

August 2016

Energy Company Obligation (ECO): Help to Heat

Consultation Response by Centre for Sustainable Energy

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In June this year, the Department for Business, Energy & Industrial Strategy (or DECC as it was then) launched a public consultation on proposed changes to the Energy Company Obligation (ECO) for 2017-18 and "aspects of the high level design for a longer term supplier obligation". This is CSE's response

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<p>Question 1 Do you agree with our proposal to extend the current ECO by one year, whilst making improvements that transition to a longer-term fuel poverty focused obligation?</p>
<p>Yes as we believe this will provide more stability in the energy efficiency market</p> <p>However, an annual spend of £640m represents a 40% reduction on average annual ECO expenditure to date (for the lifetime of the programme), of which only £450 million will be for Affordable Warmth. This is woefully insufficient to tackle fuel poverty and deliver the EPC improvement targets set out in the government's own Fuel Poverty Strategy, particularly given the lack of any other public expenditure in England for improving the energy performance of the homes of those in fuel poverty. While we recognise the transitional nature of the proposals, we would expect to see a stronger focus on meeting the Strategy's EPC targets in the post 2018 arrangements.</p> <p>It is important that the ECO targets to be achieved by the £640 million expenditure are set based on real delivery costs. We believe that the impact assessment costs are overstated and do not reflect current market conditions. For example, the cost of SWI is assumed to be £60/tC when the market value is currently £25/tC. It is also assumed that social housing providers will not make contributions to the costs of measures in their properties (which we believe they should be obliged to do – see Q9 below). The obligation targets could therefore be significantly higher whilst staying within the price envelope of £650m.</p> <p>Additionally, while the loss of CSCO will have a relatively limited impact on available fuel poverty support when you consider the performance of the obligation in practice, the current proposals represent a significant cut in fuel poverty support compared to the original ECO ambition. The following text is from DECC's initial impact assessment in 2012 <i>'The CSCO obligation is expected to result in delivery of around 47% of the insulation measures supported through ECO to low income and vulnerable households'</i>. The combined targets (and thus theoretical support) through Affordable Warmth and CSCO in the original ECO had been £540 million. This makes the current proposal of £450 million for Affordable Warmth a 17% reduction on the original ECO ambition for support for vulnerable customers.</p>
<p>Question 2 Do you agree with the proposal to re-balance the obligations for 2017-18; by increasing the Affordable Warmth obligation by £1.84bn notional lifetime bill savings (provisional figure), increasing the Carbon Emission Reduction Obligation by 3.0 MtCO₂ (provisional figure), and not increasing the Carbon Saving Community Obligation?</p>
<p>Yes. But the increase should be larger (see answer to Question 1). In addition, the increase will be undermined by any rollover from the current phase of ECO that suppliers are able to carry over.</p>
<p>Question 3 Do you agree that the CSCO deadline should remain at 31 March 2017?</p>
<p>Yes.</p>
<p>Question 4 Do you agree that there should be no rural sub-obligation from April 2017?</p>
<p>Yes, on the basis that the obligation has not sufficiently worked in ensuring a fair amount of measures are installed in rural properties – subject to the limit on gas boiler replacement and measure eligibility through Affordable Warmth being set in a way as to encourage rural delivery.</p> <p>However, we do believe there should be some safeguard to ensure rural properties receive a fair proportion of the obligation. We would consider that one additional safeguard may include a sub target for suppliers for a proportion of their flex target (which we believe should be mandated – see question 12 for more detail) to</p>

