Energy Company Obligation (ECO) flexible eligibility

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Key headlines

- This article summarises analysis of the Energy Company Obligation (ECO) flexible eligibility (Flex) mechanism, identifying trends in Flex delivery over time and geographically, to illustrate the variability in Flex delivery options.
- Since April 2017, when Flex was introduced, a total of 176,800 measures were delivered through this mechanism up to the end of September 2021.
- Under ECO3, 20.1 per cent of the obligation has been delivered through Flex to end September 2021.
- Through the duration of Flex, the types of measures installed has changed from predominantly boilers to a mixture of 'Other Heating' (largely heating controls), boilers and cavity wall insulation (CWI).
- The Local Authorities (LAs) delivering the most measures through Flex to date are Leicester and Rotherham - delivering eight and seven per cent of the total number of Flex measures respectively.

Background to ECO flexible eligibility (Flex)

The Energy Company Obligation (ECO) is an obligation on energy suppliers aimed at helping households cut their energy bills and reduce carbon emissions by installing energy saving measures. Local Authorities (LAs) can determine eligible homes under the 'Flexible Eligibility' mechanism (Flex). The flexible approach to identifying eligible households was introduced in April 2017. LAs[1] can define the eligible households living in, or at risk of fuel poverty, and where they find households vulnerable to the effect of cold homes.

Under ECO Help-to-Heat (ECO HTH), energy suppliers were able to achieve up to 10% of their Affordable Warmth obligation, in terms of lifetime bill savings, by installing energy saving measures in households declared eligible by LAs. Under ECO3, energy suppliers can deliver up to 25 per cent of the lifetime bill savings through Flex.

Flex delivery since April 2017

Since the introduction of Flex in April 2017, 176,800 measures have been installed in Great Britain through this mechanism to the end of quarter 3 (July to September) 2021. Under ECO3 (from October 2018 to end of September 2021), around 161,000 measures were installed under Flex, equivalent to 91 per cent of all Flex measures.

Monthly delivery of Flex has varied throughout its operation, with initial low delivery at the start of each obligation before gradually increasing. There was a noticeable drop in overall ECO scheme delivery and Flex delivery in April and May 2020, due to the first national lockdown in response to COVID-19. Since June 2020, measure delivery steadily increased and peaked at 11,700 Flex measures delivered in June 2021. This peak was partly due to the change in Publicly Available Specification (PAS) standards introduced on 1st July 2021 and, as with the overall ECO program delivery, was followed by a decrease in measure delivery in quarter 3 2021. In the main statistical release, Tables 2.4 and 2.5 provide the monthly delivery levels, with Chart 5 illustrating the monthly trends.

Through the course of ECO HTH and ECO3, the measure mix of the obligations and Flex has varied (Chart 1). Under Flex in ECO HTH, the most popular measure installed was boiler with 44 per cent of Flex measures – this was a significantly higher proportion than that seen in all measures installed through ECO HTH, where boilers accounted for 17 per cent of measures installed. The second most installed Flex measure type under ECO HTH was cavity wall insulation (CWI), accounting for 20 per cent of Flex measures, which was lower than ECO HTH overall with 38 per cent of installed measures being CWI. Other significant Flex measure types installed under ECO HTH were 'Other Heating' (16 per cent) and loft insulation (14 per cent), both of which were similar percentages to those of the equivalent overall ECO HTH measures for those types.

