

Energy Action Scotland response to BEIS ECO 4 Consultation



About Energy Action Scotland

Energy Action Scotland¹ is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has focussed on this single issue since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp and hard to heat homes. Energy Action Scotland works with both the Scottish and the UK Governments on energy efficiency programme design and implementation. Energy Action Scotland welcomes the opportunity to respond to this consultation.

Energy Action Scotland's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. Energy Action Scotland is not a health organisation, but we are concerned about the health impacts of living in fuel poverty and that respiratory conditions which are exacerbated by living in a cold, damp home make up a high proportion of Scotland's excess winter deaths, which are linked to living in fuel poverty. Over 25% of households in Scotland endure living in fuel poverty².

Background to this response

Cold, damp, and unsafe homes continue to cause **unacceptable levels** of unnecessary **hardship** and premature mortality. Energy Action Scotland estimates that on average more than **2000 people**³ in Scotland die each year due to living in a cold home. The Office for National Statistics (ONS) estimate that that the biggest cause of death was respiratory disease, followed by circulatory health conditions. Both these conditions are badly exacerbated by living in cold homes which are hard to heat and around **30%** of these deaths are **preventable**⁴.

COVID-19 is likely to have left many households more exposed to the risks of living in a cold home than ever before. Scottish Government estimates suggest that **fuel poverty** could rise as high as **29%** because of the socio-economic impact of COVID-19.

¹ www.eas.org.uk

² [Scottish house condition survey: 2019 key findings - gov.scot \(www.gov.scot\)](http://www.gov.scot/scottish-house-condition-survey-2019-key-findings)

³ Excess Mortality Figures for Scotland 2018/19 indicate that excess mortality was 2060
<https://www.nrscotland.gov.uk/files/statistics/winter-mortality/2019/winter-mortality-18-19-pub.pdf>

⁴ The health implications of cold temperatures on respiratory conditions and on frail and elderly households are well known. These impacts are also intergenerational, with children twice as likely to suffer from asthma or bronchitis if they inhabit cold and damp housing. These issues have been badly exacerbated the Covid-19 crisis. During the colder months, many people will continue to stay at home for longer periods. Alongside the psychological stress and social isolation caused by the virus, too many will have to choose between heating their home adequately and falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health and can shorten their lives. This can lead to a vicious cycle of hospital admission, discharge, and readmission. Poor housing leads to sharp rises in energy use. A recent independent analysis suggests that, if a second lockdown was re-imposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month. In Scotland this is expected to be between 25-50% higher for those in all electric homes in colder climates.

The number of needless deaths is the ‘tip of the iceberg’ and as well as the devastating impacts cold homes have on their occupant’s lives, this problem extends to all of us; needless health & social care costs⁵, queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital. The resulting impact on health services **costs the NHS in Scotland** in the region of **£100-200million**.

Too many vulnerable people across the UK are still at risk of needless death due to a cold home.

Public Health Wales (PHW) have recently noted⁶ that for every £1 spent on improving warmth in vulnerable households, this results in £4 of health benefits, and there could be close to 40% fewer hospital admissions for some cold related illnesses in those with upgraded homes. They also note for every £1 spent on adaptations prior to hospital discharge results in £7.50 of cost savings for health and social care.

The average annual saving for bringing a home up to a reasonable level of energy efficiency is potentially life-changing, cutting bills by over £300 per annum and over a £1,000 for the poorest households in the least efficient homes, at the same time as significant carbon savings, jobs, and growth. A recent study found for every £1 invested in energy efficiency by government could return £3.20 in increased GDP and £1.25 in tax revenues⁷.

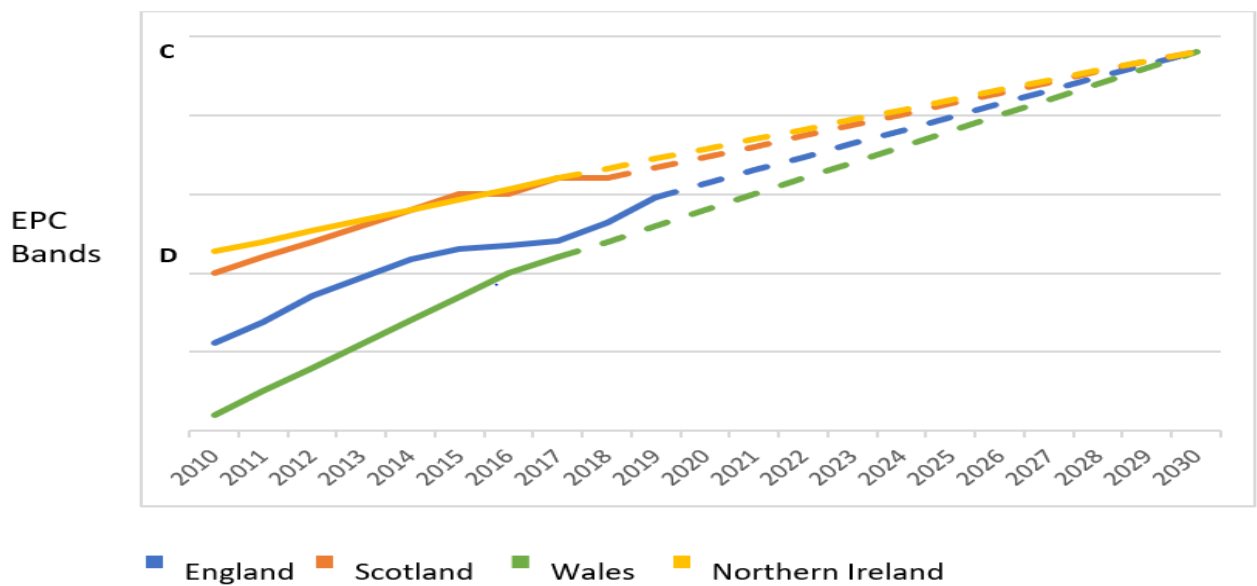
We welcome the opportunity to comment on ECO4 which we believe can make a significant contribution to households in fuel poverty in Scotland.

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⁶ <https://phw.nhs.wales/files/housing-and-health-reports/a-case-for-investment-report/>.

⁷ <https://www.arup.com/perspectives/retrofit-to-end-fuel-poverty>

Graph showing progress that needs to be made to reach an average EPC Band C (74 SAP rating) across UK nations by 2030.



Summary of our Response

Alongside other key programmes, the GB wide Energy Company Obligation (ECO) has a significant positive impact on making energy more affordable for households that are struggling to pay their bills. Since ECO began in January 2013 it has contributed to the installation of more than 1.5 million measures, saving low-income households more than £16bn, over the lifetime of the measures, on their energy bills.

