

## **AGILITYECO RESPONSE TO ECO PLUS CONSULTATION, 22 DECEMBER 2022**

### Chapter 1: Suppliers

#### **1. Do you agree with the proposal to set mandatory annual targets for ECO+?**

Yes. We support the decision to deliver this new scheme through energy suppliers as that is a tried and trusted route for home improvements at scale. Annual targets will, in principle, provide greater certainty and enable the supply chain to better plan investment. We do believe though that BEIS will need to monitor carefully the rate of progress on the various home energy efficiency schemes that will be in train at the same time: ECO+, ECO4, HUG and SHDF. It is possible that installers may find it advantageous to focus on delivery of 1-2 of these schemes making delivery of the others more challenging. This could be particularly so with ECO4, compared to ECO+, as it does not have mandatory annual targets. The ramping up of ECO+ over time should be helpful in this regard.

#### **2. Do you agree with the approach set out to implementing mandatory annual targets for ECO+?**

Yes. Given that annual targets will be mandatory, we think it is appropriate that notified measures are used in order to avoid delays in the supply chain receiving payment for work undertaken. We perceive some risk that suppliers' concerns about subsequent rejection of measures will lead to an overly cautious approach to submission to BEIS. We hope that the process that is introduced reflects the point made in the consultation that previous ECO schemes have only seen 1% of notified measures rejected.

#### **3. Do you agree with our proposal to facilitate early delivery under ECO+ ahead of the ECO+ Order coming into force?**

Yes, but please see our answer to question 6.

#### **4. What additional information would suppliers need to deliver ECO+ measures before the ECO+ Order comes into force?**

The key information will be confirmation of how the scheme will operate (through the Government response, draft Regulations and as much clarity as possible on Ofgem's guidance) and understanding of the cost basis that will be assumed. The idea of a statement on the maximum possible bill savings target (if the Final Impact Assessment is not available) seems sensible.

#### **5. Do you agree with our proposal to allow each supplier a maximum of 10% carry under of the Year 1 obligation to Year 2 for ECO+?**

Yes.

#### **6. Do you agree with our proposal to allow unlimited carry-over between annual targets for each of the first two years of ECO+?**

While we understand the desire to see the best possible start to ECO+, at the point of completing this response, ECO4 has got off to a very slow start. It's quite possible that some installers may see ECO+ as more attractive given its simpler approach and the ability to install single measures rather than deeper retrofit. So, it is possible that the introduction of

ECO+ may have a further detrimental impact on the delivery of ECO4. We think BEIS need to take this into account when confirming the design of ECO+.

**7. Search costs: Do you agree with our assumed search costs, as outlined in Table 2? Please provide BEIS with any information on search costs supporting your response.**

No comment.

**8. Search costs across the two eligibility groups: Do you agree with our plans to use lower search costs for the general eligibility group in the final ECO+ modelling compared to the low-income group? If so, by how much should we reduce search costs in the general group? Please provide BEIS with information on search costs supporting your response.**

No comment.

**9. Reducing search costs generally across the scheme: Do you have any ideas on how search costs could be reduced across the scheme? Please provide BEIS with information on search costs supporting your response.**

No comment.

**10. Measure cost assumptions: Do you agree with our estimates for the capital costs of installing measures, as outlined in Table 3? Please provide BEIS with information on measure costs supporting your response.**

No comment.

**11. Measure cost assumptions: Do you agree with our estimates for the average installation costs of installing cavity wall and loft insulation, as outlined in Table 4? Please provide BEIS with information on measure costs supporting your response.**

No comment.

**12. Additional costs of compliance with retrofit standards: Do you agree with our assumptions for compliance with TrustMark and PAS2035 standards? Please provide BEIS with any information on PAS2035 compliance costs by measure type and risk pathway for the following insulation measures: cavity wall, solid wall, loft, pitched roof, flat roof, under-floor, solid floor, park home and room in roof. If not available, please provide information on average PAS2035 compliance costs for these measures across all risk pathways.**

No comment.

