

Changes to the Energy Company Obligation

A supplier's view

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Introduction – why I'm here / what I know

- I managed CESP and CERT through to successful completion for E.ON, mainly through whole-community based schemes
- Under ECO, I am now responsible for CERO and CSCO (incl. Rural and SWI minimum).
- I'm here to hopefully inform and help you understand how the changes to ECO may affect you, and how you can still benefit from ECO
- Much of what I say should hold true for other energy suppliers (so hopefully not a sales pitch)

Why the changes?

- To meet the Government's political need to reduce UK householders' energy bills by an average of £50 per household.
 - Some via ECO changes, some through other changes

DECC Timetable

1) Autumn Statement	Dec 2013	DONE
2) Public Consultation release	Mid Feb 2014	DONE
3) Public Consultation closes	Mid April 2014	DONE
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4) Drafting of new SI	April-June 2014	In Progress?
5) New SI before House	June/July 2014	In Progress?
6) Legislation debate & outcome	October 2014	In Progress?

- Some changes will be back dated to 1st April 2014, and the supply chain is now firmly planning and delivering with this in mind.
- BUT, how do we deliver in April measures that are not actually legal until October?



Proposed HHCRO Changes

Vulnerable customer focus, so minimal change (or is it)?

- 1) No change to scope or volume of HHCRO
- 2) No change to “hard” target at March 2015
- 3) Extended at same levels until March 2017
- 4) Warrantees being considered
- 5) Customer contribution policy being considered

Potential Impact (already being seen)

- With most Obligated parties progressing well, supply will outstrip demand and with no growth until 2017 this will lead to a reducing rates and unmet supply
- Possible acceleration of delivery by some parties (not E.ON)

Proposed CSCO Changes

Vulnerable customer focus, so minimal change (or is it)?

- 1) No change to volume of CSCO
- 2) No change to “hard” target at March 2015
- 3) Extended at same levels until March 2017
- 4) Increase target areas to 25% of lowest deprived areas (adjacent areas still valid)

Potential Impact

- With a 66% increase in the target areas permitted and no growth in current or foreseeable target, again supply may outstrip demand causing reduction in rates and unmet supply.
- However, scarcity of standard cavities (now being sought by CERO too) may maintain rates.

Proposed CSCO Rural Changes

Vulnerable customer focus, so minimal change (or is it)?

- 1) No change to volume of CSCO Rural
- 2) No change to “hard” target at March 2015
- 3) Extended at same levels until March 2017
- 4) New criteria will include anyone in the lowest 25% LSOAs in settlements of under 10,000 population.

Potential Impact

- With an increase in the target areas permitted and no growth in current or foreseeable target, supply is again likely to outstrip demand causing reduction in rates and unmet supply
- But very positively, this may drive investment in historically-missed areas.

Proposed CERO Changes - what

As this was the most expensive area of ECO, this is the most affected. The changes focus on reductions in scope, volume and admin.

- 1) 33% reduction in 2013-2015 volume
- 2) “Soft” 2015 target, “hard” extended 2017 target
- 3) Previous gateway measure restrictions eased
- 4) SWI minimum introduced, currently 100k households
- 5) A levelisation mechanism to ensure early movers were not commercially disadvantaged

The outcome of the consultation process may fundamentally change some of these points

Proposed CERO Changes - implications

- Longevity and security of funding
- Soft 2015 target - less drive
- Balanced delivery over all years
- Cheap measures more available (CWI, DH, Loft)
- Clear government-driven focus on cost control to support political need.
- Severely reduced SWI target - funding rates are going down, fast.
- Brokerage currently slow, rates dropping
- Depending on outcome of Levelisation, CERO volumes may change further

Green Deal Changes - Incentives

- Range of offers being announced to drive GD take-up

- 1) £1000 for 2 measures
- 2) Up to £6000 for SWI
- 3) £100 refund on GDAR
- 4) £500 for homemovers

- Cannot be used with ECO
- For EON, customers will be offered the best deal (ECO or GD)
- Challenge = complexity and confusion
- Opportunity = greater take-up, UK plc CO₂ targets

Core offer 1
UP TO £1,000
TWO ENERGY SAVING IMPROVEMENTS

Up to £1,000 for installing two energy saving improvements from the list of 12 eligible measures below:

