

Citizens Advice Response to Energy Company Obligation ECO4: 2022 - 2026

September 2021



Introduction

Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 2014, Citizens Advice has been the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. There are 23,000 trained, trusted and knowledgeable volunteers across England and Wales. Last year we advised over 130,000 people and over 25,000 people saved money because of our advice. We also offer specialist support to the people who need our help the most through the Extra Help Unit, where last year we helped over 9,000 people.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

For more information on this response contact Lauren Snoxell,
lauren.snoxell@citizensadvice.org.uk

Summary

Citizens Advice welcomes the opportunity to respond to this important consultation on the proposals for the future of the Energy Company Obligation ECO4, 2022-2026.

Overall we are pleased to see the improvements to increase targeting under ECO4 alongside, and we encourage suppliers to implement a 'worst first' approach. We welcome the minimum requirements for improving energy efficiency bands which will incentivise a whole house approach and help to pull more households out of fuel poverty. The minimum requirement of Band D for homes categorised as Band F and G is particularly important given the interim target of Band D by 2025 with the 2030 target of Band C. Over 3 million households still remain in fuel poverty and it is important to recognise these homes will need help and support in order to reach the minimum energy efficiency targets. ECO4 also does not have specific targets for the number of fuel poor households helped. Citizens Advice recommends that the government report on the proportion of the measures under the scheme actually going to households in fuel poverty, including those in the deepest fuel poverty.

We welcome BEIS's commitment to removing the supplier thresholds, and introducing a buy-out mechanism for smaller suppliers following primary legislation. This will improve the fairness of the scheme and is something we have long supported.

Our concerns remain around the involvement of client contributions throughout ECO4 measures and we would urge government to remove these, or at the very least implement a cap.

We continue to have concerns about the expansion of LA Flex given the significant increase proposed from 25% up to 50% of all measures delivered via this route in ECO4. It is unclear if local authorities will have the resources and capabilities to effectively participate and engage in the scheme and there is potential the postcode lottery already observed will continue. This is increasingly important as it remains the main pathway alongside Supplier Flex for fuel poor homes who are not in receipt of means-tested benefits to access the scheme. All consumers should be able to receive the same access to support and help through ECO regardless of where they live, including those in rural and isolated areas.

The consultation process

We consider a six and a half week consultation period entirely inappropriate for a consultation of this size and significance. As the government makes clear, the proposals it is consulting on cover £1 billion per annum over a four year period.

Initially the response gave stakeholders 30 working days to respond to these proposals, with an extension following to 33 working days. Many membership bodies involved in the delivery of ECO will be unable to gather views from their members in this time frame. Given the length of this consultation at 99 questions with additional documents published alongside to review such as the evaluation report and the impact assessment, there was not sufficient time provided. Few organisations would be able to respond effectively to all relevant issues.

The government's consultation principles state that "consulting too quickly will not give enough time for consideration and will reduce the quality of responses".¹ By consulting for such a short time period, the government has reduced its chance of developing effective policy. This is a significant concern for Citizens Advice, given ECO is a policy directed towards consumers and paid for by them.

This is also in the context of this consultation being published over the summer where many organisations would usually already have limited resource capacity given it is a popular time for annual leave and school holidays. However this summer organisations have had to manage the impacts of the pandemic on capacity eg. illness from vaccinations, Covid-19 and self-isolations, alongside the usual restraints for this time of year.

A short consultation period can sometimes be justified in emergency situations, where the need for legislation was not anticipated. However, this consultation was anticipated and entirely foreseeable. Beyond the consultation period itself, the proposals currently under consultation have a very short lead-in time. Factoring in the time for the government response and guidance from Ofgem, we expect the details of the scheme will be confirmed very close to its launch date. This uncertainty is likely to increase costs across the supply chain, costs which are ultimately borne by consumers.

¹ Cabinet Office, 2018. [Consultation Principles Guidance](#).

Response to consultation questions

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?

We have previously called for the reduction in supplier thresholds, as we think they distort competition and can incentivise unsustainable business models by some suppliers. We welcome BEIS's commitment to removing these thresholds, and introducing a buy-out mechanism for smaller suppliers following primary legislation. Given the potential length of time involved in passing this legislation, we think the supplier obligation should be lowered to 50,000 customers in the interim.

As outlined in our response to previous consultations about the ECO scheme, Citizens Advice does not agree with the principle of the supplier threshold - it's our view that it creates a number of issues.²

We recognise there is a potential risk of disruption if suppliers are obliged to participate for one scheme year, given the intention to introduce a buy-out mechanism. However, given the BEIS proposal to enable a buy-out mechanism to be used by suppliers above the current 150,000 customer threshold, it is reasonable to expect this disruptive impact to apply to some extent to all suppliers, and particularly to suppliers newly passing the 150,000 customer threshold.

We are also concerned that these plans are based on timely implementation of a buy-out mechanism via primary legislation. There is a reasonable risk that this could be delayed, or not proceed at all. The impact of not making this change could also grow, if more suppliers grow over 50,000 customers in the interim. Recent market consolidation could, if continued, see more rapid growth than expected.

We note that BEIS data shows that reducing the threshold to 50,000 customers (in line with Warm Home Discount proposals) would currently only obligate 4 additional suppliers. In the consultation BEIS says 'we do not think that a reduction would have a significant impact on levelling the playing field and solving the market distortion' because a number of smaller suppliers would remain below the threshold. We disagree. There are likely to be wider benefits of a lower threshold, beyond the impact on the directly obligated suppliers.

²Citizens Advice, 2018. [ECO 3: 2018 to 2020 Citizens Advice response to BEIS's consultation on the future of the Energy Company Obligation.](#)

A considerably lower threshold of 50,000 customers will require new entrant suppliers to consider ECO costs in their business plans much earlier - essentially from day one - and disincentivise unsustainable pricing and risky behaviours. It would be complementary to Ofgem's new licensing powers which require new entrants to demonstrate that they understand and have planned to meet requirements including delivery of schemes.³ It would also align with Ofgem's new 'milestone assessment' when the supplier reaches 50,000 customers which assesses whether companies are adequately prepared and resourced to serve their customers.⁴

In contrast, reducing the supplier allowance without reducing the threshold will increase the cost disparity between suppliers on either side of the obligation, and potentially increase the current market distortion (see question 2).

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?

We agree that the supplier allowance should be reduced in order to more fairly distribute costs between obligated suppliers. It is also an important step towards the eventual removal of the allowance once a buy-out mechanism is introduced.

However, reducing the allowance without reducing the threshold could compound the current market distortion between obligated and non-obligated suppliers - particularly the smallest obligated suppliers who will see their costs rise, and who may be close competitors of non-obligated suppliers.

The consultation also says that 'the average cost per customer for the smallest suppliers (with <0.5% of obligation target) would still be below the average cost for suppliers with an obligation above 3%' as a rationale for proceeding with changes in the allowance. However, the same is true of the impact of reducing the threshold as well, which BEIS is not proposing.

Citizens Advice's view of the best approach at this stage is to reduce both the supplier allowance and the supplier threshold, followed by the introduction of a buy-out mechanism and completing the removal of the thresholds as soon as possible.

³ Ofgem, 2019. *Supplier Licensing Review*.

⁴ Ofgem 2020. *Decision on the Supplier Licensing Review: Ongoing requirements and exit arrangements*.

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?

