



elmhurst
energy

Date: September 2021

Elmhurst Energy's response to:

Energy Company Obligation

ECO4: 2022 to 2026

Prepared for: BEIS

1. Introduction

Elmhurst Energy are pleased that BEIS are seeking a Consultation on ECO4 and as such we are delighted to respond to each question in turn. Where we consider that we have insufficient knowledge on a subject to add value we have responded “no strong opinion”.

The Consultation asked 99 questions which we have answered below. We hope you find the responses considered and useful.

2. Summary

In summary we consider that this is a great opportunity for energy assessors, retrofit assessors and retrofit coordinators but it will put the whole industry under a spotlight. As accreditation schemes we need to continue to work with Members, MHCLG, BEIS and OFGEM to review our processes and controls to ensure that energy assessments can be relied upon and any attempt to “game the system” be quickly identified and the perpetrators dealt with appropriately. That said Elmhurst is proud of the scheme that it runs and we are confident that, with the improvements that we have made in the last five years, we can deliver and look forward to the challenges ahead.

We are very supportive that

- The annual budget and obligation term are to be increased which will give industry the confidence to invest
- EPCs are to be used as a component to determine eligibility and funding levels
- PAS 2035 is to be adopted to ensure energy saving potential is maximised and that the quality of installation is assured.

We are concerned that;

- The ability to determine eligibility for funding with a PAS2035 retrofit assessment, which does not have the controls of an EPC, could be abused.
- The use of EPCs or PAS 2035 energy assessment to determine both eligibility and the amount of funding may encourage some unscrupulous individuals to game the system. To prevent this happening the industry must work with Government (BEIS and MHCLG), TrustMark and OFGEM to identify when this may be happening and quickly implement actions to prevent it



- Whilst the deemed score methodology is the correct one to determine funding levels the proposal is overly complex and therefore likely to contain opportunities for abuse and unintended consequences.
- As with ECO 3 the funding mechanism is still measure-led which means the supply chain are motivated to hunt out properties to meet their solution, and then engineer a Retrofit Plan to justify it. This needs a radical rethink as the start point needs to be a fully funded Retrofit Assessment and a Retrofit Plan, only then can the correct measures be determined. Remember “every home counts”
- Exempting listed homes, and those in conservation areas, from achieving the minimum EPC band improvement is too simplistic. Whilst some may not be able to achieve the full two band improvement any exemption should be given on a measure by measure basis and justified by the PAS 2035 Retrofit Coordinator in the retrofit plan. Every home, irrespective of age, construction technique, condition or historical importance, is capable of being improved.
- The current version of RdSAP is producing recommendations that are not consistent with government policy, especially with regards heat pumps. Although this is likely to be addressed with the planned changes to RdSAP in late 2022 the transition between the two methods could disrupt the process.

3. Questions and Answers

- 1. Do you agree with removing the supplier obligation threshold when a buy-out mechanism is introduced and retaining the current thresholds, for when a supplier becomes obligated, in the meantime?**

No strong opinion

- 2. Do you agree with the proposal to reduce the current supplier allowance approach at the start of ECO4, before a buy-out mechanism could be introduced?**

No strong opinion



- 3. How feasible would it be for suppliers to pass on a greater share of obligation costs onto gas prices rather than electricity during ECO4 or beyond?**

No strong opinion

- 4. How feasible would it be for suppliers to recover costs of obligation exclusively from gas customers during ECO4 or beyond?**

No strong opinion

- 5. Do you agree with our proposal of not introducing the new mechanism to protect the ECO target under ECO4 when a supplier ceases to trade, and its obligation target is not met?**

No strong opinion

- 6. Do you agree with the proposal to (a) introduce a buy-out mechanism, to enable smaller suppliers to participate under ECO without disproportionate costs to them (subject to primary legislation); and (b) do you agree that the use of buy-out should be optional for all suppliers?**

No strong opinion

- 7. Do you agree that the buy-out pot should be used to deliver energy efficiency measures?**

