



EAS Response to BEIS Consultation on Energy Company Obligation ECO3: 2018 to 2022

April 2018

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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.

Fuel Poverty in Scotland

The official figures for fuel poverty in Scotland are published as part of the Scottish House Condition Survey (Scottish Government). The most recent figures for Scotland relate to 2016¹. Figures released by Scottish Government show that 26.5% (or around 649,000) households were fuel poor and 7.5% (or 183,000 households) were living in extreme fuel poverty. This is a fall since the previous year when 748,000 households (30.7%) were fuel poor.

Many people in society are affected, but here are some examples:

- Around 10% of households living in fuel poverty are families with children.
- The large majority of fuel poor households are owner occupiers (58%), 31% are social housing residents and the remaining 11% rent in the private sector.
- Older households are at the high end of the fuel poverty rate at 41%.
- The fuel poverty rate for rural households remained at a similar level to the previous year (the difference between the rates of 37% in 2016 and 35% in 2015 is within the margin of error).

About a third of the drop in the annual fuel poverty level in 2016 is due to making homes in Scotland more energy efficient, while around two thirds are due to lower domestic energy prices. This underlines how important it is that the energy efficiency of homes should continue to be improved, as the trend in falling domestic energy prices has reversed for many householders, particularly in off-gas areas where Scottish oil (kerosene) prices have on average moved from a low of 30p per litre (February 2016) to a current price of 54p per litre (April 2018), representing an 80% increase over 2 years.

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. We have responded in detail to a number of questions and have also included some additional general points that we hope BEIS will take into account and/or give due consideration prior to final decisions on the future of the Energy Company Obligation.

¹ Scottish Government, 2017. Scottish House Condition Survey 2016: Key Findings.

Consultation Questions

Supplier obligation threshold

1. Do you agree with the current supplier obligation threshold?

The delivery of the supplier obligation has a direct impact on the price that consumers pay for their gas and electricity supplies. As such, any increase in the delivery cost of the supplier obligation has the consequence of increasing the burden of that consumer contribution to the obligation across the board. Consumers of non-obligated suppliers are of course isolated from this effect on their bills.

We have some concerns that challenger suppliers and new market entrants are employing marketing mechanisms to ensure that their customer profile avoids those consumers considered to be more expensive to administer. Whilst GB Supply Licence Conditions (SLC) requires the provision for credit, pre-payment and banking payment terms for customers, pricing and other marketing strategies can be employed to influence the uptake of those viewed as less risky and burdensome in terms of administration costs.

Whilst the current market share of the 'big 6' is reported to be 93%, the profile of payment method across this does not proportionately mirror the cohort of consumers that have switched to more favourable terms with a sub-250k supplier. EAS supports any mechanism which can offer consumers, in particular those in the lower 3 deciles of income, a better deal for the same energy supply, and we welcome the impact that greater competition has brought to the market, and the recent introduction of the tariff safeguards. However, this consumer profile distortion introduces the unintended consequence that as the sub-250k market increases this effectively increases the burden of ECO delivery cost on to the consumers of the obligated suppliers which are likely to have a greater proportion of the market disengaged and also those unable to switch supply due to on-going debt issues. A recent Ofgem report on vulnerable consumers² has highlighted that whilst overall consumer debt is falling, the size of debt is increasing.

It is not the purpose of the supplier obligation to seek to resolve these market and competition issues, however it must be recognised that the current threshold approach to supplier obligation does run the risk over time and, assuming the trend of consumer switching from obligated to sub-250k suppliers continues, of placing an increasing burden of the delivery costs of ECO on to vulnerable consumers who are for whatever reason not able to take advantage of switching.

On balance EAS supports the continuation of the 250k threshold as to lower this may reduce competition and consumer choice in the market. However, it would be useful to have transparency over the market share and consumer profile issue and also what the burden of ECO is to low income and vulnerable consumers. In addition, we would recommend that all GB suppliers regardless of their market share, are required to identify and signpost low income and vulnerable consumers to the benefits of investment in energy efficiency in their dwelling.

