



Agenda

1. Welcome and Introductions
2. Actions from last meeting
3. Electricity Demand Reduction
4. ECO Delivery:
 - a) Ofgem update
 - b) Payment issues
5. Green Deal Update:
 - a) Green Deal Home Improvers Fund
 - b) Green Deal Communities
6. PRS Consultation
7. Fuel Poverty Strategy
8. ECO Policy Update
9. AOB
10. Next Steering Group on 26/09/14, here again .

CLOSE



Actions from last meeting.

1. DECC to prepare and circulate a project initiation document for the contract review; and
2. DECC will seek views from LAs and Registered SHP representatives, to identify whether the existing standard brokerage contract contains any clauses that clashes with the legislative framework that governs them.



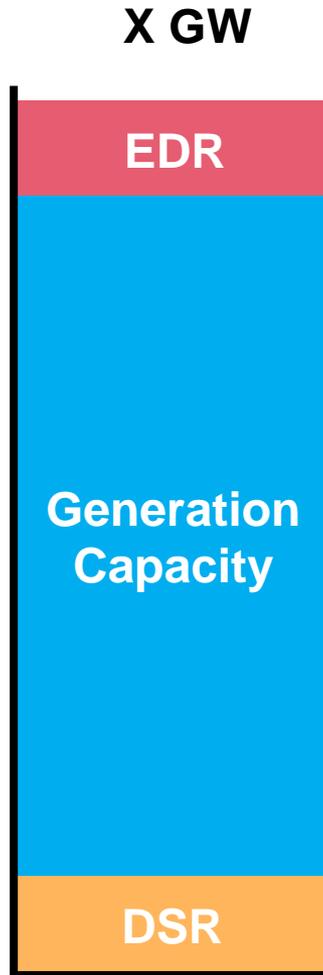
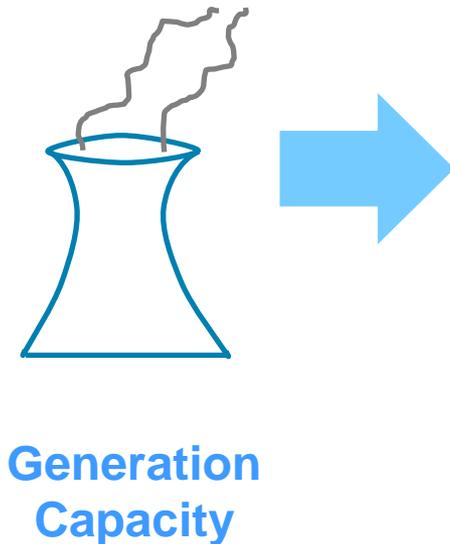
Electricity Demand Reduction Pilot Update

Gary Shanahan
DECC

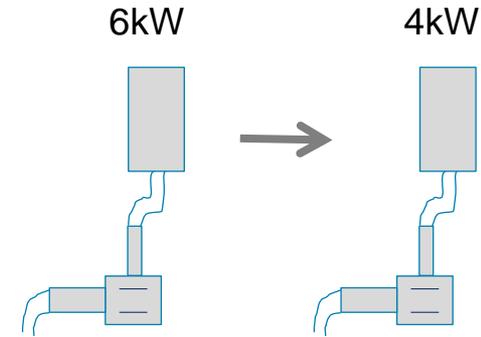


Recap: EDR & the Capacity Market

- Jun 2013 – policy decision to pilot EDR in CM
- Dec 2013 – Energy Act includes powers to enable EDR in CM (if desired)

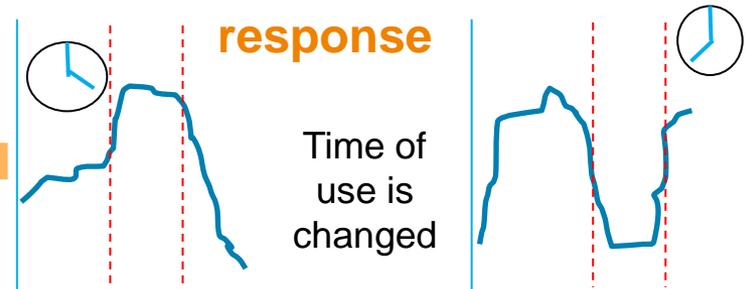


← Electricity Demand Reduction



Improve efficiency by installing more efficient kit

NOT Demand-side response





The EDR pilot

Objectives

- To examine the viability of EDR in the Capacity Market
- To learn lessons for Government and wider stakeholders on delivery of EDR schemes