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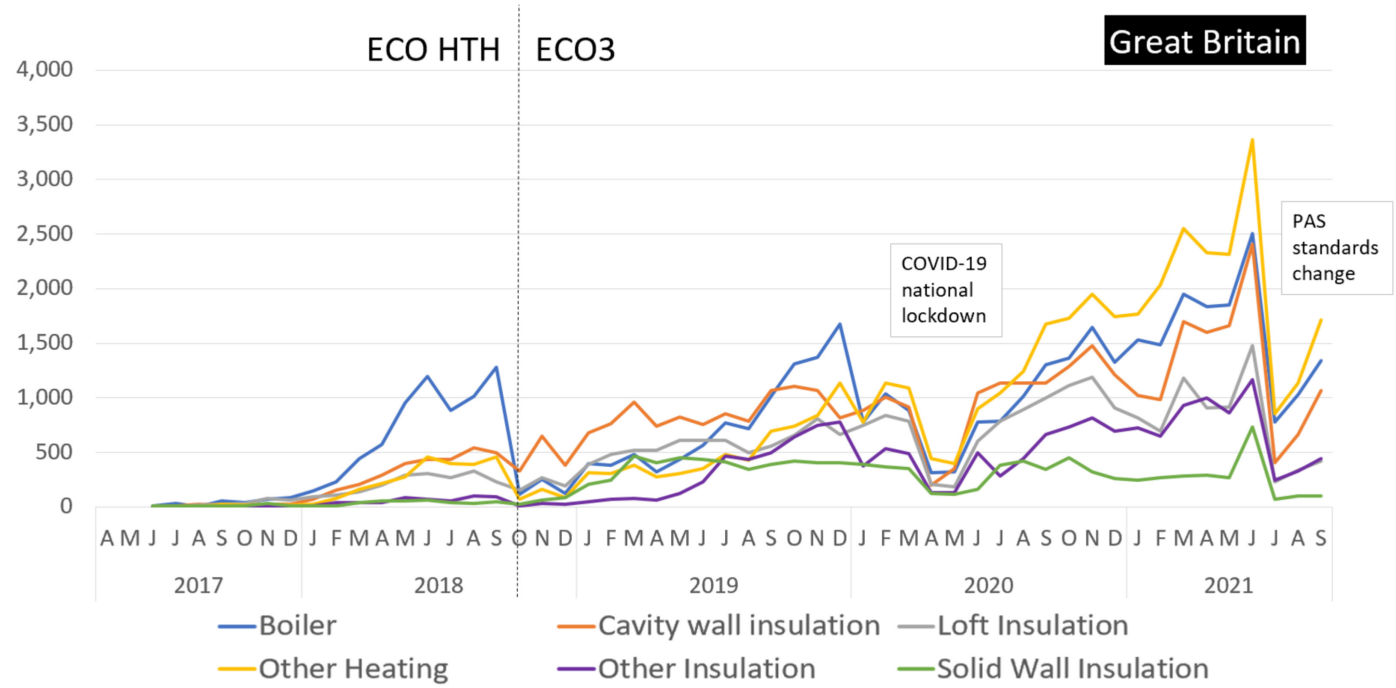
[1] LAs should publish their Statement of Intent (SoI) on their website. BEIS publishes a list of known SoIs here: https://www.gov.uk/government/publications/energy-company-obligation-eco-help-to-heat-scheme-flexible-eligibility

Under ECO3 only the Affordable Warmth sub-obligation applies – this includes boilers – so for the obligation overall, heating measures (boilers and 'Other Heating') account for more of the measure mix. When ECO3 overall and ECO3 Flex are compared, the measure mix is more similar than seen under ECO HTH. For Flex under ECO3, the most installed measure type to end September 2021 was 'Other Heating' (24 per cent). Both boilers and CWI accounted for 22 per cent of ECO3 Flex measures installed.

Chart 1: Monthly Flex Delivery in Great Britain by Measure Type (April 2017 to September 2021)