Government should carefully consider how to distribute policy costs in a fair and equitable way. We are mindful about the impact of policy costs on the affordability of energy bills. BEIS should ensure that the design of ECO is flexible to respond to any changes made as a result of this review. We recently outlined our thinking on these trade offs⁵ and will share further thoughts in response to the forthcoming Call for Evidence on Energy Consumer Funding, Fairness and Affordability.

The government should be mindful that access to the electricity grid is almost universal, but that only around 85% of households are on the gas grid. That figure is likely to fall if we are successful in electrifying heat. Below the national level, there is also regional variation, with a low of 76% in south west England, and a high of 93% in north west England. Some of the regions with the highest proportions of households on the gas grid are among the UK's poorest. Because fewer households are on the gas grid, recovering the same total net spend through gas bills rather than electricity bills would mean higher dual fuel bills. In simple terms, the 15% of households who do not use gas would likely see bill reductions, while the 85% who do would likely see bill increases.

This may be considered desirable if we are to incentivise the electrification of heat, but it may have adverse distributional implications on the ability to pay, and on overall levels of fuel poverty. These should be explored before a decision is made to recover ECO costs partially or fully through gas bills. There may also be a broader fairness issue associated with partially or fully exempting households who do not use gas from the costs of the ECO scheme. Tackling climate change, and improving the energy efficiency of housing stock, are common goals and it may not be appropriate to exclude some households from paying for policies towards those ends.

In terms of whether suppliers could recover some ECO policy costs through gas bills, we are not aware of any current preclusion on them doing so, but there may be commercial and practical reasons why they do not wish to do so. Any supplier acting unilaterally to do so is likely to find the attractiveness of its electricity prices increases, while that of its gas prices decreases. The decrease in the attractiveness of its gas prices is likely to exceed the increase in the attractiveness of its electricity prices for dual fuel customers, noting the point made earlier that there are fewer gas customers over whom policy costs can be recovered. So in a market where the predominant retail offering is dual fuel, moving towards cost recovery through gas bills may not be attractive to retailers.

⁵ Citizens Advice, 2021. [*Rough trade? Balancing the winners and losers in energy policy.*](#)

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

Any policy proposals that could create a redistribution of policy costs and therefore impact on different demographics of consumers will need to be thought through very carefully, in the context of the broader, anticipated net zero related costs. It will be crucial to understand the potential impacts on gas customers, and in particular those in fuel poverty. This is not a question that can be answered in isolation and must be considered as part of the government's work on Energy Consumer Funding, Fairness and Affordability.

As we explore in our response to question 3, while moving levies from electricity to gas bills should be environmentally progressive, there is a risk that it could be socially regressive, increasing the bills of the majority of customers who are dual fuel. It may also have the effect of exempting a steadily increasing minority of consumers from paying towards the costs of tackling climate change and fuel poverty.

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?

When suppliers fail, they can leave behind unpaid industry bills and undelivered obligations, including those under the ECO scheme. We've previously called for the risk of non-payment to be reduced, to incentivise responsible supplier behaviour and minimise the risk of mutualisation, and that where there are shortfalls in schemes consumers are protected.⁶

As BEIS sets out in the consultation, a minority of supplier failures to date have been obligated under ECO, but this will grow in future as thresholds are removed. These smaller suppliers have also, typically, been more likely to fail. The design of the buy-out mechanism should reduce the risk of non-payment as much as possible by requiring suppliers to pay their obligation upfront. This should enable delivery of measures across the same period as suppliers providing measures themselves, or in regular installments, rather than at the end of the scheme year. Where Ofgem assessments demonstrate there is a risk that a supplier lacks operational or delivery capacity, or have missed other financial payments, it may be desirable to explore the potential for introducing a requirement for them to use the buy-out fund rather than use delivery of measures as a way to defer some costs to a later point. As the scheme administrator,

⁶Citizens Advice, 2019. [*Picking up the pieces.*](#)

Ofgem should also be proactive in monitoring supplier activity from the outset, and intervene early when it considers a supplier is off track for delivery.

Despite these steps, it remains likely that some suppliers will fail with a shortfall in ECO delivery, or in payments to the buy-out fund. BEIS and Ofgem should set out whether there is scope for suppliers to voluntarily take on the failed supplier obligations through the Supplier of Last Resort process. Companies may be willing to make bids to this effect if there is strong competition for the failed supplier's customers. The buy-out fund could also be designed in such a way that it is able to approach the administrator of the failed supplier as a creditor, and retrieve any undelivered costs that way, although our evidence shows that relatively few creditors are refunded via this route.⁷

If the failed supplier obligations cannot be met in this way, then a mutualisation mechanism should be used. For the buy-out fund this could be relatively straightforward, by simply reallocating any missing funds across other suppliers proportional to their supply volume. This is commonplace for other energy levies, and would be appropriate given the higher risk of small supplier non-payment. Where a supplier was delivering measures this could be more challenging, although BEIS should consider the impact of carrying the undelivered measures over to future years of the scheme. This should be done in such a way that limits the short run impact on suppliers who will have modelled costs on the basis of lower obligations. An alternative would be to convert the undelivered obligation into a buy-out fund equivalent value, which could then be mutualised across other suppliers.

We recognise that mutualisation of failed supplier obligations has implications for other companies in the market, and should be avoided by de-risking the scheme design coupled with strong compliance and enforcement action. However, the alternative is for consumers to miss out on energy efficiency measures and for the ECO scheme to deliver a lower overall benefit, which is not acceptable.

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?

Yes, we are pleased to see the inclusion of a buyout mechanism as we previously recommended this for inclusion in ECO3.⁸ A buyout mechanism will be important in

⁷Citizens Advice, 2019. *Picking up the pieces*.

⁸Citizens Advice, 2018. *ECO 3: 2018 to 2020 Citizens Advice response to BEIS's consultation on the future of the Energy Company Obligation*.

ensuring that smaller suppliers do not face a significant competitive disadvantage but are able to participate in the ECO scheme. It will address the issue of higher relative fixed costs for smaller suppliers.

We are pleased to see that the Government is committed to the removal of thresholds, to overcome any potential market distortion between obligated and non-obligated suppliers. We also agree that the buy-out should be optional for all suppliers.

In respect of the buy-out mechanism, we recommend that the cost of the buyout mechanism be set at the lower end of the anticipated delivery costs of the scheme. The actual delivery costs of ECO are unpredictable and have often been lower than the government anticipated. Setting a relatively low buyout cost should guard against small suppliers facing unfair costs following the removal of the supplier threshold while ensuring the costs of policies are distributed fairly.

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

Yes, this would be an effective way of ensuring that funds are being directed towards the main aim of the scheme. Measures that are delivered should still remain targeted at those in fuel poverty and at properties that meet the eligibility criteria for the wider ECO scheme.

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

Yes, we agree with the introduction of a sliding scale for all suppliers to be able to use the buy-out mechanism. The intention of the buy-out mechanism is to ensure that smaller suppliers do not face a significant competitive disadvantage whilst being able to participate in ECO. Therefore it is essential to ensure that larger suppliers' access to the mechanism is limited. The buy-out mechanism should not have the adverse impact of weakening the purpose of the obligations.

It is important to note the progress that has been made with energy efficiency measures under ECO: but there is a significant amount of work still to be done in ECO4 if we are to reach the 2025 interim target and 2030 EPC target of Band C. The buy-out mechanism must not be seen as a 'weakening' of the obligations on large suppliers and provide them the opportunity not to deliver on obligations. This is even more acutely important given the government's net zero carbon emissions commitments.