**13. Supplier administration costs: Are you expecting administrative costs under ECO+ to be lower than under ECO3, given that a lot of the requirements under ECO+ are the same as under ECO4? Please provide BEIS with information on administrative costs supporting your response.**

No comment.

#### Chapter 2: Homes and Household Eligibility

**14. Do you agree ECO+ should target two groups with the first focusing on a general group with wider eligibility requirements and the second focusing on low-income households in line with ECO4?**

Yes. We also think that 20% is the correct minimum level for delivery to the low-income group. The focus of ECO+ is described as helping those struggling with their energy bills but who may not be in fuel poverty and the very greatest need. Also as reaching the maximum number of households mostly with single measures. This suggests keeping rules and constraints to a sensible minimum. It is also relevant that we expect the majority of households qualifying for the low-income group to additionally be eligible for the general group given the likelihood that they will have Council Tax bands in the required ranges.

**15. Do you agree with our proposal to target “general group” support at households in Council Tax bands A-D in England, A-E in Scotland and A-C in Wales with an EPC of D and below?**

Yes, broadly, although the rationale for use of different bands in the different countries has not been made clear.

**16. Do you agree with our proposal to target all eligible low-income households living in EPC band D-G through the low-income group?**

Yes, but we note that there seems to be no reason why they could not also be channelled through the general group. We assume the objective is to maximise the accuracy of the tracking of low-income households that are supported.

**17. Do you agree with our proposal to carry over the same eligible benefits from ECO4 to the low-income group under ECO+?**

Yes.

**18. Do you agree with our proposal to set a low-income group minimum requirement equivalent to 20% of each annual target with flexibility on whether the remaining obligation is delivered to low-income or general group households?**

Yes. See our answer to question 14.

**19. Do you agree that we should allow up to 80% of a supplier’s low-income minimum requirement to be met through LA and Supplier Flex, with unlimited flex permitted beyond the low-income minimum requirement?**

Yes, we think the use of LA & Supplier Flex should be maximised. We see the opportunity for significant benefits to the NHS, at a time when it is under more pressure than ever, if patients suffering from health conditions have their homes improved to provide more warmth and comfort. In order for health referrals to take off under ECO+, it will be important for the general group to be delivered with unlimited flex allowed as is proposed. That would make the size of the prize bigger and more attractive in terms of the engagement of local authorities and health authorities. This approach could be further underpinned by a co-ordinated campaign to alert health practitioners, particularly those involved in social prescribing, to the support available and the eligibility criteria.

**20. How can referrals through LA & Supplier Flex be facilitated?**

See our answer to question 19.

**21. Do you agree with our proposal that only PRS households in EPC bands D and E should be eligible for ECO+ in the general and low-income group, while PRS households in EPC bands F and G should be excluded, other than when exempt from the minimum energy efficiency standard?**

Yes. It would be inappropriate for landlords that should already have their properties compliant with the MEES Regulations to receive this support. It would also be unfair on other landlords who have already invested to improve their rental homes.

There is, however, a significant underlying issue with the PRS sector in that the Government has still not produced its response to its 2020 consultation on extending the Minimum Energy Efficiency Requirements for privately rented homes to Band C. It is essential that these changes are made, not just to help tackle fuel poverty and carbon emissions, but so that landlords know where they stand when taking maintenance and investment decisions. Our 2021 report with Gemserv set out the substantial improvement that enacting the proposals would make to progress against the Government's statutory fuel poverty target. See:

<https://mail.google.com/mail/u/0/#label/ConAg+Fuel+Poverty/WhctKKXXHwQcghHVQgQdHkIbwzvdHHzkBwffBzfWpTKKxgbJmlDcmKBChRbxwpqkLLZgqfJl>

**22. Do you agree PRS households should not be eligible for secondary heating controls?**

Yes, on the grounds that landlords should be expected to provide properly functioning heating controls.