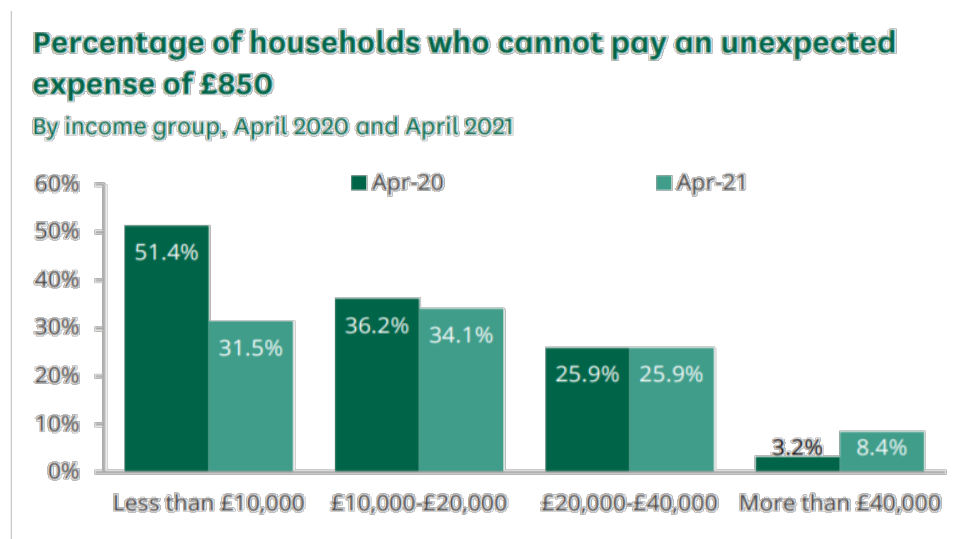
Energy Action Scotland fully supports and welcomes the consultations critical focus of the ECO programme on low income and vulnerable households and greater support for deeper retrofits for the least energy efficient homes, requiring homes to meet significantly higher energy efficiency standards. There are however some vital areas where we have proposals to improve the scheme further. We hope that BEIS will consider our proposals in the following key areas:

1. Explicit prohibition of household contribution requirements
2. Set an adequate solid wall minimum
3. Ensure homes off the gas grid receive appropriate support
4. Reduce a gap in provision for advice
5. Reduce the risk of a downturn in energy efficiency installations

These key issues are explored below and are referenced in our response to the relevant questions.

Prohibiting household contributions

We believe that any household contributions will exclude the poorest households from a scheme they are already paying for through their energy bills. This was a key observation of the National Audit Office (NAO)'s 2016 investigation into the Green Deal and ECO. The people that are eligible for ECO represent some of the poorest households in GB. Households that qualify for the scheme are generally in receipt of means tested benefits, or are judged to be living in fuel poverty, or at risk of fuel poverty. ECO needs to recognise the differences in definitions across GB for fuel poverty. In Scotland⁸ the identification of a household in fuel poverty is different to that of England and Wales. Indeed, it focuses on the level of comfort to be achieved and results in some demographics being identified as requiring an enhanced heating regime.



As in ECO 3, the Impact Assessment published alongside the ECO 4 consultation says that “The modelling assumes households, local authorities or devolved administrations do not need to contribute toward the installation of measures (although in some cases a contribution will be required – such as for landlords)”. However, evidence in the ECO 3 scheme suggests that this is far from the case. In our view it is likely that household contributions will continue within ECO 4, unless BEIS explicitly prohibits contributions in the related ECO 4 regulations and Ofgem underlines this in its updated guidance.

Set an adequate solid wall minimum

Across the UK, over 90% of homes with solid walls still need to be insulated to meet fuel poverty commitments and deliver net zero.

Despite the importance of improving the thermal efficiency of the fabric of buildings, within ECO 3, the solid wall minimum was set at just 17,000 per year. To date, using the latest statistics (i.e., as of May 2021), a total of 42,611 measures have been delivered under this sub-obligation to date, which represents estimated lifetime bill savings equivalent to the installation of 34,897 SWI measures. That represents an

⁸ <https://www.legislation.gov.uk/asp/2019/10>

average of 1,090 SWI measure equivalents installed per month for the 32 months up to May 2021), or 13,000 measures per year on average.

It is clear suppliers are currently not on track to meet the minimum, and it seems unlikely that they will surpass the minimum, on average, by the end of the scheme.

More action is needed to accelerate improvements and at least doubling the target should be considered.

Ensure that homes off the gas grid receive adequate support

Off gas grid households are more likely to be in severe fuel poverty because they often heat their homes with potentially more expensive and polluting fuels. Fuel poor households off the gas grid currently experience, on average, excess fuel costs of £480 per year, almost triple the average fuel poverty gap of the on-gas fuel poor (£162). In Great Britain, the Gas Distribution Networks (GDNs) have a Social Obligation to connect fuel poor households to their network at a subsidised cost. These connections are delivered by the GDNs in partnership with other organisations to help tackle fuel poverty by supporting off-grid, fuel poor households to connect to the gas network. Using gas to heat homes is currently cheaper than using other fuel types, so this switch is designed to alleviate the impacts of fuel poverty, helping to make warmth more affordable for some of the poorest households. First time central heating (FTCH) installed alongside an FPNES connection has delivered hugely positive outcome for some of the most vulnerable households, as well as for the environment, since the scheme began.

All GDN's have plans to continue connecting fuel poor households to their network throughout the current price control period, from 2021-2026. These plans have been agreed with Ofgem, who have provided the necessary funding mechanisms for these connections to be paid for. As part of this agreement, GDNs must ensure that all households receiving a connection are eligible for a scheme that can help fund a central heating system (either ECO, or Nest in Wales, Warmer Homes Scotland or the Home Energy Efficiency Programmes in Scotland). Additionally, GDNs must ensure that there is an intention on the part of the householder/landlord to install gas fuelled appliances, including first time central heating. GDNs have told us that they mostly rely on funding from ECO to ensure that a home that receives an FPNES connection can also receive a First Time Central Heating installation. The proposals in this consultation will therefore make it increasingly harder for GDNs to successfully deliver good FPNES outcomes to their most vulnerable customers, as funding for FTCH for households without a gas connection is not allowed.

To ensure that FPNES can continue as planned, we recommend that the UK Government allows funding for first time central gas heating systems to be installed as part of ECO 4, at a minimum, as part of a hybrid system with heat pumps due to the additional carbon savings, when more polluting fuels are being displaced.