No strong opinion



8. Do you agree that all suppliers should be able to use the buy-out mechanism using a sliding scale approach?

No strong opinion

9. If a sliding scale was used, do you agree that the proposed potential buy-out caps above are set at the right level?

No strong opinion

**10. Do you think that very small suppliers with
(a) 1,000 customer accounts or below, regardless of their supply volumes, should not be obligated (option 1 in table 4); OR
(b) do you think suppliers with less than 5,000 customer accounts, with supply volumes of 66GWh gas and 18 GWh electricity should not be obligated (Option 2 in table 4)?**

No strong opinion

**11. Do you agree that
(a) an approach using published prices reported by suppliers on ECO delivery and administration costs would be appropriate to set the buy-out price on an annual basis ahead of the buy-out 'window'?
(b) Please suggest any alternative approaches.**

No strong opinion



12. Do you agree that suppliers should decide on whether to buy-out or not during a 'decision window' which is prior to the start of the next obligation phase?

No strong opinion

13. Do you agree that suppliers can only choose to buy-out their next obligation phase?

No strong opinion

14. Do you agree with our proposal to allow up to 10% ECO3 delivery to be carried over into the ECO4 scheme (with the exception of oil and LPG fuelled heating systems)?

No strong opinion

15. Do you agree with our methodology for converting ECO3 bill savings into ECO4 bill savings?

No strong opinion

16. Should the ECO3 average cost per £ of lifetime bill savings be taken from the ECO3 Impact Assessment or the published energy efficiency statistics?

Please explain your answer.

No strong opinion



17. Is carry-under needed to mitigate the risk of suppliers failing to meet their ECO3 obligations?

No strong opinion

18. Do you agree with the proposed cap of 10% and penalty rate of a 1.1 multiplier if carry-under is implemented?

No strong opinion

19. If carry-under is implemented, do you agree with our proposal for the ECO3 average cost per £ of lifetime bill savings to be 31p, taken from the ECO3 Impact Assessment?

No strong opinion

20. Do you agree with our proposal for early delivery during any potential gap between schemes?

No strong opinion

21. Do you agree that ECO should target SAP band D, E, F and G homes?

Yes the target should be on EPC bands D,E, F and G to ensure the focus remains on our worst performing homes. However, because an EPC can be up to ten years old, it should be made a requirement that the EPC should also have been issued within the preceding twelve months and reflect the current state of the dwelling.



22. Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?

Yes the two EPC band improvement, expressed as described, is a good idea to encourage whole house retrofit and a move away from single measure installs. In discussion it has been explained that an "EPR" rating undertaken by a Retrofit Assessor may be considered equivalent and Elmhurst believe that this is wrong as the controls on Retrofit Assessors are significantly less than on an accredited EPC energy assessors.

23. Do you agree to a requirement for a minimum number of private tenure homes in SAP band E, F and G homes to be upgraded?

Yes such a ruling will ensure that the focus remains on the worst performing homes. As before, because an EPC can be up to ten years old it should be made a requirement that the EPC should have been issued within the preceding twelve months and reflects the current state of the dwelling.

24. Do you agree with the proposal to
(a) remove non means tested benefits including disability benefits as a method to target low income and vulnerable households, as listed in table 6?; and
(b) Include additional benefits within the eligibility criteria for private tenure Households under ECO4 to align with UC?

No strong opinion

25. Do you agree with the proposals to increase the Child Benefit income caps as set out in table 7 under ECO4?

No strong opinion



26. Do you agree with the proposal that households in receipt of WHD also be eligible under ECO4, if they live in band D-G homes?

No strong opinion

27. Do you agree that up to 50% of the ECO target could be delivered through LA & Supplier Flex?

No strong opinion

28. Do you agree with the proposals for improved due diligence under the reformed LA & Supplier Flex?

No strong opinion

29. Do you agree with the four referral routes that could be used by local authorities under LA & Supplier Flex? Are there other ways we could incentivise better targeting?

No strong opinion

30. Do you agree that obligated energy suppliers should
(a) be able to use their own data on households in fuel debt, or PPM self-disconnections to target low income and vulnerable householders;
and
(b) households would be eligible if they meet the 2-proxy requirements, using suppliers own customer debt or PPM self-disconnections data under LA & Supplier Flex route 2?

No strong opinion

31. Do you think the Scottish and Welsh Governments should be able to refer households under LA & Supplier Flex, instead of local authorities in those countries?