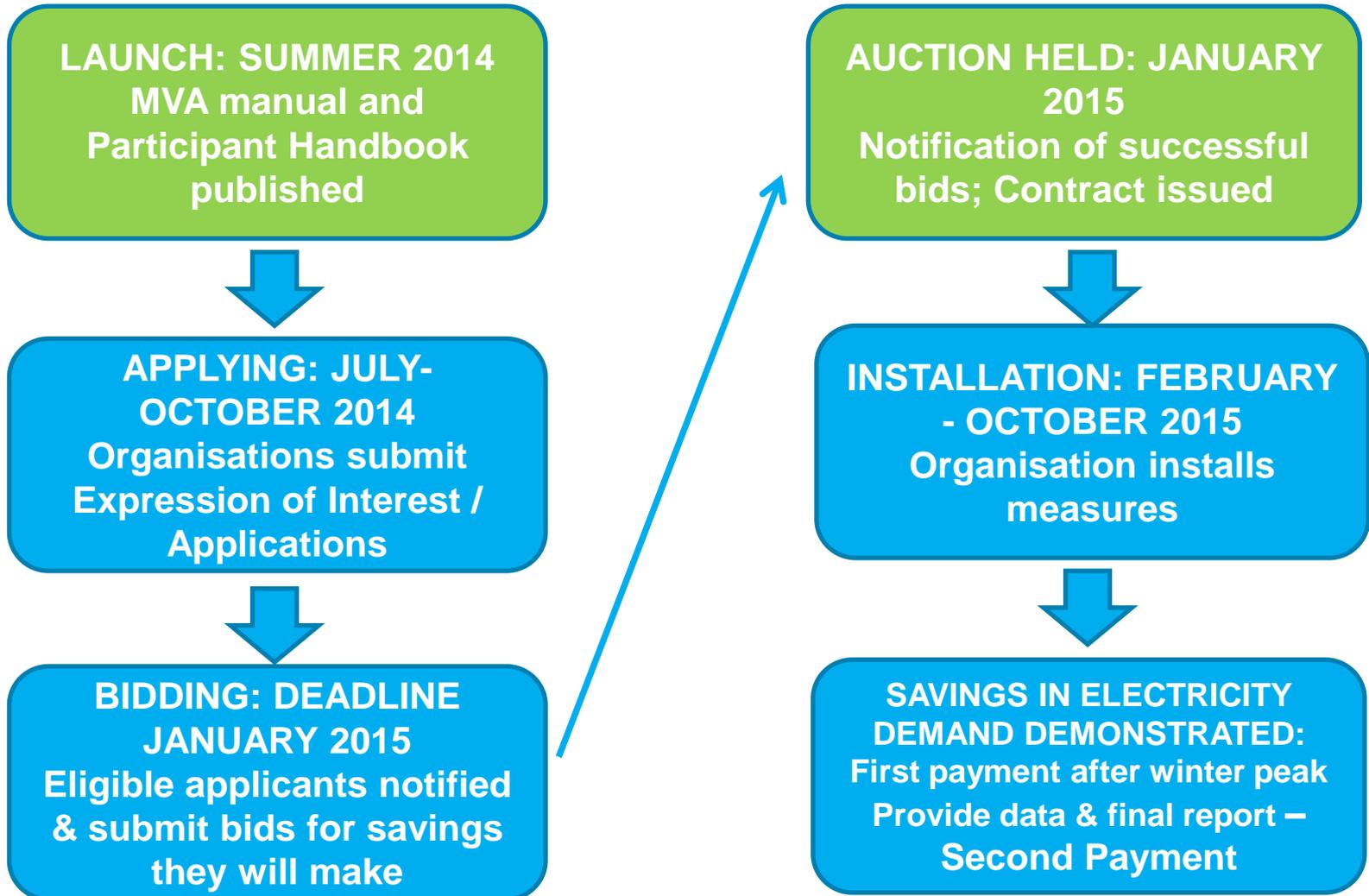
“Now there will be new incentives to cut electricity use a new £20 million pilot, the first ever in Britain... Companies being paid for saving energy, not wasting it.”
- Edward Davey, 15 September 2013