be required to be delivered in partnership with rural local authorities (as defined by the DEFRA 2011 Rural-Urban Classification of Local Authority Districts and Similar Geographic Units in England)										
Question 5 Do you agree with our proposals to introduce income thresholds for 2017-18 which take account of household composition for Tax Credits and Universal Credit?										
Yes, in principle. Applying adjustment factors to income thresholds used with benefits as this aligns the policy with the LHC definition of fuel poverty										
Question 6 Do you agree with our proposal to adopt ten household composition types with relative income thresholds based on whether the household consists of a single person or a couple and whether they have one, two, three or four or more dependent children?										
<p>No.</p> <p>Using ten factors based on two separate dimensions, adults and children, brings additional complexity and will require the supply chain to apply a matrix of incomes when determining eligibility. Each layer of complexity that's added to the scheme requires:</p> <ul style="list-style-type: none"> • Additional data collection from a householder • Further explanation of the conceptual driver to the supply chain • Adaptations to advice and reporting tools <p>A simpler and more straight-forward approach would be five values based on total occupancy i.e. adults + children. The table below shows these values. For example, for two people an average is taken for the values for two adults and one adult and one child ($£13,920 + £16,000$) / 2.</p> <table> <tbody> <tr> <td>One person</td> <td>£10,720</td> </tr> <tr> <td>Two people</td> <td>£14,960</td> </tr> <tr> <td>Three people</td> <td>£17,120</td> </tr> <tr> <td>Four people</td> <td>£19,760</td> </tr> <tr> <td>Five people or more</td> <td>£25,080</td> </tr> </tbody> </table> <p>In addition to using five bands, that offer alignment with LHC whilst retaining simplicity, we would also suggest a single set of income thresholds for both UC and Tax Credits. Using two income thresholds introduces a further complexity.</p>	One person	£10,720	Two people	£14,960	Three people	£17,120	Four people	£19,760	Five people or more	£25,080
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Question 7 Do you agree with our proposals to allow recipients of other eligible benefits (Income Support, Income based Jobseeker's Allowance and Income-related Employment and Support Allowance) to continue to be eligible and to remove the additional sub-criteria in 2017?										
Yes.										
Question 8 Do you think we should amend the eligibility requirements so that those in receipt of Guarantee Credit in Pension Credit continue to be eligible under Affordable Warmth but those only in receipt of Savings Credit should only qualify through CERO or if they meet the 'flexible eligibility' proposal?										
<p>Yes. This aligns the policy more closely with Warm Home Discount.</p> <p>The flexibility mechanism allows those with Pensions Credit Savings element to be eligible for the scheme (should their local authority deem that a priority and reach approval for this).</p> <p>For example, under Bristol Ageing Better (a multiagency support network that's designed to support</p>										

<p>vulnerable older people) a resident may be referred to CSE as they are living in a cold home, they may also suffer from social isolation with poor mobility. Bristol City Council could use the 'flexible eligibility' to deem all of those identified by CSE as vulnerable to the health impacts of cold homes through this referral process as eligible, regardless of their benefits status. This mechanism is likely to identify those who are fuel poor, vulnerable to the health impacts of cold homes and in receipt of Savings Credit.</p>
<p>Question 9 Do you agree with the proposal to extend eligibility to social tenure households with an EPC rating of E, F or G for their home, and for no additional benefits criteria or Income thresholds to be required?</p>
<p>CSE agrees with the inclusion of E,F or G social housing properties in future ECO as this will provide an additional incentive to tackle those properties that have proved more complicated to improve to date (either due to the building or the tenant). However, we do not agree that there should be no financial income thresholds or benefits criteria and instead believe this should mirror that of the private sector. Should there be no income restrictions, we believe this would mean that significantly more of the activity would happen in social housing where the housing providers are more experienced and established in securing supplier funding. This in turn would reduce the amount of funding available for those most vulnerable in private rented or owner occupied properties.</p> <p>Gas boiler replacements in social housing should not be eligible for funding. In addition, we believe there should be a requirement for a minimum contribution (at least 40%) from social landlords. At the very least, this contribution (which may emerge anyway from the market for social landlord partners that will be created by this development) should be factored into the target setting (and the impact assessment – see Q1).</p>
<p>Question 10 Do you agree an EPC would be an appropriate way of proving the efficiency banding of social housing, or whether alternative ways of evidencing may be sufficient in certain cases? Do you think any additional assurance should be required? If so, please provide details.</p>
<p>Yes.</p> <p>Further to this all ECO installations, regardless of tenure, should have an EPC after installation to ensure that impact of measures on fuel poverty targets can be tracked. Our fuel poverty strategy expresses its targets as the number of homes that will be moved to an EPC band of C by 2030 (with further interim targets).</p>
<p>Question 11 Do you agree that measures delivered in new build homes should not be eligible under ECO from 1 April 2017?</p>
<p>Yes.</p>
<p>Question 12 Do you agree with the proposal to allow flexible eligibility? If so, what proportion of the 2017-18 Affordable Warmth obligation do you believe that suppliers should be able to deliver using this flexible eligibility route? a) 10% b) 20% c) Other</p>
<p>(b) 20%</p> <p>Twenty percent represents the proportion of those fuel poor who are not eligible based on the other proposed eligibility mechanisms.</p> <p>Flex benefits</p> <p>The flexible eligibility mechanism will allow local authorities to build better links between local initiatives and the ECO. In response to Question 8, we described a situation where a city-wide initiative for vulnerable elderly people, Bristol Ageing Better, would be able to guarantee eligibility regardless of benefits status. This would ensure that the twelve partner agencies using a single referral form to refer people for support would have certainty that a householder would be eligible.</p>

