the move to the new PAS standards, and we will work closely with their team to align the current Competent Person Scheme's (CPS) Minimum Technical Competences to PAS 2030:2019 and PAS 2035:2019 as it is the normal protocol when PAS 2030 standards are updated. This will further support the integration of existing schemes with the overarching PAS 2035:2019 and TrustMark requirements, reducing the risk of a two-tier market in the future. The PAS steering group included various stakeholders who were also members of MHCLG's CPS forum to ensure links were maintained during the development of the new standards. Government will work closely with the Construction Industry Training Board (CITB), and through them, with qualification Awarding Organisations, and relevant industry players to ensure that, where necessary, there is suitable provision of qualifications.
16. We have worked with TrustMark, which is a non-profit organisation, as it has developed the scheme and are confident costs will remain affordable. We have agreed that the lodgement fee³ will be £8+VAT per lodgement rather than £10+VAT and this will directly fund audit and compliance activities and, in future, technical monitoring.
17. TrustMark has met with obligated suppliers to understand and act on their concerns about the Data Warehouse. We expect the system will be ready, fit for purpose and robustly tested ahead of introduction into ECO3. We consider that lodgement of a

³ A lodgement can cover up to six measures delivered together within a single project at a premise.

measure in the Data Warehouse is effectively demonstrated by the certificate of lodgement issued by TrustMark and expect to link the requirement for a measure to be lodged to the certificate.

18. Given the concerns around timelines, market readiness and higher costs to deliver to PAS 2035 and PAS 2030:2019 compared to PAS 2030:2017, we have made the following changes to the consultation proposals:
- We will allow an extended period before the requirements to be a TrustMark registered business, and to lodge measures in TrustMark's Data Warehouse, come into effect, which is expected to be for measures completed on and after 1st January 2020 (or as soon as possible afterwards). Having engaged with TrustMark and given the number of businesses delivering ECO we consider this sufficient time to allow businesses to meet the requirements;
 - We have worked with BSI and TrustMark to gain agreement to extend the transition period for certification and compliance with PAS 2030:2019 and PAS 2035:2019, which will now end 30th June 2021, at which point PAS 2030:2017 will be withdrawn from the market and all businesses should be certified to the new standard. However, to provide a structured and managed transition for the market and help to mitigate the risk of industry delaying certification to the end of the transition period, we are retaining the transitional arrangements as set out in Annex B of the TrustMark Framework;
 - Given the extra costs associated with the initial transition to PAS 2035:2019, as identified in the updated ECO3 impact assessment, we have made changes to our initial policy proposals so that total estimated ECO3 delivery costs remain within the spending envelope. This is ensured by two key changes, the first is the introduction of a time-limited score uplift during the PAS transition period and the second is a 6-month extension to this transition which will now end on 30th June 2021. These changes have been modelled to both help offset some of the additional costs and support the supply chain to successfully meet the new requirements. The uplift will award a 20% score increase to all measures which are completed by installers certified to PAS 2030:2019 and in compliance with PAS 2030:2019 and PAS 2035:2019 on or after the date the regulations come into force until the end of the transition period.
 - TrustMark have confirmed that they will continue with the new requirement for all ECO measures (except demonstration actions and certain DHS measures) to have guarantees in place, however they will be introducing a minimum requirement of two years protection, rather than the proposed six years, to reflect feedback on market readiness and cost implications. This requirement will be in the updated TrustMark Framework and reflected in the ECO regulations where relevant.
19. TrustMark is in the process of creating a monitoring framework that takes over from Ofgem the responsibility of administering technical monitoring for measures delivered within the TrustMark framework. The expectation is that responsibility for technical monitoring, currently delegated by the Secretary of State to Ofgem, will start to be transitioned to TrustMark for such measures over the coming months. Suppliers will still be required to conduct technical monitoring, in the meantime, and will continue to conduct technical monitoring for any demonstration actions and certain DHS measures as these are exempt from TrustMark requirements. We expect TrustMark to begin a pilot programme at some point during spring 2020 as part of the development of their framework. During this pilot programme, we expect Ofgem to continue to administer technical monitoring as normal. TrustMark will assume full responsibility for technical

monitoring for measures delivered within the TrustMark framework once the pilot is completed successfully, which is expected by June 2021 at the latest.

