

## Response to DECC Consultation The Future of the Energy Company Obligation



### Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

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### Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improve energy efficiency of housing<sup>1</sup>. The most recent figures<sup>2</sup> from the Scottish House Condition Survey Key Findings Report show that there were 647,000 households living in fuel poverty in Scotland in 2012, representing 27% of total households.

According to figures produced by the Scottish Government<sup>3</sup> early in 2008, for every 5% rise in fuel prices an estimated 40,000 more households would go into fuel poverty. Based on these figures EAS estimates that there are currently 900,000 households, more than four in ten, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

EAS welcomes the opportunity to respond to this consultation. Given its remit, EAS's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. EAS has responded in detail to a number of questions but has also included a summary of additional general points that we hope DECC will take into account and/or give due consideration prior to final decisions on the future of the Energy Company Obligation.

### Summary of general points

Since the introduction of climate levies in the shape of the EU Emissions Trading Scheme, support for renewable generation and from previous supplier obligations (CERT/CESP, EEC and SoP) going back to 1994, we have seen domestic consumers' bills utilised as a regressive form of taxation to achieve environmental goals. Whilst within the environmental movement there is general philosophy of equity so that the "polluter pays", when we apply these ideals to domestic energy markets, we quickly come up against the reality that not all consumers are equally placed. In a market where access to, and usage of energy as an amenity to achieve a reasonable standard of living in a modern democracy is so varied within the population, we need to have robust support systems which recognise the specific circumstances of the consumer. Fair and equitable policies need to be employed to ensure that no one particular aspect of the market is disadvantaged either by contribution towards or by access as a beneficiary of measures to improve energy efficiency and lower the cost of fuel.

<sup>1</sup> Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition survey 2002

<sup>2</sup> Scottish House Condition Scotland Key Findings Report 2012

<sup>3</sup> Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey March 2011

With this in mind, we welcome the opportunity to discuss and debate the impacts which the current supplier obligation has had or could have on the cost of domestic energy. It is a somewhat perverse situation that consumers could be charged an additional £50-100 per year through increased charges on the domestic fuel bill so that they can access measures which could perhaps save £50-100 per year. Our focus must remain on the negative impact that these domestic energy levies will have on vulnerable consumers through a system that applies charges across the whole customer base regardless of their ability to pay. That in order to at least achieve a net zero impact, all vulnerable consumers would need to be able to access sufficient measures to generate annual savings at least at the level which would cover the cost of the increase in fuel bills due to levies. For those vulnerable consumers unable to access measures for whatever reason, their situation is compounded by this policy.

It is therefore important that the burden placed on consumers is efficiently managed to ensure that the costs of avoidable inefficiencies, unnecessary bureaucracy and technical monitoring do not become significant, that the targets are realistic, and that we understand the scope and purpose of the policy. ECO was never designed to eradicate fuel poverty within the agreed Government timescales. However, some of the changes to ECO proposed by DECC would actively serve to undermine the realisation of the fuel poverty targets/aspirations that do exist. Given the scale and depth of fuel poverty, resources provided under ECO are insufficient.

Under normal circumstances EAS would be supportive of actions designed to reduce fuel bills and has in the past expressed concerns about the regressive nature of some of the UK Government's energy efficiency programmes. However, the proposed changes to ECO will result in fuel bill savings of only £35pa<sup>4</sup> in the short term. For fuel poor consumers, the annual savings on fuel bills are likely to be less than this. DECC's approach to saving money is in some respects counter-intuitive to the longer-term targets of improved energy efficiency that ECO initially targeted.

DECC maintains that its proposals '*provide for a robust ECO extending ..... to March 2017, and provide an ambitious level of support for ..... carbon-saving energy efficiency measures and for other measures which alleviate the risk of fuel poverty*'. EAS is at a loss to understand why DECC describes its proposals as 'ambitious', since ECO support is effectively being reduced. DECC's own estimates show that some 440,000 fewer households will benefit from energy efficiency improvements if the proposed changes are implemented. The proposed extension to 2017 is welcome (though of course Government intention is that support extends to 2022 or thereabouts).

EAS is disappointed in the language used by DECC throughout the consultation document, which gives the impression that decisions regarding the proposed changes have already been made.