² https://www.ofgem.gov.uk/system/files/docs/2017/10/consumer_vulnerability_report_web_003.pdf

The taper mechanism

2. Do you agree that we should amend the taper mechanism to a supplier allowance approach?

We are broadly supportive of the principle of the taper mechanism and EAS supports any mechanism which can offer consumers, in particular those in the lower 3 deciles of income, a better deal for the same energy supply. As such we are again broadly supportive of the proposal to ease any barriers to the expansion of the sub-250k marketplace.

We must again though reflect upon the potential for market distortion as outlined in our points around the 'Supplier obligation threshold' question. If the sub-250k market expands significantly beyond its current 7%, then there is a risk of an increased obligation burden being levied on vulnerable consumers who have remained with obligated suppliers for their energy. We must be mindful that a large proportion of vulnerable consumers will also be eligible for the Warm Home Discount payment of £140 if they remain with an obligated supplier. It is the intention of Government to consider the expansion of the WHD eligibility, and therefore potentially widening the range of consumers who may benefit from remaining with an obligated supplier. It would be somewhat perverse if the benefit of a WHD payment of £140 per year also came with an increase in the burden of a vulnerable consumer's contribution to ECO.

Obligation phases

3. Do you agree with our proposed obligation phases for the future scheme?

We have no particular views on this issue.

Carry-over

4. Do you agree that an unlimited amount of Affordable Warmth delivery (from 1st April 2017) and up to 20% CERO delivery should be allowed to be carried over to the future scheme (with the exception of oil and coal heating systems)?

We are broadly supportive of the purpose of a 'carry-over' within the supplier obligation as this ensures a continuity of delivery and maintains a ready and agile delivery market for energy efficiency measures with the following proviso:

- (a) if, for whatever reason, there is a requirement for a rescore e.g. a technical monitoring fail which requires a change in the deemed score, that this rescore will be based on the ECO3 deemed score mechanism.
- (b) for the 20% CERO carry over, at least 50% of the measures taken forward should be to affordable warmth group homes.
- (c) we do not agree that measures to oil fired systems should be excluded from carry-over, or more generally from the proposed ECO3 scheme.

Carry-under

5. Is carry-under necessary and do you agree with our planned approach?

We are broadly supportive of the purpose of a 'carry-over' within the supplier obligation as this avoids the potential for consumers to be penalised by non-compliance from their supplier. We have no particular views on the level of the penalty to be applied other than to agree that the obligation carried forward should be an addition to the obligation level set under ECO3.

This is a sensible approach as non-compliance leads to fines which under the current mechanism, would be dispersed via the Energy Redress scheme (ERS). The current terms of the ERS do not allow for ECO eligible measures – “Energy Saving measures that could be funded from another source, such as ECO, other government or devolved government schemes or an organisations own capital programme”³ as such, the ambition to improve the energy efficiency of fuel poor homes would be reduced overall.

Early delivery of measures during a gap between schemes

6. Do you agree with our planned approach to early delivery during a potential gap between schemes?

We are broadly supportive of the necessity for an 'early delivery' contingency within the supplier obligation as this ensures a continuity of delivery and maintains a ready and agile delivery market for energy efficiency measures with the following proviso:

- (a) In terms of eligible households, these should follow the ECO2t 'affordable warmth group' i.e. until such time as the ECO3 eligibility has been confirmed by the Order, the 'early delivery' should be limited to ECO2t HHCRO eligible households.
- (b) we do not agree that measures to oil fired systems should be excluded from carry-over, or more generally from the proposed ECO3 scheme.

Obligation targeting

7. Do you agree with the proposal to increase the Affordable Warmth obligation so that it represents 100% of the future scheme?

EAS is broadly supportive of a change in the supplier obligation to focus 100% of the obligation level to HHCRO eligible households. The in effect increases the financial assistance to those fuel poor and vulnerable households that are unable in themselves to make the places that they live in more energy efficient. In addition, we recognise that in order to facilitate the delivery of some energy efficiency measures into the homes of the fuel poor, that it is necessary to allow non-fuel poor homes to benefit from the same assistance.

³ <https://energyredress.org.uk/sites/default/files/2018-03/Guidance%20for%20applicants%20-%20final%20version.pdf>

Rural delivery

8. Do you agree with our proposal to include a rural sub-obligation representing 15% of the total obligation?

EAS is broadly supportive of the necessity for a rural sub-obligation to ensure that rural consumers, who are levied to contribute to the delivery of ECO are able to benefit from the obligation. Previous ECO programmes have recognised this necessity, initially as part of the previous Carbon Saving Community Obligation (CSCO) and currently as a sub-obligation under the Carbon Emissions Reduction Obligation (CERO). In previous schemes, the rural sub-obligation has been a proportion (15%) of a part of the obligation which was <100%, e.g. the current rural sub-obligation is 15% of the 30% CERO part. The ECO3 proposal would represent a significant effective increase in the overall savings target to be achieved.

EAS supports the need to tackle fuel poverty in those areas most affected, which in Scotland is the properties which are rural and off-gas. However, the very need for the sub-obligation in the first place is that it is just more expensive to deliver measures in the more rural parts of the country. An effective increase of the overall saving target to rural properties will have an impact on the cost to deliver the ECO scheme for consumers. EAS is supportive of the principle of a supplier obligation, and we do recognise the impact that excessive delivery costs can have on the bills of all consumers, particularly those in the lowest three deciles of income. There needs to be some balance struck between the necessity to tackle poor energy efficiency in the rural built environment and the impact that this may have on costs passed on to consumers.

We would encourage Government to consider ways in which rural fuel poor consumers can effectively benefit from the proposed ECO3 scheme without an undue burden impacting on the bills of the very low-income households that the scheme is designed to assist. We have to be mindful that all customers are exposed to price increase, however not all consumers will be beneficiaries of the ECO3 scheme. To this end we propose two mechanisms:

It is recognised that uplifts are not normally applied within a scheme which has obligated minima, however in respect of 'rural', this is defined as an area meeting the classification 'not urban' and which meet the criteria determined via the ECO tool⁴. There is not requirement for any property that meets the 'not urban' classification to also be off-gas. However, the consultation document states that rural delivery – "recognises the difficulties that can be faced by off gas grid households". The necessity for a rural sub-obligation is not in doubt, however in terms of the main determinants of fuel poverty in rural locations, this is mainly about having no access to a fuel type which currently offers the best p/kWh rate for heating systems. We have some reservations over the fact that 'off-gas' is not within the minima approach to the rural classification. As such we believe that this supports the inclusion of an uplift mechanism for rural/off-gas properties.

The other issue in relation to rural properties which we don't believe is sufficiently addressed is one of population density. This is closely aligned to the idea of 'in-fill', a mechanism which should address economies of scale in the urban environment, but which due to the type of properties and

⁴ <https://www.ofgem.gov.uk/publications-and-updates/eco-tool>

their more unconnected distribution, is less likely to be applicable in 'not urban' environments. In short, properties are less likely to be attached properties, therefore an important mechanism for scaling economy for ECO projects will be unlikely in off-gas properties. We would support the inclusion of a rural community in-fill approach to the 'In-fill: ECO3 Affordable Warmth' proposal. Therefore, alongside the existing "Same building", "Immediately adjacent buildings", "Same terrace" would be "Off-gas community".

Household eligibility criteria for new scheme

9. Do you agree with the proposal to include the disability benefits noted in Table 2 above within the eligibility criteria for private tenure households under ECO3?

We support the inclusion of the proposed additional MoD administered benefits, these are on the whole aligned with the range of eligibility criteria within the Scottish Government's HEEPS: Warmer Homes Scotland Scheme.

10. Do you agree that Child Benefit subject to an equivalised income threshold should be included within the ECO3 eligibility criteria for private tenure households?

The High Income Child Benefit Tax Charge (HICBTC) commences at £50k, households eligible for CB can opt out or elect to pay the tax charge. Households with at least one income of £60k or more will not be eligible for CB. This may introduce a high earning limit for the CB eligibility to ECO which does not require further qualification by household composition.