A further example would be a referral from Bristol Community Health who manages the district nurses across Bristol. They make referrals to CSE for cold homes support based on the judgement of a medically qualified nurse. Giving them confidence in the eligibility of these households would increase the likelihood of referral and overall confidence in the provision of cold homes support.

Mandating or voluntary flex

The current proposals for flex do not set mandatory targets. We believe that this should be mandated (including a mandated proportion through rural LAs - see Question 4) to encourage suppliers to build partnerships with LAs that identify those most in need of support. With the disappearance of Warm Front and introduction of ECO (and the contracts that put much of the risk on delivery partners that came with ECO) there have been fewer supplier partnerships with LAs who, particularly with the inclusion of the Public Health remit, come into contact with many of the most vulnerable customers suffering in cold homes. Without a large supplier obligation (and with the impact of a further reduced obligation due to rollover from the previous obligation) there will be minimal incentive for suppliers to partner with LAs, particularly those smaller rural LAs that they have not worked with to date.

If a mandatory target is not applied and on the basis the flex target is delivered in a way that ensures that no HHCRO eligible households are funded through flex (see Question 14 below), we suggest removing the measures caps for flex households. Removing the measures cap for flex would therefore encourage suppliers to use flex, and also allow a more consistent offer to the customer and better engagement with referral partners for these vulnerable households i.e. the NHS.

Question 13 Do you consider that solid wall insulation for non-fuel poor private tenure homes should be included under flexible eligibility, as described above? Please provide reasons, including views on whether this should be allowed for measure types other than solid wall insulation.

Yes, in principle. However, there need to be a minimum proportion of homes that are fuel poor/vulnerable which ensures funding is targeted appropriately.

Question 14 Do you agree with the proposal to allow local authorities to determine whether some households are eligible through 'local authority declarations' in the way proposed?

Yes. However, we have some comments that require consideration.

Scheme approval for other intermediaries

Requiring a supplier to register a scheme (rather than allowing it to be registered directly by intermediaries) undermines and contradicts competition. Some examples:

- Intermediary 1 has a scheme and is paid 8p per LTS point by Supplier A.
- Supplier A makes progress on obligation and reduces funds to 6p - or worse, ends funding
- Supplier B has funding of 7p per LTS point but can't work with Intermediary A

- Intermediary 2 has a scheme and is paid 8p per LTS point by Supplier A.
- Supplier B has funding of 10p per LTS point due to poor progress on their obligation but can't work with Intermediary 2

By chaining an intermediary to one supplier you are tying that scheme's lifespan to the supplier's obligation. We would suggest instead that an intermediary should be eligible so long as they have the support of the LA who has in turn been given guidance by DECC on how to choose/approve an intermediary.

