Opinion: Consultation
Origin: Domestic
RPC reference number: RPC-16-DECC-3342(1)
Date of implementation: April 2017

Regulatory Policy Committee

Domestic Heating Replacement Regulations

Department of Energy and Climate Change

RPC rating: fit for purpose

Description of proposal

The aim of the policy is to deliver additional carbon savings from the domestic heating sector to contribute towards meeting the UK's legally binding carbon budgets and reduce domestic fuel bills. The Department is exploring a number of options at this stage. The options assessed quantitatively in the impact assessment are for legislation covering England that will:

- Mandate the installation of weather compensators at the point of boiler replacement for all new gas boilers. These devices measure the temperature outside the building and adjust the heating system accordingly.
- Mandate the installation at the point of boiler replacement of additional measures from a list of devices designated to reduce energy consumption (for example, learning thermostats).

The Department is also considering whether to exempt the private rented sector from part or all of the regulations. The Department's lead options are (a) to mandate that all households (including private landlords) install weather compensators or (b) to mandate the installation of both weather compensators and another energy-saving technology but exempt private landlords from the latter.

Impacts of proposal

The Department estimates that around 1.2 million boilers are replaced in England each year, of which around 200,000 are attributable to private landlords. The Department estimates that the installation of a weather compensator will cost £80 per boiler, at a total cost to private landlords of £10.5 million (EANCB). Under the option to mandate the installation of both weather compensators and additional energy-saving measures by the private rented sector, the Department estimates the average cost would be £210 per replacement boiler, at a total cost to business of £17.4 million (EANCB). The Department assumes that private landlords will not receive the benefits of reduced energy bills, which will instead accrue to tenants.

In addition to the impact on business, the impact assessment sets out a number of other costs and benefits. Households will incur additional upfront costs from installing

the additional equipment but will benefit from lower energy bills. There are also considerable societal benefits from reduced carbon emissions and improved air quality.

Under both of the two preferred options, the Department estimates that the equivalent annual net cost to business (EANCB) will be £10.5 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The analysis is sufficient for this stage of the policy process. However, there is a considerable degree of uncertainty over the size of the costs and benefits. The Department needs to significantly strengthen the evidence base at final stage. In particular, the Department should provide further evidence to support its estimates of the potential energy savings provided in table B1 of the impact assessment. It also needs to provide a source for the estimated number of boilers that will be replaced each year. The IA states that there is particular uncertainty concerning the potential impact of learning thermostats. The Department should attempt to address this through the consultation. The Department should also use the consultation to explore whether landlords will face any familiarisation costs and whether any benefits in reduced energy bills will accrue to landlords.

The IA provides sufficient discussion of non-regulatory options. Industry sources suggest that compliance with non-compulsory practices is uncommon and is unlikely to achieve the policy objectives. The Department explains that further reductions in carbon emissions can, therefore, only occur at the required pace through regulatory intervention (paragraphs 36 to 40).

The Department should use the consultation to test whether boiler installers will face any additional costs from the proposal. At final stage, the Department should also provide further details of its calculations to enable the RPC to verify the EANCB figure.

The proposal is of domestic origin. A small and micro business assessment (SaMBA) is, therefore, required. The SaMBA sets out that most domestic landlords own a small number of properties (78 percent own only one). In order to minimise the impact on small businesses, the Department is considering restricting some or all of the regulations to households. Option 1b, which is proposing the installation of a weather compensator when replacing a domestic boiler, is the least burdensome to business as it would fully exempt the private rented sector. Should the Department decide to proceed with option 2a, which proposes the installation of further energy saving technologies when replacing a domestic boiler, at final stage it will need to

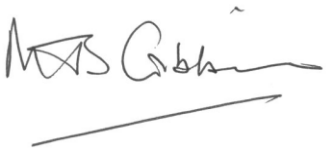
justify why it is excluding businesses from one set of measures but not the other. It should also consider exempting private landlords below a certain size. The SaMBA is sufficient.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANCB)	£10.5 million (initial estimate)
Business net present value	-£217 million
Societal net present value	-£104 million to £172 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman