

ECO: Home and Local Energy Directorate
Department of Business, Energy & Industry Strategy
Level 6 Orchard 1
1 Victoria Street
London
SW1H 0ET

28 April 2018

Dear Madam/Sir,

YES Energy Solutions CIC response to Consultation on the Energy Company Obligation - ECO3: 2018-2022

Key points:

We are concerned about levels of total home energy efficiency funding diverging in England from the other home nations, which have additional support programmes over and above ECO, such as Nest/Nyth in Wales and HEEPS in Scotland. To reach the levels of government aspiration of getting all fuel poor homes to EPC band C by 2030, let alone getting nearly all homes to EPC band C by 2035, there is a need to do significantly more than what the consultations is proposing for ECO.

Expanding the energy businesses obligated will result in more funding available allowing more funding to be targeted at those in most need of support: those in severe fuel poverty. ECO should be one element of a wider approach to energy efficiency in England while still being an integral element of the separate programmes in the home nations.

Innovation is a welcome addition to the ECO approach and likely to be a major contribution to the targets towards 2030 and 2035. As more data is collected from the delivery of measure, we are also keen to see this driving targeting of activity and the development of solutions, services, support and standards.

We are concerned about the decision to exclude RHI funded measures from ECO. To date RHI has not resulted in the installation of significant volumes of renewable heating. Much more needs to be done to promote the installation of such technologies to make them commonplace and to drive the innovation in the sector, in terms of technology, installation and customer experience. A major concern, from our experience, will be those distant from the gas network will have significantly limited solutions available - either LPG or electric storage heating as potential solutions, both of which are costly and carbon intensive.

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There are opportunities in the GD2 and ED2 processes to align activity and social obligations more closely, supporting programmes aligned to addressing fuel poverty across GB. We are keen to contribute to the development of the strategic approach with others, in getting GDN and DNO (DSO) businesses targeting their support in a more coherent manner with ECO, primarily through avoided infrastructure investment of reducing energy demand in homes.

Our answers to the specific questions are outlined below. If you have any questions on the points raised, or would like to arrange a meeting to explore any of them in more detail, please don't hesitate to contact me: Duncan.mccombie@yesenergysolutions.co.uk.

Yours faithfully,

A handwritten signature in black ink that reads "Duncan McCombie". The signature is written in a cursive, flowing style.

Duncan McCombie
CEO

Chapter 1: Suppliers

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

We consider the supplier thresholds should be returned to 50,000 customers, increasing the volume of funding captured under the ECO obligation to help address more homes in fuel poverty.

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

We support the taper mechanism, from the lower limit, but we are also concerned about the upper end of the taper for those with large obligations. There is the potential, right at the start of ECO3 to introduce innovation, with the funds secured under the lower threshold and taper to go specifically towards a fund to deliver support through behaviour change to those properties already receiving ECO fabric measure installations.

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

No, we suggest two phases are implemented (phase 1 = 18 months, phase 2 = 24 months), rather than the four phases that have been proposed. Two phases would allow greater consistency in delivery profiles within the delivery sector and across the supply chain, as greater consistency will contribute to the expectation of a reduction in administration costs for the ECO3 scheme.

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 suggest there is a limited amount of Affordable Warmth delivery carried forward, as this will mean a delay in the delivery of activity to support householders whose lives are blighted by fuel poverty, with potentially the energy companies prioritising ECO2t measures rather than ECO3 measures. Any CERO delivery should be up to 25%.

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

We agree that this is necessary and as energy bill payers have already had their money collected, it should go towards installing necessary measures.

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

We agree with the approach to early delivery, in fact it will be essential to support the delivery supply chain, however we do not agree to the measures not receiving the 30% uplift. As there will be the addition measures allowed in ECO3, we see any delay impacting on those the scheme is there to help.

Chapter 2 Obligation Targets and Household Eligibility

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

We understand that the 100% Affordable Warmth approach will include a large proportion of fuel poor customers, however it won't capture every vulnerable resident and we worry certain customers will miss out on funding due, in some cases, due to transient circumstances at the time of assessment.

The argument that Flexible Eligibility has been increased to 25% is fair, however we feel that councils need more guidance on preparing their Statements of Intent to ensure the maximum amount of fuel poor households are captured over the whole scheme, allowing for both geographically specific projects and the normal 'pepper potting' delivery.

We also think there needs to be an element of CERO in ECO3. There should still be a commitment to reduce carbon emissions in Great Britain rather than only focus on fuel poverty. There should certainly be a CERO element for SWI and other hard to treat measures while no other support is available to householders in England.

We suggest that CERO is carried forward into ECO3 but with a household income cap such that the support is focussed on people that need it, rather than properties that bring in the best funding allocations (which tend to be larger homes occupied by affluent residents).

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

Rural delivery is an essential part of tackling fuel poverty across GB and householders should not be unfairly discriminated due to the locations they have chosen (or have had no choice) to live in. We feel that 15% is an achievable target for delivering measures in rural communities, however the cost to find eligible households needs to be taken into consideration and reflected, especially when the administration costs of the scheme are being scrutinised. This could be an uplift in the Deemed Scores for rural measures. The costs of finding eligible households can be reduced if the correct data is provided, but we are not convinced the data which are available are good enough.

We consider a link between the GDN obligation and this rural obligation, should be reviewed as the GD2 business planning and methodologies are beginning. Gas connections, through the extension of the gas network, should be considered, allowing properties in the future to access bio gas or hydrogen gas in the decades to come.

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?

Yes, we agree. However, we think that the Affordable Warmth criteria should be used across both social and private housing as those in social tenure households contribute to ECO funding so should also be eligible to benefit. If benefits are being used to define vulnerability, it should not matter what your tenure is.

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?

Yes, we agree. However, we think that the Affordable Warmth criteria should be used across both social and private housing. If benefits are being used to define vulnerability, it should not matter what your tenure is.

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

Yes, we agree.

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?

Ideally a system, like the DWP data match service, should be available. Installers need a simple system that matches customer data to prove eligibility without frequent re-visits for paperwork or delays while up to date paperwork is received. However, if this is not achievable we do agree with self-declaration if there are clear guidelines on what can and can't be accepted in the compliance checking process.

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?

We agree that Social Housing should be included, however we feel standard Affordable Warmth benefit criteria and Flexible Eligibility criteria should be used for social housing and not EPC bands. Both these methods define vulnerability. Tenure should not be a barrier to eligibility. What's more, EPC assessments are no longer a requirement for ECO surveys, so the eligibility route for Social Housing should at least tie in with the paperwork that is required to be collected to demonstrate compliance.

We suggest that the housing association properties are those where innovation should be tested, as there is the opportunity to access similar properties to act as control as well as the greater ability to monitor any trial delivery.

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.

Whilst we agree that having access to eligible household data would reduce costs for some, we feel there are drawbacks with this approach. We think certain areas of the country will be heavily targeted whilst others will be left out. We are also concerned that the quality of data would not be completed to a level of granularity necessary and therefore could potentially become obsolete: assuming there would be a cost to obtain the data we therefore feel that this would not be cost effective.

The vast volumes of data previously collected by obligated energy businesses should be a rich source of data on which to drive any update/successor to NEED and to be supported by the

Housing Condition Surveys in the home nations to provide a much more accurate mapping tool. Any database should be centrally developed and accessed as 'open source' as the EPC register and not held by any business to drive an income from it, beyond a basic registration fee to support the ongoing development.

The range of data available through EPC and XOSERVE show inaccuracies, in one or both, so a more robust approach to data will need to be taken to provide confidence and the potential cost savings such a mapping tool could provide.

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

Yes, we agree with this, however Councils need more guidance when preparing their Statements of Intent. Some Councils have misinterpreted the original guidance provided and therefore finding it difficult to execute activity. Some SOIs are very vague whereas others are too complicated. Instead of broadening the scope of ECO they do the opposite. There should also be guidance on the types of evidence to be collected to prove eligibility should the Councils be audited.

Chapter 3: Eligible Energy Efficiency Measures

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

Yes, as this fits with a wider intent to phase out high-carbon fossil fuel heating, as detailed in the Future Framework for Heating call for evidence. This questions the solutions relevant and possible for heating systems for off-gas grid properties (with the exclusion of the link to RHI). Restricting solutions to electric storage heaters (prone to power cuts in rural areas with overhead lines serving them), or LPG (prone to wide market fluctuations over short time periods). It is unlikely the available solutions will make a significantly positive difference to help rural residents living in fuel poverty.

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

Yes, but the deemed score matrix needs to show FTCH as a measure in its own right. It is unfortunate that electric heating cannot be replaced by heat pumps, as they would be excluded from ECO due to them falling under RHI.

We expect FTCH will be applicable to both private and social housing and include households heated by electric storage heaters, which are all inefficient or broken, although identifying these customers could be a challenge. Furthermore there should be a specific sub-target for the number of FTCH to be installed annually and are puzzled why this was not an element of the consultation. Should there be no sub-target, we expect delivery will be of similar volumes to ECO2t with obligated businesses seeking to deliver lower cost measures instead.

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?

Yes. ECO is intended to alleviate fuel poverty and deliver energy efficiency improvements. However, we want the costs of the new requirements under the Boiler Plus regulations to be taken into consideration alongside this and reflected in the Deemed Scores as an uplift.

As recognised in the Housing Act 2004, a warm home is a matter of basic health and safety. The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 has placed an obligation on Landlords in England and Wales and links to The Housing (Scotland) Act 2006 for the maintenance of functioning space heating.

This question mentions renewable heating systems, but within the fuller document, renewable heating systems are stated to be excluded due to ECO/RHI mutual exclusivity.

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

Yes, we welcome this along with a whole house approach where delivery is targeted to drive primary and appropriate secondary measures delivering measures which will result in the householder achieving longer term energy savings. There should be a hierarchy in approach, with FTCH and gas connections rated higher than an electrical heating solution.

20. 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?