**23. Do you agree with our proposal that PRS households in the general group should not be eligible for cavity and loft insulation?**

Yes, we think it is appropriate that landlords are supported only with higher cost measures.

**24. Do you agree with our proposal that social housing will be included for EPC bands E-G in line with the eligibility criteria for general and low-income eligibility groups?**

Yes.

**25. Do you agree that Social Housing should not receive heating controls through ECO+?**

Yes.

**26. Do you agree social housing in the general and low-income eligibility group with EPC band D should only be eligible for the Innovation Measures that are eligible through ECO4?**

Yes, if Innovation Measures are to be allowed (see our answer to q 50).

**27. Do you agree with only having a 'rural' rather than 'off-gas' requirement for properties to receive an uplift in ECO+?**

Yes, this makes sense given heating systems are not going to be provided under ECO+.

**28. Do you agree that rural uplifts of 35% should be applied to Scotland and Wales only?**

No. We were unhappy that the off-gas uplift was not provided to homes in England under ECO4 given the extent to which Scotland has traditionally benefitted from a disproportionate share of ECO and has its own separate funding streams. But we did understand the rationale given that HUG was potentially available for English households. But we do not think that HUG is a realistic alternative to ECO+. They are very different schemes aimed at

different customers. HUG is means tested whereas the bulk of ECO+ will not be. And while HUG is focused on deeper retrofit including heating systems, ECO+ is very much about lower cost single measures. We also note that HUG has minimum SAP improvement requirements similar to ECO4, further differentiating it from ECO+. In addition, Home Energy Scotland is now a grant rather than a loan scheme which counteracts arguments that Scotland has nothing similar to HUG. We therefore think it is wrong to suggest that HUG will substitute for ECO+ in rural areas of England. This seems to be recognised on page 34 where ECO+ and HUG are described as not being in direct competition.

**29. Should the rural uplift only apply to higher-cost measures, and therefore exclude loft insulation and heating controls, delivered in Scotland and Wales through ECO+?**

No. Given the higher costs associated with rural delivery and the challenge of knowing in advance what measures a home might benefit from, we think this is an unnecessary complication.

**30. Do you agree that ECO+ should allow the in-fill mechanism with a ratio of 1:1 for flats and 1:3 for houses?**

Yes, this is sensible consistency with ECO4.

**31. Do you agree we should allow ECO4 houses to contribute to the ECO+ in-fill ratio? Do you foresee any further challenges in blending ECO4 and ECO+ in this area?**

Yes, this will be helpful flexibility.

**32. Do you agree with our plans to explore additional access routes to the scheme, including through GOV.UK?**

We see nothing wrong with this but finding eligible customers is likely to be less difficult with ECO+, given the broader constituency of the general group, than it is with other schemes with more restricted eligibility.

**33. Do you have any views or ideas for how best this might be made to work to overcome noted obstacles?**

It is important that customer journeys, whether flowing from self-referrals or through other routes, are made as quick and simple as possible. In particular, where a customer has established that they are likely to be eligible, then they need to get rapid confirmation that that is the case and move swiftly to the work being completed. Customers self-referring through gov.uk therefore need to be linked to organisations active in their area that can take the work forward. To ensure that the customers end up in competent hands, the organisations they are directed to should be working in partnership with the local authority or with an obligated energy supplier.

**34. Do you agree with our approach towards blending of funding with ECO+?**

Yes.

**35. Are there additional issues you wish to flag about the interactions between ECO4 and ECO+ and/or with other grant schemes?**

No.

**36. Do you agree with our proposal to target the low-income group at eligible households in EPC bands E, F and G that do not meet the ECO4 minimum requirement?**

Yes. We expect there to be mainly one stream of 'leads' on eligible households and think they can be directed in this way between ECO4 and ECO+.