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

We agree that the cap of suppliers with under 150,000 customer accounts should be offered a buy-out mechanism, however as outlined in question 8 we think it should be limited to only these suppliers. If the government is keen to extend this further we recommend the consideration of a buy-out mechanism for suppliers with under 250,000 customers up to 25% of the obligation.

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 66 GWh gas and 18 GWh electricity should not be obligated (Option 2 in table 4)?

We think it is fair if all suppliers participating in the market contribute to the scheme although we understand the delivery and administration costs associated for suppliers with under 1,000 customer accounts. We also understand there would be disproportionate costs to the consumer if high supply volumes were delivered to a small number of customers. Therefore we agree with Option 2 where both supply volumes and customer numbers are taken into consideration.

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, we disagree. We acknowledge that a single window would be helpful in getting smaller suppliers to commit to a buy-out decision which could enable them to make regular or upfront payments across the year. However, having a flexible time frame would provide more delivery flexibility that BEIS has discussed would be one of the benefits of the buy-out mechanism for smaller suppliers. De-risking the delivery by small suppliers will be important given the mechanism is primarily designed for their use and they have a higher risk of failing.

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

Yes, we agree.

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)?

Yes, we agree. This would be a sensible approach.

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

We appreciate that social restrictions introduced due to COVID-19 had an impact on ECO delivery and due to the pandemic people may also have been more reluctant to have work carried out in their homes. Therefore we think it is reasonable to allow carry-under for ECO4.

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

BEIS has not clearly set out the rationale for setting the rate of 1.1. We do not think this rate is sufficient to penalise under-delivery. The penalty rate should be high enough to not only cover any potential benefit to suppliers for late delivery but also to reflect the cost of fines for non-compliance that suppliers will avoid as a result of this proposal.

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

Yes we agree. It is important that delivery is not halted during any potential gap between the delivery of schemes.

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

Yes we agree with the SAP targets that are being proposed. It is important that those in worse energy efficiency band ratings are helped first taking a 'Worst First' approach. All homes will need to reach EPC band C by 2030 but it is important that no one is left behind in this transition, particularly people who are fuel poor and live in homes that are of poor quality. The Committee on Fuel Poverty's interim report published in July this year projected that the 2020 fuel poverty milestone of Band E had been missed.⁹ Whilst only about a half of the 293,000 Band F/G fuel poor homes at the start of the 2015 fuel poverty strategy¹⁰ had been upgraded to Band E or above by 2020. It is

⁹ Committee on Fuel Poverty, 2021. *Interim report*.

¹⁰ DECC, 2015. *Fuel Poverty for England: cutting the costs of keeping warm*.

therefore imperative that ECO4 follows the fuel poverty strategy guiding principle of 'Worst First' (i.e. focusing assistance on those in the deepest levels of fuel poverty). ECO3 is forecast to only upgrade circa 25,000 fuel poor Band F/G homes. This is the main reason for missing the 2020 milestone.

We understand that limiting eligibility to Band E, F and G homes would compromise the viability of the scheme and therefore Band D homes have been included, however it would be beneficial if emphasis or an incentive was put on the lower band homes first. We are pleased to see the inclusion of minimum requirements and that these are aligned with those requirements for Home Upgrade Grants.

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 we welcome these changes. They will put impetus on the measures being implemented whilst ensuring significant improvements can be achieved, hopefully lifting people out of fuel poverty. These changes should encourage multiple measures to be implemented at the same time which should have an overall result of higher improvements in SAP rating but may also contribute to a significant reduction in energy bills. Subsequently they might also limit the amount of disruption that people will experience by ensuring multiple measures are implemented at the same time in the property. This should also ensure an easier customer journey, rather than households trying to get repeat referrals for further improvements over a longer period of time.

A whole house approach will also enable a more holistic approach to be taken by assessors and installers in terms of which measures can complement each other to have the most significant impact on the home. Often we have seen cases where traders have not taken into consideration the whole home and installed insulation which has resulted in damp and other issues for the consumer.¹¹ We have also seen issues with heat pumps being installed in isolation, without also investing in improving the energy efficiency of the home and therefore limiting the effectiveness of the heat pump, leading to increased energy bills for consumers.

We agree that a whole house approach is likely to increase the total delivery cost per property but we believe in the long term it would be beneficial by having comparatively smaller fixed costs compared to single-measure delivery over the long term. This

¹¹ Citizens Advice, 2021. [*Home truths: The challenge and experience of making home energy improvements.*](#)

increases the value for money from the scheme, which is important as consumers contribute towards the costs of the scheme.

As outlined by the Committee on Fuel Poverty, the Government has set a milestone for all fuel poor households to reach EPC D by 2025.¹² If EPC F/G households are not improved to this standard at a minimum in ECO4, they will be significantly less likely to receive other upgrades to reach EPC D before 2025, and therefore the EPC D milestone will likely not be met. Therefore we welcome these changes to the scheme that will create a driving force to meeting these targets.

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, we agree there should be a minimum number of private tenure homes that are upgraded in the scheme however we think 100,000 is too low. The latest fuel poverty statistics for England¹³ finds that there are almost 329,000 homes categorised in fuel poverty in the private rented sector. We appreciate there are MEES and MEPs used in the private rented sector to incentivise landlords to get properties up to EPC band E. However improvements under ECO4 will be crucial in reducing fuel poverty rates for this tenure. We agree that worst homes should be targeted first and ECO should incentivise this.

It is worth noting that in order to achieve our 2030 fuel poverty targets in England the 430,000 EPC Band D homes in fuel poverty in the private rented sector will also need to be improved and receive support.¹⁴

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?

a) Yes, we agree with the removal of non-means tested benefits including disability benefits as a method to target low incomes and vulnerable households. This should enable better targeting of the scheme for those in fuel poverty. We recommend BEIS monitors and reviews the implications of this change in eligibility after the first year of the scheme. We appreciate that Covid-19 will have hit those with disabilities hard and

¹²Committee on Fuel Poverty, 2021. *Interim report*.

¹³BEIS, 2020. *Improving the Energy Performance of Privately Rented Homes in England and Wales*.

¹⁴BEIS, 2020. *Improving the Energy Performance of Privately Rented Homes in England and Wales*.

we know people with disabilities often have higher energy bills.¹⁵ Therefore we think it is important that BEIS thinks of other mechanisms that can be used to support households with a disability in fuel poverty. For example, in our Warm Home Discount consultation response¹⁶, we outlined the importance of ensuring that those no longer eligible for the scheme could still access help through industry initiatives via supplier referrals. However, it is also important to note that almost half of those in fuel poverty are not in receipt of benefits and therefore other methods in combination with supplier and LA Flex will need to be used to identify these households.¹⁷

b) Yes we agree, it makes sense to align the eligibility with that of Universal Credit, which should help in preventing people from falling between the support schemes.

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?

Yes, we agree. The fuel poverty targeting rate of the Warm Home Discount scheme has improved especially for those in Core Group 2 and therefore those in receipt of the scheme should also be eligible for ECO4. If WHD targeting is effective at targeting those in the deepest fuel poverty then most recipients would be expected to be in households in band D-G homes. These recipients would benefit greatly from the offer of measures under ECO4, which could help to pull them out of fuel poverty. However, ECO4 does not have targets for the number of fuel poor households helped. Citizens Advice recommends that the government report on the proportion of the scheme actually going to households in fuel poverty, including those in the deepest fuel poverty. This should also be monitored for local flexibility projects.