Allowing local authorities or their approved delivery partners to take part in the ECO market should:

- Help ensure that those households which are needy and not eligible on other AW grounds are identified and targeted
- Combat the boom and bust experiences of working with one supplier, where funding can rapidly disappear

Local authorities should be able to work with partners independently of energy suppliers.

Ofgem e-serve should publish details of those schemes approved to enable others to develop their own initiatives.

Eligibility

There needs to be an adequate process to ensure that households referred under flex are (a) not eligible under the existing criteria & (b) meet the criteria proposed by the local authority

- Local authority officers (or their nominated partner intermediaries – see Q15) should have access to an electronic eligibility verification processes. The current systems undermine competition as access is restricted to suppliers or those calling ESAS. Those tools used by the supply chain to manage ECO obligations should have access to an electronic verification process. This would significantly improve and streamline the process i.e. reducing administration costs and ensuring those who are eligible through normal eligibility criteria are identified.
- Local authority partners need to provide adequate proof to the local authority that the households meet the characteristics required. For example, a home improvement agency who is operating a home from hospital scheme on behalf of the local authority. These schemes have existing referral routes and as such should be able to report on the nature of the referral, details of the client and the reason that they are energy vulnerable and fuel poor i.e. where (a) has shown they aren't eligible under the normal eligibility criteria.

Question 15 Do you consider that schemes involving other intermediaries should be allowed, as described above, in addition to local authority declarations? Please provide reasons, including whether there are any viable alternatives that meet the policy intent.

Yes. Partner agencies that currently deliver services on behalf of local authorities or work in partnership with them should be able to coordinate schemes for them.

The following sets out some key reasons:

- Local authorities do not uniformly have capacity to deliver or support energy efficiency schemes. For example, many local authorities no longer have an officer with responsibility for home energy conservation. As a result, smaller / non metropolitan local authorities will be at a disadvantage
- Local authorities and local CCGs increasingly contract services from the private or charitable sector. These services cover advice provision to vulnerable households, social care provision and direct health provision. These services represent the frontline interface between local services and fuel poverty. Enabling these organisations to make declarations would dramatically streamline the customer journey i.e. removing the barrier of requesting sign-off for each case and removing administrative duplication (and thus additional cost)

<p>Question 16 Do you agree with the proposal aimed at limiting the delivery of qualifying gas boiler replacements (and not limiting other types of heating measure)? Please provide reasons and describe any preferred alternative proposal, if applicable.</p>
<p>Yes.</p> <p>However, there needs to be greater clarity on the terms of this limit i.e. is this total numbers or LTS. If the latter, then this leaves the possibility of suppliers offering a low contribution towards boiler replacements and supporting a higher number of households.</p>
<p>Question 17 Do you agree that only measures installed after a specified date should count towards the Affordable Warmth minimum, and that date should be 1 July 2016? Please provide reasons and describe any preferred alternative proposal, if applicable</p>
<p>Yes.</p>
<p>Question 18 Do you agree with the proposal to in effect limit the delivery of qualifying gas boiler replacements at a level equivalent to 25,000 boilers under the ECO extension? Please provide reasons and describe any preferred alternative proposal, if applicable</p>
<p>We agree with the introduction of a limit but the fall from 120,000 to 25,000 represents a significant change to the supply chain. Whilst the diversification of measures is welcome and necessary to ensure a more inclusive and effective policy, energy suppliers have been delivering 90% of HHCRO through gas boilers to date. Constraining this to 23% of measures may result in significant delivery challenges for suppliers who need to identify new partners to implement delivery. We would recommend a limit of 50,000 to allow a smoother transition to the ECO post-2018.</p>
<p>Question 19 Do you agree with our proposal not to impose new limits on the level of installation of the following measures?</p>
<p>a) Heating controls b) First time central heating c) Non-gas qualifying boilers d) Non-qualifying boilers e) Electric storage heaters f) Renewable heating g) Heat networks</p>
<p>Yes. We would also advocate additional incentives to install heating controls which have a dramatic impact on the ability of a household to regulate and control their energy use. For example, an uplift could be provided for smart or advanced heating controls.</p> <p>We also believe that heating controls illustrate the importance of adequate advice about which product is best for the householder alongside further advice on how to get the most out of their product of choice being mandated. Research by CSE has shown that many customers (particularly vulnerable customers) have controls fitted that they are unable to use to their best advantage. We would recommend that customers are always given an explained choice between a very simple mechanical timer & dial thermostat with TRV, a digital programmable thermostat with TRV or a smart control (with the smart one receiving an uplift).</p>
<p>Question 20 Do you have views on whether Government should take action to prevent shifting the balance of measures delivered and the potential for energy suppliers to receive disproportionate benefit under ECO from renewable heating supported by RHI payments? If so, what action should be taken?</p>