There are two competing priorities in relation to the introduction of the income equivalisation process, the need to limit the ECO scheme to low income (fuel poor) households and the need to expand the potential pool of households that could be improved via the scheme. Introduction of the equivalisation process will increase complexity in the identification of eligibility in order to limit the ECO to potentially fuel poor homes, this we expect to increase ECO delivery costs. Successful implementation of the equivalisation in this area will also reduce the pool of potentially ECO eligible homes.

The introduction of the HICBTC has reduced the current numbers of households claiming the benefit to the levels observed in 2007⁵. It is therefore effectively limiting the high earners from the benefit. We have some concerns at the other end of the pay scale that the levels suggested for the equivalisation thresholds would in fact mean that these households would probably be eligible for ECO in other ways and so implementation of this mechanism would not serve one of the priorities, which is to expand the pool of eligible homes out to 2022.

Income thresholds for benefit recipients

11. Do you agree with the proposal to remove the income thresholds under the future ECO scheme for households in receipt of Universal Credit (UC) and Tax Credits (TC)?

5

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691948/Child_Benefit_Commentary_August_2017.pdf

The current benefit cap which limits the total amount of benefits that a household can receive effectively acts to limit based on personal circumstance, the effective annual income from all sources. It is therefore not necessary to include an equivalisation process for UC and TC.

Verification

12. Do you agree with the proposal that self-declaration is used for proving eligibility under the income threshold requirement attached to Child Benefit and for the benefits administered by Veterans UK?

A self-declaration for Child Benefit should not be necessary as discussed previously. As for the benefits administered by Veterans UK, there is perhaps an internal audit procedure that could be discussed with them whereby they would be in a position to verify the income status of claimants.

Social tenure housing

13. Do you agree with the proposal to retain eligibility for social tenure housing only for those properties with an EPC Band rating of E, F or G?

In order to qualify, we recommend that social landlords would need to provide a lodged EPC showing band 'E', 'F' or 'G' and be less than 24 months old at the date of the measure being installed. This would align the confidence of EPC robustness with that required for the domestic RHI⁶.

We have some additional concerns that social housing tenants are all contributory to the cost of the delivery of ECO, but they are not all able to be beneficiaries due to the EPC rating threshold. This is a point we will consider later under Innovation.

Helping suppliers find eligible households

14. Please provide evidence on how the mapping tool described above could reduce the search costs of identifying eligible households, quantifying the cost reduction where possible.

We would expect the ability to target households on the basis of DWP benefit eligibility data to be a powerful tool in making the delivery of ECO effective and more importantly reducing the cost burden on consumers. There are also perhaps some additional data layers that could add value to this e.g. property condition data held in the EPC registers and the details of the extent of the mains gas network held in the non-gas map⁷.

⁶ <https://www.ofgem.gov.uk/key-term-explained/energy-performance-certificate-epc>

⁷ <https://www.nongasmap.org.uk/>

Flexible eligibility: A role for local authorities

15. Do you agree that, subject to supportive evidence being available, up to 25% of ECO can be delivered through flexible eligibility?

It is difficult to project how the market will react to the removal of CERO as a route for qualifying measures. Current flexible eligibility (FE) relies on the cooperation of the local authority who, because of a perceived reduction in direct benefit from ECO to their tenants or the tenants of other social landlords, may not be incentivised to publish a Statement of Intent (Sol), or to be directly involved in the case by case declaration of eligibility.

At this point around a third of Scottish LA's have published a Sol for FE. This may in part be due to the fact that under ECO2t, the FE route was not a necessity for suppliers. With the removal of CERO, and the uncertainty around the nature of consumer vulnerability beyond that which can be described within the strict definitions for fuel poverty, the FE route may become a de facto requirement in order to meet the obligation without incurring an excessive cost burden.

The ECO2t period allowed a view outside of the diktat of fuel poverty definitions into the complexity of consumer vulnerabilities. It is difficult to plan for such complexity with the accepted normal models of engagement, as such this 'learning by doing' approach has allowed the development of new ways of engaging with and understanding the vulnerable consumer⁸.