No strong opinion

32. Do you agree that off-gas uplifts of (a) 35% should be applied to Scotland and Wales; and (b) not applied in England, where the Home Upgrade Grant is available?

No strong opinion

33. Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?

No strong opinion

34. Do you agree homes could benefit from multiple funding if (a) it is not for the same measure; and (b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?

No strong opinion

35. Do you agree that we continue with the ECO Eligible Referrals mechanism under ECO4?

No strong opinion



36. Do you agree with our proposals to (a) simplify the in-fill mechanism with the new ratios for flats and other housing to qualify?; and (b) include CWI in-fill?

No strong opinion

37. Do you agree with our proposal to (a) support low income private rental households, with the design being subject to the outcome of the PRS consultation; and (b) limit support to packages of measures that meet the MR including solid wall insulation, first-time central heating, a renewable heating system or district heating?

No strong opinion

38. Do you agree with the proposal to (a) allow social housing tenure with starting bands of E, F and G to be eligible under ECO4; and (b) continue eligibility for band D social housing under Innovation Measures?

No strong opinion

39. Do you agree that the minimum requirements should apply to E, F and G social housing and band D social housing for IM uplifts?

No strong opinion



40. Do you agree that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation?

No strong opinion

41. Do you agree with our proposal to maintain a Solid Wall Minimum Requirement set at 22,000 solid wall insulation measures per year for ECO4 and remove the option for this to be met via alternative measures?

No strong opinion

42. Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?

Yes a fabric first policy is essential to ensure that the capital cost of equipment is kept to a minimum and, as we move toward the extensive use of heat pumps, the technology is capable of performing efficiently and effectively.

43. Do you agree with our proposal to exclude the repair and replacement of oil and LPG boilers?

No strong opinion

44. Do you agree with our proposal to only allow the repair of efficient heating up to a cap of 5,000 homes per year?

No strong opinion



45. Do you agree with our proposal to reduce the Broken Heating Cap for broken efficient heating replacements up to 5,000 homes per year?

No strong opinion

46. Do you agree with our proposal that all new ESH delivered (both on and offgas) must have a SAP responsiveness of 0.8 or above?

No strong opinion

47. Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?

No strong opinion

48. Do you agree with our proposal to restrict first-time gas central heating to households already connected to the gas grid?

No strong opinion

49. Do you agree with our proposal for all new wet central heating systems to be installed as a “low-temperature heating system”?

No strong opinion



50. Do you agree with our proposals to expand the eligibility for first-time central heating?

No strong opinion

51. Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?

No strong opinion

52. Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?

No strong opinion

53. Do you agree with our proposal that energy suppliers should be required to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS 2035?

No strong opinion

54. How should suppliers be required to demonstrate that a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly?

No strong opinion

55. Do you agree that the ECO4 scoring methodology must be based on the difference in average annual bill expenditure between the starting SAP rating and finishing SAP rating of a property, with regard given to the property's floor area?

Elmhurst agree that creating such a scoring mechanism will encourage deep retrofit but have some concerns about the possibility of installers applying pressure to the energy assessor to game the system to maximise grant funding. This will require ODGEM, BEIS, MHCLG and the accreditation schemes to work together to identify and eliminate such practices. The reasons for linking it to floor area, to incentivise the improvement of small dwellings is also understood and to be applauded.

Since the establishment of EASOB (the Energy Assessor Scheme Operating Board) there has been a significant improvement in the controls, and resultant quality, of EPCs however this change of use will create different pressures. EASOB need to work with all stakeholders to ensure the process continues to assure quality and this could include a link with the technical monitoring undertaken by Trustmark.

Unfortunately the system has become very complex and with that complexity it is likely that loopholes and unintended consequences will have been created that will need to be managed as experience is gained.

56. Do you agree that the overarching ECO4 scores should be based on deemed savings, rather than the actual savings generated through bespoke SAP calculations at each property?

EPCs should be used to determine eligibility but deemed scores are more appropriate for determining the level of funding available.

57. Do you agree with our proposed approach for allowing exemptions to the minimum requirements? If you propose additional exemptions, please suggest how they could be evidenced.

Whilst there maybe limitations of what can be achieved it is a fact that all dwellings are capable of being assessed by RdSAP and can have an EPC and all properties can be approved.