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

We appreciate the role that suppliers are able to play in identifying customers that would benefit from the scheme. This includes those in energy debt and using smart meter data to identify those struggling and 'self disconnecting'. We are pleased to see this supplier referral route two uses the inclusion of two qualifying criteria for proxies as well as the requirement of households to be in band E, F or G. We think this is important in ensuring that suppliers target those in fuel poverty or most in need. However we do have some concerns. Whilst we welcome the introduction of the four referral routes, we

¹⁵Scope, 2018. [*Out in the Cold*](#).

¹⁶Citizens Advice, 2021. [*Citizens Advice response to Warm Home Discount: better targeted support from 2022*](#).

¹⁷Committee on Fuel Poverty, 2021. [*Interim report*](#).

know suppliers might not always be necessarily well placed to reach vulnerable households. They may not have appropriate links with the services and organisations that vulnerable and low-income consumers use, and there is no incentive to provide home repair services that are often essential before energy efficiency measures can be installed.¹⁸ As a result, suppliers require a wide pool of eligible households to target, to limit the costs of finding households to help.

Moreover, within this pool, suppliers may choose which customers receive what support, to meet their targets in the most cost-effective way. They have incentives to target households that are less likely to be in (the deepest) fuel poverty. This is because the supplier obligation model encourages delivery to households who are:

- able or willing to contribute towards costs,
- easiest to engage,
- in dwellings where the installation is simple and there is no additional maintenance work needed,
- in urban areas (outside London) and accessible rural areas, despite remote rural and off-gas households having higher rates of fuel poverty.

Government will need to ensure that both suppliers and local authorities do not just target those consumers who will be easiest to engage and those with the easiest to gather/collect eligibility data.

We support LA Flex as local authorities and third sector bodies can play an important role coordinating resources, as well as identifying and engaging with fuel poor households. We are also aware that 46% of fuel poor households are not in receipt of benefits and LA Flex provides an important referral route to identify these households for support with ECO, along with those low income households that are particularly vulnerable to the effects of living in cold homes. However we have some concerns with significantly increasing this part of the scheme especially when it is particularly difficult to evaluate its effectiveness.

We agree with the Committee on Fuel Poverty that it would be beneficial to undertake a review of LA Flex in ECO3 and how effective it was before the current monetary value of Flex (25% of circa £550 million per year) is increased in ECO4.¹⁹ It would also be beneficial if this review looked at best practise where this has worked well and what frameworks could be recommended for use in ECO4 to make it easier for local

¹⁸Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice, published in our Help to Heat response.

¹⁹Committee on Fuel Poverty, 2021. [Interim report](#).

authorities, for example, where local authorities may have worked together effectively or the benefits of the involvement of devolved bodies such as London or Greater Manchester. A best practice framework could be beneficial to local authorities to ensure effective delivery in terms of cost but also in identifying practices or tools. There could also be learnings from consumers that have participated in the scheme to ensure ECO4 LA Flex has an easy customer journey.

In addition, we also have concerns around the capacity and resources of local authorities to be able to engage and deliver this scheme. We do appreciate the recent focus on local authority delivery for energy efficiency schemes such as through LAD and HUGs should incentivise local authorities to dedicate time and resources in this area, but this may not be the case for all local authorities.

Earlier this year we published a report which sought to understand how local area energy plans are developed.²⁰ Our research found the approach across the country had been inconsistent with many concerned about having the expertise or capacity to deliver. We suspect this could be a similar scenario for local authorities' involvement and delivery of energy efficiency schemes such as in ECO. Data in the accompanying impact assessment to this consultation shows that in ECO3 in England only 193 local authorities participated in the scheme (met the participating definition of delivering 50 or more measures) out of a possible 343, suggesting there is significant variation in the capacity local authorities have to participate in the scheme.

Furthermore the modelling in the impact assessment also only assumes that 50% of local authorities will participate in ECO4, resulting in a post code lottery unless the obligated suppliers have alternative effective delivery mechanisms in place. There is no clear alternative route of energy efficiency assistance for those qualifying fuel poor households who live within local authority areas not participating in LA Flex. As outlined in the Committee on Fuel Poverty's interim report, it is shocking to see that a recent analysis identified that eight local authorities which have higher than average levels of fuel poverty, did not apply for funding through LAD and also did not make use of the ECO Flex scheme.²¹

It is also important that those in rural areas are able to be targeted for support under ECO and LA Flex. LAs with dispersed rural populations may struggle with resources to

²⁰Citizens Advice, 2021. [Look before you LAEP: Ending the postcode lottery of local area energy plans.](#)

²¹Forthcoming NEA research, as outlined in the Committee on Fuel Poverty's interim report, July 2022. Committee on Fuel Poverty, 2021. [Interim report.](#)

identify fuel poor households not in receipt of benefits. All consumers should be able to receive the same access to support and help through ECO regardless of where they live.

There are also inconsistencies in the delivery of LA Flex in terms of eligibility criteria, fraud cases and potentially client contributions. For example the ECP evaluation document revealed that 12% of households had an income of over £40k pa, with 2% of households declaring their incomes were over £75K pa.²² This is not effective targeting of those in fuel poverty. Although BEIS has suggested revised requirements for due diligence in an attempt to overcome these issues with annual auditing we would also like to see these evaluated after the first year to ensure they are achieving the desired outcomes. Strong controls need to be implemented to ensure accountability and adherence to the scheme's objectives. It is unacceptable that these inconsistencies have been allowed in the past and all the necessary actions must be taken to ensure they don't happen again, especially as ECO is a scheme that all bill payers contribute towards.

Citizens Advice is concerned about the expectation of client contributions under both LA Flex and supplier Flex and think transparency needs to be improved over what client contributions are being made and how much. Feedback to Citizens Advice previously has indicated that contributions have been required from fuel poor customers in the past, and have prevented those in most need from being helped.²³ Under LA Flex it is particularly important that client contributions are audited, especially if work is being delivered on a smaller local scale, there may be less oversight on contributions. We would already expect suppliers to have processes in place to record this data, and we think BEIS should be transparent in sharing this information.

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

Yes, we think it is extremely important that the due diligence proposals under the reformed LA Flex are implemented given the inconsistencies and likely fraud that has previously been seen. We support the involvement of Ofgem in this: it is important that the regulator's role is integral to the declaration processes. We agree that the regulations should include the eligibility requirements for a new reformed Statement of Intent (SoI) and that LA Flex declarations should only be eligible where a local authority has published a SoI which meets the revised definition.

²² BEIS, 2021. [ECO, wave 1 Summary Report](#).

²³ [Feedback from bodies delivering ECO collected by NEA on behalf of Citizens Advice, see Citizens Advice response to the Help to Heat consultation, 2016.](#)

Citizens Advice is pleased to see that annual audits will be undertaken for both LA Flex and Supplier Flex and the results of these will be published. As outlined in question 27, we would also recommend that a review is taken after the first year of ECO4 to see how well the due diligence proposals have worked and BEIS should retain flexibility to change these if necessary.

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?

Yes, we agree with the four referral routes to identify low income and vulnerable households under LA & Supplier Flex. We welcome the alignment with existing schemes for route one - it is important that ECO4 aligns with LAD and HUGs. As mentioned in question 27, we are pleased that referral route two uses two qualifying criteria for proxies as well as the requirement of households to be in band E,F or G. This should help to improve targeting to those most in need. Suppliers should be careful when using referral route two that they do not create a bias in customers based on those with easier information to collect proxies.