### **Question 1**

*Do you agree that the 2015 CERO target should be reduced by 33 per cent from 20.9mtCO<sub>2</sub> to 14mtCO<sub>2</sub>?*

The original policy intention assumed a much greater contribution of activity from Green Deal than has to date been achieved. The level of solid wall insulation activity which would have attracted contributory funding from ECO has not reached the levels projected. Current DECC figures (end Feb 2014) suggest that activity in this area is 349 SWI jobs installed using Green Deal finance, just 16% of the 2,124 measures completed since the launch of the Green Deal

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<sup>4</sup> DECC estimate of savings for an average dual fuel bill. It should be noted, however, that a high proportion of fuel poor households spend significantly less than average because regardless of need, they simply can't afford to spend more. They will save less than £35 pa.

scheme. This falls some way short of the “Final IA’s policy mix” projection of 147,000 SWI jobs by March 2015. Information from Ofgem’s latest Compliance Update (April 2014) indicates that SWI activity is just 26,343 installs over phase 1 and phase 2.

With this level of activity under ECO and also the poor uptake of SWI measures via the Green Deal route, there is very little confidence that the CERO targets as agreed at the start of the ECO policy would be met by March 2015.

It is our view that considerable effort and cost would need to be made available in phase 3 in order to reach the targeted carbon savings and that there is the danger that this would be passed on to vulnerable consumers via their fuel bills. This being the risk, we therefore recognise the need to adjust this target in light of the very low contribution from Green Deal.

## **Question 2**

*Should the new 2015 CERO target be applied to Phases 1, 2 and 3, or to Phase 3 only? Please provide justification for your answer.*

The issue as we understand it is that the lack of Green Deal activity in SWI as projected is a major factor in the low level of achievement towards the CERO target. Therefore, for the purposes of determining compliance, all targets should be reviewed in the light of the performance of Green Deal.

## **Question 3**

*Do you agree that underachievement against the CERO target at 31 March 2015 should be able to be carried forward at a penalty rate of 1.1 times the amount of the shortfall?*

The purpose of this review of the policy is to broker a reduction or suspension of the costs incurred to deliver ECO which are passed on to consumers. If a carryover is not supported, then there is the risk that this creates a supply chain bubble which in previous obligations has resulted in an increase in the costs to deliver as the market struggles to condense a greater rate of work over a small period. With this in mind we must therefore avoid the potential for increased costs in the system being passed on to consumers and so must support the idea of an allowable carry over.

That said we would prefer to see a carryover penalty which is reflective of the proportion of work achieved at the end of phase 3. A 10% uplift on the target does appear to be a fairly arbitrary figure to be applied and does not properly encourage an increase in activity over phase 3. Those obligated suppliers who may view this as an acceptable cost could see this as an opportunity to disengage from the market, preferring to wait until after the end of phase 3 of the current obligation before delivering on CERO. Therefore we would like to see this as a sliding scale penalty starting at 10% (x1.1) and rising to 50% (x1.5) for those who fully suspend activity in stage 3 after the adoption of these amendments to the ECO.

NB all carry over work should comply with any new rules in place for the scheme running 2015-17.

## **Question 4**

*Do you agree that CSCO and Affordable Warmth targets should remain unchanged for 2015?*

As a national fuel poverty charity we would clearly call for more activity to be directed at those households at risk of fuel poverty whether this is under an area based scheme, a rural initiative or direct action for individual fuel poor households. However again we must heed the balance between increase ECO activity and the potential pass on costs for vulnerable consumers. It is

counterproductive to increase the energy bills in low income households in order to make some, and not all, fuel poor households more energy efficient.

ECO was never designed to deliver eradication of fuel poverty by 2016 by itself, we must therefore continue to rely on the Government to provide for funds to reach fuel poor households, and this type of funding is derived from general taxation and is therefore a much fairer way to achieve social and environmental targets.

For these reasons the targets should remain unchanged.

#### **Question 5**

*Do you agree that all excess activity under CERO, CSCO and Affordable Warmth should be compliant with rules put in place for these sub obligations from 1 April 2015?*

It is difficult to respond to this question as of April 2014, we have no idea what rules will be in place between 2015-17. In general terms if it is a low cost burden which would be passed on to vulnerable consumers in meeting future compliance, then it would be prudent to demand that contribution from carry-over also meets the rules in place at that point in 2015-17. If the burden is potentially high, then we would not want to see this passed on to consumers and so perhaps other means of compliance, at the very least that which was in place 2013-15 would be acceptable.

We would not like to see a situation where activity would stop once targets are met if no excess action is allowed or where excess action rules are vague or ambiguous. In the past, delays in agreeing carry-over activity have resulted in a cessation of activity which was damaging for the industry.