Exempting listed homes, and those in conservation areas, from achieving the minimum EPC band improvement is too simplistic. Whilst some may not be able to achieve the full two band improvement any exemption should be given on a measure by measure basis and justified by the PAS 2035 Retrofit Coordinator in the retrofit plan. Every home, irrespective of age, construction technique, condition or historical importance, is capable of being improved.

58. Do you agree with our proposal to use deflated partial project scores for ongoing projects, ahead of completion?

No strong opinion

59. Do you agree with our proposal to use deflated partial project scores where a project is found to be non-compliant with the minimum requirement at the point of notification?

No strong opinion

60. Do you agree with our proposal to use deflated partial project scores where a consumer ends a project before the minimum requirement has been met for reasons other than change of occupancy?

No strong opinion



61. Do you agree with our proposal to cap the share of a supplier's ECO obligation that can be comprised of scores from partial projects? Do you agree that this cap should be set between 20-30%?

No strong opinion

62. Do you agree with our proposal to use deflated partial project scores for in-fill homes, with a deflation of between 20% and 30%?

No strong opinion

63. Do you agree with our proposal to incentivise the use of longer lifetime measures through minimum requirements and heating insulation preconditions rather than including measure lifetimes in ECO4 scores?

No strong opinion

64. Do you agree that we should continue to require measure lifetimes through the scheme to benchmark guarantee requirements and for scheme reporting purposes outside of the scoring framework?

No strong opinion

65. Do you agree with our methodology for applying innovation uplifts relative to the expected savings of a particular innovation measure type?

Yes uplifts are an excellent way to accelerate the adoption of proven innovation and the amount of uplift should continue to rise until its use is common place.



66. Do you agree with our proposal to provide a fixed score uplift of ~£60 annual bill savings for all broken boiler replacements and ~£16 annual bill savings for each broken ESH replacement?

Please provide information on the cost of boiler and ESH repairs to help inform the level of uplift required for heating repairs relative to replacements.

No strong opinion

67. Do you agree with our proposal to allow uplifts for hard-to-treat issues for owner-occupied E, F, and G homes only?

No strong opinion

68. Do you agree with our proposed methodology for hard-to-treat uplifts? Please also suggest forms of evidencing for hard-to-treat.

No strong opinion

69. What work should be within scope of the HTT uplift? Should the extraction of defective loft and/or cavity wall insulation be included? If not, how could extraction be monitored more effectively through the scheme?

No strong opinion

70. Should the cost per £ bill savings be based on the final ECO4 IA or from ECO4 published energy efficiency statistics?

No strong opinion



71. Do you agree with our approach for evidencing scores for ECO4?

No strong opinion

72. Do you agree with our proposal to allow alternative methodology scores to be produced for measures that are not recognised in SAP?

Yes, reluctantly and with a few conditions.

Appendix Q is a flexible solution and should be utilised more than it is.

Innovative measures that are not recognised by SAP will be high risk and their use should be strictly controlled with extensive on site testing, using SMETER technology, and peer reviewed analysis of the evidence.

To fix the issue properly BEIS should undertake regular and often updates to SAP to ensure that the benefits of innovation are available for all.

73. Do you agree with our proposal for all alternative methodology scores to count towards the minimum requirement?

No strong opinion

74. Solid wall insulation:

(a) Do you agree with our assumption of a 0% third party contribution for solid wall insulation (SWI)?

(b) Please provide BEIS with any information on third party contributions towards SWI supporting your response.

No strong opinion



75. PAS2035:2019:

(a) Are the current cost assumptions for ventilation outlined in Table 12 reflective of the costs of complying with ventilation requirements set out in PAS 2035?

(b) Please provide BEIS with any information on the cost ranges associated with PAS ventilation compliance, and any further PAS related considerations, that may be applicable.

No strong opinion

76. Ancillary work:

(a) Should the costs of delivering specific ancillary services related to insulation, be captured through the delivery cost assumptions in the ECO4 final stage Impact Assessment?

(b) Please provide BEIS with any information on the cost ranges associated with each ancillary measure in paragraph 354, and any further common services that may be applicable.

As with ECO 3 the funding mechanism is still measure-led which means the supply chain are motivated to find properties to meet their solution, and then engineer a Retrofit Plan to justify it. This needs a radical rethink as the start point needs to be a fully funded Retrofit Assessment and a Retrofit Plan, only then can the correct measures be determined. Remember "every home counts".