Overview:

- Capacity market based on an auction, so is the pilot
- Subsidy payable for lasting reductions in electricity from installation of efficient measures
- Participants will bring together plans to reduce their electricity demand and then bid these savings into the auction
- Third party aggregation allowed



Pilot Design Overview





Eligibility

Requirements

- lasting savings
- Relevant to winter peak (4-8pm, Nov-Feb)
- Measures must be installed within 9 months of auction

Eligible

- All sectors
- GB-based
- Bids can include any number of eligible technologies or measures
- Bids can cover multiple sites or sectors

Ineligible

- Demand Side Response
- reducing demand by switching to off-grid supply
- reducing demand by reducing economic output
- Behavioural programmes are ineligible for timetabled pilot auction
- Measures benefitting from specified Government incentives (e.g. Climate Change Agreements, Salix loans)

Criteria will be formally set out as part of rules



Key design features

Bids

- Min bid 100kW
- No maximum size

Contracts

- One year contract
- First payment on delivered winter peak savings / Second on final report
- Under-delivery leads to payments being reduced



Measurement , Verification and Additionality

M&V

Objectives:

- robust M&V regime to have confidence in savings, but
- Not too onerous it may deter participation

Approaches:

- Deemed: savings are pre-calculated for a limited list of technologies;
- Partial measurement: combination of metering and estimates/measurement of key variables;
- Full measurement approaches: full metering before and after implementation.

Additionality

Objective:

VFM - target savings that would not have happened anyway.

Approach:

- Aiming for a simple yet effective filter:
 - **Payback:** must be 2 years or more
 - **Short replacement cycle products excluded:** defined as those that are replaced every 2 years or less



MVA manual to guide participants will be published at launch



Getting involved ...

Participant Handbook and MVA manual published at launch

Factsheets released on gov.uk and to registered participants.



DECC Electricity Demand Reduction Pilot

What is the EDR pilot?

- £20m is being made available to support projects that deliver lasting reductions in electricity demand, e.g. through the installation of a more efficient lighting system or pump.
 - This pilot will test whether EDR could participate in GB's capacity market⁽¹⁾.
- ### How will it work in practice?
- Projects will bid into an auction and commit to delivering a kW saving.
 - Successful bids secure funding, that can then be used to support the installation of more efficient electrical equipment.
 - Projects will need to qualify. This will include submitting a project plan with estimated savings and a plan for measuring and verifying these (a manual will be provided to help with this).
 - There will be a minimum bid size of 100kW in the auction. This may be achieved by a single project or through several projects, aggregated into a single application.



"We're looking for brilliant organisations with bright ideas about how to lower our electricity use, help cut energy bills and bring down our emissions"
Edward Davey, Secretary of State for Energy and Climate Change



"Businesses have a real opportunity here to bid for a slice of a £20 million pound pot and see their project come to life."
Greg Barker, Minister of State

Who and what will be eligible?

- Projects will need to be based in Great Britain and deliver efficiency savings at least during times of winter peak electricity demand (3-7pm on weekdays, November-February).
- Projects which would **not** be eligible include:
 - Those that shift electricity demand to other times of the day
 - Measures benefitting from specified forms of Government incentive (such as Climate Change Agreements, Salix loans)
 - Savings made by switching to other energy sources (e.g. onsite generation)

How will the pilot benefit you?

- A payment from Government for delivering efficiency savings spread across a payment at installation and on delivery of savings.
- This will support your investment case. You will also benefit from all the electricity cost savings.
- Your organisation will also benefit from savings outside winter peak time.

To register your interest in taking part in the pilot, or if you have questions, contact edr-project@decc.gsi.gov.uk

1. For more information see www.gov.uk/decc.

This factsheet is up-to-date as of 28 February 2014 and our expectation is that information in it will be final, but remains subject to change as the pilot develops. Further information will be published in spring 2014.

When will it start?



DECC Electricity Demand Reduction Pilot 15 May Factsheet

What is the EDR pilot?