#### **Question 6**

*Do you have a view on whether, and what proportion, of over-delivery against 2015 CERO, CSCO and Affordable Warmth targets should be permitted to count towards 2017 targets?*

It is our view that constraining activity between obligation phases only ever leads to the 'tap on, tap off' effect making it very difficult for the supply chain to forward plan and allocate resource effectively and therefore more economically. Where there is no significant expected change in "rules" between phases then there is no need to have any constraint. It is only where there is the potential for obligation credits to be "banked up" to avoid future, perhaps more onerous conditions do we find an issue to be resolved.

As a fuel poverty charity, we would want to see as much work as possible going towards households in fuel poverty as quickly as possible. So perhaps in light of this, the positive outcome is that fuel poor households are treated as a priority and so we would support the view that any constraints on over-delivery only apply to households that are not affordable warm group (AWG).

#### **Question 7**

*Do you have views on how such a cap mechanism should be calculated and then implemented? Do you have a view on how such a cap could work alongside the proposed SWI minimum threshold, and whether there are distinct implications for any of the three ECO sub obligations?*

Our focus is on encouraging activity as quickly as possible for fuel poor households, as such we view constraints applied to AWG households as counterproductive to the goal of eradicating as quickly as possible the issues around fuel poverty.

**Question 8**

*Do you have views on whether the rules relating to transfer of activity can be improved or simplified?*

We support the idea of a transfer between phases for all the reasons stated above; however we believe that these constraints should not apply to AWG households regardless of whether the measures applied to their home are for CERO, CSCO or HHCRO.

**Question 9**

*Do you agree that the ECO scheme should be extended from March 31 2015 to March 31 2017?*

Yes. This provides a useful level of guaranteed activity for the industry and helps to remove the spikes in economics which are common in short term non-contiguous programmes.

**Question 10**

*Do you have a view on the modelling approach taken to set the 2017 targets, and are there other approaches that Government should consider? If so, please provide justification for your answer.*

EAS has no comment on this question.

**Question 11**

*Do you agree that the 2017 CERO target should be set at 12.4MtCO<sub>2</sub>?*

EAS has no comment on this question.

**Question 12**

*Do you agree that the 2017 CSCO target should be set at 6MtCO<sub>2</sub>?*

EAS has no comment on this question.

**Question 13**

*Do you agree that the 2017 Affordable Warmth target should be set at £3.8 billion of lifetime notional bill savings?*

The idea of “lifetime” is not appropriate when looking at cost as a factor of energy usage. When applied to carbon emissions, the notion of a “lifetime” is in a simple sense an appropriate metric. Ignoring the decarbonisation agenda for grid supplied energy for the purpose of this argument; other fuels should be relatively steady in their carbon intensity over time, although there have been some notable adjustments to carbon emissions between versions of SAP from 2001, 2005, 2009 and 2012 which were not related to grid supplied electrical energy.

Cost however is highly variable, and it is not appropriate to calculate a year one value and project that over 40+ years or even 10 years for that matter. Notwithstanding inflation on fuel prices, there are other market forces at work in relation to the price of fuel. Therefore we would expect to see an increase in the “lifetime notional bill saving” for the period 2015-17 in order to support the same level of activity. A mechanism is employed under SAP to ensure a level of comparability between SAP scores over time, the “energy cost deflator/inflator” published as part of Table 12 in SAP describes this in order to equalise SAP scores going back to the original SAP fuel costs.

The current SAP2009 deflator is 0.47 and the deflator for SAP2012 is 0.42. Thus to maintain the same ambition between ECO 2013-15 and ECO 2015-17 we would expect the level to rise in the next period of ECO by 5% in order to maintain the same level of ambition. If we ignore the impact of time and market forces on fuel prices, we run the risk of inadvertently making the HHCRO target easier to meet year on year.

This is a simplistic proposition as actual fuel bill savings are not actually calculated from SAP Table 12 costs, but from the current 6 monthly revised prices held within the Product Characteristics Data File. Thus every 6 months, the same property with the same measures has over the past few years shown an increase in the fuel costs saved. However we appreciate that to simplify the metric, that it is necessary to fix a point in time to calculate the target, otherwise it becomes a moving target. However that said, we should not have a system which ignores those attempts by SAP to equalise fuel prices within the model. So for future obligation target setting and to maintain the same level of ambition we would like to see some kind of inflator devised from a baseline of 2011 prices which adjusts this target in line with the general trend in fuel prices within the market. This would work as both an inflator and a deflator if necessary as it could be possible that in the future, fuel prices go down and in this scenario, it would become more difficult for suppliers to meet HHCRO targets when measures applied were making less of a saving.