**37. Do you agree with our preferred approach to use the ECO4 exemption criteria to evidence whether a property within the low-income group with a starting EPC band of E, F or G cannot meet the ECO4 MR and is thus better suited to receive measures under ECO+? Please include views on how this approach could be improved or modified to better ensure properties receive a whole house retrofit where it is appropriate for them to do so.**

There are some ambiguities in this section of the consultation. On page 33, the reference to the 7,500 limit on the ECO4 exemption allowance could be taken as meaning that homes funded under ECO+ would score against the allowance. We assume this is not the intention and that the plan is simply to apply the exemption criteria from ECO4? On page 34, it is not entirely clear from the reference to the pre-installation RdSAP assessment as an alternative whether you mean you will be introducing that or the ECO4 MR exemptions criteria. Or whether you mean that companies working on ECO4 will be able to choose between them. We are concerned that the costs associated with evidencing exemptions under the first option, particularly for loft insulation, may be disproportionate to the works being undertaken. We therefore see benefits in another approach that was mentioned at a workshop but which is not covered in the consultation: allowing loft insulation in low-income EFG homes without the need to demonstrate that ECO4 Minimum Requirements cannot be met. Properties tackled in this way would be able to receive subsequent ECO4 funding (subject to the outcome of an assessment).

**38. Do you agree with our alternative proposal to use the pre-retrofit property assessment and further documentation to determine whether a band E, F or G property cannot meet the ECO4 minimum requirement and is therefore better suited to receive measures under ECO+? How could this test be made more robust?**

See our answer to q 37.

**39. Do you agree with our proposal not to include further tests to distinguish properties which may also be eligible under the HUG, LAD and SHDF schemes?**

Yes.

**40. Do you agree with our proposal to exclude E, F or G properties that have received support under ECO+ from receiving further support under ECO4?**

Yes.

**41. Do you have views or information on how the proposals set out in this consultation will impact people with protected characteristics under the Equality Act 2010?**

No.

**42. Do you agree that there should be no minimum requirement for homes to be improved by a certain number of EPC bands in ECO+?**

Yes, on the grounds of the stated objective of improving the greatest number of homes mainly through single measures.

**43. Do you agree with the list of eligible insulation measures permitted through the scheme subject to household eligibility rules? Are there any insulation measures missing from the list of eligible measures?**

Yes.

**44. Do you agree with our proposal to offer only single insulation measures to both eligibility groups?**

We have some doubts over this. We understand the desire to maximise the spread of ECO+ funds, but if a home can quite simply be treated for both loft and cavity wall insulation, it would seem perverse not to do them both while installers are present.

**45. Do you agree that homes should only be eligible to receive ECO+ support once through the scheme, to ensure that the maximum number of homes are able to receive support?**

Yes, this seems reasonable given the size of the eligible group being targeted.

**46. Do you agree with our proposal to encourage customer contributions to allow the delivery of higher-cost insulation measures through the general eligibility group?**

As set out in the consultation, there are 5.2 million cavity wall homes without insulation and around 7.9 million uninsulated lofts. Both numbers include a large proportion of easy to treat homes. Given these figures and the general thrust of the scheme being aimed at simple measures, we think it very likely that the industry will focus on low-cost measures without a customer contribution. It is therefore quite possible that contributions will be minimal.

**47. Do you agree with a 10% spend increase (£80 million over three years) for the general eligibility group in the modelling to account for customer contributions in the overall scheme target?**

In line with our answer to the previous question, while this may seem like a conservative figure, in practice it may be an over-estimate.

**48. Do you agree with the measures eligible to be installed under the heating control measure type?**

Yes.

**49. Are there any other heating control measures that should be included?**

No.

**50. Do you agree with our proposal to allow Innovation Measures approved under ECO4 to be installed under ECO+?**

No, we have some doubts about this. The consultation regularly states the objective of providing a scheme that delivers low-cost single measures to as many homes as possible. While we recognise the benefits of encouraging innovation, this is already done under the

much more substantially funded ECO4. This appears to be another complication for ECO+ that is not necessary. With the exclusion of the 45% uplift, we also doubt there will be much take up.

**51. Do you agree that delivery of ECO4 innovations should be capped at no more than 10% of a supplier's annual obligation?**

Yes, if you proceed with including innovation measures. See our answer to question 50.