Reduce a gap in provision for advice

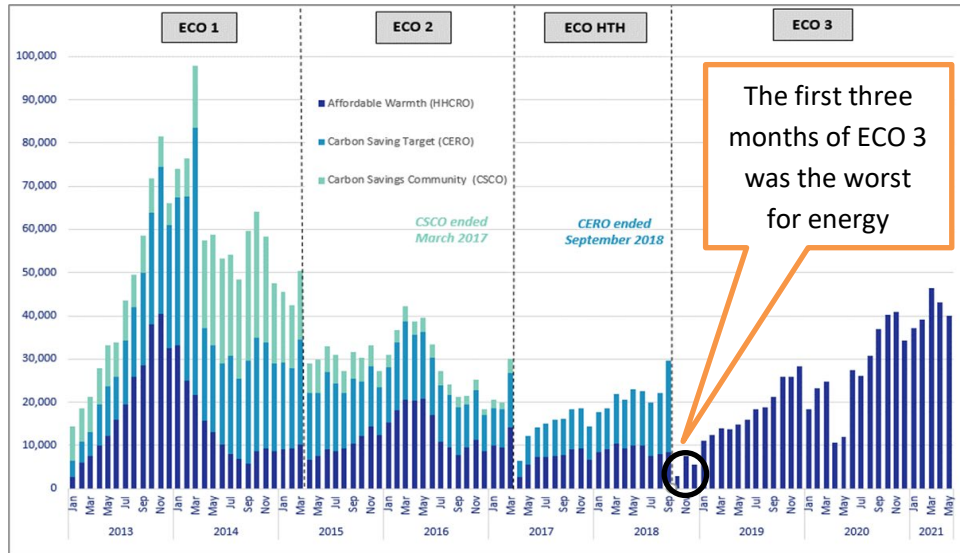
We fully support the requirement to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS 2035. This was a recommendation we made in our recent report with National Energy Action, on maximising the rollout of smart meters, particularly for legacy Pre-pay customers. More generally, we welcome the role of a Retrofit Adviser to help households understand the energy efficiency improvements that can be made to their home, a Retrofit Assessor who carries out technical assessment of property and pre-install SAP assessment and a Retrofit Co-ordinator produces a Medium-Term Improvement Plan (MTIP) based on the information from the assessment and an Improvement Option Evaluation (IOE) which outlines the order in which the measures should be installed. They should also be required to highlight the different local and national funding available to households to maximise the chances of receiving a whole house retrofit.

We are concerned that the role of the advisor/household support is unrepresented in ECO4. There appears to be a lack of recognition of the importance of that communication and support for the householder through what could be a complex process and a disruptive one. In addition, it must be clear to householders being supported through ECO4 investment how they can seek redress where the installation fails to deliver the anticipated or promised outcomes. Without adding unreasonable additional costs or time.

Reducing the risk of a downturn in energy efficiency installation

To ensure that the installation of measures maintains a reasonable level of momentum, it is extremely important that legislation is in place to support the scheme in advance of the scheme going live, and that Ofgem guidance is finalised in time to complement this.

At the start of ECO 3, the Government failed to ensure that legislation preceded the start date of the scheme. While the scheme started on 1st October 2018, the corresponding legislation was not made until 12th November 2018. Ofgem guidance was not published until three days later on the 15th November. Although there were provisions to allow installations made during the period that the scheme was live without legislation, the delay caused uncertainty with suppliers. This led to a significant slowdown in installations during the first three months of ECO 3. In that quarter, only 16,000 installations were made. This was fewer than half of the installations made at the beginning of ECO 2t, from April to July 2017, and was the worst quarter for energy efficiency delivery since ECO began in 2013. Not even the impact of the pandemic in Spring 2020 would see installations reach such a low level.



It would be simply unacceptable for fuel poor households not to be prioritised and for this legislation to be delivered late. We recommend that the government prioritises this legislation so that it can be delivered in good time before April 1st 2022.

Our response to this consultation

Question 1 – Do you agree with removing the supplier obligation threshold when a buy-out mechanism is introduced and retaining the current thresholds, for when a supplier becomes obligated, in the meantime?

No, we believe that supplier obligation thresholds should be as low as possible. This should be done well in advance of any buy-out mechanism which should then replace the thresholds to obligate all suppliers.

Question 2 – Do you agree with the proposal to reduce the current supplier allowance approach at the start of ECO4, before a buy-out mechanism could be introduced?

Yes, we agree with this proposal.

Question 3 – How feasible would it be for suppliers to pass on a greater share of obligation costs onto gas prices rather than electricity during ECO4 or beyond?

Energy Action Scotland believes that all levies on the bills of energy consumers should be removed and moved to general taxation.

We do not support measures that seek to further entrench these levies.

Scotland has a significantly higher proportion of households in off gas areas who pay substantially higher costs to power and heat their homes. We would like to see greater emphasis on addressing this unfairness.

Simply moving the cost burden to households with gas does little to reduce fuel poverty. Many households in Scotland in on-gas areas already struggle to heat their homes and adding further cost burdens to these households has the potential to increase overall fuel poverty rates.

If levies are to remain a feature of the energy landscape then it would be fairer to exempt qualifying households from having to pay up-front levies. It would be just as unfair to deprive people of much needed income to facilitate a rebate process. Governments should work together to develop a robust and fair mechanism that can eliminate the levies from those that need it most.

Question 4 – How feasible would it be for suppliers to recover costs of obligation exclusively from gas customers during ECO4 or beyond?

Whilst it may be entirely feasible it is not consistent with fairness nor with the desire of governments to eliminate fuel poverty. These proposals seem more consistent with driving the NetZero agenda at the expense of vulnerable, low income, fuel poor households.

It is incumbent on governments to ensure that the system is fair. We are concerned that if this were to happen it would disproportionately affect fuel poor households. Other, levy introductions have not differentiated customers in relation to the magnitude of consumption and are therefore little more than a regressive form of taxation.

Question 5 – Do you agree with our proposal of not introducing the new mechanism to protect the ECO target under ECO4 when a supplier ceases to trade, and its obligation target is not met?

No, we believe that there needs to be continuity of delivery for ECO4. We are concerned where contractual commitments are made to support vulnerable and fuel poor households that in the event of a supplier ceasing to trade these households would suffer significant detriment. This could happen at a time which renders their property uninhabitable given the scale of whole house retrofit being proposed. This is unacceptable.

Changes to the Supplier of Last Resort process is a need to ensure that households are not left to pick up the pieces as a result of matters outwith their control. Similarly, it brings unnecessary financial risk to installers and other intermediaries, necessary for a successful approach. With additional and smaller obligated suppliers there is increased potential of failure. Government should take action to protect the ECO target in such a circumstance.

Question 6 – Do you agree with the proposal to (a) introduce a buy-out mechanism, to enable smaller suppliers to participate under ECO without disproportionate costs to them (subject to primary legislation); and (b) do you agree that the use of buy-out should be optional for all suppliers?

We agree that a buy-out mechanism should be introduced.

Question 7 – Do you agree that the buy-out pot should be used to deliver energy efficiency measures?

Yes, we agree with this proposal. The funding allocated to ECO 4 through this consultation must be used to maximise the impact of reducing fuel poverty for those that are in the greatest need. We believe that this must remain the central focus of ECO4.

Question 8 – . Do you agree that all suppliers should be able to use the buy-out mechanism using a sliding scale approach?

Yes.

Question 9 – If a sliding scale was used, do you agree that the proposed potential buy-out caps above are set at the right level?