#### **Question 14**

*Do you agree therefore that work carried out to fulfil obligations under ECO should be additional to work funded under the incentive package? If yes, do you have suggestions on how this additionality could be ensured?*

There is no detail currently on the specific schemes to be rolled out under the Government's pledge for £450 million for first time buyers and private landlords. It is therefore difficult to judge whether there would be room for ECO to play a role in terms of expanding any package or perhaps where ECO funding can be used to meet any shortfall. It is already expected that ECO could be blended with Green Deal and the subsequent announcements in relation to the "Incentive Scheme" have alluded to this working with Green Deal. It would therefore be counter-productive at this time to suggest that ECO could not form part of a more effective package of measures.

#### **Question 15**

*Do you agree that all forms of cavity wall insulation, including standard "easy to treat" cavities installed from April, should be eligible as a primary measure under CERO?*

There is still a demand for all forms of cavity wall insulation, which is a cost-effective measure and should therefore be funded under ECO. This should not, however, be completely at the expense of solid wall and hard to treat cavity wall insulation. Government specifically provided a rationale for the inclusion of more expensive measures under CERO and the industry has invested in gearing up towards this. We recognise that a ring-fence has been created for ensuring a base level of SWI activity, however we do not understand why there has not been a similar incentive applicable for hard to treat cavity.

Considerable cost savings can be gained by removing the need to differentiate easy cavities from those considered to be hard to treat. However we need a mechanism that addresses the insulation of cavity constructions where their technical complexity or need for more expensive insulation techniques/materials results in a much higher cost per metre squared. We would like to see the introduction of a modest target for hard to treat cavity for the 2015 CERO target which rises during the 2017 target phase. Unless we start to address these dwellings now, there is a risk that in the future, only hard to treat cavities remain and we then have no easy cavities

to help to cross subsidise this more expensive work. Also creating a small but sustainable market for this type of work sooner rather than later would help to standardise processes in common building types meaning that work in this area in the future would be at a more mature and developed stage.

#### **Question 16**

*Do you agree that loft insulation which is installed from April 2014 should be eligible as a primary measure under CERO?*

Yes but only where the loft has <70mm of existing insulation. In terms of evidence, we would like to see use of existing EPCs on the national register that may indicate that loft insulation may have existed in the property at a level in excess of 70mm. Loft-top up could still be eligible as a secondary measure.

#### **Question 17**

*Do you think it would be appropriate to make provision to ensure that low income and vulnerable households benefit from the delivery of loft and easy to treat cavity wall insulation under the 2017 CERO target? Please provide views on any appropriate mechanism by which to do this.*

Given the impact that simple measures such as loft insulation and cavity wall insulation can have on annual fuel costs we would of course support the view that more of this activity should be directed at the fuel poor. We expect that given the partnerships with social housing providers which have evolved to deliver on the current CERO that many fuel poor households will have already benefitted from work conducted under the CERO target. However as the income status of the households is not a factor to be considered under CERO, we will have no way to enumerate this. Rather than imposing a fixed sub-target under CERO, it would therefore be useful to carry out some research in this area to determine the level of existing engagement with vulnerable and fuel poor households which already exists before embarking on an exercise of sub-target setting which could add an additional cost burden on delivery of the obligation.

We would however encourage a mechanism whereby “able to pay” customers could easily contribute to simple cavity and loft insulation work via the Green Deal thereby making it possible to do more fully funded work in households not able to afford Green Deal repayments on top of their electricity bills.

#### **Question 18**

*Do you agree that heat networks (district heating schemes) should also become eligible primary measures under CERO from 1 April 2014?*

EAS believes that there might be more merit in allocating a proportion of the ‘mitigation’ funding to supporting connections to district heating networks than specifically including this measure under CERO. However we have concerns over where heat networks are installed into thermally inefficient buildings. It should always make sense from an economic view that installing insulation to improve the building fabric first will make the installation and operation of the heat network more viable in the long term.