Yes, though this should be retained as a minimum number of solid wall insulation installations, which is countered in France by their support for 200,000 SWI annually. Finding new technical solutions for delivering energy savings in solid wall homes is important, as many, if not most, solid wall dwellings will require additional wall insulation to meet 2050 decarbonisation expectations. Innovation is essential but will need to be supported by practical delivery and training of the supply chain and we welcome the approach to have innovation within ECO.

Improving installation standards through Each Home Counts will be a key plank in the move to adopt innovative insulation products by the supply chain.

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

Yes. See response to question 20.

22. Do you agree that the minimum is set at the right level (17,000 homes treated per

annum)?

No - We think that the target should be set higher than 12,000 homes per year (for England) and should, at least, match the current obligation of 21,000 homes. According to your figures there are 3,366,000 fuel poor households in England with uninsulated solid walls, therefore using the target of 12,000 homes over 3.5 years (3,429 homes per year) it would take 982 years to install solid wall insulation to all the homes that need it. Whilst we accept it is unrealistic to apply these figures to any measure, we feel that 12,000 as a target is significantly low.

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 think this should be 50/50 however, we feel more guidance will be required on some aspects of infill properties. Such as: is there a limit to the amount of properties that can be classed as infill on one project? The 50/50 approach would be beneficial in a situation which involves Social Housing.

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.

Yes. We have not had the time to carry out detailed analysis of these proposals due to the limits imposed on the consultation period but would welcome the opportunity to explore the compelling arguments set out in the document.

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 should be kept consistent.

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%?

This should be the same as standard Affordable Warmth for consistency. However, we agree that in-fill under ECO flexible eligibility and standard Affordable Warmth should be limited to 50%.

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

The proposal is not clear, being that it could be read as either:

- Any measure which is supported under RHI is excluded from delivery through ECO, or
- An installed measure would not be eligible for RHI and ECO support.

We would want to see renewable technologies still applicable for properties, particularly renewable heat in rural locations, due the absence of a connection to the gas network. Beyond this, there could be situations where households would benefit from ECO and RHI support.

The technical nature of renewable heating should not be a barrier to them being installed in low income households. This is further complicated by the uncertainty about how the renewable heat market will develop. We therefore suggest that an area of ECO innovation funding should be directed at this area of renewable heating.

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

We are happy with the approach, but we think the scores need to be reassessed to consider the cost of measures and new building regulations as well as an element of health impact scoring.

In using carbon scoring to apportion funding there is the potential it will not deliver the improvements necessary to reduce the number of excess winter deaths or reduce the pressure on the NHS caused by cold and damp homes. These negative impacts of fuel poverty could be better addressed if levels of fuel poverty or health vulnerability were factored into the calculation and 100% funded work was made a realistic possibility.

Chapter 4: 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?

We have not had time to fully analyse the available data and make an informed contribution to this question.

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?

While this may just be an apportioning to Scotland at this point, there is likely to be a call in subsequent period for an apportionment to Wales and then potentially to Metro Mayoral areas in future. While this would retarget the money collected back to the originating area, it would add complexity to the scheme.

Chapter 5: 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%?

Yes, in the absence of any wider scheme to support innovative energy efficiency and heating products, as well as business models and support for behavioural changes, this should be driven under ECO. To delivery real changes in energy efficiency needs a whole home AND whole occupant approach.

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

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

Each of the proposed routes are appropriate for encouraging innovation in ECO, but so is the review of the mass data collected through the successor years of the programme. It is critical the operation of the routes is clearly set out and the parameters are kept simple and robust. It is also critical that risk is understood, and that failure is an opportunity to learn and evolve and not to punish.

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?

More support for the delivery of tailored advice and engagement with customers, relevant to their homes and appliances/fittings. As most installations are done over one or two visits there are limited opportunities to engage with the householder, beyond any installation. Time costs, so any intervention to provide advice and minor alterations to the property, such as swapping halogen bulbs for LED bulbs, will need to be funded.

We have found customers need support after the installation of SWI, but not immediately, usually in the winter months when the customer is 'learning' how to use their heating now the walls are better insulated. As such advice is crucial to ensure that the maximum fuel bill and carbon emission savings are realised in practice and is essential to innovation in ECO.

Chapter 6: Delivery and Administration

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.

No comment

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

No comment

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

Yes, however these trading's should be limited in volume on an annual basis to ensure a more cost-effective delivery and all obligations are delivered as soon as practicable to benefit those in fuel poverty.

Chapter 7: Quality and Standards

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?

We welcome a change which will drive quality, but we are nervous about the costs and potential complications involved as the standard has not yet been established. There are numerous quality marks and certificates already available that are required for ECO and other building works, so adding another quality mark could just add further administration, cost and confusion.

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 to receive the standard applicable lifetime?

We agree with this if the quality mark were to go ahead and the guarantee replaces others marks and certifications rather than being an additional requirement, but it is crucial to provide advice on the route for redress.

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?

Yes, we agree but there needs to be a transition period for the changeover, with a phased approach clearly set out, with reviews at the key milestones to refine as relevant. Changes in relation to PAS need to be staggered over time.

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?

As our response to 39 above.

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

Yes, consumer protection is vital across all measures supported under the scheme, not only heat networks.

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

See our introductory comments.