No strong opinion.

Question 10 – Do you think that very small suppliers with (a) 1,000 customer accounts or below, regardless of their supply volumes, should not be obligated (option 1 in table 4); OR (b) do you think suppliers with less than 5,000 customer accounts, with supply volumes of 66GWh gas and 18 GWh electricity should not be obligated (Option 2 in table 4)?

Yes, we believe that as many suppliers should carry the obligation as is feasible. We recommend that only suppliers with 1,000 customer accounts or below should not be obligated. We do not believe that the supply volume should be a factor in this element of the obligation.

Question 11 - Do you agree that (a) an approach using published prices reported by suppliers on ECO delivery and administration costs would be appropriate to set the buy-out price on an annual basis ahead of the buy-out 'window'? (b) Please suggest any alternative approaches.

Yes.

Question 12 – Do you agree that suppliers should decide on whether to buy-out or not during a 'decision window' which is prior to the start of the next obligation phase?

Yes.

Question 13 – Do you agree that suppliers can only choose to buy-out their next obligation phase?

Yes.

Question 14 – Do you agree with our proposal to allow up to 10% ECO3 delivery to be carried over into the ECO4 scheme (with the exception of oil and LPG fuelled heating systems)?

No, we believe that the proposal should still include the option for oil and LPG fuelled heating systems. In Scotland there are significant challenges for the deployment of the full range of measures. Climate and geographic consideration are required to consider the practicality of some measures at this time.

We do not expect that oil and LPG remain a significant feature over time but, given the higher proportion of properties in Scotland with this form of heating, it seems sensible to afford additional latitude as part of a just transition.

Question 15 – Do you agree with our methodology for converting ECO3 bill savings into ECO4 bill savings?

Yes.

Question 16 – Should the ECO3 average cost per £ of lifetime bill savings be taken from the ECO3 Impact Assessment or the published energy efficiency statistics? Please explain your answer

Published energy efficiency statistics. The IA is a good estimate, but the statistics give the best view of actual costs of delivery.

Question 17 – Is carry-under needed to mitigate the risk of suppliers failing to meet their ECO3 obligations?

As of the end of May 2021 (the latest available statistics), energy suppliers were on track to deliver 90% of their obligation, if delivery was achieved on a linear basis throughout the scheme. This would suggest there is a significant gap in the delivery which could in part be met by a flexibility to carry over a small proportion of their obligation between schemes. More needs to be done to accelerate delivery in the current ECO3 but we would support 5% maximum flexibility.

Question 18 – Do you agree with the proposed cap of 10% and penalty rate of a 1.1 multiplier if carry-under is implemented?

Yes.

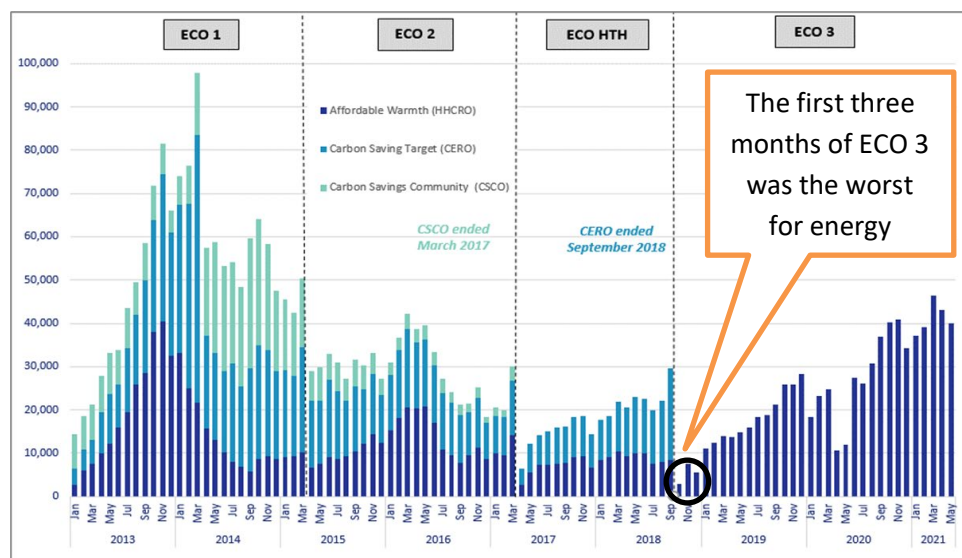
Question 19 – If carry-under is implemented, do you agree with our proposal for the ECO3 average cost per £ of lifetime bill savings to be 31p, taken from the ECO3 Impact Assessment?

No strong opinion.

Question 20 – Do you agree with our proposal for early delivery during any potential gap between schemes?

Yes, in order to ensure that the installation of measures maintains a reasonable level of momentum, it is extremely important that legislation is in place to support the scheme in advance of the scheme going live, and that Ofgem guidance is finalised in time to complement this.

At the start of ECO 3, the Government failed to ensure that legislation proceeded the start date of the scheme. While the scheme started on 1st October 2018, the corresponding legislation was not made until 12th November 2018. Ofgem guidance was not published until three days later on the 15th November. Although there were provisions to allow installations made during the period that the scheme was live without legislation, the delay caused uncertainty with suppliers. This led to a significant slowdown in installations during the first three months of ECO 3. In that quarter, only 16,000 installations were made. This was fewer than half of the installations made at the beginning of ECO 2t, from April to July 2017, and was the worst quarter for energy efficiency delivery since ECO began in 2013. Not even the impact of the pandemic in Spring 2020 would see installations reach such a low level.



It is unacceptable for fuel poor households not to be prioritised and for this legislation to be delivered late. This legislation including any variations for the devolved administrations must be in place before April 2022. The uncertainty for households, installers and other professional supports will potentially lead to a significant drop off in activity. The lead in time for whole house retrofit can be significant across many issues and any additional delay may ultimately affect the confidence that people have in the scheme.

Question 21 – Do you agree that ECO should target SAP band D, E, F and G homes?

Yes, we agree that ECO should target the poorest households in the least efficient homes.

Question 22 – Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?

Yes, we believe that EPC F/G properties should be improved to at least band D, preferably higher to a minimum of C where practicable and that D and E should be improved to a C.

Question 23 – Do you agree to a requirement for a minimum number of private tenure homes in SAP band E, F and G homes to be upgraded?

Yes, the consultation proposes that 100,000 private tenure homes at SAP band E/F/G should be upgraded during ECO4 but we believe that to have the level of impact necessary that this target should be more ambitious. A doubling of the target in the first instance.

Question 24 – Do you agree with the proposal to (a) remove non means tested benefits including disability benefits as a method to target low income and vulnerable households, as listed in table 6?; and (b) include additional benefits within the eligibility criteria for private tenure households under ECO4 to align with UC?

Yes, with some caution. The removal of non means tested benefits, should ensure that targeting works better for those on the lowest incomes.

