

Consultation on The Future of the Energy Company Obligation

DECC ECO Team

Overview

- 2 December 2013 Government announced that it would consult on making ECO easier and cheaper to deliver
- Right that Government reviews the impact of policies on household costs
- Estimate (based on supplier information) proposed changes to ECO will result in a £30-35 reduction in energy bills, on average, in 2014
- Proposals:
 - ECO scheme extended to 2017
 - Current levels of ambition for CSCO and HHCRO maintained and extended at the same scale to 2017
 - Reduce CERO for current period and extend CERO to 2017, at a reduced level, allow loft and standard CWI as primary measures

The consultation: what's next

- Publishing the consultation shortly - 6 week consultation.
- Ofgem to publish early response outlining how they intend to implement proposed changes from March 2014

Q1 2014	Q2/3 2014	Q3/4 2014
Consultation	Legislation laid	Legislation in force

- Number of stakeholder events across the country and further engagement opportunities during the consultation period. Please ensure you respond to the consultation.

Location	Date
Glasgow	25 February
Birmingham	12 March
London	17 March
Newcastle	25 March
Bristol	31 March

Proposed changes for consultation (1)

The Targets

- The March 2015 Carbon Emissions Reduction Obligation (CERO) target will be reduced by 33%
- The March 2015 Carbon Saving Communities (CSCO) and Affordable Warmth (AW) targets will remain the same
- ECO will be extended to March 2017 and new targets imposed for CERO, CSCO and AW at a pro rata of the March 2015 levels

New targets are proposed for 2017

- Proposal to set **NEW** targets for 2017 for all three ECO sub obligations.
- Proposed levels for the 2017 targets will be contained in the consultation.
- Continuing level of ambition for ECO elements targeted at low income and vulnerable consumers.

Sub obligation	2015 Targets	Enforceability at 2015
CSCO	No change proposed	Remains an enforceable compliance deadline at 2015
Affordable Warmth (HHCRO)	No change proposed	Remains an enforceable compliance deadline at 2015
CERO	Propose to reduce by 33%	Proposal to allow supplier to under deliver at 2015, but their 2017 CERO target will be increased by 1.1 times the carbon shortfall at 2015

Proposed changes for consultation (2)

Proposals on ECO delivery

- Allow suppliers to more fully realise the benefits of carry forward of over achievement from CERT/CESP to ECO
- Energy suppliers to be able to potentially carry forward over achievement against their March 2015 targets to count towards their March 2017 targets
- Suppliers may choose to deliver less than their share of the new 2015 CERO target – in which case, the supplier would see its CERO obligation for March 2017 increased by 1.1 times its shortfall in March 2015
- Suppliers who have delivered >25-35% of their current Phases 1 and 2 CERO target by 31 March 2014 will receive 1.75-2 times the carbon score for the measures delivered to that date – the scoring uplift would only apply to measures above the threshold (CERT / CESP excess actions excluded)
- The above flexibility and uplift proposals would **not** apply to HHCR0 or CSC0 targets

Proposed changes for consultation (3)

Carbon Emissions Reduction Obligation (CERO)

- March 2015 CERO target reduced by 33%, and extended at that level (pro-rata) from 2015 to March 2017
- Connections to district heating schemes included as primary measure
- Standard cavity walls included as an allowable primary measure (as a result, we would envisage that current administrative rules on the identification of hard to treat cavities would fall)
- Loft insulation included as an allowable primary measure, but propose putting a clear compliance mechanism in place
- Would include retrospective delivery of loft and CWI from 1 April 2014 onwards

Carbon Saving Communities Obligation (CSCO)

- Extended from the bottom 15% to the bottom 25% most deprived areas, based on the Index of Multiple Deprivation (IMD)
- Qualifying criteria for the CSCO rural sub-obligation will be simplified
- Measures will qualify for the rural element if they are installed in households in the poorest 25% of rural settlements

	Pre March 31 2014		Post March 31 2014		
	CSCO	CSCO Rural	CSCO	CSCO Rural	
% of obligation	85%	15%	85%	15%	
Definition of rurality	NA	Settlement of 10,000 people or less	NA	Settlement of 10,000 people or less	
Eligible areas	Lowest 15% on IMD	Any rural area	Lowest 25% on IMD	Either Any rural area Lowest 25% on IMD of listed rural eligible areas	
Eligible recipients	Any household	AWG	Any household	AWG	Any households

Proposed changes for consultation (5)

Delivery costs

- Government intends to increase transparency of the costs of ECO, either through voluntary agreement with suppliers or by taking powers through legislation
- Suppliers intend to provide active support to the Green Deal and work towards reducing their ECO costs by increasing blending of ECO and Green Deal finance packages

Scheme Simplification

- Inviting views on what elements of the ECO scheme rules would benefit from simplification, and if so, how this can most effectively be done while still ensuring that the scheme objectives are met and the schemes integrity maintained?

Affordable Warmth (HHCRO)

- We are not going to propose any changes to the targets originally set for 2015 for Affordable Warmth, however we propose to set new targets on top of this for 2017
- During 2015 – 2017, propose 1) to incentivise delivery to non-gas fuelled households by uplifting their scores and 2) require a warranty to be included with all boiler replacements

Solid wall insulation (SWI)

- There will be a requirement to deliver a minimum level of SWI – set at 100,000, or a specific volume of CO₂ equivalent to that number of SWI installations
- The target would be delivered by 2017, across all companies and all elements of ECO
- There would be no other measure-specific sub-targets

Contact - ECO Policy

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Main proposals (until consultation published)

- <http://blog.decc.gov.uk/author/siobhan-stanger/>