Citizens Advice is pleased to see the third referral route take particular consideration into capturing those that may be suffering from conditions that are likely to be most affected from living in a cold home. However, we are interested to understand how BEIS has considered how well these routes would work in practise when being delivered on the ground, for example for NHS referrals. It could be beneficial for workshops to be held to establish that referral pathways, such as those through the NHS, are well tested and developed by those in the sector to ensure they will work well on the ground.

We also support the use of route pathway four. It is important that local authorities are able to help by maximising their knowledge and information about fuel poor households in their area and this route provides that opportunity. We recommend that BEIS uses workshops to develop the proposals for this route, with relevant stakeholders such as local authorities, charities and delivery partners.

As outlined in our response to question 27, we think it is important that a review of LA Flex is undertaken to identify best practice and understand what frameworks could be recommended for use in ECO4, especially if devolved bodies or nations are involved.

It is important that BEIS regularly reviews and evaluates the effectiveness of these referral routes and is able to be flexible where necessary to make changes where problems may arise. These referral routes will play a significant role in the scheme

through LA and Supplier Flex and therefore it is vital these routes not only work but work well to target the intended beneficiaries.

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?

- a) Yes we agree, this seems a sensible approach. This data will allow suppliers to better target those in need of support and therefore potentially help lift more people out of fuel poverty. We think that support for customers on prepayment meters (PPM) should be expanded to include a wider pool of people at risk of self-disconnection. As the consultation says, suppliers are now required to identify and support all customers who are self-disconnecting. However, for customers who have been identified as being in vulnerable circumstances and are on PPM, suppliers are also required to support customers who are self-rationing (defined by Ofgem as limiting energy use to save money for other goods or services).²⁴ Therefore, suppliers may be supporting customers on an ongoing basis to avoid going off supply - for example, through repayable additional support credit loaded onto their meter - without ever actually self-disconnecting. These customers may nonetheless benefit from support through the ECO scheme.
- b) Yes we agree, this seems a sensible approach. This may also allow people to receive help sooner and will prevent administrative burdens where people could fall out of the process. We would assume that households would still only be eligible if living in a property in band E, F or G.

It's also important to carefully define what 'persistent' debt is in order to prioritise ECO support for those who need it most. This is especially important as there are elevated debt levels as a result of the economic impacts of the coronavirus outbreak - we currently estimate that around 410,000 more households are behind on their energy bills than before the pandemic.²⁵

²⁴Supply licence condition 27A.5.

²⁵ Citizens Advice, 2021. [Citizens Advice warns of perfect storm of energy bill rises and Universal Credit cut.](#)

Suppliers are already required to put in place a range of support for customers in debt, including affordable repayment plans and referrals to third party support, and also have tools like debt write-off through Warm Home Discount Industry Initiatives, as well as their own capacity for debt write-offs. Consumers who may benefit most from ECO measures are those with debts which will persist for a significant period of time based on an existing affordable repayment plan, or where they have repeatedly struggled to keep up with previous repayment plans. There could also be situations where consumers retain a large debt after the supplier has applied a debt write-off under the Warm Home Discount scheme (these write-offs are capped at £2,000). We would not expect suppliers to be able to use the ECO scheme to support customers in debt without also ensuring an affordable repayment plan is in place, or providing other applicable types of debt support.

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?

If Scottish and Welsh Governments are tasked with referrals, the government should ensure they have enough capacity and resources to deliver this effectively. There should also be a mechanism in which local authorities are able to refer up to Scottish and Welsh governments as many of these will have good oversight of who could be eligible and who could most benefit from ECO in their area. They may also have learnings, established processes and partnerships from their experiences of implementing ECO3 LA Flex that should be shared and benefitted from.

Regardless of which of these is taking part in the referral process, it should still be made as easy as possible for all involved to prevent a bias being created in which certain households are targeted first because the referral process and evidence for eligibility is easiest. For example, if certain types of data are easier to access than others that could be used as proxy data for referral route two. The customer journey should also be made as easy and simple as possible to prevent any households dropping out of the process.

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?

- a) Yes, we agree that there should be an uplifted incentive for off-gas homes to be treated in Scotland and Wales as the Home Upgrade Grant is only available to households in England. This is important given the high levels of fuel poverty that exists in Scotland and Wales, with over 310,000 households considered to be in 'extreme fuel poverty' in Scotland.²⁶ Scotland also has a high proportion of off-gas customers in fuel poverty with 27% of off-gas customers considered fuel poor²⁷ whilst in Wales 39% of off-gas customers are considered fuel poor.²⁸
- b) We suggest that BEIS also implements an uplift for England but at a lower level to that of Scotland and Wales. This could be reviewed after the first year of ECO4 once HUGs has been up and running for a year so it is clear how effective the scheme is. It could be premature to completely remove an uplift for England on the basis that HUGs is in place, although it will not start till early 2022. How successful it will be and how many homes it will be able to help is yet to be determined. Some homes will also be eligible for help from both HUGs and ECO. The scheme duration of HUGs is also currently unclear in terms of aligning with ECO4. There are still a very significant number of households off the gas grid in England with 18% of off-gas homes being fuel poor²⁹, therefore even with HUGs it is important that these groups of households are incentivised to receive help through ECO4. This is particularly important in the context of net zero - groups of consumers, such as those that are off-gas, cannot be left behind in the transition.

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?

This seems logical from the ease of a delivery perspective, however, in terms of those in fuel poverty and vulnerable situations trying to receive help, it could be beneficial in some situations if funding was able to be blended for the same measure. For example in a situation where a client contribution is expected and the client may drop out of ECO because of this, or fall into debt as a result of the contribution. Blended funding across schemes could prevent this. A robust process and administration system could support this approach to prevent duplications such as through Trustmark. However, current data is lacking on client contributions throughout the scheme but we do know that contributions have been required from fuel poor customers in the past, and have

²⁶Scottish Government, 2019. [Scottish House Condition Survey](#).

²⁷Scottish Government, 2019. [Scottish House Condition Survey](#).

²⁸Welsh, Government, 2019. [Fuel poverty estimates](#).

²⁹BEIS, 2021. [Fuel poverty detailed tables 2021](#).

prevented those in most need from being helped.³⁰ BEIS should ensure that, regardless of approach, information around blending and scheme alignment when it comes to funding of different or the same measures is as clear as possible for not only suppliers and delivery businesses but also for consumers.

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 ?

- a) Yes, we agree that people would benefit from multiple funding even if it is not for the same measure. There are currently over 3.18 million fuel poor households³¹, so it is highly likely that multiple measures will be needed to help lift people out of fuel poverty and therefore likely they will be eligible under different schemes. As outlined in question 33, we believe multiple funding could prevent client contributions.

- b) Yes, we agree.

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

Yes, we agree.

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?

We welcome both the new ratios for flats and other housing and the inclusion of CWI in-fill. However, we would recommend an overall in-fill cap on suppliers obligations to safeguard against the delivery of a disproportionate number of in-fill households under the scheme.

Citizens Advice encourages the government to work with industry in order to better understand how to help consumers who are not eligible for ECO make the most of the practical benefits of making energy efficiency improvements alongside a neighbouring home that is being improved via ECO (eg. signposting the neighbour to other schemes and suggesting whether it is financially favourable to align the work and have them done at the same time).