- £20m is being made available to support projects that deliver lasting reduction in electricity demand, e.g. through the installation of a more efficient lighting system or pump.
- This pilot will test whether EDR could participate in GB's capacity market.
- Information already published on the pilot is in the 23 February Factsheet and the Update 07 April. This 15 May Factsheet provides new information about the pilot.

Bidding rules

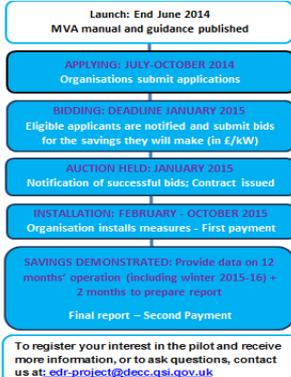
- There will be no limit on maximum bid size or on total subsidy awarded to any one participant (subject to the budget constraints of the funding available).
- Behavioural measures will not be eligible for the auction timetable here (1).
- A maximum price (not published in advance) will be set for the auction, to ensure value for money.

Payments

- Contracts are for one year.
- Successful bidders will receive 50% of payment on confirmation of installation and a further payment of 50% on delivery of savings (i.e. after 12 months' operation, on receipt of evidence of the savings).
- Under-delivery will lead to payments being reduced.

(1) However, organisations that deliver behavioural EDR measures are encouraged to contact edr-project@decc.gsi.gov.uk with a view to discussing how these might contribute to EDR delivery in future.

Timetable



Measuring and verifying savings (M&V)

- A manual will be provided to participants on how to measure and report savings from their projects. This will build on the approach set out in international protocols (IPMPV) and include three broad approaches:
 - o Deemed: savings are pre-calculated for a list of technologies;
 - o Partial measurement: combination of metering and calculations or estimates of key variables;
 - o Full measurement approaches: metering before and after.
- We will be undertaking market testing of the MVA manual and deemed savings calculators and invite organisations that would like to help with this to get in touch by e-mailing edr-project@decc.gsi.gov.uk by 21 May.
- Detailed information on M&V requirements will be published in the next Factsheet.

This Factsheet is up-to-date as of 15 May 2014 and our expectation is that information in it will be final, but remains subject to change as the pilot develops. Further information will be published later in 2014.

Please register your interest for more information or ask any questions via:

edr-project@decc.gsi.gov.uk

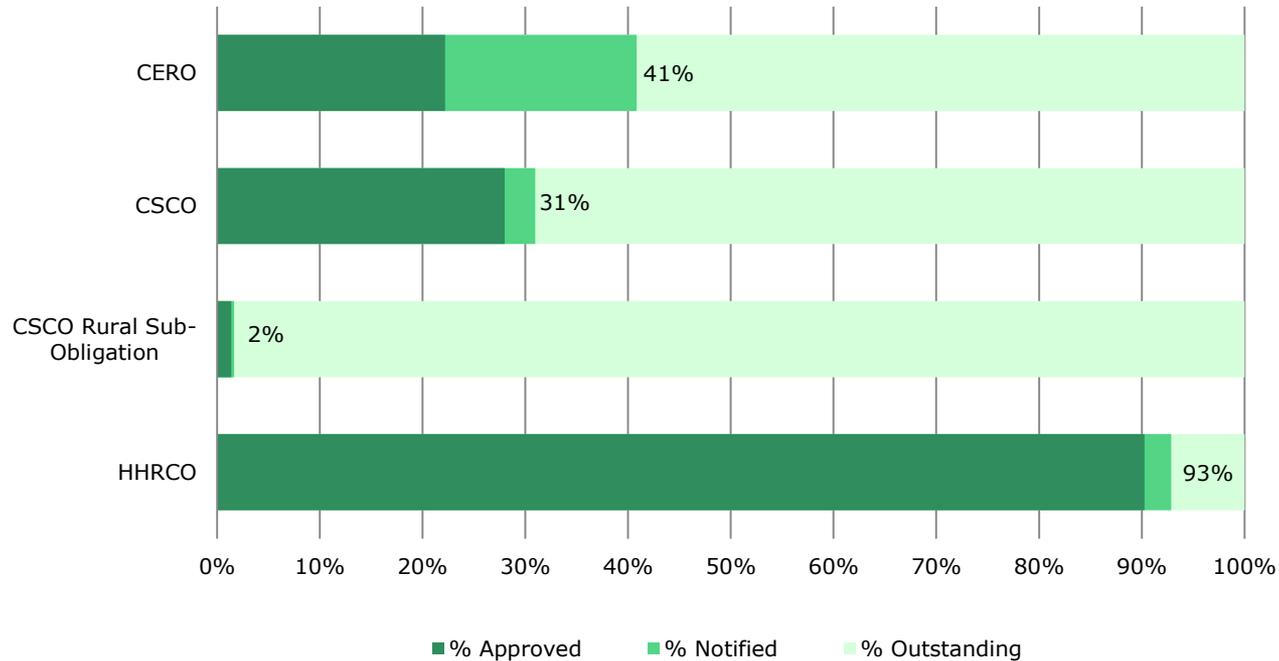
- a) Ofgem update
- b) Payment issues

Ofgem ECO 1.2 Consultation

David Fletcher & Mary Smith
25/07/14

ofgem

Supplier Progress



- 818,701 measures notified (to May) and 622,389 measures approved (to the end of June).
- Interim measures for ECO 1.2 legislation will be included from August report at the earliest.
- 5,200 queries have been received to date.

ECO Supplier delivery

- Suppliers have now provided delivery plans for meeting their obligations; we will continue to monitor these closely.
- Following the legislation being laid, work can now start on interim measures and excess actions. We will be contacting suppliers shortly with further information.
- Information regarding the process of informing suppliers where measures have been rejected has been published on our website ¹.

1 - <https://www.ofgem.gov.uk/publications-and-updates/notifying-supplier-decision-refuse-or-revoke-approval-measure>

Proposed legislative changes in ECO 1.2

- based on the legislation laid by DECC

Amending Order (ECO1.2)

- CERO target reduction
- Changes to CSCO areas
- New CERO primary measures
- Early CERO delivery uplift
- Optimum carry forward of excess actions
- Interim provision

- 
- Changes up to March 31 2015
 - First obligation period (OP1)
 - Laid 22 July 2014
 - Coming into force ~ Nov 2014
 - Applying from 1 April 2014

Consulting on the amendments to our guidance

- Ofgem will consult on the aspects of our guidance where we are required to use discretion in our interpretation of the legislative changes
- The majority of legislative amendments to ECO 1.2 are prescriptive which require little discretion from Ofgem
- The consultation document will be available on the Ofgem website throughout the six week period, and it is hoped that a range of stakeholders will engage and provide their input

Key areas we need input

ECO 1.2 changes:

- Proposed **minimum installation levels** (depth and area) for the new CERO primary measures - wall and roof space insulation;
- Identifying exceptions to the precondition that a domestic premises must have wall or roof-space insulation where a **district heating connection** is to be installed. Understanding the specific circumstances and how suppliers can demonstrate for compliance purposes that the precondition cannot be met.

In addition we are also consulting on the following issue unrelated to the ECO1.2 changes:

- Providing evidence of compliance with building regulations

ECO 1.2 Consultation Timeline

| Key Dates | Activity |
|----------------|-----------------------------------------------------------|
| 22 July | DECC laid amending Order |
| Early August | Ofgem launch consultation |
| Mid September | Ofgem close consultation |
| Late October | Ofgem publish response to consultation and final guidance |
| Early November | Amending Order comes into force |

Consultation Events

- Ofgem will run a series of workshops at Millbank throughout the consultation period aimed at discussing specific issues affected by the new legislation
- Due to limited capacity we may not be able to offer places to all stakeholders. We are therefore looking for expertise via expressions of interest for each working group.
 - [District Heating](#)
 - [De minimis Levels for Primary Measures and Building Regulations](#)
- We are asking stakeholders to express their interest in attending sessions by 30 July

Workshop Timetable

| Date | Consultation Event |
|----------------------------------|-------------------------------------------------------|
| 13 th August 1-4pm | Workshop 1: District Heating |
| 28 th August 1-4pm | Workshop 2: Primary Measures and Building Regulations |

- We will also run a separate round table event for obligated energy companies on 19 August to get initial feedback on the drafting of the guidance (as consulted on).