<p>While we recognise the importance of stimulating greater take up of renewable heat, we do not believe the ECO should be used to subsidise RHI eligible technologies.</p>
<p>Question 21 Do you consider that heat network schemes funded or part funded by the supplier obligation should be required to include arrangements for consumer protection? Please state your views, including suggestions for appropriate consumer protection arrangements.</p>
<p>Yes. Many low income households are on prepayment meters and / or use electricity to heat their homes in the future. When changing their heating fuel, care needs to be taken to ensure that they move to an appropriate tariff. For example, if they are currently an economy 7 customer they should be moved to a standard tariff and any ppm should be upgraded to a smart ppm.</p>
<p>Question 22 Do you agree with the proposal to allow insulation but not to allow boiler or other heating system replacements or repairs (of any fuel type) in social tenure properties, with the exception of first time central heating (including district heating) and renewable heat?</p>
<p>Yes. Boiler replacements should be part of RSLs wider asset management strategy.</p>
<p>Question 23 Do you agree that we should retain a solid wall minimum within the scheme?</p>
<p>Yes.</p>
<p>Question 24 Do you agree that the solid wall minimum is set at the right level? Please provide reasons and, if applicable, any alternative preferred proposals. (Where you provide alternative proposals, please include the level you recommend and what else you would change as a consequence, noting the need to stay within the overall spending envelope.)</p>
<p>Consideration could be given to restricting social housing measures (in E, F and G) properties to solid wall insulation only (or a minimum target for solid wall insulation e.g. 80%). This would help to maintain solid wall insulation market development (by providing an extra incentive to install it though the obligation) while providing more additionality that social housing providers are going beyond the basic requirements of Decent Homes (and thus being rewarded to do so). This fabric first approach support to E,F and G properties in social housing should reduce some of the perverse incentives under SAP (and RDSAP) to do heating first because of its boosting impact on SAP (which often provides a cheaper £ per SAP point without funding support for solid wall insulation in particular).</p>
<p>Question 25 Do you agree that an in-use factor of 15% should be applied to party wall insulation measures delivered under CERO after 31 March 2017?</p>
<p>No. We are strongly opposed to this.</p> <p>Applying a lower in-use factor for party wall insulation cannot be justified. We believe it would create a significant incentive to this market with the same market-distorting impacts of over-inflated savings as were seen with Hard To Treat cavities. Measures like party wall insulation and room in the roof insulation have seen significant interest in this phase of the ECO. Any measure that rapidly becomes the focus of industry activity is typically as a result of favourable energy savings embedded in SAP. However, these typically have little relationship to their actual performance or benefit to the household (both financially and in terms of comfort).</p> <p>A lower in-use factor would also exacerbate existing distributional impacts of ECO because it contractors would focus their efforts on re-approaching previous customers (who were supplier obligation beneficiaries and are known to have cavity walls) to offer them party wall insulation. This would create a situation where</p>