Consultation Question 2

Do you agree that incorporation of TrustMark into ECO3 is sufficient to demonstrate certification and compliance with the appropriate PAS standards?

Responses:

Yes: 46 %
No: 46 %
No View: 8 %

Summary of responses

20. The responses to this question were split evenly between those that agreed and disagreed. Those who agreed with the proposal for TrustMark to be sufficient to demonstrate PAS compliance for the purposes of ECO, commented that this is a step in the right direction and surveillance across the industry will be a good thing and should be welcome by installers working to a high quality. Respondents who agreed also stated the importance of TrustMark utilising links with Certification Bodies to ensure that the certification is up to date. It was noted by some that TrustMark and certification bodies need to develop strong relationships to deal with issues with complaints and poor performance and provide clarity on responsibilities.
21. Many of the respondents who agreed, also noted that the TrustMark Framework requires compliance and certification with PAS standards for all relevant ECO measures and also includes additional requirements which are fundamental to driving up quality. This includes auditing outside of PAS, such as on the implementation of the code of conduct and consumer charter. A few others suggested that PAS should be removed from the ECO Order completely, including during the transition period, so that responsibility to check compliance is no longer the responsibility of obligated suppliers.
22. The majority of respondents who disagreed with this proposal noted that TrustMark is not equivalent to UKAS and therefore would not be able to certify or judge compliance with PAS 2030:2019. A number of these noted that TrustMark is not a UKAS accredited body and businesses should be certified to the relevant PAS standards by a UKAS accredited organisation as well.
23. Several of the respondents who disagreed with this proposal stated that there is already enough auditing in place through PAS audits conducted by Certification Bodies and that their sectors should not be required to meet the PAS 2035 requirements or be registered with TrustMark. This was specifically raised by the glazing and heating sectors which also raised concerns about the extra cost and bureaucracy, where they state that the current certification bodies ensure that there are already robust checks in place for consumer protection. It was noted that the cost implications of the new proposals as described in the consultation may mean some SMEs will stop delivering ECO measures.

Government response

24. The TrustMark Framework⁴ requires compliance and certification with PAS standards for all relevant ECO measures and has developed systems for checking that certification is current and in place for the measures being delivered by installers. Therefore, we are satisfied that TrustMark will continue to ensure that installers are certified and compliant through links to UKAS accredited Certification Bodies. To ensure a smooth transition embedding the new TrustMark quality scheme, we will retain legislative references to PAS standards in the ECO3 Regulations for the duration of the transition period.
25. We acknowledge that TrustMark will not replace UKAS in the accreditation and certification process – this was never the intention – and we believe the extra consumer protections under TrustMark will complement the UKAS certification process. BEIS will work closely with Ofgem, UKAS, TrustMark and industry to help ensure continued delivery and a smooth transition.
26. As noted under the response to question 1, we are extending the transition period and implementing an uplift for PAS 2035:2019/ 2030:2019 measures to help the supply chain meet the additional costs associated with these changes.

Consultation Question 3

Do you agree that incorporation of TrustMark into ECO3 is sufficient to allow all solid wall, cavity wall and park home insulation measures delivered under the scheme to receive the relevant standard applicable lifetime?

Responses:

Yes: 48%
No: 25%
No View: 27%

Summary of responses

27. Of those who responded to this question, the majority agreed that the incorporation of TrustMark into ECO3 is sufficient to allow solid wall, cavity wall and park home insulation measures delivered under the scheme to receive the relevant standard applicable lifetime. Several stated that the current criteria requiring solid wall, cavity wall and park home insulation to be accompanied by a guarantee to receive the relevant standard applicable lifetime should also be extended to be inclusive of all ECO-funded measures to further increase consumer protection in the market.
28. Of those who disagreed, there were mixed views. Some stated that the existing criteria for financial protection requirements do not provide adequate protection, and the ECO scheme should add insurance-backed guarantees as a requirement. Others argued that incorporating TrustMark into ECO3 does not provide any additional assurance to current requirements and the TrustMark framework should require guarantees to go above and beyond current coverage.

