

Energy Company Obligation ECO3 2018-2022

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/696448/ECO3_consultation.pdf
Response to BEIS Consultation

This response is on behalf of the Association of Local Energy Officers London.

The Association of Local Energy Officers London (ALEO London) represents local authority energy and fuel poverty officers in Greater London. We have over 60 local authority members from across the 33 London boroughs and over 20 associate members from partner organisations involved in promoting home energy efficiency within the capital.

Question 1: Do you agree with the current supplier threshold?

No view.

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

No view.

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

No view.

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

No view.

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

No view.

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

No view.

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

We agree that ECO should be 100% Affordable Warmth under ECO3.

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

We note that there may be special circumstances relating to rural areas. Analysis of delivery in previous rounds of ECO show that London has disproportionately lower levels of ECO funding than would be expected given the numbers of fuel poor households in the region. Ring fencing through a similar sub obligation would be a way to address this imbalance (see also 31/32/33 below).

Question 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 agree the proposal to include disability benefits.

Question 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?

We agree that Child benefit should be included but any income thresholds that do not account for higher living costs in the capital, and in particular higher housing costs, will further disadvantage London compared to elsewhere. Living costs for families with children are 21-25% higher in London than elsewhere in the UK and we therefore propose that London has distinct income thresholds.

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

Yes.

Question 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?

No view.

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

We agree that social tenure in EPC bands E, F, and G continue to be eligible. We would ask Government to set out in more detail how the aspiration to achieve band C by 2030 is going to be achieved in relation to social housing including the use of ECO after 2022.

Question 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 recognise the value of improved targeting of eligible households. However the new tools being developed by BEIS must be used in a way that does not encourage a Wild West free-for-all of door knocking and lead generation in areas where the data indicates high numbers of potentially qualifying households. This could be highly problematic if not coordinated properly and sensitively especially where there are likely to be vulnerable households. It is suggested that it is vitally important that local authorities are involved and consulted on how this is going to work.

Question 15: Do you agree that, subject to supportive evidence being available, up to 25% if Eco can be delivered through flexible eligibility?

We support the move to extend flexible eligibility to up to 25%, and would support moves to go further including having an unlimited amount through this route. Despite its recent introduction many local authorities and suppliers are using flexible eligibility to good effect. We propose that in addition to the maximum that suppliers should be required to meet a minimum level of ECO flexible eligibility of 10%, although this could be traded in line with the comments set out in Q36 below. While some suppliers have approached flexible eligibility in a positive way others have not and a minimum level will further incentivise and drive progress in identifying and supporting the hardest to reach households.

We support in principle the proposal (para. 77) to add the GLA to the list of local authorities that can make flexible eligibility declarations. However there are operational considerations that could create complexity and ambiguity that need to be clarified – for example what happens where the GLA Sol and Borough Sol are different, which takes precedence? We fully expect to discuss these arrangements with the GLA to reach an agreement that works for London. Nevertheless this is potentially also an issue in two-tier areas and it would be helpful generally for BEIS to confirm that they would not expect to see two or more different eligibility criteria to exist for a single local authority area.

It is unclear what is actually intended (para.78) by “Should the evidence demonstrate that flexible eligibility is resulting in the intended outcomes we propose that suppliers can meet up to 25% of their ECO3 targets through the flexible eligibility”. It is important that any further deliberation does not create prolonged uncertainty as it takes time to set in place delivery mechanisms and if there is uncertainty suppliers will not use flexible eligibility.

Question 16: Do you agree with our proposal to exclude installation of oil and coal fuelled heating systems?

This proposal is consistent with wider measures to minimise the impact of heating systems on air quality an important priority across London.

It is noted that outside of London, particularly in rural areas, further consideration may be needed to ensure that households with a broken heating system that may be affected by this change may need additional help.

Question 17: Do you agree with the broadening of the criteria for the installation of first time central heating?

Yes. However a query has been raised about whether ECO funding for heating upgrades in social housing properties which have storage heaters will mean that large sums of money are redirected

to this purpose particularly in devolved areas where there may be Government match funding. BEIS should review this to ensure that the proposals do not create an imbalance of funding and if they do take steps to prevent this.

Question 18: Do you agree with our proposed approach to limit the replacement of all broken heating systems to the equivalent of 35,000 a year?

No view.

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

No view.

Question 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?

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

Question 22: Do you agree that the minimum is set at the right level (127,000 homes treated per annum)?

We do not support the reduction in the minimum number for solid wall insulation. Unless the Government supports delivery of solutions for solid wall properties it is highly unlikely that it will deliver on the outcomes and targets in the national fuel poverty strategy. ECO3 should therefore at least match the existing minimum of 21,000 but we would support a higher minimum than this.