those who have already benefitted will benefit further and those who have not benefitted at all (but paid the cost of the obligation) will continue to lose out.
Question 26 Do you agree that party wall insulation measures installed after 31 March 2017 should support secondary measures?
No.
Question 27 Do you agree that the requirement for measures to be recommended on either a GDAR or a CSR should be removed from 1 April 2017?
Yes, although we would flag that this feels like a further move away from encouraging suppliers to do what is needed in fuel poor households rather than seek out just those measures that meet the current market driven cost of the obligation.
Question 28 Do you have views on whether any alternative requirements should be introduced in order to provide consumer advice, or ensure technical suitability of a measure prior to its installation? If so, what are they?
The provision of impartial advice (e.g. phone based) should be mandatory for all installations. This should be either through the local single-point-of-contact cold homes referral service (as recommended by NICE) or through the central advice provider as a second preference where this does not exist. In order to make this effective – local/regional advice providers should be given the same access to building/person information as the central advice provider should they willing to sign up to an appropriate code of conduct and data sharing agreement (also see Question 14).
Question 29 Do you agree that from 1 April 2017 we should move to a system of deemed scoring, as described above, rather than the current bespoke RdSAP or SAP based property by property assessments? Please provide reasons, including details of any alternative proposals you would support, if applicable.
Yes. We would recommend that <u>the option</u> to calculate a score is retained for Solid wall insulation. Solid wall insulation is a complex and relatively expensive measure, the scoring process is therefore a fraction of the total install cost. In addition, the Ofgem deemed scores consultation ‘Table 2’ contained numerous U-value bands for solid wall insulation with an option to calculate the U-value but a bespoke calculation would be more accurate. Having a deemed score which can be used to set an initial offer to all customers provides simplicity. Suppliers and installers should at least be given the option to calculate a score for SWI. We would also recommend that in-use factors are not retrospectively applied to deemed scores and instead, in order to increase simplicity, the deemed scores are set at a level that takes the relevant in-use factor into consideration.
Question 30 Do you agree that savings for district heating system measures should be calculated based on bespoke SAP or RdSAP assessments, rather than deemed scores?
Yes.
Question 31 Do you agree that up to 5% of each supplier’s measures should be granted automatic extensions for up to three months?
We do not have a strong view.

<p>Question 32 Do you agree with removing the restriction on extensions where it is due to supplier administrative oversight?</p>
<p>We do not have a strong view.</p>
<p>Question 33 Do you agree that we should introduce a mechanism for the trading of obligations between licensed suppliers?</p>
<p>No</p> <p>This will reduce diversity (of supply and delivery) in the market. There will be less incentive for suppliers to compete with a variety of offers which in turn will reduce the chances of there being a significant variety of offers (and marketing approaches) to reach vulnerable customers and meet their varying needs.</p>
<p>Question 34 Do you agree that Ofgem E-Serve should approve trades, to ensure that energy suppliers can bear the consequences of non-compliance? Please provide reasons and, explain any alternative suggestions, if applicable?</p>
<p>Yes.</p>
<p>Question 35 Do you agree that the version of PAS 2030 cited in the ECO regulations should be updated to refer to the most recent version, following the anticipated updates to PAS 2030? Please provide reasons.</p>
<p>Yes. Any updates to compliance need to be reflected legislatively.</p> <p>It's also important to recognise the considerable investment that the supply chain has previously made in preparing for the ECO and the Green Deal. Any changes should represent common sense improvements to the framework to ensure that the quality of work improves. Wholesale changes, rebranding or renaming are likely to be met with significant disappointment amongst the supply chain.</p>
<p>Question 36 Do you agree that installation companies delivering measures which are referenced in PAS 2030 under the extension to ECO should be certified against the requirements set out in PAS 2030? Please provide reasons.</p>
<p>Yes.</p>
<p>Question 37 Do you think there is value in collecting and publishing more information on ECO costs in the future? If you do, what information do you think should be collected and how should it be obtained?</p>
<p>Yes.</p> <p>It's essential that costs on the following are collected. This should cover installed cost, search cost, administration cost and any contribution towards the installed cost from a householder, local authority or other funding stream. The contribution would not need to be disaggregated as the majority will be made up of customer contributions.</p> <p>Under ECO HHCR0 the initial contracts for boilers were set at a level that meant boilers were typically fully funded. Subsequently the market has adjusted to reflect the impact of the broken boiler assumptions on LTS and also the amount that customers are typically able to contribute.</p> <p>In many cases it is totally inappropriate to require Affordable Warmth customers to part fund measures. The price for HHCR0 has now stabilised at 7 to 8 p per point. This means that there will be companies that are replacing boilers and asking for a customer contribution ~£700-800. A low income household may well find this money for a boiler if theirs is broken (i.e. they are desperate) but DECC/the supplier/the installer does</p>