⁴ TrustMark intends to publish the Framework here: <https://www.trustmark.org.uk/aboutus/useful-links>

Government response

29. As concluded further above, the Government has decided to implement the proposal to incorporate TrustMark into ECO3. Considering the responses received, we consider solid wall, cavity wall and park home insulation measures delivered under the scheme that meet TrustMark's Framework requirements should receive the relevant standard applicable lifetime. However, to support smooth delivery and enforcement we have decided to maintain the appropriate guarantee criteria as an ECO legislative requirement. We will be working with TrustMark to ensure rigorous development of financial protection in the sector, including looking at the rationale for moving to insurance backed guarantees. Going forward, the intention is for TrustMark to generally take on Ofgem's role in relation to administering appropriate warranties.

Consultation Question 4

Do you agree that underfloor and room-in-roof insulation measures should be accompanied by a 25 year or more guarantee under the scheme which not only meets the TrustMark financial protection requirements that apply to all ECO energy efficiency measures but also as a minimum meets the TrustMark "appropriate guarantee" criteria?

Responses:

Yes:	52%
No:	31%
No View:	17%

Summary of responses

30. The majority of respondents agreed with the proposal that underfloor and room-in-roof insulation measures should be accompanied by appropriate guarantees of 25 years or more. Many stakeholders welcomed the proposal, highlighting that they believed it will reduce the risk of poor installation, while increasing consumer protection and trust in the energy efficiency sector.
31. Several noted the similarities between underfloor and loft insulation, with there being two distinct views on this, firstly that underfloor insulation should receive the same six-year guarantee proposed for loft insulation in the draft TrustMark Framework published alongside the consultation. The opposing view was that loft insulation should receive an increased guarantee, to match the proposed 25 year minimum for underfloor insulation. Whilst most respondents approved of the proposal for room-in-roof insulation to receive a 25-year guarantee, some highlighted that as it is a multifaceted measure there could be difficulties in obtaining a guarantee for this.
32. Of those who disagreed with the proposal, the main concern was that they would not be able to get a guarantee for these measures from the guarantee providers when the regulations come into force, referencing issues stakeholders have experienced with internal wall insulation. Other stakeholders agreed with the approach, subject to Government satisfying itself that guarantee providers were willing and able to provide guarantees, which would in turn reassure installers and stimulate the market. However, it was also suggested a transitional period should be considered so that the market could be given time to prepare, minimising the risk of a hiatus in delivery of these measures. This time would be used by industry to develop methodologies, processes and guidance to allow the emerging technologies time to be scaled up.

33. While noting they could see the value in improved consumer protection there were concerns raised about the costs affecting the price of these measures. Obligated energy suppliers highlighted that the costs would be passed on to them, which they would have to pass to the consumer.
34. The most frequent response received was that not only should underfloor and room-in-roof insulation measures be accompanied by 25-year guarantees, but all ECO measures should require guarantees to be provided for at least the relevant lifetime of that measure.

Government response

35. Government has decided to implement this requirement and align these measures with other complex insulation measures. Considering the responses received, we need to allow sufficient time for guarantee providers to make these guarantees available given they do not currently exist. As such, the TrustMark Framework will allow a transition period ending on 30th June 2020. We believe this is sufficient based on past precedence of guarantee provision and from engaging with guarantee providers.
36. We have not aligned the underfloor insulation guarantee length to that of loft insulation, due to the technical nature and complexity of installing underfloor insulation.
37. We recognise this will add to the costs of measures, however, like with higher standards, consider this an acceptable and necessary cost to provide greater protection to consumers. We also consider that the “appropriate guarantee” criteria introduces greater quality assurance which in turn should reduce the need for return visits and the costs associated with conducting remedial work. This is particularly the case as data shows that a relatively high volume of underfloor and room in roof insulation is starting to be installed.
38. As with solid wall, cavity wall and park home insulation, we have decided to have the appropriate guarantee criteria for underfloor and room-in-roof insulation in the ECO regulations to support smooth delivery and enforcement.
39. With regards to the point that all ECO measures should have a guarantee that reflects the relevant lifetime of the measure, we do not have an agreed methodology for a lifetime-based guarantee metric at this point in time, or sufficient evidence to develop one, to introduce such an approach into the scheme.

Consultation Question 5

Are there any other complex ECO measures that you think should be accompanied by a 25 year or more guarantee which as a minimum meets the TrustMark “appropriate guarantee” criteria?