We believe that the FE route for growing the pool of vulnerable consumers eligible for ECO support can deliver up to 25% of the obligation however, significant effort must be placed in communicating the early experience of those local authorities that have adopted the FE mechanism, both positive and negative. Without this feedback loop, the adaptive purpose of the transition period will be lost.

Overall measure eligibility

16. Do you agree with our proposal to exclude the installation or repair of oil and coal fuelled heating systems?

We do not agree at this point that the removal of oil systems as an eligible measure serves a policy purpose which is primarily about tackling fuel poverty in off-gas areas. Alternative heating systems to oil fired condensing boilers are very likely to increase running costs and also decrease the EPC rating, two outcomes which are counter to the primary purpose of the ECO.

The necessity for the removal of oil systems would appear to be driven from a climate change policy position than one concerned with the reduction of running costs for fuel poor households. An environmental impact will be conferred to properties where the oil systems are made more efficient, or where the fabric of the property is improved. As such the option for installation or repair of oil systems should be retained for off-gas properties where this is the only measure that can be applied which will provide a significant saving for the consumer. We should not further levy low income

⁸ Kato, S. and Ahern, J., 2008. 'Learning by doing': adaptive planning as a strategy to address uncertainty in planning. *Journal of Environmental Planning and Management*, 51(4), pp.543-559.

families with the burden of climate change where to do so would place a significant financial stress on their ability to afford warmth.

First time central heating eligibility

17. Do you agree with the broadening of the criteria for the installation of FTCH?

The definition of a 'central heating system' does not match with that established under the Housing Health and Safety Rating System (HHSRS)⁹ – "5.24 The primary heating system must have a distribution system sufficient to provide heat to two or more rooms of the home."

The definition of what constitutes a heating system need to be clarified and aligned with other policies.

We welcome the addition of broadening of the FTCH to include storage heaters with a responsiveness (R) value of 0.2 or less. This in practice under SAP includes for 'Slimline storage heaters' and 'Convector storage heaters' however under the current SAP 2012 version 9.92 for any storage heaters connected to a '24-hour heating tariff', which in practice means electric heating tariffs such as SSE's Total Heat Total Control and ScottishPower's ComfortPlus Control the R for any storage appliance starts at 0.4. This needs to be clarified as it could unintentionally exclude FTCH storage heater replacement in Scotland. Whilst not immediately clear, it must be made explicit that the replacement storage heater must exceed the original threshold R values i.e. in practice a R value of 0.6 or better.

In addition to this it is the practice in Scotland when installing a full house storage heating system that not all habitable rooms receive a storage heating appliance, the approach in England and Wales for the same measure would require many more storage heating appliances that would be expected in Scotland. The main living areas and connecting hallways are generally the locations for storage appliances, in other areas such as bedrooms and bathrooms it is normally a direct acting radiant or convector electric heating appliance. Approximately 60% of the property will be covered by storage appliances. Some clarity would be welcome over this issue as the expectation under the scheme does not appear to meet with the accepted practice in Scotland.

Broken and inefficient heating system replacements

18. Do you agree with our proposed approach to limit the replacement of all broken heating systems to the equivalent of 35,000 per year, (excluding the installation of FTCH, renewable and district heating systems, inefficient heating upgrades delivered alongside insulation and heating controls) and our proposals for limiting certain heating repairs?

We have no particular comments to make on this issue other than to agree that a limit on repairs is a sensible approach and one that was implemented in the Scottish national fuel poverty scheme for very similar reasons.

9

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7812/138355.pdf

19. Do you agree with our proposal to allow certain heating system upgrades where they are delivered alongside certain insulation measures?

We have no particular comments to make on this issue other than to agree that an approach which aims to encourage a whole house approach (insulation first and heat provision) to energy efficient improvements should in principle begin to move the housing stock closer to an EPC 'C' rating.

Treating solid wall homes

Do you agree with our proposal to include a requirement to treat a minimum number of solid walled homes? What technologies or combinations of technologies could cost-effectively deliver the same bill saving outcomes as SWI?