³⁰Feedback from bodies delivering ECO collected by NEA on behalf of Citizens Advice, see [Citizens Advice response to the Help to Heat consultation](#), 2016.

³¹BEIS, 2021. [Annual Fuel Poverty Statistics](#).

It is important that the government considers whether any household in receipt of the Warm Home Discount is a suitable candidate for in-fill, particularly if the household is eligible to be improved via the Social housing Decarbonisation Fund. It should not result in a disproportionate number of homes being eligible for ECO4, which should arguably be more targeted at supporting homes that are owner occupied.

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?

- a) Yes, we agree. We think it is important that support is available to households on low income in the private rented sector. Around 67% of private rented sector homes are rated at less than EPC Band C³² and therefore a significant number of measures need to be implemented to pull people out of fuel poverty and improve the quality of housing stock.
- b) Yes this appears sensible. However, given the delayed introduction of regulation for the heat networks market (and in particular the lack of price protections or consumer protections) we would question whether it is appropriate to use ECO funding for new heat networks. It is vital that these regulations are in place and that the regulator is able to adequately monitor heat network bills, as there is a particular risk for households in fuel poverty. Furthermore, consumers on heat networks cannot access some of the support mechanisms that gas and electricity customers can in times of hardship (e.g. fuel direct).

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?

- a) Yes. We agree that eligibility should include social tenure households, but only where they have the worst energy ratings. While, in general, social housing providers should regard energy efficiency improvements as business as usual, it is likely that any properties remaining below EPC Band D face considerable barriers to improvement. Social housing tenants are more likely to be low income and vulnerable than any other tenure.³³ As such, making improvements

³²BEIS, 2020. *Improving the Energy Performance of Privately Rented Homes in England and Wales*.

³³Department for Communities and Local Government, 2017. *English Housing Survey Social rented sector. 2015-16*.

to E, F and G rated properties in the social sector are likely to contribute to the ECOs central aim of tackling fuel poverty. We are also aware of the high numbers of those living in social housing in fuel poverty in Band D, who will also need support in order to reach the 2030 target. Although the Social Housing Decarbonisation Fund is currently open to applications to target this tenure group, the effectiveness or targeting rate of this scheme is yet to be determined. ECO4 should be monitored to ensure the obligation does not go disproportionately to social housing, at the expense of other tenures where greater sustained investment is needed.

- b) Yes we agree, we would encourage alignment with the criteria used for the Social Housing Decarbonisation Fund, which currently appears to target the majority of all those under EPC Band C. However, we have concerns around the effectiveness and value for money that the IM mechanism would provide in ECO4, please see our response to questions 65 and 94 for more detail.

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?

Yes, we agree with the expansion. This seems sensible particularly in the context of net zero to allow measures to include battery storage.

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, we do not agree. We agree with all the reasoning provided to justify the need for a solid wall minimum requirement but we do not agree with the level set. Even with a solid wall minimum of 22,000, this is far below the rate needed to deliver on our fuel poverty and carbon targets. A higher target would help maintain capacity during the scheme until a more significant solid-wall insulation policy is introduced.

In the recent progress report to the government by the Committee on Climate Change it is outlined that in order to meet our sixth climate budget, solid wall insulations will need to reach 255,000 per year by 2025 (Table 3.2).³⁴ The report also highlights the decline in recent years of solid wall installations (Figure 3.4), which have steadily declined since 2012.³⁵ It is therefore imperative that ECO4 plays its role in incentivising the delivery of these measures and drives the improvements needed for this measure.

³⁴Committee on Climate Change, 2021.[Progress report to parliament](#).

³⁵Committee on Climate Change, 2021.[Progress report to parliament](#).

The government should set out its long-term plans for delivery of solid wall measures to meet these goals. In the long term this is likely to be best achieved through an alternative delivery model due to:

- the high per-measure cost of solid wall insulation,
- the required delivery profile,
- the delivery challenges of the measure (the need for street-by-street work and to work with trigger points).

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

Yes, we agree with this approach to ensure that a fabric first approach is taken which will enable the heating measure to have a greater impact on bill savings thus helping lift people out of fuel poverty.

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

Replacing oil and LPG boilers: Citizens Advice supports the government's net zero target and ambition to decarbonise heat. We understand and agree with the proposal to exclude the replacement of oil and LPG boilers in order to align the delivery of ECO4 with the move away from high carbon fossil fuels.

Repairing Oil and LPG boilers: It is important to consider the most cost effective solution when it comes to repairing existing oil or LPG heating systems, particularly for low income and rural households for whom it has been the only feasible option in the short and medium term. New, low carbon alternatives might be considered to be unaffordable or unsuitable if a short term repair is a more affordable, short term option.

In the long term, the Government must ensure that ECO4 is able to support the installation of low carbon heat technologies to these households. In today's market, boiler replacement can make a substantial contribution to the comfort, affordability of warmth and health for off-gas households in the short to medium-term. We agree that ECO is not a suitable delivery mechanism for boiler replacement in the long-term and acknowledge the vital role HUGs will play for low income households off-gas.

However HUGs is a new scheme that has not yet launched and may experience delivery issues (as we have seen with other recent energy efficiency schemes such as Green

Homes Grant). There are also currently around 3 million households off gas in England with around 20% in fuel poverty and potentially more who could be low income and in vulnerable situations who will need to receive financial support under a scheme such as ECO & FPNES or HUGs³⁶. However, phase 1 of HUGs is currently predicted to reach only 200,000 households.

Citizens Advice suggests BEIS consider whether there is an option to introduce some limited flexibility to potentially provide replacement (gas or oil) boilers for people who are eligible for the scheme due to a health condition. We anticipate the number of people eligible would be small, and that the government also sets a cap to prevent over delivery, while actively seeking solutions that would result in the installation of low carbon alternatives. It is vital that BEIS manages this so that people in fuel poverty are not locked into a fuel/heat technology that is going to significantly increase in cost over the 10-15 year lifetime of their boiler.

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, we disagree. We recognise it is important that the scheme properly incentivises the repair of efficient heating systems, where it is economical to do so, over replacements, however we believe this cap is too low. The majority of those in fuel poverty use gas to heat their homes - over 2.5 million fuel poor households - and would find it difficult to afford to fix or repair their boilers at a time of need.³⁷

We would also recommend reviewing if there were other reasons outside of the incentive to replace rather than repair as to why many boilers under ECO3 were being replaced for example at 8 years instead of their expected lifespan of 12 years.

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, we disagree. We are concerned about the significant decrease in this cap from 35,000 households to 5,000/10,000 households. There seems to be a lack of data supporting that the need for these measures has also decreased this substantially. We see little evidence that the need for support for boiler replacement among vulnerable and low-income consumers is significantly declining. We struggle to understand the rationale for the decrease in cap given that in ECO3 this cap was previously increased from 25,000 to 35,000.