Responses:

Yes:	17%
No:	58%
No View:	25%

Summary of responses

40. Most respondents answered that they did not know of any other measures that should be accompanied by an appropriate guarantee of 25 years or more, however, many proposed guarantee requirements should be scrutinised for any new measures introduced to the scheme, for example through innovation. A suggestion was made of possibly legislating a mechanism whereby new measures are consulted on and given a suitable guarantee.
41. Of the measures to be specifically named as candidates for requiring a 25-year appropriate guarantee, the most numerous was loft insulation, while there were also calls for renewables, battery storage, boilers and central heating systems. Some respondents called for a 25-year appropriate guarantee to be applied to all ECO measures, noting that as they are delivered to vulnerable customers they should be accompanied by the highest level of protection.
42. Other respondents expressed their concerns that guarantees of this length, or meeting the appropriate guarantee criteria, are not appropriate for all measures, with the glass and glazing industry mentioning specific aspects of windows and doors. There were also responses noting they believed that only well-established wall insulation measures should be subject to the requirement for an appropriate guarantee of 25 years or more.
43. There was also scrutiny of the way by which measures were selected for a longer guarantee, suggesting that a risk-based metric should be used instead of complexity, highlighting that loft insulation is risk category 3 and should be included. Other respondents noted that instead of a 25-year guarantee all ECO measures should be accompanied by an appropriate guarantee that matches the lifetime of the measure.

Government response

44. We have not identified any complex ECO measures, other than room-in-roof and underfloor insulation, to which the appropriate guarantee criteria should apply. This is recognising that long-term guarantee provision would be less viable for measures where the householder could invalidate the guarantee relatively easily, for example, through disturbing loft insulation or not servicing a boiler.
45. In response to the suggestion to introduce a risk-based metric to calculate guarantee length or an appropriate guarantee that matches the lifetime of the measure, at this point in time, we do not have an agreed methodology for a risk or lifetime-based guarantee metric, or sufficient evidence to develop one, to introduce such an approach into the scheme. However, we will continue to work with TrustMark and industry to monitor and identify if it is pragmatic to provide different guarantee lengths for different measures.
46. The new TrustMark requirements for all ECO measures (bar demonstration actions and certain DHS measures) delivered by a TrustMark registered business to be accompanied by a guarantee of at least two years, go beyond existing ECO requirements and we are confident that they will provide greater consumer protection across every ECO measure.

Consultation Question 6

Do you agree that, to the extent they would apply to demonstration actions and certain DHS measures exempt from the TrustMark requirements, the current ECO3 requirements should be updated to move to the new PAS standards (PAS 2035:2019 and PAS 2030:2019) subject to similar transitional arrangements to those set out in paragraph 15 above?

Responses:

Yes: 42%
No: 38%
No View: 20%

Summary of responses

47. There was a mixed response to this question. Of those who agreed, many welcomed the proposal to move to the new PAS standards, subject to transitional arrangements, citing the need to adhere to the highest quality and consumer standards. Several added that the transition should be carefully managed, to ensure the supply chain is adequately supported to move to the updated PAS standards.
48. Of those who disagreed, several stated that demonstration actions and certain DHS measures should be subject to the same TrustMark requirements as other ECO measures. Others stated that moving to the new PAS standards may be difficult as they entail more complex changes, as well as suggesting that currently few individuals meet the qualification requirements set out in the new PAS 2035:2019 standard.

Government response

49. Government has decided to implement the proposal to move to the latest PAS standards for measures exempt from the TrustMark requirements, subject to transitional arrangements and an uplift (outlined in the response to question 1). The Government recognises the importance of moving to the new PAS standards, including where these standards are suitable for application to demonstration actions and certain DHS measures, to improve the outcomes of energy efficiency retrofit.
50. Demonstration actions and certain DHS measures that are registered with Heat Trust or equivalent, will not be subject to TrustMark requirements, as we are satisfied that these measures have consumer protection in place through alternative mechanisms, as per the consultation.

2. Scoring

Consultation Question 7

Do you agree with our proposed amendment to remove the 400% uplift for replacement boilers delivered outside of the broken heating system cap?