Improving the thermal efficiency of the building fabric is, for the lifetime of the building a fixed asset. Heating appliances in the home will require around 4-5 replacements over the lifetime of a building. The question is really one of a front-loaded investment for solid wall insulation compared to a phased investment for a lifetime of working heating systems. Over the lifetime of the building, the same value of investment is made, although it could be argued that the year 1 investment in SWI would over time be eclipsed by the multiple investment in heating appliances in 12-15 year cycles. If SWI was half the price, this would not be a debate. Therefore, the challenge to the industry is by technological, process or financial innovation, how can the front ended cost of SWI be brought to the point where the capacity to deliver is one of available skilled labour than one of available finance.

We believe that this target should remain as one focused on the building fabric i.e. one that invests in the fixed asset of the dwelling.

Alternatively, do you believe that an SWI-only minimum should be continued?

No, the focus should be on improving the building fabric, the lifetime savings attributed within the scoring mechanism should be enough to determine the measures that would receive the greatest support.

Do you agree that the minimum is set at the right level (17,000 homes treated per annum)?

Where the focus is widened to include for all building fabric measures, the number of homes treated will by necessity need to be converted to a lifetime saving target which equates to 17,000 homes treated with SWI. Therefore, the target is either met with SWI installs to 17,000 homes, or with measures to solid walled homes which equals or exceed this minimum.

In-fill: ECO3 Affordable Warmth

23. Do you think a 66% minimum requirement of eligible households should be introduced under Affordable Warmth for the Solid Wall Insulation and District Heating? Please suggest an alternative preferred percentage, and supporting evidence where applicable.

We are broadly in agreement with the principle behind the idea of 'in-fill', initially this would appear to be giving concession within the programme for properties with no risk of fuel poverty of a vulnerability that exposes them to inequality in the energy market. However, we are aware that in order to ensure that the targets for improving eligible homes under the scheme are met without undue burden in pass through costs to consumers that allowances for economies are allowed to facilitate a benefit to vulnerable consumers.

We would advocate a widening of this enabling principle to allow for rural communities to be included where they do not meet the attachment rule.

24. Do you think the infill mechanism should be implemented using the same area based methodologies used for the current flexible eligibility in-fill mechanism? Please suggest an alternative preferred mechanism, and supporting evidence where applicable.

It is our opinion that having two thresholds, a 66% and a 50% will potentially lead to both confusion and 'gaming' within the system. Whether this is by design or by a lack of clarity, we expect that implementation of this will result in a consequence which will weaken the effectiveness of area based delivery and ultimately increase the burden on the consumer for procedural failure. We recommend that the area 'in-fill' classification be aligned and that in reality there is no need for two systems to incorporate properties which are non-qualifying.

Therefore, a property is included within the scheme if it meets either the criteria listed under para 53 of the consultation, or it is designated 'in-fill' by its attachment to another dwelling as described under para 115, or it is in a rural off-gas location as described under our response to the question under para 8.

25. Do you agree that all eligible and in-fill measures should be notified together and within six months after the first measure was completed?

Yes, this is a sensible approach.

In-fill: ECO3 flexible eligibility

26. Do you agree that the proportion of homes in the same building, adjacent buildings or the same terrace that can receive solid wall insulation as 'in-fill' under ECO flexible eligibility should be limited to 50%?

See comments in our response to the question under para 24.

Interaction with the Renewable Heat Incentive

27. Do you agree that any measures which receive the RHI should not be eligible for ECO?

Funding from the supplier obligation is not a Government grant, as such there should be no impediment from the risk of double counting policy impact. These are not competing areas, they should be viewed as complementary. The domestic RHI (DRHI) has a functioning degression mechanism which should serve to protect the public purse from over exuberant activity in this area drawing to much revenue from the tax payer.

Changes to the DRHI to allow apportionment of the RHI payment to a third party may allow a funding model which would multiply the numbers of renewable heat systems being installed into fuel poor homes in rural off-gas areas at no cost to the occupant. Rather than focusing on removing heating options for rural homes, supporting DRHI eligibility for ECO funded installations would widen the measures that could help and offer a reasonable alternative to kerosene on the basis of cost effectiveness than a blunt exclusion policy.