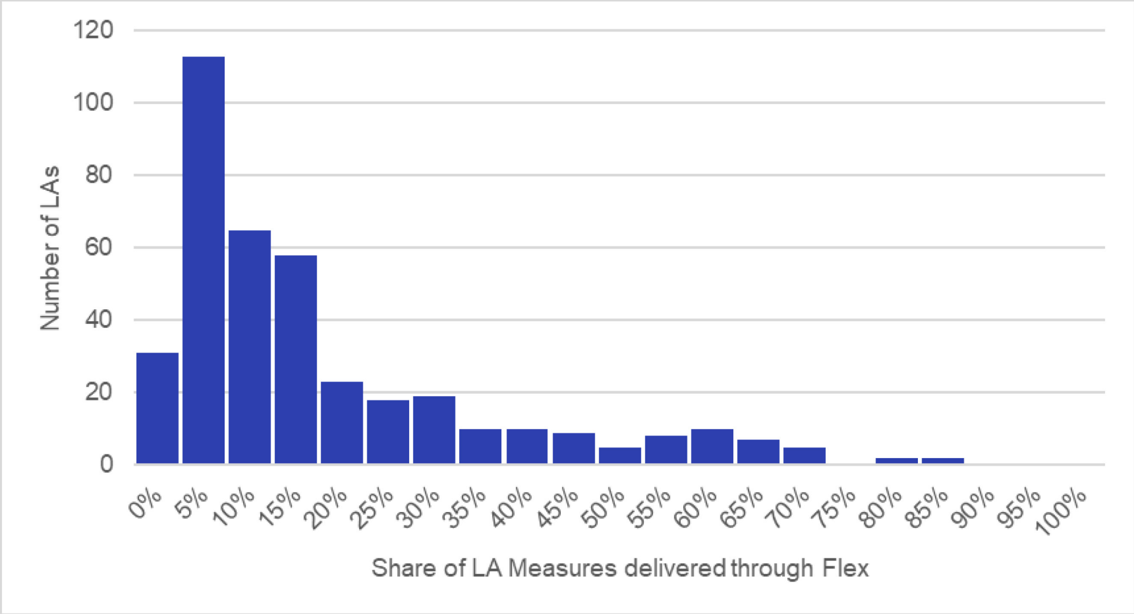


Delivery of Flex has also varied geographically, reflecting the involvement of Local Authorities (LAs) in identifying eligible households. To end of September 2021, England accounted for around 71 per cent of Flex measures installed, Scotland 19 per cent and Wales 11 per cent. The East Midlands had the highest share amongst regions in England, having around 17 per cent of all Flex measures installed in Great Britain.

Up to the end of September 2021, 229 local authorities had seen 50 or more measures installed through Flexible Eligibility, of which 74 had over 500 measures installed. There were 31 LAs that had no measures installed through Flex.

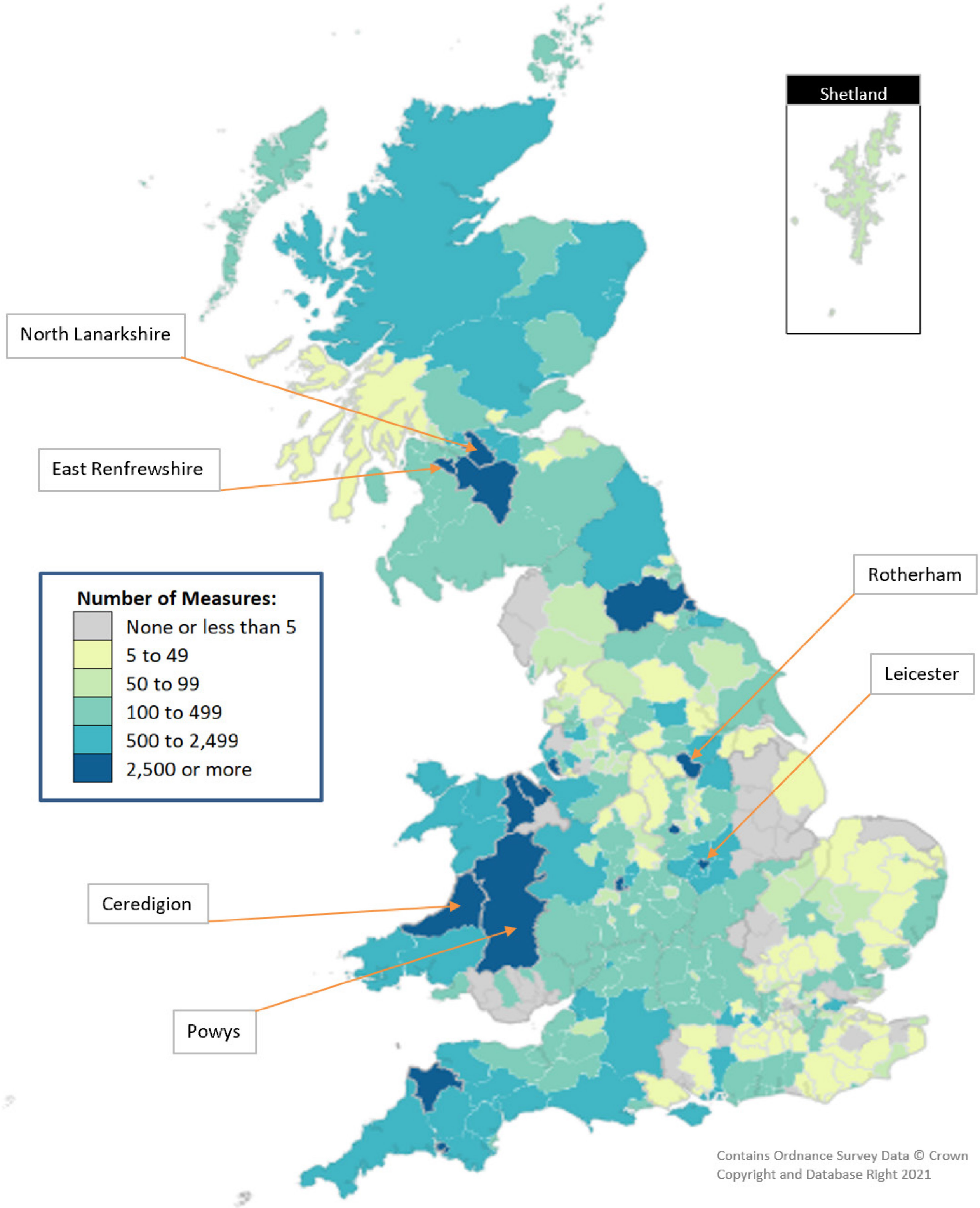
Further evidence of the variability in Flex delivered is provided if the share of Affordable Warmth measures delivered through Flex in each LA is examined. While 30 LAs had no measures installed via Flex to the end of September 2021, 34 LAs had over 50 per cent of measures delivered through Flex (Chart 2). However, for around 260 LAs (equivalent to 66 per cent of LAs), between one and 20 per cent of measures were installed through Flex.