**52. Do you agree with our proposal to encourage the delivery of Innovation Measures, that are awarded a 25% uplift as in ECO4, but not to retain a 45% uplift?**

Yes, but see our answer to question 50.

**53. Do you agree that any ECO+ eligible Innovation Measure that is awarded a 45% uplift in ECO4 should be awarded a 25% uplift in ECO+?**

Yes, but see our answer to question 50.

**54. Do you agree the sponsoring supplier uplift of 5% should not be retained under ECO+?**

Yes, but see our answer to question 50.

#### Chapter 4: Scoring

**55. Do you agree with our proposal to adopt the ECO4 overarching scoring framework, for measures delivered under ECO+ to receive ECO4 partial project scores without the 20% deflator?**

Yes, we think the streamlined approach is appropriate given the objectives of ECO+.

**56. Where single insulation measures are installed, should we remove the 10% score correction deflator used in ECO4 to account for measure interaction? Please include views on whether the correction factor should be applied to heating controls installed as secondary measures.**

Yes, given the likelihood of single measures dominating delivery. For simplicity's sake we also think the deflator should be disapplied from heating controls.

**57. Do you agree to our approach for evidencing scores under ECO+?**

Yes.

#### Chapter 5: Delivery and Administration

**58. With the planned inclusion of ECO+ in the Energy Price Guarantee (EPG) mechanism, are there any particular issues or concerns that you would highlight?**

Clearly, delivery of ECO+ will follow contract negotiations between obligated energy suppliers and their delivery partners. Reimbursement of supplier costs through the Energy Price Guarantee will add another dimension to those negotiations. In order to provide as much clarity as possible to all parties, it will be important that the final Impact Assessment is



made available promptly and that the way in which the allowance that Ofgem will allow suppliers to receive under the EPG is also swiftly established. Otherwise, this risks delays in delivery of ECO+ which is clearly something BEIS are anxious to avoid.

**59. Do you agree with our proposed notification processes for ECO+ measures?**

Yes, we believe it is helpful to have the 5% cap on automatic extensions in line with ECO4 as this encourages prompt reporting and also prompt payment within the supply chain.

**60. Do you agree to our proposal for an extension to notification at the start of the ECO+ scheme?**

We accept this may be unavoidable but we would encourage Ofgem to have its systems ready as quickly as possible. Similar concerns about delays were raised in the run up to ECO4 but nevertheless delays have occurred causing significant commercial damage to the supply chain. We believe BEIS and Ofgem should prioritise having sufficient resource available for prompt system development.

**61. Do you agree with our proposal not to impose any installation time limits on single ECO+ measures, but to require secondary heating controls to be installed within 3 months from the completed installation of the primary measure?**

Yes, given the likely prevalence of single measures and the requirement to notify measures within a month of completion. The extra time allowed for heating measures seems reasonable.

**62. Do you agree with our proposal to allow trading of obligations within a six-month period at the start of each annual target period?**

Yes, we think this is reasonable within the time limit proposed. It will be important that Ofgem confirms that a recipient company could bear the consequences of non-compliance or the risk of under-delivery of the scheme will arise.

**63. Do you agree with our proposal to allow the transfer of qualifying measures at any time before 31 March 2026?**

Yes.

Chapter 6: Quality and Standards

**64. Do you agree with our proposal to impose ECO+ guarantee requirements through TrustMark registration?**

Yes.

**65. Do you agree that we should require measure lifetimes through the scheme to benchmark guarantee requirements and for scheme reporting purposes?**

Yes.

**66. Do you think we should allow loft insulation in low-risk situations and heating controls to be delivered in accordance with the TrustMark Licence Plus scheme rather than PAS2030/2035?**

Yes, but we think TMLP should be allowed for the entirety of ECO+. While we recognise the desire of BEIS to support continual improvements in standards through PAS2035, we cannot see that it fits with ECO+: it has clear advantages for whole house retrofit but it is simply not designed to fit around single measure schemes and will add disproportionate costs.