Scoring

28. Do you agree with our approach for scoring ECO3 measures?

We agree in principle with the purpose of a deemed score approach where Innovation can be applied to measures that seek to exceed the nominal saving apportioned to that measure type. However, we must reflect on the reliance of bedroom numbers as a proxy for property size. This focuses the assessment on entirely the wrong data to adjust the level of lifetime savings, the question very quickly becomes about whether a box bedroom is really another room or just a big cupboard. Measuring the floor area of a dwelling is a relatively simple task and one which neatly avoid the qualitative assessment of room function. Rather than having 2-6+ bedrooms to approximate size in a detached house there should be 6 ranges of floor area measurements.

We appreciate the scaling involved in having a separate deemed score system for Scotland, however as we are mostly concerned with the lifetime savings to the provision of heat, excepting the savings attributable to new water heating appliances and storage cylinder insulation, this could easily be adjusted with a national uplift for Scotland, or even the 9 geographic regions of Scotland as defined in the SAP documentation.

Proxy systems should not be used for district heating lifetime savings, this is a nonsensical arrangement. The factors affecting the performance of a district heating scheme are invariably complex to the point that it would be folly to presume that one scheme operate the same as another on the basis of their assumed fuel source. In all cases, district heating scheme lifetime should be based upon the bespoke calculations and modelling provided by the consultant engineers working on the project. RdSAP is seriously inadequate for district heating predictions and we would always advise any investment to be based at the very least on a full SAP calculation or better, the output from a dynamic simulation model.

For electric heating utilising a 24-hour tariff (restricted meter tariff) e.g. SSE's Total Heat Total Control, or ScottishPower's ComfortPlus Control there is no separate set of deemed scores for savings for properties served by this type of tariff. Specific costs for 24-hour are modelled in SAP/RdSAP because they are considered to be sufficiently different to warrant particular treatment in addition, they have a significant impact on the EPC rating for the property and so are implicit within an assessment of the banding for social housing (EFG) and often result in a higher rating that could make certain property types ineligible for inclusion in the ECO scheme. If there is no intention for a scoring matrix to be applied to this type of tariff, then it would follow that to be equitable, social landlords should re-score their properties served by 24-hour tariff types to a simple off-peak i.e. economy 7 tariff and use the resultant score for this in the determination of eligibility.

ECO in Scotland

29. 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?*
- (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?*

This approach would appear sensible and in keeping with the idea of equity across geographic distribution lines. However, we have some concerns over the fact that this is wholly based around a delivered energy principle. The energy networks across GB are interlinked and so the upstream benefits of ECO delivery for generation and transportation are cross border. Within the current framework for ECO it may not be possible to focus on these upstream impacts and apportion an obligation on the basis of system energy demand. Going forward beyond 2022, this may be a more sensible principle.

30. 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?

Under the consumer-focused principle of ECO, this would appear to be the most equitable route.

Supporting Innovation

31. Do you agree that obligated suppliers should have the option of delivering a proportion of their obligation through innovative products, technologies and processes and, if so, where the maximum allowed should sit between 10% and 20%?

To commit this part of the programme to a maximum of 10-20% till 2022 is too long a stretch in our opinion. We would recommend that initially this would be set at 10% with a review point in 2020 to reflect on the learning points, research and monitoring. Further expansion of this part of the scheme to 20% would then be based upon the outcomes of the first two years and not on an aspiration of success in 2018.

32. Do you agree with the proposed routes through which ECO can support innovation?

Please provide reasons, and if applicable, any alternative preferred proposals.

This is again another 'Learning by doing' approach, therefore this can only have strength if the outcomes of innovation are robustly and independently monitored i.e. that the results of any monitoring programme for innovation are disclosed in full. In addition it is recognised that effective learning from this part of the programme is not wholly about focussing on the outcomes, there are valuable lessons in the whole process and that these need to be communicated effectively and not wedded to limits around commercial sensitivity.