We have concerns about the omission of disability-related benefits in the eligibility criteria although recognise that these households may still be targeted via the LA Flex approach. The consultation document only provides statistics on the correlation of disability-related and means tested benefits for England. We would therefore like to see an equivalent analysis of how this change would impact targeting in Scotland.

Question 25 – Do you agree with the proposals to increase the Child Benefit income caps as set out in table 7 under ECO4?

Yes, but it should be recognised that the benefit landscape in Scotland is different to that in other parts of GB. There should be no detriment caused by this difference.

Question 26 – Do you agree with the proposal that households in receipt of WHD also be eligible under ECO4, if they live in band D-G homes?

It is not yet known whether Scottish Ministers will exercise devolved powers and combine the WHD and ECO into a '*single Combined Levy*' as currently proposed in the draft Heat in Buildings Strategy. The Valuation Office Agency (VOA) dataset which is currently being proposed as a method of identifying those eligible for WHD, applies only to England and Wales. It is therefore unclear how an equivalent data matching process will be implemented in Scotland and therefore how those eligible for both the WHD and ECO4 would be identified. We would urge the Scottish Government to confirm its plan and consult on any new scheme to ensure it effectively targets those in need.

We believe it is incumbent on BEIS to ensure that there is a deliverable scheme for all GB.

Question 27 – Do you agree that up to 50% of the ECO target could be delivered through LA & Supplier Flex?

Yes, we are generally supportive of proposals to help reform the LA & Supplier Flex to improve targeting and ensure those who are most in need are reached.

It is worth noting that the current proposals for LA & Supplier Flex are limited to private households and there is no significant opportunity to benefit fuel poor households in the social rented sector. This would disadvantage social housing tenants who would have previously been eligible through LA & Supplier Flex to benefit from support.

Proposals for Scotland in this area are unclear and this is unhelpful for tenants of social landlords.

Question 28 – Do you agree with the proposals for improved due diligence under the reformed LA & Supplier Flex?

Yes, we support the proposals for improved due diligence under the reformed LA and Supplier Flex mechanisms.

Question 29 – Do you agree with the four referral routes that could be used by local authorities under LA & Supplier Flex? Are there other ways we could incentivise better targeting?

Yes, we agree with these proposals.

Question 30 – Do you agree that obligated energy suppliers should (a) be able to use their own data on households in fuel debt, or PPM self-disconnections to target low income and vulnerable householders; and (b) households would be eligible if they meet the 2-proxy requirements, using suppliers own customer debt or PPM self-disconnections data under LA & Supplier Flex route 2?

Yes, we agree with these proposals.

Question 31 – Do you think the Scottish and Welsh Governments should be able to refer households under LA & Supplier Flex, instead of local authorities in those countries?

Yes, we agree with these proposals.

Question 32 – Do you agree that off-gas uplifts of (a) 35% should be applied to Scotland and Wales; and (b) not applied in England, where the Home Upgrade Grant is available?

Yes. Rural and remote communities in Scotland face particular disadvantages which make access to affordable warmth more challenging, with the latest figures showing that around a third of remote rural households to be in extreme fuel poverty. This is driven by generally higher living costs, limited fuel options and a high proportion of hard-to-treat stock. There is also a disparity in current electricity prices with the North of Scotland paying higher unit costs than the rest of the country while also experiencing colder temperatures and a longer heating season. Fuel poverty rates are also

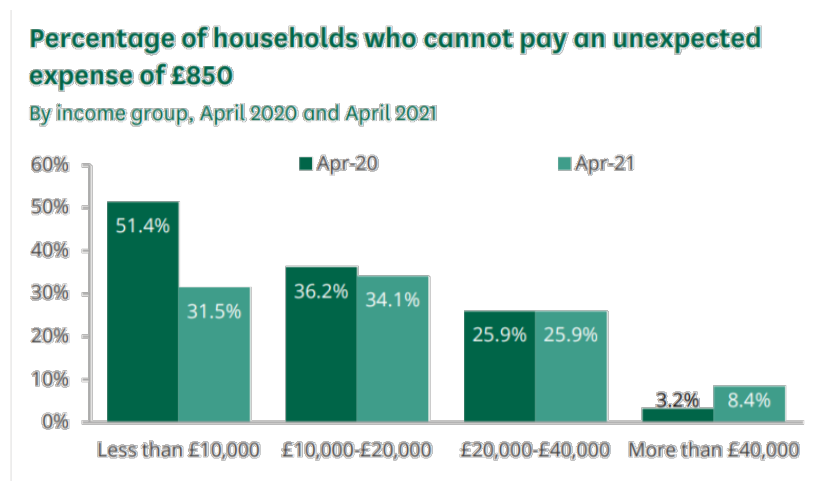
particularly high amongst households using electricity as a primary heating fuel (43%) and households with pre-payment meters (36%), while customers with restricted meters are also particularly disadvantaged due to their limited choice of tariffs. We therefore welcome any uplifts which will target these households however we think wider reforms are needed to the broader energy system to address the high energy costs faced by these groups.

Question 33 – Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?

Yes, we are cautiously supportive of this. Our concern would be where this results in householder contribution requirements. This is not something that we support. So, if additional funding from another source is required to enable the work, then this is entirely preferable to any householder contribution.

It is clear that in targeting the lowest income households in the poorest properties these households simply do not have any funds to support measures.

According to the ONS, 51.4% of households earning less than £10,000 cannot afford to pay an unexpected expense of £850 (as illustrated in the diagram below). 50% if households in the lowest decile live in fuel poverty, and allowing household contributions can effectively exclude these households, who are often living in the deepest fuel poverty, from benefitting from the scheme.



Scotland has challenges with the diversity of our housing stock and in the case where ECO 4 cannot provide full funding for a measure, BEIS must consider whether blending of funding should be allowed. This would be significantly preferable to any household contribution.

Question 34 – Do you agree homes could benefit from multiple funding if (a) it is not for the same measure; and (b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?

Yes, we agree with this proposal.

Question 35 – Do you agree that we continue with the ECO Eligible Referrals mechanism under ECO4?

Yes, we agree with this proposal.

Question 36 – Do you agree with our proposals to (a) simplify the in-fill mechanism with the new ratios for flats and other housing to qualify?; and (b) include CWI in-fill?

Yes, we agree with this proposal.

Question 37 – Do you agree with our proposal to (a) support low income private rental households, with the design being subject to the outcome of the PRS consultation; and (b) limit support to packages of measures that meet the MR including solid wall insulation, first-time central heating, a renewable heating system or district heating?

Yes, we agree with the proposal to support low-income private rental households.

It is important that landlords are not only faced with regulations to improve their properties, but incentives to help them do so. Scottish Government should bring forward its obligations for the Private Rented Sector to better support tenants.

Question 38 – Do you agree with the proposal to (a) allow social housing tenure with starting bands of E, F and G to be eligible under ECO4; and (b) continue eligibility for band D social housing under Innovation Measures?