Responses:

Yes: 27%

No: 45%

No View: 28%

Summary of responses

51. 62% of respondents who responded to this question disagreed with the proposal to remove 400% uplifts for broken boiler replacements outside of the broken heating system cap. Many respondents cited that there is greater consumer demand for heating system replacements, enabling boiler measures to act as a catalyst to securing agreement from householders to receive insulation measures. Some stakeholders suggested this was helping to drive innovation in the supply chain with heating and insulation delivered in parallel, moving towards a 'whole house approach'. Responses also suggested that removing the uplift would have a negative impact on the supply chain, potentially leading to redundancies whilst new rules and rates were embedded in the scheme. Several responses referenced that the removal of the uplift would make the obligation even more challenging to deliver in a context where fewer measures are being installed than expected.
52. Around a quarter of responses were supportive of the proposal with the most common rationale being that the 400% uplift disproportionately incentivises the installation of boilers and is not in line with the policy objective. This has led to boiler delivery significantly higher than what was assumed in the impact assessment. Some stakeholders suggested that the uplifts are leading to inappropriate insulation measures being installed in some properties. Some responses suggested a compromise may be necessary, such as reducing the uplift rather than removing it, or phasing out the uplift over an extended period to allow the supply chain to adjust over the summer, rather than impacting installations this winter.

Government response

53. In view of the responses and the wider delivery context, the Government has decided to retain an uplift for replacements of broken boilers delivered outside of the broken heating system cap but reduce it to 200% where they are not renewable heating measures. Replacements of broken boilers delivered outside of the broken heating system cap which are renewable heating measures will retain a 400% uplift. Although the current uplift does not reflect the original policy intent, analysis of the latest delivery data evidences that the uplift is encouraging multiple measure delivery, which offers a more complete package to households as well as offering a greater improvement to the energy efficiency of those homes. This finding is supported by anecdotal evidence provided through the consultation. Furthermore, the Government acknowledges that initial delivery under ECO3 has been lower than estimated and we recognise that

retaining an uplift may have a role in supporting industry. We have chosen to reduce the uplift to 200% given the reported costs of broken boiler delivery are around half of those for standard measures. This should mean that boilers outside of the cap compete on an equal price footing with insulation measures.

54. This decision acknowledges that for people in fuel poverty a working heating system is a more immediate necessity than having an insulated home whilst wanting to provide a better balance of incentives between boilers and insulation measures.

3. Measure Lifetimes – First Time Central Heating

Consultation Question 8

Do you agree with our proposal to change the measure lifetime assumption for first time central heating measures to 20 years?

Responses:

Yes: 65%
No: 16%
No View: 19%

Summary of responses

55. The majority of respondents agreed with the proposal to change the measure lifetime assumption for first time central heating (FTCH) measures to 20 years, with several arguing that the proposal further supports fuel poor households under the ECO scheme. Some respondents suggested that the proposal would support the market by further increasing the viability of FTCH measures.
56. The majority of those who disagreed argued that enhanced incentives to deliver FTCH under ECO should not be encouraged, citing the Government's recent commitment to net zero by 2050. Some suggested that elements of a FTCH system which are long-lasting, such as the radiators and pipework, should get an increased lifetime measure assumption, but the boiler should not.

Government response

57. The Government has decided to go ahead with the change to the FTCH lifetime as proposed in the consultation and as supported by most respondents. To note, this will not include FTCH which is the installation of a first time district heating connection, as these currently receive a 40 year lifetime.
58. Whilst we recognise there may be some tension with achieving heat decarbonisation and net zero, the installation of a wet heating system does not preclude the installation of low carbon heating now or in the future. Furthermore, more low-income households will benefit from warmer homes and much lower bills in the meantime. However, Government will introduce an additional requirement that homes receiving FTCH (both first time central heating systems and first time district heating connections) will have to have their cavity walls and lofts/roofs insulated where such insulation is possible. Most homes already have cavity wall and loft insulation but this will require the insulation of cavity walls and lofts/roofs where not already insulated. The installation of these measures is consistent with a fabric first approach and they should be cost-effective under ECO. The running costs of the heating system will also be reduced where the home is insulated. And finally, improving the air tightness of homes will make them more suitable for lower temperature heating systems, such as heat pumps, which is important for decarbonising heating as part of the Government's net zero commitments.
59. For simplicity, Government has chosen to have a single lifetime rather than distinguishing between the heating system and the heat source.

4. Eligibility for private rented sector households

Consultation Question 9

Do you agree that first time central heating (FTCH) should be eligible in PRS EPC Band F&G rated properties?