#### **Question 19**

*Do you agree with the proposal to extend the number of eligible areas under CSCO from the lowest 15 per cent of areas, as identified using the Index of Multiple Deprivation, to the lowest 25 per cent of areas for measures delivered from 1 April 2014?*

Given that many of the 15% areas were targeted under the previous CESP, it would be prudent to extend the scope of the CSCO to the lowest 25%. If this makes it less expensive to tackle low income areas and also extends the range of the adjoining areas' potential thus making CSCO projects larger and therefore more cost effective, then we fully support this adjustment.

#### **Question 20**

*Do you agree with the proposal to change the criteria for measures installed under the CSCO rural sub target so that, measures delivered from 1 April 2014 can count towards the sub target if they are installed at any domestic property located in the poorest 25 per cent of rural areas, as well as to households living in rural areas that are in the Affordable Warmth Group.*

We fully support the addition of a separate rural area based targeting methodology which removes the costly need to identify affordable warmth status. We are also happy to note that the original methodology which relies on the identification of settlements <10,000 population and AWG remains as a safeguard to capture areas which though rural, do not fall into the lowest 25% of rural datazones (LSOA).

We also believe that there is scope to designate whole areas e.g. Orkney Islands, Western Isles and the Shetland Isles as CSCO zones irrespective of their ranking under the indices of multiple deprivation. It is already by virtue of geography difficult to arrange energy efficiency work in these locales, adding further classification criteria can make work in these areas unattractive. These areas are consistently identified as rural areas which have a very high incidence of fuel poverty from the national statistics and therefore all housing in these areas should automatically qualify for CSCO.

#### **Question 21**

*Do you agree that an uplift should apply to the notional lifetime bill savings of non-gas fuelled households? Please provide views on the form and level of the uplifts as suggested above.*

EAS largely supports the proposed scoring uplift for non-(mains) gas fuelled households. However, we do not believe that properties in areas served by the natural gas grid (or Special Condition 18 independent gas networks) should benefit from this uplift. There are alternative sources of funding that would support connections to the mains gas grid.

Perhaps an alternative to uplifts would be a sub-obligation? We need to ensure equity in access to energy efficiency measures, and evidence would suggest that the greatest majority of the HHCRO activity is to properties in areas served by the mains gas network and those which have mains gas boilers for repair or replacement. Customers only contributing via their electricity bill are being significantly disadvantaged. Uplifts will at best only ever equalise the expected savings with those that can be achieved with mains gas, they are very unlikely to make activity more attractive than working in mains gas households, i.e. making it possible to ignore work in these households even with uplift. Thus a sub-obligation will help to redress the balance of equal access to measures.

#### **Question 22**

*Are there other practical and effective means of incentivising delivery to non-gas fuelled households? In particular we are interested in views on a minimum level of delivery and changing the baseline heating technology for the replacement of "qualifying boilers".*

EAS believes that DECC should consider introducing a target for the number of non-gas households (specifically households not served by the gas grid) receiving measures.



**Question 23**

*Do you agree that broken or not functioning efficiently electric storage heaters should be scored on the same basis as that used for “qualifying boilers”? Do you foresee any unintended consequences of this approach?*

EAS believes that there is greater clarification required on what DECC would classify as a ‘broken or not functioning effectively’ storage heater. Whilst there is potential for off-grid households to become eligible for support if this proposal is implemented, there is also scope for this to be abused, with households receiving minimal support/measures whilst suppliers receive optimum carbon savings.

It is not quite the same thing to equate the heating of a home with storage heating to that of a central boiler plant serving a wet distribution system. The former relies on the distribution of fuel (electricity) to a series of heating appliances and the latter requires the distribution of heat generated from a central appliance which consumes the fuel. If one electrical appliance is non-functioning, this does not directly affect the performance of the others, whereas a non-functioning boiler means no heat distribution to any area.

There would need to be careful monitoring of systems identified as being non-functioning and an understanding that this would require that more than 50% of the storage capacity to be non-functioning before it was eligible. In addition RdSAP allows for the modelling of two main heating systems, if only two storage heaters are replaced where 4 exist then this should be modelled as Main heating 1 = old system and Main heating 2 = new storage system.

**Question 24**

*Do you have any views to why packages of measures may not be being delivered to Affordable Warmth households?*

EAS believes that there are issues – time and cost included - relating to identification of eligible households that impact on delivery of Affordable Warmth measures. Replacement of boilers is an ‘easy hit’ in terms of both identification and delivery. Re the latter, suppliers often arrange installation of boilers themselves without resorting to a local supply chain. This enables them to achieve economies of scale. However, the suppliers are less able/less likely to deliver additional measures such as insulation.