Yes, we agree with this proposal.

Clarity is needed of the implementation of any Scottish 'Combined Levy' scheme and any further funding support for households, particularly those in the social rented sector.

On the specific ECO4 eligibility criteria, while it makes sense to target funding towards the least energy efficient home, based on the latest figures from the Scottish Housing Regulator, there are only around 18,000 E, F and G rated social homes remaining in Scotland. Around 6,500 of these are owned by Registered Social Landlords (RSLs), representing only around 3% of the total RSL stock. This is a significant proportion of the poorest quality housing, yet it appears that they may be excluded for ECO4.

We do not support the inclusion of Innovation Measures in ECO4. We believe the focus should be limited to measures that are known to deliver results. This programme needs to place the householder at its heart and deliver for them. They should not be a laboratory for untested technology. There are plenty of other routes for carbon innovation and innovation more widely.

Question 39 – Do you agree that the minimum requirements should apply to E, F and G social housing and band D social housing for IM uplifts?

Yes, we agree with this proposal.

Question 40 – Do you agree that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation?

No, we do not agree with this proposal. The consultation itself says that “*HHCRO remains the most appropriate target for fuel poor consumers (over a Carbon Emission Reduction Obligation (CERO) target)*”. Changing the obligation would therefore result in worse outcomes for fuel poor households. The principal aim of the scheme is to support fuel poor households to keep warm in winter, so any changes that work against this principal aim should be discounted. Cost is not the only important factor for fuel poor households, for may that ration or self-disconnect they do not achieve the level of comfort necessary to support their health and wellbeing. At this time, we recommend that the HHCRO be maintained.

Question 41 – Do you agree with our proposal to maintain a Solid Wall Minimum Requirement set at 22,000 solid wall insulation measures per year for ECO4 and remove the option for this to be met via alternative measures?

No, we believe that needs to be a higher-level set for solid wall insulation measures.

Solid wall properties are often the worst performing properties.

Whilst there are other schemes introducing solid wall insulation it is important that we accelerate the rate at which these efficiency measures are introduced to have the greatest impact on fuel poor households living in the poorest insulated homes.

Question 42 – Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?

Yes. We are supportive of a ‘fabric first’ approach.

Question 43 – Do you agree with our proposal to exclude the repair and replacement of oil and LPG boilers?

No, we do not agree with this proposal. We believe it is important that vulnerable and fuel poor households with broken oil/LPG boilers can receive support and that should extend to funding for alternative heating systems through the ECO scheme, so that they are not left unable to heat their homes as a result. But they should not be faced with having no heating at any point. In some rare cases technical issues may render oil and LPG as the most appropriate form of heating at this time. ‘No one should be left behind’

Question 44 – Do you agree with our proposal to only allow the repair of efficient heating up to a cap of 5,000 homes per year?

And

Question 45 – Do you agree with our proposal to reduce the Broken Heating Cap for broken efficient heating replacements up to 5,000 homes per year?

No, we disagree with this proposal. Millions of fuel poor households use gas to heat their homes, and gas boilers can break before the end of their lifetime. The current ECO3 scheme allows for 35,000 repairs per year, funding that many households rely on in order to keep warm in winter.

The proposal is likely to have a detrimental impact on fuel poor households and that is inconsistent with the overarching purpose of ECO4.

Question 46 – Do you agree with our proposal that all new ESH delivered (both on and offgas) must have a SAP responsiveness of 0.8 or above?

No strong opinion.

Question 47 – Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?

Yes, we agree with this proposal.

Question 48 – Do you agree with our proposal to restrict first-time gas central heating to households already connected to the gas grid?

No, we do not agree with this proposal.

Off gas households are more likely to be in severe fuel poverty because they heat their homes with potentially more expensive and polluting fuels. Fuel poor households off the gas grid experience, on average, excess fuel costs of £480 per year, almost triple the average fuel poverty gap of the on-gas fuel poor (£162).

In Great Britain, the Gas Distribution Networks (GDNs) have a Social Obligation to connect fuel poor households to their network at a subsidised cost. These connections are delivered by the GDNs in partnership with other organisations to help tackle fuel poverty by supporting off-grid, fuel poor households to connect to the gas network. Using gas to heat homes is often cheaper than using other fuel types, so this switch is designed to alleviate the impacts of fuel poverty, helping to make warmth more affordable for some of the poorest households.

All GDN's have plans to continue connecting fuel poor households to their network throughout the current price control period, from 2021-2026. These plans have been agreed with Ofgem, who have provided the necessary funding mechanisms for these connections to be paid for. As part of this agreement, GDNs must ensure that all households receiving a connection are eligible for a scheme that can help fund a central heating system (either the Energy Company Obligation (ECO), or Nest in Wales, or the Home Energy Efficiency Programmes in Scotland). Additionally, GDNs must ensure that there is an intention on the part of the householder/landlord to install gas fuelled appliances, including first time central heating.

The proposals in this consultation will make it increasingly harder for GDNs to successfully deliver good outcomes to their most vulnerable customers, as funding for first time central heating (FTCH) for households without a gas connection is not allowed. GDNs have told us that they mostly rely on funding from the Energy Company Obligation (ECO) to ensure that a home that receives a connection can also receive a First Time Central Heating installation.

We recommend that the UK Government allows funding for first time central gas heating systems to be installed as part of ECO4, at a minimum as part of a hybrid system with heat pumps due to the additional carbon savings, when more polluting fuels are being displaced.

Funding should only be available where carbon savings can be achieved. This means that while first time central heating should be available for households currently using oil, coal, or LPG to heat their homes, funding should not be available where gas heating displaces electrical heating.

Funding should be set at a level so that households do not need to make a voluntary contribution towards the costs.

Question 49 – Do you agree with our proposal for all new wet central heating systems to be installed as a “low-temperature heating system”?

No strong opinion.

Question 50 – Do you agree with our proposals to expand the eligibility for first-time central heating?

Yes, we agree with this proposal.

Question 51 – Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?

Yes, we agree with this proposal but that this needs to be sensitive to the strategic direction of the devolved administrations. Scotland has passed a Heat Networks Act and is moving towards a final Heat in Buildings Strategy. It is important that ECO rules are able to respond to this to support an acceleration of the development of these where it is appropriate to do so.

Question 52 – Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?

No, we do not agree. We wish to see the widest possible set of options available to support fuel poor households.

Question 53 – Do you agree with our proposal that energy suppliers should be required to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS 2035?

Yes, we agree with this proposal.

We worked with NEA⁹ recently on the benefits of smart meters for prepayment customers, as well as the barriers to uptake of smart in that cohort. The analysis was

⁹ <https://www.nea.org.uk/>

based on the feedback from a call for evidence which 132 organisations across the United Kingdom responded to, as well as expert interviews with 12 key stakeholders.