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.



Agenda Item 5: **Green Deal Update**

- a) Green Deal Home Improvers Fund
- b) Green Deal Communities

Green Deal Communities Update.

Steve Ives



Energy Act 2011 : Minimum Energy Performance Standards

(Secondary Regulations)

25 July 2014



Why regulate?

- UK has one of the least energy efficient building stocks in Europe
- Worst performing domestic stock linked to excess cold health hazard and fuel poverty
- Domestic PRS has greatest proportion of the least energy efficient properties; 18% of non-domestic properties are in the very lowest EPC bands – those rated F and G.
- Regulation to come after opportunity for voluntary improvement



What the Energy Act says

- By April 2016 tenants to be provided with **a right to request energy efficiency improvements**. The request may not be unreasonably refused by the landlord
- By April 2018 the **least energy efficient property (expected to mean F & G EPC rated) will be prohibited from let** until they are improved (also covers non-domestic property)
- Detail to be confirmed later under secondary legislation



Broad principles in consultation (1/3)

- **Costs** – all energy efficiency improvements required must be financeable without upfront cost to the landlord (e.g. must have the option of a Green Deal)
- **Financing** – merits of an alternative cost cap for non-domestic properties below an E –simple payback option and availability of commercial finance?
- **Permissions** - landlord only required to do works where relevant consents are obtainable (e.g. planning permission, freeholder consent, occupying tenant consent etc)
- **Building safeguards** – works that would result in property devaluation would not be required. Listed buildings out of scope
- **Enforcement** - local authorities to enforce with provision for appeals process
- **Trajectory** – should plans beyond 2018 be developed and set out now?



Broad principles in consultation (2/3)

- **Cost cap** – all energy efficiency improvements required must be financeable without upfront cost to the landlord (e.g. must have the option of a Green Deal)
- **Ancillary costs** – should “no-upfront costs” include the cost of a GDAR (i.e. should these be free, or landlords be exempt if they have to pay)?
- **Financing** – merits of an alternative cost cap for non-domestic properties below an E –simple payback option and availability of commercial finance?
- **Permissions** - landlord only required to do works where relevant consents are obtainable (e.g. planning permission, freeholder consent, occupying tenant consent etc)



Broad principles in consultation (3/3)

- **Compliance** – how can landlords demonstrate they are compliant?
- **Enforcement** - local authorities to enforce with provision for appeals process, how to do this without heavy burden on LAs
- **EPCs** - how to take account of EPC methodological changes/ concerns over reliability of EPCs
- **Trajectory** – should plans beyond 2018 be developed and set out now?
- **Trigger** for the regulations – just new leases, renewals, all leases?



Next steps

- Respond to the consultation

<https://www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-non-domestic>

<https://www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-domestic>

- For more background and detail – read the working group reports (Broad representation stakeholder working groups advising on detail of the regulations)

<https://www.gov.uk/government/publications/domestic-private-rented-sector-regulations-working-group-report-report-to-government>

<https://www.gov.uk/government/publications/non-domestic-private-rented-sector-regulations-working-group-report-report-to-government>

Contact details: **Marcia Poletti**
marcia.poletti@decc.gsi.gov.uk



Fuel Poverty Strategy.



Fuel poverty package this week

To highlight the Government's commitment to make a real and lasting difference on fuel poverty, we have:

- laid draft regulations to create in law a new fuel poverty target
- launched ***Cutting the cost of keeping warm*** - a consultation to help prepare for a new fuel poverty strategy
- published the findings of the first ***Triennial Review of the Fuel Poverty Advisory Group for England (FPAG)*** – confirming FPAG's critical role in scrutinising our strategy to keep us on track towards our target.

Also published:

- ***Fuel Poverty Energy Efficiency Rating Methodology*** - setting out in detail how to measure the energy efficiency of fuel poor households in relation to a new fuel poverty target for England.
- ***Understanding the Behaviour of Households in Fuel Poverty*** - a literature review on understanding the behaviour of fuel poor households.