Responses:

Yes: 79%

No: 11%

No View: 10%

Summary of responses

60. The majority of respondents agreed that first time central heating (FTCH) should be eligible in PRS EPC Band F&G rated properties. Many of those who agreed highlighted those living in such properties are more likely to be fuel poor and that installing an efficient heating system would support those who are low income or vulnerable and help alleviate fuel poverty.
61. Several respondents highlighted that FTCH is a high-cost measure, and expressed the opinion that the expenditure cap for the PRS Minimum Energy Efficiency Standards⁵ was set too low at £3,500 so therefore insufficient to upgrade Band F and G properties to Band E. Some stakeholders cited this as the reason for agreeing that FTCH measures should be funded through the ECO3 scheme, whilst others stated that the cap should be raised and disagreed with funding these measures through ECO3.
62. As with question 8, of those who disagreed, many raised the concern that installing FTCH would be inconsistent with the government commitment to achieve net zero by 2050, and a scenario where 80% of home heating is low carbon by 2050.

Government response

63. The Government intends to implement the change as consulted on so that FTCH (both first time central heating systems and first time district heating connections) will be eligible in PRS EPC Band F&G rated properties. This is consistent with the policy rationale for solid wall insulation and renewable heating already being eligible in those homes. Whilst renewable heating is compatible with the installation of a wet heating system, we estimate that FTCH will be gas-fuelled in the large majority of cases. However, that will mean that low income and vulnerable households will be able to heat their homes adequately and save thousands of pounds on their heating bills whilst we transition to low carbon heating.
64. As noted in the response to question 8, all homes receiving FTCH will have to have cavity wall and loft/roof insulation where such insulation is possible.

⁵ <https://www.gov.uk/government/consultations/domestic-private-rented-sector-minimum-level-of-energy-efficiency>

5. In-fill and First Time Central Heating

Consultation Question 10

Do you agree that first time central heating (FTCH) should be included in the LA-Flex in-fill?

Responses:

Yes: 68%

No: 11%

No View: 21%

Summary of responses

65. Whilst most respondents supported the proposal they did so for varying reasons. Most respondents were of the view that in-fill can play a critical role in allowing more homes to benefit from the funding through the Fuel Poor Network Extension Scheme; by permitting in-fill for FTCH, it may make projects more financially viable. There were some concerns, however, about the impacts this proposal may have on the Clean Growth Strategy.
66. Some respondents argued that in-fill measures would help connect properties that may not be connected without it, as it is already difficult and expensive to install FTCH installations in off gas areas, especially where some households' connections and measures cannot be funded.
67. Some of those opposing the proposal were concerned that by allowing in-fill for FTCH projects it would be inconsistent with net zero. Some respondents also commented that it might be inappropriate to encourage the installation of gas measures when we should be looking at alternative low carbon and renewable heating measures.

Government response

68. The Government has decided not to introduce an in-fill mechanism under LA Flex for FTCH. Whilst we accept that a large majority of respondents supported its introduction and recognise the benefits of in-fill, the wider context has changed in the last few months. Shortly before the consultation was published, the UK Government legislated for net zero by 2050. Therefore, we are re-appraising to what extent domestic fossil fuel heating should be supported under Government policies. In that context, we have taken the decision to continue support for FTCH in low income households but not to expand its installation into homes whose occupants do not directly meet the eligibility criteria of the scheme.