**Question 25**

*Do you have any views on whether incentivising or, where applicable, requiring packages of measures is justified? Do you think there would be any unintended consequences from such a change to the policy and if so, what would they be?*

This route was tried under CESP and had a very variable impact, in some cases it made little or no impact and in others it only encouraged the incorporation of measure that had a very minimal effect in order to receive the uplift to the full saving for the package. EAS does not believe that offering incentives to deliver packages of measures should be necessary. There should, however, be a requirement for justification if measures identified as necessary are not subsequently installed.

Packages will be attractive to do because the result in additional significant savings. If these savings are not real, we should not be creating them from nothing.

**Question 26**

*Do you agree that there should be a SWI minimum figure equivalent to 100,000 properties insulated with SWI by 31 March 2017? Should this be set as number of properties, or as a carbon equivalent? If the former do you have any views on how this should be set? If the latter, do you have suggestions as to how the target should be calculated?*

We agree that we need to support the SWI now for future programmes and also to start to make significant headway into the huge numbers of properties in both the SWI category and the hard to treat cavities. We have already argued for a small but increasing minimum target for hard to treat measures and we agree that there should be a target to reach under SWI installations. However we do not agree that this should be based upon the number of installations as this leaves a system like this open for misinterpretation. Instead we would support a system based upon lifetime carbon tonnage.

This should be based upon the expected midpoint lifetime savings from an uninsulated three bedroom end terrace and two bedroom mid terrace constructed in 1950 having wall insulation installed to a U-value of 0.3 W/m<sup>2</sup>k. This will give different savings depending upon whether it has gas or electric heating. Therefore the overall figure should be adjusted to fall within the range of gas savings and electric savings. It would probably be prudent to set this to a point which equates to the general prevalence of non-mains gas heating within the housing stock.

**Question 27**

*Do you agree that we should specify SWI lifetimes in legislation for installations accompanied with an appropriate guarantee, and do you have any views on what the specified lifetime should be?*

EAS has no comment on this question.

**Question 28**

*Do you have a view on whether lifetime for other measures should also be set in legislation, and if, which measures?*

EAS has no comment on this question.

**Question 29**

*Do you agree that the SWI minimum threshold should be apportioned according to market share, and if so, should this be calculated on a phased basis? And if so, what principles should apply?*

EAS has no comment on this question.

**Question 30**

*Do you agree that secondary measures installed alongside SWI should not be counted towards the proposed SWI minimum threshold? What are the practical implications of this proposal, for instance, brokerage trading?*

Savings attributable to the SWI target should not be counted towards the overall threshold. This does leave a problem with brokerage, however this is aligned with other issues with regards to the identification of measures under brokerage and so perhaps rather than not implementing a sensible option because brokerage is a barrier we need to amend the brokerage system to fit with the needs of the obligation.

### **Question 31**

*Were we to take legislative action, what would be your preferred option based on those set out above? Do you agree that scoring uplifts is likely to be the optimum approach?*

Where an incentive exists to drive Green Deal, we are concerned that there is a potential for mis-selling, and that this may well lead to vulnerable households being 'encouraged' to take out Green Deal finance where this is neither necessary nor appropriate. Vulnerable households often limit their fuel use and are unlikely to make the savings estimated. In particular, ECO must not be used to support Green Deal if measures being installed provide a customer with income from FiTs or RHI. These income streams should provide incentive in themselves.

There are surely circumstances where Green Deal makes sense of itself e.g. loft and cavity insulation and so this should not need to be incentivised. Where properties are not occupied by low income households and the occupants are able to pay there should be clear economic arguments for them to contribute to the overall cost of any measures via the Green Deal mechanism.

### **Question 32**

*What are your views on a scoring uplift for blended finance and could you provide evidence for your view?*

In Scotland, the government allocates funding for energy efficiency and the alleviation of fuel poverty, working with local authorities/RSLs (who also invest) to optimise delivery of measures. There are therefore opportunities to blend ECO finance with this investment. EAS believes that where work is being done to fuel poor homes, higher uplifts should be applied in recognition.

### **Question 33**

*Please provide views on whether, and if so, the extent to which Affordable Warmth measures should be part funded by customer contributions and other types of finance.*

As above, EAS believes that there are opportunities for combining ECO with other sources of investment that would effectively facilitate access to measures for the fuel poor.

