

Update Briefing – ECO and Green Deal July 2014

Join Us

Have you been passed this update by a colleague?

If so you can sign up to receive CLASP mailings directly via our website:

www.claspinfo.org

CLASP is the sector-led (NW focussed) local authority sustainability support programme, funded by the Environment Agency and NWIEP, and hosted by Liverpool City Council.

Introduction

It's been a busy and slightly confusing time over at DECC recently with ministers coming and going, Green Deal Schemes being reduced, then ended, and the long-awaited conclusion to the ECO changes being announced.

In case you've not yet had chance to read up on the changes we're sending you this quick summary from CLASP, with links to further information.

Briefing Contents, click to navigate:

- **Consultation Outcome - The Future of the Energy Company Obligation**
- **Green Deal Home Improvement Fund Closure**

Consultation Outcome The Future of the Energy Company Obligation

On Tuesday 22nd July, the Department of Energy and Climate Change (DECC) released its response to the Energy Company Obligation (ECO) Consultation. The consultation sought views across England, Scotland, and Wales on a range of proposed changes to ECO.

266 written responses were received (45 from local authorities) along with views from a series of national consultation events, one of which was hosted by CLASP in April 2014 see:

<http://claspinfo.org/resources/eco-consultation>

The full response from DECC and detail of changes can be found at:

<https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>

The following pages summarise the changes that will be introduced.



The Future of the Energy Company Obligation



Key Changes To The Current Obligation Period (ends 31 March 2015)

As far as CLASP is aware these are not significantly changed from what was proposed in the consultation:

- The March 2015 Carbon Emissions Reduction Obligation (CERO) target will be reduced by 33 per cent, with the inclusion of loft insulation, cavity wall and District Heating Systems (DHS) as eligible measures if installed on or after 1 April 2014.
- The March 2015 Carbon Saving Community Obligation (CSCO) and Affordable Warmth (also known as the Home Heating Cost Reduction Obligation (HHCRO)) targets will remain the same.
- Eligibility for the CSCO element of ECO is extended from 15 per cent to approximately the 25 per cent lowest areas on the Index of Multiple Deprivation. In addition, the qualifying criteria for the CSCO rural sub obligation will be simplified by allowing energy suppliers to deliver against this sub-target to any domestic property located in approximately the poorest 25 per cent of rural areas, as well as to households in rural areas who are members of the Affordable Warmth Group. These changes will apply for measures installed from 1 April 2014.

Changes To Apply For The First Time In Relation To A New Obligation Period Commencing On 1 April 2015:

- The ECO scheme will be extended to March 2017 with new targets imposed for CERO, CSCO and Affordable Warmth at a pro rata of the new March 2015 levels.
- Overachievement against March 2015 targets can be carried forward to count against March 2017 targets, subject to certain criteria. In the case of Affordable Warmth, only measures installed from 1 January 2014 may be carried forward and, if so, they will be subject to an 'exchange rate' which equalises the value across both ECO periods.
- A deflated Affordable Warmth score will apply for replacement gas 'qualifying boilers'.
- An uplifted Affordable Warmth score will apply for insulation measures and 'qualifying boilers' in households whose main space heating systems are 'non-gas'.
- A new measure, a 'qualifying electric storage heater', will be introduced under Affordable Warmth. The savings from repair or replacement of a 'qualifying electric storage heater' will be scored in the same way as a 'qualifying boiler' and in doing so, receive a higher notional bill saving.
- All replacement boilers and electric storage heaters delivered under Affordable Warmth will be required to include a minimum warranty.
- A document has been published showing all the areas which are eligible to receive support under the Carbon Saving Community Obligation (CSCO) from 1 April 2014 to 31 March 2015. See: <https://www.gov.uk/government/publications/the-future-of-the-energy-company-obligation-small-area-geographies-eligible-for-eco-csco-support>



So What's New?