The Fuel Poverty Target

The Fuel Poverty (England) Regulations 2014 were laid before Parliament on 22 July

Regulations will create in law a new fuel poverty target - to ensure that **as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C, by 2030**

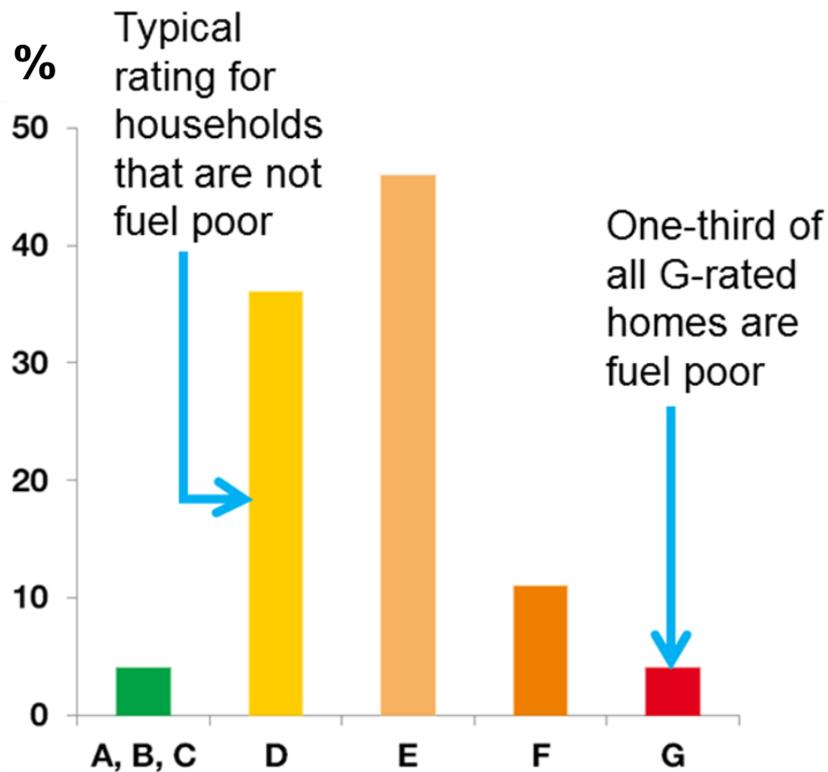
In addition to the legislative target, we are required by law to set interim milestones in the future fuel poverty strategy

Consultation proposes:

- **as many fuel poor homes as is reasonably practicable to Band E by 2020**
- **as many fuel poor homes as is reasonably practicable to Band D by 2025**



What the target means



Given the current distribution of fuel poor homes by energy efficiency band **the target and milestones represent a significant commitment.**

Consulting ahead of the Strategy

Cutting the Cost of Keeping Warm - a consultation to help us prepare for a new fuel poverty strategy

- Seeks views on how we can improve the design and delivery of policy in order to meet the fuel poverty target
- Seeks views on the interim milestones
- Sets out how we want to make progress across four key themes:
 - ✓ Warmer Homes
 - ✓ Supporting People
 - ✓ Fairer Energy Markets
 - ✓ Improving delivery
- Sets out how we will review the strategy regularly, and check progress against the target – includes annual debate in Parliament



What happens next?

- Target Regulations will be subject to affirmative resolution in both Houses - they will come into force once debated by Parliament after summer recess.
- We are required by law to consult in preparation for the fuel poverty strategy
- The consultation runs for 12 weeks and will close on 7 October – planning consultation events
- Government can only publish a fuel poverty strategy once the consultation has closed and the Regulations have come into force.
- We currently expect to publish the fuel poverty strategy before the end of the year



The Future of the Energy Company Obligation

Government response

25 July 2014



Government Response

2015 Targets

CERO:

- Reduced to 14MtCO₂ and applied to Phase 3 only.
- Fungible with 1.1 multiple if 2015 target not met

CSCO and AW:
No changes

Surplus actions

CERO & CSCO: surplus permitted

AW: measures installed from 1 Jan 14 eligible; but with 'exchange rate' equalising the value across both periods (uplifts and deflator).