Chart 2: Share of LA Affordable Warmth Measures delivered through Flex



Map 1 visualises the geographic pattern of delivery by local authority, indicating the areas of high and low delivery. The six highlighted local authorities are looked at in more detail in the sections below.

Map 1: ECO measures installed through Flexible Eligibility, by Local Authority (April 2017 to September 2021)

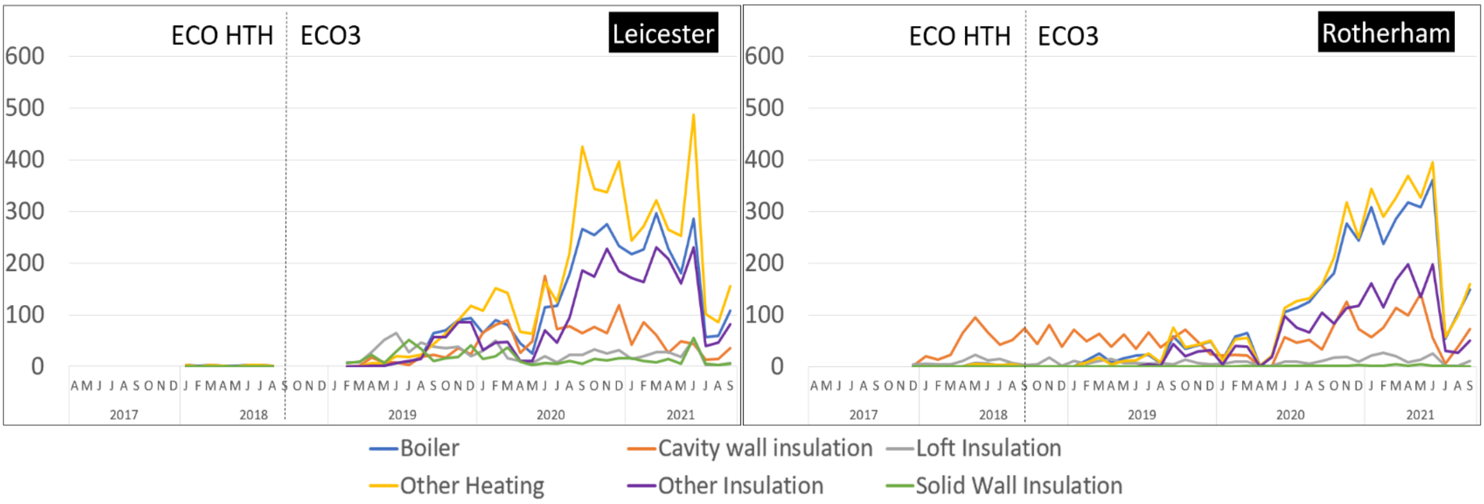


Local Authorities are shown only if they have at least 5 flexible eligibility measures. In total, 332 Local Authorities had at least 1 flex measure up to September 2021.