According to an analysis by The Environment Centre the key updates from the consultation results include:

- The timings and obligations for the different strands of ECO have been altered (see our previous update post for details)
- Easy to treat measures (LI and CWI) are now available for all households

without a focus on lower income homes (although DECC may incentivise this later)

- CSCO now applies to all households in the lowest 25% of low income areas, along with those in the lowest 25% of rural areas.
- There will be a 1.35 x lifetime savings uplift for all insulation measures installed under HHCRO in non-gas fuelled households and 1.45 x uplift for all non-gas 'qualifying boilers' which are replaced or repaired. Additionally, there will be a 0.8 x lifetime savings deflator for replacement gas boilers
- Solid Wall Insulation may no longer be required prior to installing a district heating system in some cases e.g. tower blocks which would be too expensive
- Qualifying (broken, faulty or very inefficient) electric storage heaters have become an eligible HHCRO measure
- Energy Companies will have a minimum requirement to save 4MtCO₂ through CERO solid wall insulation (including non-brick walls but excluding park homes)
- Households can apply for RHI only if they have contributed something towards the cost of the measures
- There is no requirement for the blending of ECO and Green Deal and no regulation surrounding contributions towards the cost of measures by Affordable Warmth households

(Information above taken from <http://www.environmentcentre.com/services/organisations/green-deal-information/july-2014-changes-to-eco-and-green-deal-incentives> on 29/07/14)

Ofgem Consultation Timings

Ofgem will now embark on a consultation process for the guidance to go alongside the changes to the ECO legislation. Their consultation should be out by early August with 6 weeks for responses. Ofgem are likely to publish their response in October with the aim of having the new guidance ready for when the legislation comes into force which is expected to be November 2014.

Industry analysts have suggested that with empty cavities becoming ever harder to find, the energy suppliers may well decide to push on with delivery between now and the end of March 2015 to take advantage of the current deflated prices. It is understood that all of the energy suppliers requested an unlimited carry over in their consultation response so that would indicate that most or all are planning to keep installers working rather than waiting till next year.

Find Out More

The information used in the above articles was extracted 29/07/14 from the following sources which are a good source of further information and commentary on these changes.

The full response from DECC and detail of changes can be found at:

<https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>

Commentary from The Environment Centre on new developments

<http://www.environmentcentre.com/services/organisations/green-deal-information/july-2014-changes-to-eco-and-green-deal-incentives/>

Closure of Green Deal Home Improvement Fund

As of 6.30pm on Thurs 24th July, the Government announced that with immediate effect the Green Deal Home Improvement Fund (GDHIF) will be shut to new applicants. This closure is only for the GDHIF and the original Green Deal scheme is still available.

This announcement followed two days after DECC published modifications to the scheme's criteria, however following a review of all the GDHIF vouchers distributed, DECC promptly close the scheme and indicated that £118m of the £120m fund was now fully accounted for (via 21,683 applications).

Concern

Industry analysts have voiced concern re the £70m of vouchers issued in the last week of the scheme and are calling for an audit of those. Critics have suggested that there may have been unethical marketing tactics, where canvassing companies have applied for vouchers on behalf of customers, with the aim of selling on the leads at a premium to genuine installers.

DECC say they will monitor redemption rates of accepted applications and look to re-open the scheme if further funds became available. DECC will also publish data on vouchers issued weekly on the GOV.UK website for a further five weeks after which time it will be incorporated into the monthly Green Deal & ECO Official Statistics release.

Future Support

In December 2013 the government announced a £540 million three year energy efficiency package including up to another £120 million available for energy efficiency schemes from April 2015.

People interested in improving the energy efficiency of their homes can receive updates about any possible future schemes by emailing gdhif@decc.gsi.gov.uk or call the Energy Saving Advice Service on 0300 123 1234. The closure is only for the GDHIF and the original Green Deal scheme is still available

A guidance document is available: ['Answering your questions about the closure of the Green Deal Home Improvement Fund'](#)

Find Out More

The information used in the above articles was extracted 29/07/14 from the following sources which are a good source of further information and commentary on these changes.

DECC's FAQ Guide to GDHIF Closure:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/337135/GDHIFQA_logo.pdf

Views from the Green Deal Installers' Hub:

http://www.greendealinstallerhub.co.uk/194,news,gdhif_closed_for_business.html

Views from Happy Energy who coordinate an installers group:

<http://www.happyenergy.co.uk/category/news/>

www.claspinfo.org



CLASP.