6. Transitional Arrangements

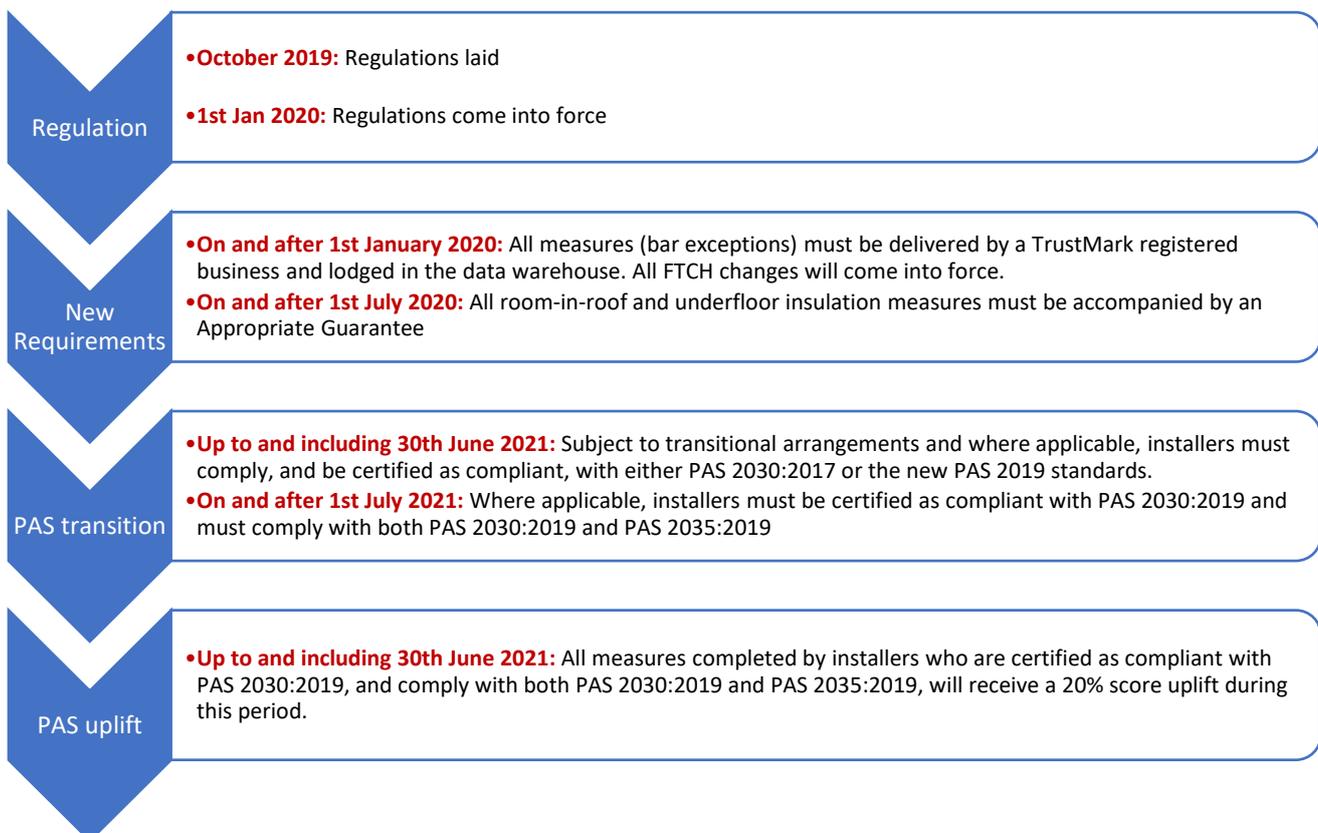
Consultation Question 11

Do you agree with our transitional arrangements for all proposed changes?

Government response

69. For clarity, for the TrustMark transitional arrangements we have incorporated the summary and Government response to this question in the Government response to question 1. We received no responses on the transitional arrangements for the FTCH changes.
70. For all FTCH changes, these will take effect in relation to measures completed on or after the date when the regulations come into force, which is expected to be 1 January 2020.
71. We have presented a timeline below which sets out all the transitional arrangement and details of when the regulations and new requirements are expected to come into force.

Timeline for new requirements



7. General Scheme Requirements

Consultation Question 12

The Government invites views on the general requirements set out in this consultation and the illustrative draft of the amending ECO3 Order, once available.

Summary of responses

72. Respondents used this section or other parts of their response for a variety of means. Notable complaints and arguments included:

- that the consultation process was not sufficiently long and inclusive to get representative and well-informed views;
- that delivery in the market was already very difficult and wider changes were needed to enable more measures to be delivered cost-effectively;
- that the impact assessment did not accurately reflect all the costs associated with the proposed changes such as ventilation remedial work, guarantees, retrofit co-ordinator costs and increases in delivery cost arising from any retraction in the supply chain; and
- that the impact assessment accounted for the benefits of carryover but assigned its costs to ECO2t.

Government response

73. This consultation is the end of a long process through which the proposals relating to TrustMark and the new PAS standards were developed. Starting with the Each Home Counts review, followed by the ECO3 consultation in 2018 onto the industry-led PAS steering groups and EHC Implementation Board, there have been numerous opportunities for interested parties to be aware of and involved in the process. We will use the extended transition period to monitor how the new requirements operate and that will inform future revisions of PAS and scheme requirements.