High delivery Local Authorities

Leicester and Rotherham local authorities have both seen a large number of Flex measures since mid-2020. Combined, these two LAs account for over 15 per cent of all Flex measures, to end September 2021. Chart 3 shows the volume of Flex measures delivered in these two LAs for the period of ECO (ECO HTH and ECO3) that Flex has operated, with a breakdown, by month and measure type (excluding the relatively small number of Flex micro-generation and windows/doors measures).

Chart 3: Monthly Flex measures in Leicester and Rotherham by Measure Type (April 2017 to September 2021)



The recent rise in Flex measures in these local authorities is largely in the ‘Other Heating’, Boiler and to a slightly lesser extent ‘Other Insulation’ (under floor insulation) measure types.

For context, Leicester and Rotherham Flex measures and households are shown against four other ‘high delivery’ Flex LAs in Table 1. Combined these six LAs account for around 28 per cent of all Flex measures installed, to end September 2021.

Table 1: Number of Flex measures installed and the corresponding number of Flex households; selected Local Authorities and Great Britain, April 2017 to September 2021

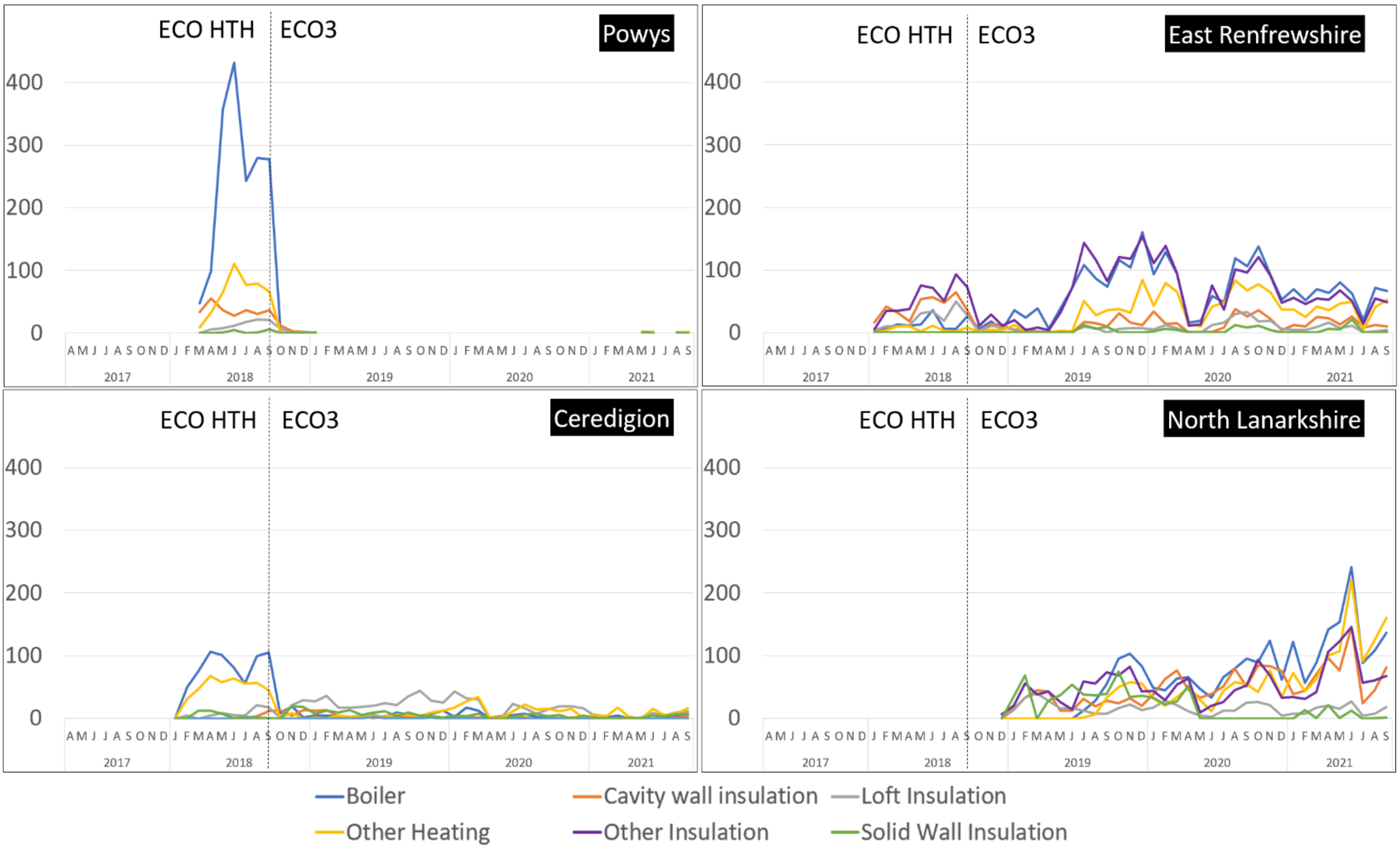
	Flex Measures	Flex Households	Avg measures per household	Flex households with more than one measure	
Leicester	14,490	6,525	**2.22**	4,218	65%
Rotherham	12,777	5,654	**2.26**	3,850	68%
Powys	2,582	2,165	**1.19**	396	18%
Ceredigion	2,757	1,729	**1.59**	742	43%
East Renfrewshire	8,063	4,043	**1.99**	2,593	64%
North Lanarkshire	8,665	4,206	**2.06**	2,537	60%
Great Britain	**176,818**	**103,478**	**1.71**	**45,320**	**44%**