³⁶ BEIS, 2021. [Fuel Poverty tables.](#)

³⁷ BEIS, 2021. [Fuel Poverty tables.](#)

We recognise that boilers are less cost-effective than other measures in terms of their contribution to the fuel poverty targets, in part because of their relatively short lifespan: however, they can make a substantial contribution to the comfort and affordability of warmth for householders in the medium-term. It is also important to acknowledge the demand of boiler replacements throughout ECO, with to date the scheme delivering nearly 120,800 broken boiler replacements with an associated insulation measure.³⁸

Previously we outlined in our response to the consultation about ECO3 that a cap of 35,000 would be unlikely to support all households who are unable to replace broken boilers without, at least taking on unsustainable debt³⁹. This would be even more concerning given the significant reduction in the cap currently proposed. The government could provide this support and address some of the problems associated with boiler replacements by:

- lifting the boiler cap where the householder is referred because of a health condition,
- banning householder contributions, which have often been required for boilers, in order to help consumers in genuine need receive support. The current approach, where householders are often required to help pay for boilers, appears to prevent access for consumers in the most need. These steps would also be likely to help engage third-parties in the scheme (particularly in the health sector) and get measures to households who need them most.

We therefore recommend maintaining the current cap.

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

Yes, we agree that it is important these standards are met to ensure the central heating system is properly balanced and consumers will feel the benefits of the system working optimally. We support a fabric first approach.

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

³⁸BEIS, 2021. [Household Energy Efficiency Stats](#).

³⁹Citizens Advice, 2018. [ECO 3: 2018 to 2020 Citizens Advice response to BEIS's consultation on the future of the Energy Company Obligation](#).

No, we strongly disagree. It is important that ECO4 is able to align with the Fuel Poor Extension Scheme (FPNES) which has been extended by Ofgem as part of the price control for 2021-2026 under RIIO-GD2. It is our understanding that ECO funds the majority of first time gas central heating to properties connected under FPNES. It is therefore vital that BEIS makes these links and liaises with Ofgem and the gas distribution networks to ensure that if a home is connected to the gas grid under FPNES it is also able to benefit from ECO4 and install central heating. This will contribute to the effectiveness of FPNES and also ensure the right outcomes for fuel poor households.

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

Yes we agree, and we also think it is sensible to include exceptions to this where needed. We are supportive of the low temperature heating system on the basis outlined in the consultation document that ‘lower-temperature heat emitters are likely to result in lower running costs for fossil fuel heating systems and also transition the home towards low carbon heating’.

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?

Yes we agree, although we would suggest a degree of flexibility on a case by case basis especially around the definition of rural locations. For example, would a household be ineligible if they lived in a settlement of 12,000 people opposed to 10,000 where they would currently be classed as eligible? We note that the fuel poverty statistics produced by government divide the population into semi-rural, rural and rural isolated and therefore alignment could be considered when suggesting rural definitions. We would recommend the eligibility criteria including that for rural settlement is either aligned or reviewed after the first year to see how many households in need were able to meet the requirements in practise.

As outlined in question 37, our support for including District Heating is subject to the regulation of heat networks with the inclusion of effective support and protections for consumers.

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?

Yes we agree. Energy efficiency gains, carbon savings and impact on the bill should all be considered when changing heating measures.

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?

Yes, we strongly welcome this proposal. It is particularly important that households in fuel poverty are not left behind in the energy transition and are given the opportunity to understand the benefits of a smart meter. Although the choice to adopt a smart meter remains with the consumer, this would be a helpful method to engage those in fuel poverty on this topic. We also welcome the energy advice requirements through PAS 2035; we have recently outlined the value of advice for fuel poor households in our recent Warm Home Discount consultation.⁴⁰

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?

Yes, we broadly agree that the justification set out in the consultation document makes sense. It also appears sensible to use banding rather than specific scores to avoid problems associated with these and prevent gaming. We are not close to the on the ground delivery and therefore would suggest workshops with those that are, to ensure this would work well in practise.

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?

Yes, as above we broadly agree a deemed score approach would be less complicated and could result in fewer incentives to cherry pick homes with the greatest savings, and therefore recipients could be more evenly distributed. However, as mentioned in question 55, Citizens Advice is not an organisation involved with the delivery of the scheme. We would recommend harnessing the expertise of those that are.

⁴⁰Citizens Advice, 2021. [Citizens Advice response to Warm Home Discount: better targeted support from 2022.](#)

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.

Yes, we agree. We also agree that exemptions for band D homes should be limited.

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

Yes, we think this should be allowed for longer ongoing projects.

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?

We are concerned this could create poor levels of practise and the potential for people to take advantage and cut corners. It is unclear as to why projects should receive a partial project score if they have not been compliant with the minimum requirements. Best practice and guidance should be robust enough and provided to those involved to prevent admin errors which would result in non-compliance. At the very least the partial project score for these projects that have not met the minimum requirements should be significantly lower than other deflated scores. For example, a 30%-50% deflator would incentivise all of those involved to avoid this situation.

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?

Yes, we agree.

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%?

Yes we agree. It is important a cap is used to ensure that suppliers are following best practise through start to finish in the process and are encouraging those that are delivering the work to abide by the minimum requirements and rules set out in the scheme. It is important this mechanism of partial projects cannot be gamed in a way to

benefit suppliers. We would suggest that 10% to 20% would be a more reasonable cap and incentive to safeguard against the widespread delivery of partial projects.

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%?

Yes we agree, in-fill projects should receive a deflated partial project score to ensure that more projects are focussed on those most in need. The deflated score should be less than those projects that failed to meet the minimum requirements. As outlined in question 36 we think the scheme would benefit from a cap on the overall amount that suppliers can contribute to their obligations through in-fill to ensure that the ECO4 those most in need are able to benefit from the support on offer.

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?

Yes, we agree. BEIS should ensure there are no unintended consequences that would come as a result of this change and should discuss with relevant industry organisations.

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?

Yes, we agree.

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

We are concerned with the effectiveness of this measure and the value for money it provides. Although we acknowledge the benefits that innovation can provide for consumers, only 0.5% of the obligation in ECO3 was delivered through this route. Therefore we have concerns as to whether this mechanism is still necessary in ECO4. We have further outlined this in question 92.

6. 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.

Yes we agree.

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

Yes, we support these proposals to allow for uplifts for hard to treat homes for owner occupied, E, F and G homes only. We agree that landlords are generally responsible for rectifying hard to treat home issues in the properties they own. Uplifts will be vital in ensuring that suppliers are incentivised to provide support to these homes, which without the scheme could be left untreated. It is crucial that these homes do not get left behind in ECO4 and a greater emphasis should be placed on suppliers to treat the worst performing homes first. We think a significant uplift is needed for these homes to reflect the much needed work and we would recommend that BEIS looks into the potential for inflating scores to reflect this and to further create an incentive for suppliers to treat them. As outlined in the consultation document, the English Housing Survey estimates that between 10-20% of band E, F and G homes have HTT issues, however, anecdotal evidence suggests it is up to a third of ECO3-eligible homes. Therefore this category of households should be a priority for support under ECO4.

The customer journey and supplier journey to offer and carry out works to these properties will also need to be as straightforward as possible to act as a further incentive. BEIS should work with companies in the supply chain and those with experience of delivering these measures to ensure this and the evidence and reporting processes are easy to follow, whilst deterring fraud.

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

We suggest using the method which gives the most up to date information and therefore is the most accurate.

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

Yes, we agree with the proposal. We also agree for the property's finishing SAP rating, that Ofgem should determine what evidence and methodology should be considered appropriate. We would also welcome the introduction of a requirement to ensure that consumers are aware of the impact of the improvements made to their homes and provided with a post-installation energy efficiency rating such as with an EPC. We would suggest alignment with the Government's EPC action plan.

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

Yes, we broadly agree with this especially if SAP will not be updated until almost the end of ECO4.

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

Yes, we agree.

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.