Question 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 percentage and supporting evidence where applicable.

Question 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.

Question 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?

No view.

Question 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%?

No view.

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

We think funding from the Energy Company Obligation and Renewable Heat Incentive should be able to be combined in some circumstances to pay for associated costs and infrastructure that might not be fully covered by the RHI and would be required to implement schemes that would help tackle fuel poverty. The new communal heat pump system in Enfield for example is replacing inefficient electric resistive heating with individual heat pumps, connected to a communal borehole and has been made possible through a combination of both RHI and ECO funding.

Some ECO funding might also be used to help cover the upfront capital costs associated with renewable heat systems to widen access. The householders who would most benefit from combined ECO funding and RHI for a renewable heating source are fuel poor homes in the private sector.

Private sector fuel poor homes are very unlikely to be able to afford a new renewable heating system without ECO support as the RHI would not currently cover the cost of a new system in most cases. There would be a significant upfront cost that these homes are unlikely to be able to afford.

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

No view.

Question 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?

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?

We note the intention to apportion an individual supplier's targets between Scotland and the rest of GB and agree with the principle. We would add that the fairest basis for considering the needs of a geographical area is the number of households in fuel poverty although we note that methodological differences in the way this is calculated in devolved regions makes this difficult.

The proposed approach to allocating ECO should Scotland implement different rules seems highly convoluted. It is suggested that this is a consequence of having divergent approaches to answering the fundamental question of how many people are in fuel poverty. The UK Government should seek to discuss this further with Government in Scotland with a view to reaching agreement on a consistent approach.

Question 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%?

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

Question 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?

Current levels of ECO funding mean it is a challenge to find properties where measures can be fully funded. Given this it is suggested that ECO should be more clearly focussed on achieving the maximum possible proven measures that deliver cost savings and that innovation is more relevant to the Warmer Homes Fund Industry Initiatives.

If the Government is determined to include innovation in ECO3 then it is suggested that the key focus should not be on new measures and instead it should be on finding ways to deliver measures in situations where up until now it has been more difficult. We suggest that this includes delivery in London where BEIS statistics on delivery of ECO show significant under delivery considering the total number of households in fuel poverty. We note that it is possible to have score uplifts for innovation (para 149 and 150). It is suggested that one of the ways to seek to address historic under-delivery in London is to provide additional score uplifts to for a limited period of time to expand deployment. It would be good to have confirmation that proposals based on this would be eligible for consideration.

In addition the outcomes for innovation include (para 143) “ better ways of identifying and targeting households for ECO support that result in an improved customer experience” It is suggested that local authorities are often ideally placed to do this but the current ECO delivery methods often does not result in cost of lead generation work being funded. It is unclear in the options how this outcome translates into the options set out and further details on this would be welcome.

If the Government is determined to include innovation on measures then it will need to consider what happens when innovation fails over time and what support will be made to vulnerable households that may be affected. It also needs to consider routine maintenance particularly where the supply chain may be underdeveloped. It is suggested that innovation on measure be used to achieve approaches to whole-house retrofit.

Question 34: Do you think the one month reporting period should be extended?

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

No view.

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

Yes, although more generally delivering through obligations is not considered to be the most effective method of delivery. It is suggested that Government expand the Warm Homes Discount Industry Initiatives with suppliers offsetting their obligation through this route to allow other better placed organisations to deliver equivalent targets more efficiently.

Question 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?

Yes, in principle as long as this does not increase the cost of the scheme delivery.

Question 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 soild 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?

No view.

Question 39: Do you agree that all ECO measures referenced in PAS2030 and PAS 2035 should be installed in accordance with PAS2035 and the latest version of PAS 2030?

Question 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?

No view.

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

Yes ECO funded heat networks should have specific consumer protection standards such as the Heat Trust.

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

The obligation does not (cf para.178) seem to be an efficient delivery mechanism and as the costs are borne by consumers this has a disproportionately negative effect on the fuel poor. It is suggested that the Government's "main policy meeting [its] fuel poverty commitments" should be supported through general taxation funding delivery through whichever agency is best placed in each given circumstance.

It is suggested that the £640m cost of ECO includes large levels of overheads by the suppliers and that in reality actual spend on delivering reductions to bills is significantly lower than this figure. BEIS should be considering setting far more stretching targets to the obligated parties within the spending cap of £640m.

BEIS should take action to ensure that there is a straightforward way to create a score for upgrades to HMOs as this does not appear to be clear under the current Ofgem rules.