33. Are there other ways in which suppliers can meet their targets more cost effectively, in order to maximise energy bill savings achieved through the scheme, while also ensuring that work is done to the right standards?

Innovation is both technically challenging, risky and often quite difficult to manage where you have a cohort of the willing on day 1 which erodes over time as households change and tensions arise from unrealistic expectations from all parties involved. We recommend therefore that innovation be allowed across all tenures without limit based upon the existing EPC rating. This could be implemented by an expansion of the local authority flexibility eligibility route to allow LA's to designate a cohort of properties as being eligible because of their inclusion within a defined innovation project.

One month notification rule and automatic extensions for 5% of measures

34. Do you think the one month reporting period should be extended? Please provide reasons, including any alternative preferred proposals, and supporting evidence where applicable.

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme. Our member's views are varied and include comments around the extension of time allowing for a more robust approach to quality assurance however this fact may introduce challenges due to the length of time between the completion of a measure and the reporting, and then on to technical

monitoring. The relationship between the householder from initial contact, to the supplier, then installer and the technical monitoring process could be lengthy in time and may introduce inaccuracies and anomalies because of this.

35. If the one month reporting period was extended, do you think the 5% extensions provision could be removed?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme.

Trading

36. Do you agree with the proposal to retain the mechanism for the trading of obligations?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme.

Each Home Counts quality mark

37. Once the quality mark requirements are fully established, functional and enforced, do you agree that in order for installers to deliver ECO measures under the quality mark, they should be quality mark approved and compliant with quality mark requirements?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme. However, our members have indicated that they expect delays in the introduction of a fully functioning QM system, the accreditation may have an impact on this and the initial introduction of the scheme and resolution of unforeseen complications are likely to delay the operation of the Quality Mark, not least of which is the development of the underpinning standards from PAS 20:35. EAS views the QM as a move in the right direction, however our experience of the introduction of the PAS20:30 accreditation was to adopt a precautionary principle and not to expect this to offer significant assurance at the outset until the scheme has been fully tested in a real delivery context. In short, the ECO scheme needs to have a contingency until QM is fully confident of its oversight role, work conducted before this point may still require Eco2t levels of supplier scrutiny and technical monitoring.

Guarantees

38. Do you agree that once the quality mark is established and functional, and where we are satisfied with the guarantee principles enforced through the quality mark, all solid wall, cavity wall, park home and room in roof insulation delivered under the scheme should be accompanied by a quality mark approved guarantee in order to receive the standard applicable lifetime?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme. However, we would caution around the need to establish a framework for responsibility should a QM approved measure ultimately fail for whatever reason. A compensatory scheme may need to be

applied and a contingency for remedial works. The QM system need to be able to exercise rigour where its members are failing, but it also needs to take responsibility to ensure that the QM has a positive consumer engagement which gives the recipients of energy efficiency measures confidence that there are expedient and transparent redress options.

Publicly Available Specification (PAS)

39. Do you agree that all ECO measures referenced in PAS 2030 and PAS 2035 should be installed in accordance with PAS2035 and the latest version of the PAS 2030?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme. Our members have concerns over the costs to achieve accreditation, particularly in more rural areas where volumes perhaps don't support the significant front end investment to meet new and evolving standards. Some assistance for smaller enterprises would be welcomed in this area.

40. Do you agree that installers delivering measures referenced in PAS 2030 and PAS 2035 should be certified against PAS 2035 and the latest version of PAS 2030?

Energy Action Scotland has no direct experience of this administrative process in the ECO scheme.

Heat networks

41. Do you consider that heat networks installed under ECO, or connections to heat networks should require specific consumer protection standards?

In Scotland this question was tackled under the Consultation on Local Heat & Energy Efficiency Strategies, and Regulation of District and Communal Heating¹⁰. Regulation and protection for vulnerable consumers is welcome in this area and we fully support the push in this direction from ECO supported schemes.

General scheme improvements and draft ECO regulations

42. The Government invites views on the general requirements set out in this consultation and the illustrative draft of the ECO Order.

We have no further points to make in relation to this consultation.

¹⁰ <http://www.gov.scot/Publications/2017/11/6232>