not know where the money came from or what impact it has on their lives e.g. where households resort to borrowing from pay day lenders with very high interest rates.

If the ECO is now to fully focus on affordable warmth customers in the future, then it is important to understand the level of contribution being made by a fuel poor household, its source and the impact it has on the household's financial stability. If someone is in fuel poverty then £800 is a significant amount of money. The proportion of households with little or no savings is highest among low income households and decreases as you move up the income scale. Around half of households with the lowest incomes have no savings¹. An international study² found the UK population is more vulnerable to financial emergencies than other countries. About half of the UK population would struggle to come up with £1,500 in 30 days without resorting to very high cost loans at huge long-term expense.

Question 38 Do you agree that, with the exception of the Affordable Warmth minimum, the new scheme rules being proposed should be introduced for measures installed from 1 April 2017? Please provide reasons, including details of any particular rules that should be introduced earlier or later, if applicable.

Yes –provided that Ofgem is ready and can provide guidance substantially in advance of the beginning of the interim obligation.

Question 39 Government invites views on whether we should introduce any additional rules to incentivise greater delivery to areas with higher delivery costs? If so, please set out how this should work.

Yes.

The Government has both a census output area³ and a local authority⁴ area classification for urban / rural. For simplicity those local authorities that are deemed mainly rural or urban with major conurbation could be given a further uplift. The uplift would need to be reflective of the additional costs incurred and we would anticipate different levels for rural authorities compared to urban ones.

Question 40 Should a brokerage mechanism be continued? Please provide reasons and, if responded 'yes', what value do you think a brokerage mechanism could add in the future?

Yes.

For smaller suppliers brokerage provides a platform to discharge their obligation without establishing relationships with installers. Typically smaller suppliers begin with brokerage lots and then seek to establish relationships with installers. However, based on our discussions with established suppliers, there's still a certain level of risk associated with lots on brokerage, particularly the perceived quality relative to the price accompanying the lots. Low prices are typically associated with an increased risk of poor quality works.

¹ Searle, B. and Köppe, S. (2014). Assets, savings and wealth, and poverty: A review of evidence, Final report to the Joseph Rowntree Foundation

² Lusardi et al. (2011) 'Financially Fragile Households: Evidence and Implications'. Brookings Papers on Economic Activity, 42(Spring), pp. 83-134.