In all, we found that there were 16 significant benefits to rolling out smart meters to prepayment households, with a lifetime benefit of over £5bn to households and more than £1.4bn to energy suppliers, facilitating a reduction in 0.2TWh/ year in gas use, and 0.41TWh/year in electricity use, amounting to 130,000 tonnes of CO2 saved per year, while contributing 10,000 jobs to the economy. It was found that while there are benefits for landlords, particularly regarding reduced disputes, more work needs to be done in quantifying them.

The report found many barriers to the uptake of smart meters for prepayment customers. One of the main barriers was poor awareness of the benefits of smart meters and in home displays. It is therefore important that investment is available to improve communication and understanding.

Question 54 – How should suppliers be required to demonstrate that a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly?

No strong opinion.

Question 55 – Do you agree that the ECO4 scoring methodology must be based on the difference in average annual bill expenditure between the starting SAP rating and finishing SAP rating of a property, with regard given to the property's floor area?

Yes, we welcome any changes which aim to improve targeting and provide greater support to the least energy efficient homes. We are concerned whether this approach may disincentivise low and zero carbon heat solutions given that a shift from a conventional gas heating system to an electric system like a heat pump may not result in a significant saving in annual fuel bills given the higher cost of electricity.

There are also questions about how this scoring methodology will align with the current proposals around EPC reforms in Scotland which would see the introduction of three key metrics – an energy use rating, a carbon emissions rating, and a cost rating. There are trade-offs to be had between these elements this will influence decision making around the choice of technology.

Question 56 – Do you agree that the overarching ECO4 scores should be based on deemed savings, rather than the actual savings generated through bespoke SAP calculations at each property?

Yes, we agree.

Question 57 – Do you agree with our proposed approach for allowing exemptions to the minimum requirements? If you propose additional exemptions, please suggest how they could be evidenced.

Yes, we agree.

Question 58 – Do you agree with our proposal to use deflated partial project scores for ongoing projects, ahead of completion?

Yes, we agree.

Question 59 – Do you agree with our proposal to use deflated partial project scores where a project is found to be non-compliant with the minimum requirement at the point of notification?

Yes, we agree.

Question 60 – Do you agree with our proposal to use deflated partial project scores where a consumer ends a project before the minimum requirement has been met for reasons other than change of occupancy?

Yes, we agree.

Question 61 – Do you agree with our proposal to cap the share of a supplier's ECO obligation that can be comprised of scores from partial projects? Do you agree that this cap should be set between 20-30%?

Yes, we agree.

Question 62 – Do you agree with our proposal to use deflated partial project scores for in-fill homes, with a deflation of between 20% and 30%?

Yes, we agree.

Question 63 – Do you agree with our proposal to incentivise the use of longer lifetime measures through minimum requirements and heating insulation preconditions rather than including measure lifetimes in ECO4 scores?

Yes, we agree.

Question 64 – Do you agree that we should continue to require measure lifetimes through the scheme to benchmark guarantee requirements and for scheme reporting purposes outside of the scoring framework?

Yes, we agree.

Question 65 – Do you agree with our methodology for applying innovation uplifts relative to the expected savings of a particular innovation measure type?

No, we do not support the continuation of the innovation element within ECO overall.

Question 66 – Do you agree with our proposal to provide a fixed score uplift of ~£60 annual bill savings for all broken boiler replacements and ~£16 annual bill savings for each broken ESH replacement? Please provide information on the cost of boiler and ESH repairs to help inform the level of uplift required for heating repairs relative to replacements.

Yes, we agree.

Question 67 – Do you agree with our proposal to allow uplifts for hard-to-treat issues for owner-occupied E, F, and G homes only?

No. this appears to add another layer of complexity and it is not clear what benefit that this brings.

Question 68 – Do you agree with our proposed methodology for hard-to-treat uplifts? Please also suggest forms of evidencing for hard-to-treat.

No. this appears to add another layer of complexity and it is not clear what benefit that this brings.

Question 69 – What work should be within scope of the HTT uplift? Should the extraction of defective loft and/or cavity wall insulation be included? If not, how could extraction be monitored more effectively through the scheme?

Yes, we agree.

Question 70 – Should the cost per £ bill savings be based on the final ECO4 IA or from ECO4 published energy efficiency statistics?

The cost per £ bill savings should be based on what has been achieved in real life, as opposed to what is estimated in the Impact Assessment.

Question 71 – Do you agree with our approach for evidencing scores for ECO4?

No strong opinion.

Question 72 – Do you agree with our proposal to allow alternative methodology scores to be produced for measures that are not recognised in SAP?

Yes. We welcome the inclusion of a more flexible approach to allow for solutions which are not recognised in SAP if they can demonstrate cost savings and good outcomes for the occupants.

Question 73 – Do you agree with our proposal for all alternative methodology scores to count towards the minimum requirement?

Yes, we agree.

Question 74 – Solid wall insulation: (a) Do you agree with our assumption of a 0% third party contribution for solid wall insulation (SWI)? (b) Please provide

BEIS with any information on third party contributions towards SWI supporting your response.

We do not believe that there should be any householder contribution requirement in ECO4.

Question 75 – PAS2035:2019: (a) Are the current cost assumptions for ventilation outlined in Table 12 reflective of the costs of complying with ventilation requirements set out in PAS 2035? (b) Please provide BEIS with any information on the cost ranges associated with PAS ventilation compliance, and any further PAS related considerations, that may be applicable

Recent evidence¹⁰ from Energy Action Scotland indicates that the introduction of PAS2035 could lead to the costs of retrofit works increasing by between 20% and 120%. There is clearly a lack of clarity over the cost impact of delivering to the standard and specification. There is genuine concern that the specification has been modelled for average UK house types and is not sufficiently developed to deal with the complexity of many property construction types found in Scotland.

Question 76 – Ancillary work: (a) Should the costs of delivering specific ancillary services related to insulation, be captured through the delivery cost assumptions in the ECO4 final stage Impact Assessment? (b) Please provide BEIS with any information on the cost ranges associated with each ancillary measure in paragraph 354, and any further common services that may be applicable.

It is important to recognise that with a whole house approach it is more likely that the ancillary costs will increase. This could be decoration which is a burden on the fuel poor household or indeed any requirement to decant the householder whilst intrusive work is being done.

Question 77 – Data Warehouse and Hard-to-treat: (a) How feasible would it be for all delivery costs incurred as a result of the installation of measures to be lodged and stored within TrustMark's Data Warehouse, and how do you think all measures costs should be recorded, e.g., to ensure any gaming risks are mitigated where possible? (b) Please provide BEIS with any further evidence of the costs associated with remediation of hard-to-treat issues, as required in 8.3.1, bullet three, of PAS 2035,92 as well as evidence of the prevalence of these issues in the housing stock

It isn't clear to what end any requirement to do this would be for. There are costs associated with lodging evidence with the data warehouse and it isn't clear what value for money that would afford.