- | | |
|--------------------------------|---|
| 1 Condensing mains gas boiler | 7 Flat roof insulation |
| 2 Fan-assisted storage heaters | 8 Floor insulation |
| 3 Flue Gas Heat Recovery | 9 Room-in-roof insulation |
| 4 Replacement warm-air unit | 10 Double/triple glazing (replacing single glazing) |
| 5 Waste water heat recovery | 11 Secondary glazing |
| 6 Cavity wall insulation | 12 Energy efficient replacement doors |

Core offer 2
UP TO £6,000
SOLID WALL INSULATION

Up to 75% of the total cost of the installation of internal or external solid wall insulation, up to a maximum value of £6,000, making this high carbon saving improvement much more affordable.

Add-on offer 3
UP TO £100
GDAR REFUND

Householders can also claim a refund of up to £100 for a Green Deal Assessment Report (GDAR) that is less than 24 months old when they do work in this scheme.

Homebuyers, who have bought a home in the 12 months prior to application, can also apply and claim up to £7,600 as a bundled package.

Add-on offer 4
UP TO £500
HOMEBUYERS BONUS

An additional bonus of up to £500 for homebuyers who have bought a home in the last 12 months prior to application.

To be eligible for the GDHIF scheme offers householders must satisfy the following incentive criteria:

- Customers must apply for the voucher before the work starts
- Measures must be recommended in an Energy Performance Certificate (EPC) or GDAR carried out in the last 24 months
- The GDHIF can work with Green Deal Finance which could be used to help to pay for some of the costs of installation
- Customers will not be eligible for the GDHIF incentive

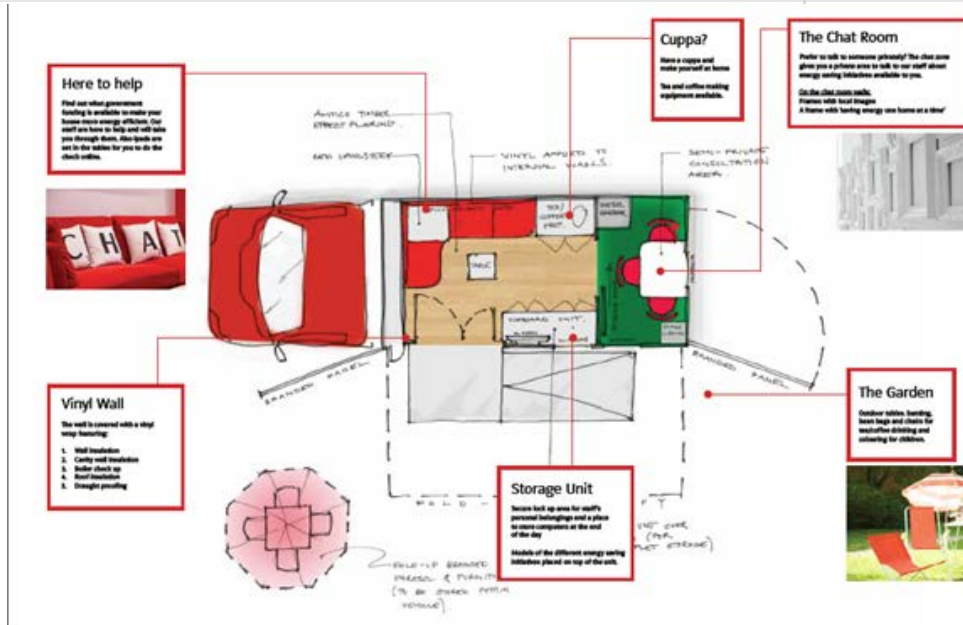
EOTR Vans - Communities & Green Deal focus



FRONT (WHEN STATIONARY)



SIDE



E.ON – our intent

We simply have had to reduce costs in line with the political intent.

- 1) Fully complete all obligations and sub-obligations on time (going well)
- 2) Deliver at as low a cost as is practical in order to reduce pass-through to E.ON supply customers
- 3) Renegotiate all existing contracts (incl. timeframe, volume and measure type) to fit into new world.
- 4) Provide as much continuity and security to partners and installers as possible
- 5) Secure longer-term, pan-community funding projects
- 6) Provide customers with best options for them (within compliance constraints)

Contact Us

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