In Table 1, both Powys (1.19) and Ceredigion (1.59) figures are below the national average of number of Flex measures per household (1.71). The four other LAs are all above that national average, with Leicester and Rotherham, some margin above the average, at 2.22 and 2.26 respectively. Powys also only has 18 per cent of its Flex households having more than one Flex measure installed, in contrast to the two English and two Scottish LAs which are all substantially above the Great Britain average of 44 per cent.

The variation in these figures is likely down to measures being installed at different times across the different LAs, in particular timing differences between ECO HTH and ECO3, and different measure types being more commonly combined particularly under ECO3. For overall ECO, both Flex and non-Flex, during ECO HTH, the average measures per household being installed each month was 1.26; while under ECO3 the average number of measures per household was 1.95. During ECO3, this has been a generally rising trend. For Flex only, it has been a similar trend: during ECO HTH, the average Flex measurers per Flex household being installed each month was 1.24; while under ECO3, the average number of measures per household was 1.77. Through ECO3, this has been a generally rising trend.

The differing patterns of delivery over time for Powys, Ceredigion, East Renfrewshire, and North Lanarkshire is shown below in Chart 4:

Chart 4: Monthly Flex measures in Powys, Ceredigion, East Renfrewshire, and North Lanarkshire by Measure Type (April 2017 to September 2021)