### **Question 34**

*Do you believe there is a case to limit customer contributions under Affordable Warmth?*

By its very nature, Affordable Warmth is designed to support low income and vulnerable households who could not otherwise afford measures. However, it is becoming the norm, especially in rural areas, that Affordable Warmth eligible customers are expected to contribute to required measures. Accordingly, many are unable to take up these measures. Fuel poor and vulnerable households should not be expected to contribute **as individuals** to measures for which they/their homes are eligible. Blended finance with an enhanced uplift for fuel poor homes, as outlined above, would enable more jobs to be completed for Affordable Warmth customers.

### **Question 35**

*Do you agree with the above "levelisation" proposals for recognising and rewarding early progress, and do they sufficiently address any adverse competitive implications of the other proposed changes to CERO?*

See Question 39, below.

**Question 36**

*Do you agree that the uplift threshold should be set at 35 per cent (primary measures only) of Phase 1 and 2 of the current CERO obligation?*

EAS has no comment on this question.

**Question 37**

*Do you agree that an uplift of 1.75 should be applied to primary measures above the proposed 35 per cent threshold installed by the end of March 2014?*

EAS has no comment on this question.

**Question 38**

*Do you agree that Government should consider adopting a different approach to the delivery of SWI as part of the levelisation exercise? Should delivery of SWI above the 'expected delivery profile' for individual suppliers at 31 March 2014 be permitted to count towards the 35 per cent levelisation threshold?*

EAS has no comment on this question.

**Question 39**

*Do you agree we should amend the legislation to allow the optimum carry forward of excess action from CERT and CESP?*

EAS has no comment on this question.

**Question 40**

*In amending the legislation (as set out above) should we allow the process for notifying and approving excess actions to rerun in its entirety?*

EAS has no comment on this question.

**Question 41**

*Do you agree we should change the rules, as set out above, to:*

- *Align the notification arrangements for Adjoining Installations with the arrangements for Qualifying Actions.*
- *Introduce greater clarity on the rules on the re-election and re-elections after transfer of Qualifying Actions, to ensure flexibility and aligning the rules on Excess Actions with these changes.*
- *Extending the final date for transfers by one month to align with the final notification date for work completed under ECO.*

EAS has no comment on this question.

**Question 42**

*Are there any further technical changes we could make to the rules on Qualifying and Excess Actions which would add flexibility, but without undermining the scheme objectives?*

EAS has no comment on this question.

**Question 43**

*Can you provide evidence for a need to strengthen consumer protections under ECO? If so, what do you suggest are the best options for strengthening consumer protection?*

EAS has no comment on this question.

**Question 44**

*Do you agree that boiler replacements should require a warranty to cover parts and labour, which should not be invalidated by incorrect installation/commissioning, and that it should provide for the actual repair/replacement rather than compensation?*

EAS has no comment on this question.

**Question 45**

*Do you have views on what minimum period such a warranty should cover?*

EAS has no comment on this question.

**Question 46**

*What are your views on how we should reflect the more stand-alone nature of electric storage heaters within this proposal?*

EAS has no comment on this question.

**Question 47**

*Do you believe that there are grounds for concern around the quality or nature of Affordable Warmth installations? If so, how should concerns be addressed?*

EAS has no comment on this question.

**Question 48**

*Do you believe that additional safeguards are required to ensure the quality of installations under Affordable Warmth, and if so, in what form?*

EAS has no comment on this question.

**Question 49**

*Do you believe the current means of checking the requirements of eligibility for a “qualifying boiler” are appropriate? Do you have any suggestions on how this could be improved?*

EAS has no comment on this question.

**Question 50**

*Do you think any changes to the definition or guidance on what constitutes a “qualifying boiler”, for both repair and replacement, are necessary? If so, what changes would be suitable?*

EAS has no comment on this question.

**Question 51**

*What evidence can you provide on the reasons for limited levels of boiler repairs rather than replacements?*

EAS has no comment on this question.

**Question 52**

*Do you have a view on whether measures funded through ECO from April 2015 should be recommended on the basis of a GDAR? In which case, do you have a view on whether Chartered Surveyors Reports should only be used to recommend measures in exceptional circumstances only? And if so, what should constitute an 'exceptional circumstance'?*

EAS does not believe that a GDAR is the only approach via which ECO measures could be recommended. There are concerns regarding the additional costs that might accrue to ECO as a result of requiring GDARs. On the other hand, if GD assessments were carried out on a genuine and professional basis, they would provide the opportunity for customers to receive face-to-face, tailored advice.