Requiring PAS2035 will create unnecessary barriers to the entry of the new installers that are needed to deliver ECO+. With TMLP, consumers would still receive the same protections and warranties further supporting its deployment across the full ECO+ scheme.

**67. How can we determine a measure as low-risk without incurring additional costs through, for example, using a Retrofit Assessor or other PAS processes?**

We believe trying to do this would create unnecessary ambiguity and complexity and that this issue can be avoided by the full deployment of TMLP.

**68. Do you agree all other insulation measures should be required to be installed in accordance with PAS2030/2035?**

No, see our answer to q66.

**69. Do you think we should allow cavity wall insulation to be delivered in accordance with the TrustMark Licence Plus Scheme in low-risk situations?**

No, we think TMLP should be allowed in all ECO+ situations.

**70. What else can we do to ensure sufficient supply chain capacity in support of ECO+, other retrofit schemes that will be running at the same time (ECO4, the Homes Upgrade Grant (HUG) and the Social Housing Decarbonisation Fund (SHDF)) and, in the long-term, our net zero target? What can we do to reduce competition between these schemes for the supply chain?**

The Government has committed to a further £6bn of spending on energy efficiency beyond 2026. It would be helpful if it provided further detail on how this will be spent. That will help create the sort of long-term certainty that is needed to give the supply chain confidence to invest.

**71. Do you agree with our proposal that advice should be provided on the benefits of smart meters and how to request installation of a smart meter alongside the advice provided under TrustMark Licence Plus and the energy advice requirements required by PAS2035 (as relevant)?**

No, because even if this is confined to more complex measures it will still eat into the total budget available for ECO+ when it's intended the scheme should help as many households as possible. The rationale for giving advice to those having more done to their homes, and not those having less done, is also not clear. An alternative would be a handout made available to all customers.

Chapter 7: Territorial Extent

**72. Do you have any views on the proposal for ECO+ to follow the approach of the existing ECO programme, in supporting consumers in all parts of Great Britain?**

Yes. We believe this should be a GB-wide scheme as set out in the consultation. Changes to this post-consultation will cause delays and the scheme is not of sufficient size at £333m a year to warrant the complexity of different rules in different parts of GB.

**73. Do you have views on how the scheme can best support consumers in Scotland, for those aspects that were transferred to Scottish Ministers by the Scotland Act 2016?**

Through a scheme consistent across GB.

Chapter 8: ECO4 Amendments

**74. Do you agree with our proposal on amending the definition of renewable heating system?**

Yes, it is particularly helpful with regard to solar PV.

**75. Do you agree with our proposal to allow homes with neither an efficient nor inefficient heating system to be eligible for electric storage heaters and electric heating systems, and for off-gas homes where it is not possible to install measures from the off-gas heating hierarchy?**

Yes, this will help some households struggling the most with cold homes and high bills.

**76. Do you agree with our proposal to allow homes with a broken central heating system or connection to a district heating system fuelled by oil, LPG or biofuel or a broken renewable heating system which is an inefficient heating system, where it is not possible to install a heating measure from the off-gas heating hierarchy and a repair is not technically feasible to be eligible for electric storage heaters and electric heating systems?**

Yes.

**77. Do you agree with our proposal to allow connections to district heating systems fuelled wholly or partly by gas to be installed in off-gas homes?**

Yes.

**78. Do you agree with our proposal to update the ECO4 partial project scores from SAP2012 to SAP10?**

Yes, and we agree with your analysis that it would not be appropriate to do this for FPS because of the complications this would cause for the ECO4 target.

**79. Do you agree with our proposal to require SAP10 and RdSAP10 assessments for ECO4 evidencing instead of SAP2012 and RdSAP2012?**

Yes.

**80. Do you agree with our proposal to restrict exemptions to the minimum requirement and minimum insulation requirement that are evidenced by PAS2035 to only those retrofits in scope of PAS2035?**

Yes.