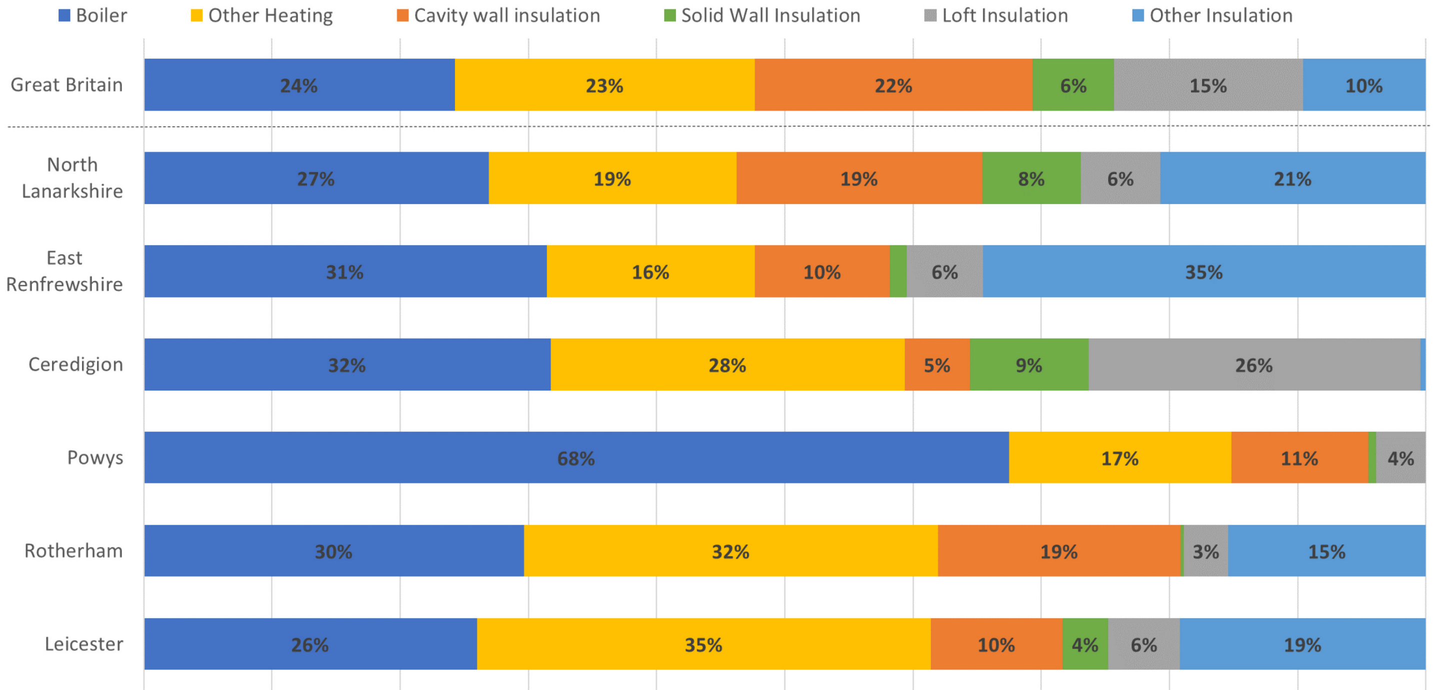
Breakdown of measure types in the selected Local Authorities

The percentage breakdown of measure types in each of the selected LAs, and nationally, is shown in Chart 5. The chart shows the higher percentage of 'Other Heating' in Leicester and Rotherham (35 and 32 per cent respectively) compared to other areas and the national average. The vast majority of these 'Other Heating' measures in those two LAs are heating controls, TRVs / smart thermostats and compensation, accounting for 79 per cent of 'Other Heating' measures in Leicester and 97 per cent of 'Other Heating' measures in Rotherham. Also shown is a higher percentage of 'Other Insulation' in East Renfrewshire (35 per cent) compared to other areas and these measures are almost entirely Under Floor Insulation measures. These higher proportions of both 'Other Heating' and 'Other Insulation' are partially reflective of these LAs delivering a lot of Flex work under ECO3, where these measure types have increased in both installation volume and in combination with other measures.

Powys has delivered substantially more boilers as a proportion of its Flex measures than other areas, 68 per cent compared to a national equivalent of 24 per cent. This is likely due to timing of installations. As shown in Chart 4 (above), Powys had a large proportion of boilers installed during ECO HTH, when other measures were less prevalent, but has delivered little Flex work under ECO3.

Of the selected LAs, only Ceredigion has a proportion of Flex delivery for loft insulation above the national average, 26 per cent compared to the national average of 15 per cent. As a percentage of the Flex work in their authorities, the other five LAs have low proportions for loft insulation, ranging from only three to six per cent of the Flex work. Similarly, none of the selected local authority's CWI percentage of Flex work in their area is above the 22 per cent national average, with CWI accounting for 11 per cent or less of the Flex delivery in four of the six LAs.