³ <https://geoportal.statistics.gov.uk/geoportal/catalog/main/home.page>

⁴ <https://www.gov.uk/government/statistics/2011-rural-urban-classification-of-local-authority-and-other-higher-level-geographies-for-statistical-purposes>

Question 41 If a brokerage mechanism continued in the future, what eligibility criteria and due diligence checks should be carried out to enable access to a range of organisations?
There should be a process of due diligence for any organisation, company or local authority accessing brokerage. There have been high profile failures of council backed energy schemes, such as Birmingham Energy Savers. The GDP process provides a useful starting point for this but would require some changes to provide a greater focus on measures delivery rather than finance.
Question 42 In addition, should access for an individual organisation be reviewed for any reason (e.g. at certain intervals or for certain behaviours)? If 'yes', what should be considered as part of the review?
Question 43 Is brokerage a barrier to local delivery? Please provide reasons and, if 'yes', explain how it is a barrier and your recommendations (if applicable) for how we could remove the barrier(s) to improve local delivery under brokerage?
Question 44 Does the current performance rating system provide the assurance of quality and delivery needed? Please justify your response and, if 'no', what changes would you recommend?
Question 45 If brokerage continued, would you recommend any substantial changes to its design to better reflect the future fuel poverty focus? Please explain your view.
Question 46 The Government invites views on the aspects of the future supplier obligation (e.g. measures, scoring, objectives) where a Scottish scheme could diverge from the GB-wide scheme without increasing the administration or policy costs unreasonably.
Scotland is working to the original definition of fuel poverty. There is therefore an obvious need to design eligibility criteria to ensure that fuel poor households benefit. Currently low income low cost LILC households are not deemed fuel poor in England but are likely to be in Scotland. CSE holds the view that those households in energy inefficient properties on low incomes are fuel poor regardless of the size of their bill. The Scottish scheme is therefore likely to be more inclusive over its lifetime. Scotland also retains an element of public expenditure on energy efficiency. There is therefore an opportunity to match fund measures i.e. resulting in a deeper set of retrofit measures or more expensive measures being installed.
Question 47 When would you consider that differences between an English and Welsh scheme and a Scottish scheme could be detrimental to the operation and competition of the United Kingdom-wide energy market?
Question 48 Do you believe there is any justification for changing the customer number threshold in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes', describe any actions you recommend in relation to addressing the proportionally higher fixed costs that may be borne by smaller obligated suppliers.
While we can understand the theoretical benefits of having more, smaller suppliers obligated, we are concerned about how smaller suppliers end up meeting their obligations. Anecdotal evidence suggests a very small number of managing agents are dominating the delivery of ECO for newly obligated suppliers. We believe DECC should understand how such suppliers are meeting their obligation.
Question 49 Do you believe there is any justification for changing the taper for newly obligated suppliers in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes',

describe how you recommend amending the taper.
Question 50 Under current and previous supplier obligations, are there barriers in scheme design inhibiting innovation in delivery models and technologies? If so, how should we design the scheme in order to overcome these barriers and incentivise the delivery of innovative products, technologies and delivery models in a future supplier obligation?
<p>Innovation is typically driven by the idiosyncrasies of SAP as defined by BREDEM. Measures like party wall insulation and room in the roof insulation have seen significant interest in this phase of the ECO. Any measure that rapidly becomes the focus of industry activity is typically a result of favourable energy savings as defined by SAP. However, this has little relationship to their actual performance or benefit to the household (both financially and in terms of comfort).</p> <p>Heating controls do not deliver huge savings under SAP (in part because it is driven by an assumed standard heating regime and ignores occupant behaviours). However, they do provide significant benefits to the occupant in terms of increased controllability and flexibility. Simply turning the thermostat down by 1°C can save £85 per year but SAP would not capture this and therefore the potential benefit is outside the way in which ECO sets scores. Research suggests that significant fuel reductions are possible through domestic behaviour change interventions and appropriate use of heating controls.</p> <p>Allowing fuel poor households to benefit from smarter heating controls would be innovative and potentially transformational, particularly if combined with time of use tariffs in due course. However, the ECO as currently founded principally on SAP would not recognise this important contribution to the ability of such households to achieve affordable warmth.</p>
Question 51 The Government invites views on what specific improvements could be made to the design of the ECO scheme to facilitate administration and delivery.