We do not agree with the assumption of a 0% third party contribution for solid wall insulation as we are aware of household contributions (and have previously raised concerns around these, alongside the Committee on Fuel Poverty and National Energy Action). As outlined in our ECO3 response, feedback to Citizens Advice has previously indicated that contributions have been required from fuel poor customers in the past, and have prevented those in most need from being helped.⁴¹ Furthermore, the concerns around the suitability of household contributions was also a key finding of the National Audit Office's report evaluating the Green Deal and ECO.⁴²

We recommend the removal of household contributions from the scheme given that it is targeted at those who are most likely to be low income and will struggle to pay additional costs. We also expect to see more people struggling in fuel poverty as a result of the pandemic and this is likely to continue into 2022/2023. Our research in December last year showed that 2.1 million households were behind on their energy bills with more people struggling in energy debt.⁴³ At the very least we would expect to see a cap on contributions as a minimum to safeguard customers. We would also expect to see the requirement of monitoring client contributions, with data being publicly published.

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? 118 (b) Please provide BEIS with any information on the cost ranges

⁴¹Feedback from bodies delivering ECO collected by NEA on behalf of Citizens Advice, see Citizens Advice response to the Help to Heat consultation, 2016.

⁴² NAO, 2016. [Green Deal and Energy Company Obligation](#).

⁴³ Citizens Advice, 2020. [Covid drives over half a million people into the red line on energy bills](#).

associated with PAS ventilation compliance, and any further PAS related considerations, that may be applicable.

Yes, we welcome the proposals to ensure an increased focus on ventilation to ensure homes are not subjected to unnecessary dampness and health related issues.

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?

- a) Yes. We agree with apportioning the costs of the scheme if there are significant differences in the rules between Scotland and the rest of GB. Without apportionment, differences in the scheme rules could incentivise delivery on one side of the border over the other. We note that factors outside the scheme rules currently mean suppliers tend to have greater incentives to deliver in Scotland. For example Scotland has around 8.5% of GB population⁴⁴ and 9.9% of GB energy use.⁴⁵ We think the proposed formula, based on total electricity and gas use, is a suitable way for dividing the fund. This provides more equitable distribution of the scheme while reflecting the climatic and housing stock differences that drive higher energy use in Scotland

- b) Yes, we agree with using an average taken from the last three years worth of data, this would take into account climatic variations and also those from the pandemic.

We also urge the Scottish Government to come forward with proposals for the design of the scheme for Scotland from 2021/22.

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?

⁴⁴ Office for National Statistics, 2021. [*Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020.*](#)

⁴⁵ BEIS, 2021. [*Energy Trends.*](#)

Yes. Significantly different rules in Scotland and the rest of GB will require providing each individual supplier with a target for Scotland and/or one for England and Wales. In the context of supplier obligation, this appears to be the only way to ensure a certain proportion of delivery on either side of the border. The choice of methodology policy could have a significant impact on fairness and the market. If different scheme rules are to be introduced in Scotland, then the government should carefully examine these options and consult on them. We would also be interested to understand any

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.

Government should ensure that time frames are realistic and achievable with those involved in ground delivery, especially if multiple measures are involved.

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

We appreciate that there could be unforeseen circumstances where the project may need an extension and the guidelines should be clearly laid out for these scenarios so that they are not taken advantage of. But we agree that ultimately any extension decision should sit with Ofgem.

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

Yes we agree, this should help to create an incentive to deliver measures on time.

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

Yes we agree, it is important that Ofgem has oversight of this.

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

We would welcome BEIS looking further into this area, especially as there are a range of guarantee lengths provided for the different measures under ECO, for example a two year guarantee is very different to one for 25 years. We recognise that different measures relating to the use and features of these products will require different guarantees, however we would like to see more consistency across measures, at least

with a smaller difference between the measures in guarantee length. If some providers are already able to provide 6 to 10 year guarantees for loft insulation, why is this not the requirement and standard for all loft insulation measures under ECO4? We agree that there is potential to increase the guarantee of boilers also, and would agree that any changes to repair guarantees will need to be fit for purpose and in line with industry-wide standard practice for heating repairs. We think it would be particularly helpful if BEIS holds workshops with relevant industry members and stakeholders to address the technical monitoring failures but also look into how guarantee requirements could be improved.

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?

As suggested in question 89, we would recommend that BEIS holds workshops with all relevant stakeholders, including consumer representatives and also members from industry, to find solutions to these issues.

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?

Yes, this could be an effective way to manage the ECO guarantee requirements that could make it easier for consumers to understand what guarantees they should be able to receive under ECO. There could also be other benefits from using Trustmark registration and compliance. However, given that Trustmark has only recently taken on its current role in ECO3, it may be beneficial to review how the requirement for Trustmark registration has improved the standard of work delivered through the scheme. We also think it's important that all involved parties are able to feed into their views on this issue and we would expect it to be consulted on for future changes to this part of the scheme.

Citizens Advice has been calling for the government to review the consumer protections that are currently in place for people who make energy efficiency improvements or install low carbon heat.⁴⁶ It is our view that the current systems are complicated and difficult for people to navigate. Government should consider how to simplify the existing plethora of schemes and codes, not least because of the scale and pace of change needed to homes to meet the net zero emissions targets.

⁴⁶ Citizens Advice, 2020. [*Net Zero Home Guarantee*](#).

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, we strongly agree. It is important that ECO4 measures are delivered in accordance with consumers' expectations, while benefiting from robust installation standards and the whole-house, end-to-end coordination of projects via the requirements for retrofit co-ordinators. We think it would be beneficial for consumers if advice providers were also able to offer further advice and support that consumers may need post installation, for example, who to contact for maintenance and repairs or what other low cost measures could be implemented.

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

Yes, this would be a more effective solution as long as Trustmark are able to effectively enforce and monitor compliance. Ofgem may also need to provide a level of technical oversight.

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

As outlined in question 65, we have concerns around the effectiveness of this mechanism and the value for money it provides. Although we acknowledge the benefits that innovation can provide for consumers, only 0.5% of the obligation in ECO3 was delivered through this route. Therefore we have concerns as to whether this mechanism is still necessary in ECO4. The government needs to clearly set out how it will ensure that the innovation incentives deliver value for money, especially where uplifts are being used and potentially increased for ECO4. Given the low number of innovation measures so far in ECO3, if the mechanism remains in the scheme then we recommend conducting a review into the scheme to assess any barriers and its cost-effectiveness before potential uplifts are added. The complexity of the customer journey may also need to be reflected on.

Innovation activities must also take into account the specific needs of consumers in vulnerable circumstances who are disproportionately represented in the ECO target group. We understand that technologies used will have to meet technological readiness standards. However, further safeguards are needed to ensure that the following are appropriate for vulnerable consumers, such as:

- engagement with these consumers during the installation process;
- usability and maintenance requirements of the technologies.

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, we do not see any evidence provided that an increase in the current uplift is needed, or as to why 45% has been chosen for example over 35%. It is unclear what impact introducing this new significantly higher uplift will have on the actions of suppliers in the scheme. This may be in the IA but due to limited time we have been unable to look over this in detail.

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?

Yes, we agree that this would be beneficial and assist in demonstrating value from the IM. It is important that increased consumer care, protections and confidence is incentivised along with more sustainable choices.

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

No, we do not think this is necessary, given the amount of uplifts already available to suppliers.

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?

We would question whether this mechanism is still effective given the low number of applications and approvals for ECO3 and if it delivers value for money.