74. We recognise that delivery is behind where it is expected to be despite reaching its highest rate in the latest month of official data⁶. The decisions in this document reflect that context by endeavouring to balance the delivery challenges with the objectives of the policy and our long-term goals on net zero.

75. With regards to the impact assessment, a full breakdown of cost assumptions will be made available in the final stage impact assessment which we expect to be published in time for the amending regulations to be laid in parliament. The cost of guarantees is expected to reflect a small portion of delivery cost as the guarantee lifetimes have been shortened from the 6 years, as proposed in TrustMark's Framework, to 2 years. Additionally, we have taken upper estimates of the expected increase to delivery costs (from evidence provided by industry) to provide a buffer for unaccounted costs such as guarantees. Any retraction in the supply chain would pose a delivery risk whilst also placing upward pressure on delivery prices. The impact assessment acknowledges this risk, however, we do not quantify this due to insufficient data, as well as the impact of the regulatory change on numbers in the supply chain being minimal. Under the

⁶ <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-october-2019>

current scheme, installers are required to be PAS certified so the move to the updated PAS 2030:2019 standards should be expected by the supply chain. The new PAS 2035 standard is intended to formally recognise practices that are common amongst ECO delivery partners who manage, and subcontract retrofit projects. Furthermore, the Government is introducing a score uplift which will make the cost effectiveness of measures conforming to PAS 2035 more attractive and enable industry to command a higher subsidy toward their cost. Therefore, we feel, on balance, industry is more likely to adapt to the new rules rather than exit the market.

76. We will continue to attribute the cost of ECO2t excess actions to that scheme in line with accounting rules around carryover under which the cost of excess actions should be attributed to the obligation in respect of which they were undertaken. This approach has been checked with the Regulatory Policy Committee. Suppliers should note that all delivery that was completed from 1st October 2018 is counted toward ECO3 delivery costs in this impact assessment.

Annex 1: List of respondents

Agility ECO
Advance ECO Ltd
Alpha Energy Ltd
Anthesis
Area Eco
Arktek Group
The Association of Decentralised Energy (ADE)
AWG Heating Ltd
Baxi
BEAMA Ltd
B-EcoSmart
BidConnected Ltd
Bierce Surveying Ltd
Building Energy Services Association
C&T ECO Consultants Ltd
Cadent
Capture Carbon Ltd
Cavity Insulation Guarantee Agency (CIGA)
Cenergist Ltd
Chartered Institute of Plumbing and Heating Engineering (CIPHE)
Citizens Advice
Citizens Advice Scotland
City Energy Network Ltd
Comcat Ltd
Committee on Fuel Poverty
Dacorum Borough Council
Distinction Energy
Eaves Energy Solutions Ltd
EDF Energy
Eclipse Energy North Ltd
Elmhurst Energy
Energy Saving Trust
Energy Store Ltd
Energy and Utilities Alliance (EUA)
E.ON
Eskimo Insulation Ltd
GHE Solar Ltd
Glass and Glazing Federation
Green Improvements Ltd
Happy Energy Solutions Ltd
Infinity Energy Organisation Ltd
Instagroup Ltd
InstallersUK Ltd
Invictus Energy Group Ltd
NAPIT
National Energy Action
National Insulation Association
Next Energy Solutions

Consultation questions and government responses

Norwich City Council
Npower
Ofgem
Pacifica Group
Renewable Solutions Team
Resourcematics
Rockwool Ltd
Rolec Electrical Ltd
Scottish Power
SERS Energy Solutions (Scotland) Ltd
SGN
Shell Energy
Shetland Islands Council
Simply ECO Ltd
Solid Wall Insulation Guarantee Agency (SWIGA)
Stoke-on-Trent City Council
Suffolk County Council
Sustainable Energy Association (SEA)
The Oil Firing Technical Association Ltd (OFTEC)
Think Energy Ltd
Thornley and Lumb
United Kingdom Accreditation Service (UKAS)
Upgrade and Save Ltd
WarmA Homes
Warmer Energy Services
Westdale Services Ltd
Western Isles Insulation Ltd
Wise Energy Solutions Ltd
YES Energy Solutions

In addition, responses from 33 individuals were received.

This publication is available from: www.gov.uk/government/consultations/energy-company-obligation-eco3-improving-consumer-protection

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