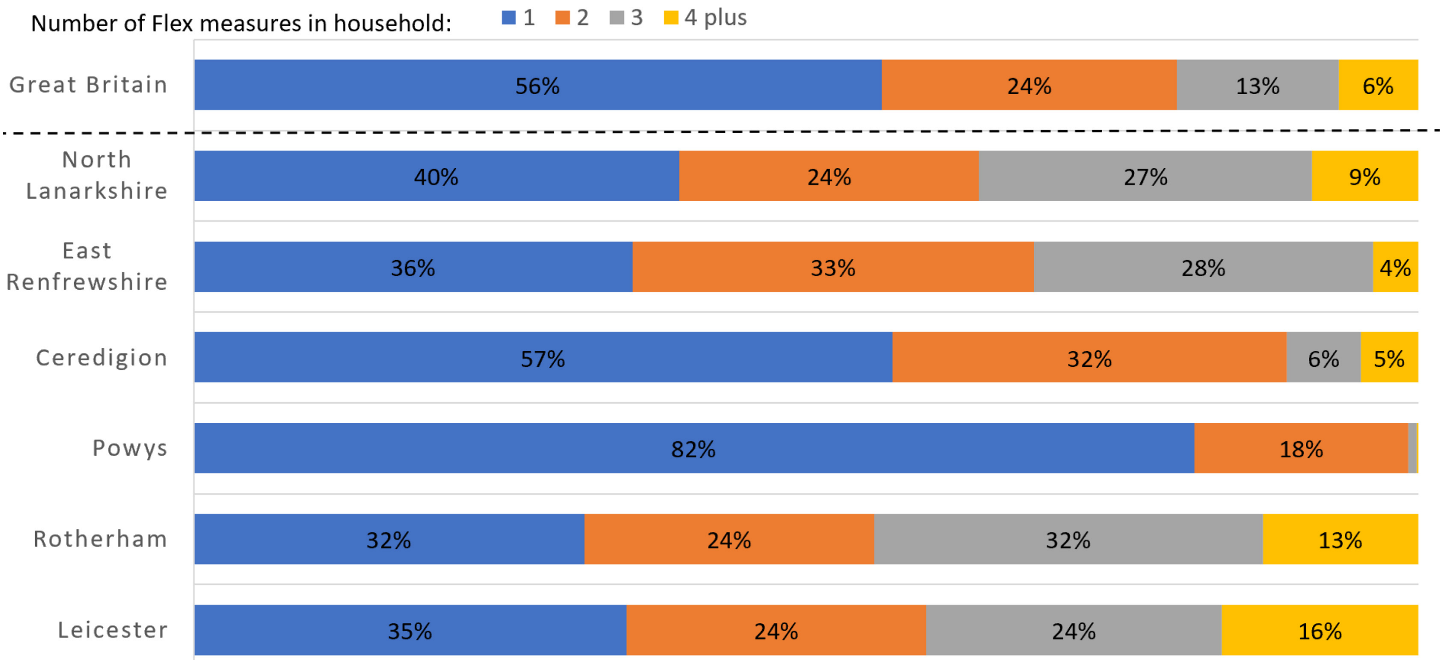
Chart 5: Percentage of Flex measure type installed in selected Local Authorities and in Great Britain (April 2017 to September 2021)



Number of Flex measures being installed per household in the selected Local Authorities

As well as measure type, the number of measures being installed per household differs across the selected LAs. Chart 6 shows that on average in Great Britain, 56 per cent of Flex households only had one Flex measure installed, 24 per cent had two measures and around 19 per cent had three or more measures.

Chart 6: Number of Flex measures installed in each Flex household – percentage breakdown in selected Local Authorities and Great Britain (April 2017 to September 2021)



For the two Welsh LAs, most of the Flex households only had one measures installed. For Powys 82 per cent of Flex households received one measures, compared with 57 per cent in Ceredigion, with a very low proportion of households in these LAs receiving three or more measures. As indicated above, this is likely due to these two LAs delivering a large volume of their Flex measures under ECO HTH.

Comparatively, Leicester (40 per cent) and Rotherham (45 per cent) both had a far higher proportion of Flex households receiving three or more measures, than either the average for Great Britain (19 per cent) or the two Welsh LAs.

Both East Renfrewshire and North Lanarkshire also had a higher proportion of three or more measures per household than the national average. This is likely due to more of the measures being delivered during ECO3, when it has been more likely to combine measure installations in a household, compared to work under ECO HTH.

From Chart 5, in the two English and two Scottish authorities the combination of measures in multiple-measure households looks to be largely across the boiler, CWI, ‘Other Heating’ and ‘Other Insulation’ measure types.

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