¹⁰

<https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/Consultation%20Responses/Impact%20of%20PAS%202035%20PAS%202030.pdf>

Question 78 – 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?

No. we do not believe that the proposal to limit funding as identified is 'fair' to fuel poor households in Scotland. Scotland has the highest rates of fuel poverty in GB. Average energy consumption per household is higher in many parts of Scotland. Households are more likely to be in off-gas areas with all electric heating, our remote and rural communities already suffer detriment due to the application of much higher transmission charges.

The current proposals would see 9.11% of the £1 billion per annum total ECO cost apportioned to Scotland based on current figures. However, as noted in the consultation document, an average of 12% of measure have been delivered in Scotland since the scheme's inception. This is far more reflective of the scale of the challenge faced. Scotland should not be unfairly disadvantaged by these changes and see a reduction in the levels of spend.

A fairer allocation would be one that accounts for the % of fuel poor households in Scotland as a share of all fuel poor households in GB. This might be in the region of 16%¹¹ of all fuel poor households in GB.¹²

The proposed allocation is not consistent with ***“If an area or service needs more funding to tackle a problem then we all help out. By supporting each other we have more resources to take on big challenges.....”*** Scotland Government UK statement August 2021

(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?

As we have stated we do not support the proposal to apportion funding in this way as it is fundamentally inconsistent with supporting GB citizens in the greatest need.

¹¹ Estimate based on Scotland's share of GB households identified in fuel poverty at 613,000, England 3.1million and Wales 144,000, 2019

¹² 1) There are 3.176 million fuel poor households in England, as per the latest fuel poverty statistics for England. <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2021> 2) There are 144,000 fuel poor households in Wales, as per the latest fuel poverty statistics for Wales. <https://gov.wales/tackling-fuel-poverty-2021-2035-html#:~:text=%5B2%5D%20An%20estimated%20144%2C504%20households.11%25%20of%20households%20in%20Wales.&text=%5B6%5D%20Persistent%20poverty%20is%20defined,of%20the%20past%20three%20years.> 3) There are 619,00 fuel poor households in Scotland, as per the latest fuel poverty statistics for Scotland <https://www.gov.scot/publications/scottish-house-condition-survey-2018-key-findings/pages/6/#:~:text=In%202018%2C%2025.0%25%20of%20households,extreme%20fuel%20poverty%20in%202018>

Question 79 – 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?

Only if this is consistent with our proposal to base allocations in relation to Scotland’s share of fuel poor households.

Question 80 – Do you agree with setting a project completion time of three months, from the completion of the first measure in any package other than for DHS? We welcome views regarding what timescale should be permitted for DHS installations

We do not believe that it is practically possible to introduce such a limit to installations. It appears arbitrary and fails to recognise the climatic and geographical challenges of deliver in GB. A larger window is required to allow for periods of extreme weather and the logistical challenges of supply and installation of what could be a complex whole house retrofit of a difficult to treat home.

Householder considerations do not appear to have been factored in the identification of the timescale for DHS installations. Our experience of working with extremely vulnerable households, with a cancer diagnosis/life limiting condition, demonstrates that it is not always possible to access property to affect measures. The health and wellbeing of the householder is paramount.

However, we believe that it would be counterproductive to have an open-ended time frame, but six months is a more appropriate timescale for completion of all works with sufficient flexibility where circumstances dictate that this is not possible.

Question 81 – Do you agree with our proposal to allow an extension of three months to be permitted by Ofgem in certain circumstances?

Yes, in exceptional circumstances only subject to a wider initial installation window of six months. This would limit the number of extension considerations required and the uncertainty that may bring to households and installers alike.

Question 92 – Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?

We would reiterate the concerns around PAS2030/35 raised in Question 75 and the paper we produced in consultation with our members. Our members in rural areas have concerns about the current skills gap and lack of accredited installers available to deliver on PAS2035 standards and the PAS 2030 specifications. The additional roles and processes involved will serve to drive up the cost of measures. If ECO funding is to remain tied to these standards, there is also the risk of this funding no longer being accessible, particularly in the remote rural areas which currently experience the highest levels of fuel poverty and are in need of the greatest support. Unless a solution which is sensitive to the needs of Scotland is developed, access to this funding will be reduced, thereby threatening the viability of current programmes.

There needs to be increased investment in training and upskilling in Scotland in line with the proposed accreditation requirements and a better dialogue between governments and installers to ensure the supply chain is adequately prepared to deliver on the proposed standards. We would also like to see additional funding for remote, rural and island communities in Scotland to address any additional pressures regarding PAS2035 and ensure access to ECO4.

Question 93 – Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO legislation for ECO4?

While TrustMark certified systems will offer an industry backed guarantee, as noted in our recent report¹³ some Trustmark certified systems and 25-year manufacturer warranties are not currently and reasonably accessible in rural areas in Scotland. Major changes to supply chain logistics, training and evaluation services would therefore be required to facilitate this transition. The adoption of Trustmark certified systems could also add at least £2,000 to the cost of an average External or Internal Wall Insulation install. These consequences for local supply chains and their potential impact on delivery programmes need to be fully considered, with mitigation measures put in place where required.

Question 94 – Do you agree with our proposal to retain the Innovation Measure mechanism, which would be capped at 10% of a supplier's obligation?

No, we do not support the inclusion of innovation measures in ECO4.

Question 95 – Do you agree with our proposal to introduce a ‘High’ level of uplift of 45%, alongside the current ‘Standard’ 25%, based on a distinction between a moderate improvement and substantial improvement, decided upon by the TAP?

No, there is already significant complexity in ECO4 and further uplifts are unhelpful.

Question 96 – Do you agree with our proposal to expand on the current criteria for determining whether there is an improvement to include environmental impact consumer care, and delivery costs?

No, ECO4 requires to be more householder focussed and changes such as this should be designed in consultation with beneficiaries to determine the merits of inclusion.

Question 97 – Do you agree with our proposal to reward sponsoring suppliers with an increased uplift of 2% after application approval?

No, there is already significant complexity in ECO4 and further uplifts are unhelpful.

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<https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/Consultation%20Responses/Impact%20of%20PAS%202035%20PAS%202030.pdf>

Question 98 – Given the proposed reforms to ECO4 and the continued focus on providing support to low income, vulnerable and fuel poor householders, should the DA mechanism be retained for ECO4, and be the vehicle used in providing support for single measure product testing? Are there any other mechanisms that may be better suited to product testing?

We do not support product testing through ECO4. Fuel poor households in vulnerable circumstances should not be the subject of experiments with technology. There are many other avenues for exploration of new products or untested products in domestic settings.

Question 99 – Do you agree with our proposed approach to a reformed in-situ performance mechanism, including piloting methodologies tested through the SMETER trials?

No, we do not believe that there should be piloting of unproven methodologies including those through the SMETER trials.

Submitted by:

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3 September 2021