77. Data Warehouse and Hard-to-treat:

(a) How feasible would it be for all delivery costs incurred as a result of the installation of measures to be lodged and stored within TrustMark's Data Warehouse, and how do you think all measures costs should be recorded, e.g., to ensure any gaming risks are mitigated where possible?

(b) Please provide BEIS with any further evidence of the costs associated with remediation of hard-to-treat issues, as required in 8.3.1, bullet three, of PAS 2035,92 as well as evidence of the prevalence of these issues in the housing stock.

No strong opinion

78. 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?

No strong opinion

79. 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?

No strong opinion

80. Do you agree with setting a project completion time of three months, from the completion of the first measure in any package other than for DHS? We welcome views regarding what timescale should be permitted for DHS installations.

No strong opinion

81. Do you agree with our proposal to allow an extension of three months to be permitted by Ofgem in certain circumstances?

No strong opinion

82. Do you agree with our proposal to award deflated partial project scores for measures delivered after the three-month time period has passed?

No strong opinion

83. Do you agree with the proposals on measure notifications and extensions?

No strong opinion

84. Do you agree with

(a) the proposed obligation phases for the future scheme and

(b) the proposal to retain the 1 February deadline for suppliers to notify Ofgem, and for suppliers to be notified of their obligation on or before 7 March, prior to the commencement of the next phase?

No strong opinion

85. Do you agree with the proposal to retain the mechanism for the trading of obligations and setting the deadline for applications as 30 September 2025?

No strong opinion

86. Do you agree with the proposal to retain the mechanism for the transfer of qualifying actions and setting the deadline for applications as 30 June 2026?

No strong opinion

87. Do you agree that an application for the transfer of qualifying actions should not be approved, if there is significant risk that the applicant supplier would be unable to deliver its obligation?

No strong opinion



88. What actions do you consider appropriate to reduce the level of technical monitoring (TM) fails for loft insulation?

The level of scrutiny and responsibility applied by PAS 2030 certification bodies to advise on the requirements and police their implementation.

89. Should the guarantee durations for loft insulation and boilers be increased and to what duration?

No strong opinion

90. What should be required for heating repair guarantee scope and length to ensure that these measures can be delivered through the scheme with appropriate consumer protection?

No strong opinion

91. If appropriate safeguards are put in place to prevent ECO guarantee requirements being changed without sufficient consultation with BEIS and wider industry, should all ECO guarantee requirements be mandated via TrustMark registration and compliance, rather than through ECO regulations?

No strong opinion



92. Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?

Yes the requirements of PAS 2030 and PAS 2035 should be adopted as the standard covering the assessment, coordination, design and installation of energy efficiency measures.

93. Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO legislation for ECO4?

No strong opinion

94. Do you agree with our proposal to retain the Innovation Measure mechanism, which would be capped at 10% of a supplier's obligation?

Yes Elmhurst agrees that the innovation measure should be retained but cannot understand the need for a cap unless there is evidence of abuse which we believe should be unlikely if the proper safeguards are employed. Nothing should inhibit the adoption of proven innovation.

95. Do you agree with our proposal to introduce a 'High' level of uplift of 45%, alongside the current 'Standard' 25%, based on a distinction between a moderate improvement and substantial improvement, decided upon by the TAP?

No strong opinion

96. Do you agree with our proposal to expand on the current criteria for determining whether there is an improvement to include environmental impact consumer care, and delivery costs?

No strong opinion



97. Do you agree with our proposal to reward sponsoring suppliers with an increased uplift of 2% after application approval?

No strong opinion

98. Given the proposed reforms to ECO4 and the continued focus on providing support to low income, vulnerable and fuel poor householders, should the DA mechanism be retained for ECO4, and be the vehicle used in providing support for single measure product testing? Are there any other mechanisms that may be better suited to product testing?

No strong opinion

99. Do you agree with our proposed approach to a reformed in-situ performance mechanism, including piloting methodologies tested through the SMETER trials?

Yes the work done through SMETER trials is hard evidence that measurement has a valuable role to play in the evaluation of innovative energy efficiency products.

Contact Details

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