**Question 53**

*Do you have other views on improving accuracy of assessments, for example the use of lodged EPCs?*

EAS has no comment on this question.

**Question 54**

*Where GDAR's are a paid for service when recommending Affordable Warmth measures, we welcome views on where any cost would likely - or indeed – should sit.*

Given that potential ECO savings are not calculated on the basis of 'occupancy mode', it is difficult to see what benefit there would be in requiring a GDAR for HHCRO works. It may be an additional expense which has no impact on the ultimate scoring mechanism. However as a means of delivering face to face energy advice, there is a strong argument for this being a benefit for low income households. Where eligibility for Affordable Warmth is identified as the result of a GD assessment taking place, the cost of the GDAR should be absorbed into ECO.

**Question 55**

*Do you have a view on whether measures promoted under ECO from April 2015 should be delivered by an accredited Green Deal installer and/or an installer who is PAS2030 certified?*

EAS does not believe that there should be an absolute requirement for installations carried out under ECO to be delivered by a Green Deal or PAS2030 certified installer. Such a requirement would have a negative impact on local supply chains in remote/rural areas and in turn would impact on customers in these areas. Any apparent financial gains made in contracting with larger installers (economies of scale etc) are likely to be offset by the additional costs accruing to working on one-off jobs in remote areas. Accordingly, there is a genuine risk that vulnerable households in these more remote areas will not have the same access to support/measures as households in more easily accessible locations.

**Question 56**

*Do you have a view on whether there is value in a demand aggregation service for the carbon elements of the ECO obligation? If so, is ESAS the most appropriate provider of this service?*

EAS believes that the basic model referral service for Affordable Warmth should be preserved, but that this model should also be delivered by a range of other appropriate front-line agencies. In terms of reaching those most in need, there is a range of organisations whose staff are trusted intermediaries and are ideally placed to ensure that vulnerable households receive all the help and support they are entitled to. EAS believes that suppliers should be encouraged to sign up to a voluntary arrangement with some of these organisations.

**Question 57**

*Please provide views on the current administrative cost of checking Affordable Warmth Group eligibility and any other actions taken to meet Affordable Warmth Group audit requirements.*

EAS has no comment on this question.

**Question 58**

*Do you agree that DECC should safeguard the continued existence of the ESAS referrals service for Affordable Warmth? If so, how?*

As Q56, above. EAS believes that the basic model referral service for Affordable Warmth should be preserved, but that this model should also be delivered by a range of other appropriate front-line agencies. In terms of reaching those most in need, there is a range of organisations whose staff are trusted intermediaries and are ideally placed to ensure that vulnerable households receive all the help and support they are entitled to. EAS believes that suppliers should be encouraged to sign up to a voluntary arrangement with some of these organisations.

**Question 59**

*Please provide views on whether there are wider developments and improvements to the ESAS Affordable Warmth referrals service which DECC should consider.*

As Q56, above. EAS believes that the basic model referral service for Affordable Warmth should be preserved, but that this model should also be delivered by a range of other appropriate front-line agencies. In terms of reaching those most in need, there is a range of organisations whose staff are trusted intermediaries and are ideally placed to ensure that vulnerable households receive all the help and support they are entitled to. EAS believes that suppliers should be encouraged to sign up to a voluntary arrangement with some of these organisations.

In Scotland, the government allocates funding for energy efficiency and the alleviation of fuel poverty. Any decisions regarding practical delivery of ECO should take this into account, enabling the Scottish Government to better 'shape' local delivery of all programmes of support.

**Question 60**

*In light of the proposed changes to ECO, can you provide new evidence that may warrant a change in the current Government's position on mandating brokerage? Do you believe a case now exists for regulating participation on the brokerage platform, for example, by requiring energy companies to deliver a proportion of their ECO obligation through the platform? Are there other options available to Government to ensure our objectives for a competitive energy efficiency market can be met?*

EAS has no comment on this question.

**Question 61**

*Do you have views on the accounting treatment of the obligation?*

EAS has no comment on this question.

**Question 62**

*Government invites 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 scheme's integrity maintained?*

EAS has no comment on this question.

**Question 63**

*Government invites views on whether there are improvements that could be made to the ECO scheme on a longer term basis to ensure the scheme can best meet its objectives. We welcome evidence justifying the case for change.*

EAS has no comment on this question.