Replacement boilers (surplus actions)

- 1 Jan 14 and 31 Dec 14 – option to provide installation warranty that meets the 15-17 requirements
- 1 Jan and 31 Mar 15 - must meet relevant 15-17 warranty requirements
- Warranty reflected in exchange rates

2017 Targets

New 2017 targets

CERO
12.4 MtCO₂

CSCO
6 MtCO₂

Affordable Warmth
£3.7bn (notional bill savings)



Government Response

Further changes applicable to the current ECO period (from 1 April 2014)

- CERO – loft, easy to treat cavities and DHS eligible primary measures from 1 April 2014.
- CSCO – eligibility extended from 15% to approximately 25% lowest areas on IMD.
- CSCO Rural – eligibility extended to any domestic property located in approximately the lowest 25% of rural areas, as well as to households in rural areas who are members of the Affordable Warmth Group.
- Permitting carry-forward from CERT and CESP - allowing suppliers who were in the same group of companies on 31st December 2012 to make an application showing how CERT actions could have been most effectively allocated between them.
- Updated spreadsheet containing eligible LSOAs and Datazones available on the DECC website
- No changes to Affordable Warmth



Government Response

Solid Wall Minimum Obligation

- Target for 2017 set at 4MtCO₂ – equivalent to 100,000 households.
- Set on a phased basis, commencing from scheme inception on 1 January 2013.
- SWI lifetime set as 36 years, with an appropriate guarantee required.
- Secondary measures not permitted to count towards this target.

Levelisation

- Threshold set at 35%, with the multiplier set at 1.75.
- Primary measures above 35% – SWI and HTTC – eligible for the carbon uplift.
- Invite energy suppliers to set out publicly how they propose to pass any additional cost savings to consumers.



Government Response

Affordable Warmth - Non-gas households

- Uplifted scores will apply to measures where main space heating systems are ‘non-gas’:
 - 35% for insulation measures
 - 45% for ‘non-gas’ qualifying boilers
- Deflated score (20%) will apply to gas ‘qualifying boilers’ replacements
- Introduction of repair and replacement ‘qualifying electric storage heaters’. These will be scored in the same way as ‘qualifying boilers’



Government Response

Improving the Customer Experience

- Maintain current recommendation requirements - GDR's will not be mandated as the default route into ECO
- Retain the express requirement for ECO measures to be installed in accordance with PAS to avoid any relaxation in consumer protection
- One year installation warranty required for all boiler replacements (2015-17)

Further changes

- No change to legislation to influence accounting practices of the obligation
- No minimum requirement to trade on brokerage at this time.
- No minimum requirement to blend ECO funding with Green Deal finance at this time.
- Measures can be approved for transfer without requiring the Administrator to assess whether a supplier is likely to meet particular obligations.
- Continue to look at the merits of deemed scores. No change to the 1 month reporting requirement.



Contact

ECO Policy

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The Future of The ECO: Final Impact Assessment

25 July 2014



Introduction

- The Final Impact Assessment (IA) was published alongside the Government response to the consultation:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335098/20140721_The_Future_of_ECO_consultation_Final_IA.pdf
- The IA covers the estimated impacts of both the changes to the 31 March 2015 ECO targets and the two year target period to 31 March 2017
- Content of this presentation:
 - Analytical framework
 - Headline results



Analytical framework

- As discussed in the 23 May steering group analytical meeting, the analytical tools available for the final IA have not changed significantly since the earlier assessments.
- Changes from the consultation assessment (further details are in the IA):
 - The IA uses more up to date statistics on delivery by company which increases the estimated impact of the levelisation mechanism (details of assumed “actual” carbon target ambition remaining in Annex J)
 - In the consultation, we assumed delivery in March to be the same as in February
 - Changed parameters affecting the uptake of SWI to deliver more external, not internal SWI
 - Updated assumptions from Ofgem on carry-forward from CERT
 - Delivery figures for period to 31 March 2014 reflect statistics
 - Assumed that companies bring forward some of the 2017 target to the period before March 2015
 - The cost of installing heating measures is decreased
 - The AW model now recognises variation in dwelling size, thereby capturing the cheap potential from large houses
 - Change in the incentive and ability to deliver packages of measures and ETT CWI



Headline findings

- The estimated impact of the levelisation mechanism is to reduce the CERO target ambition by 2.26MtCO₂ lifetime
 - Greater than what we assumed in the consultation assessment due to an overall ramp-up in delivery rates to the end of March
 - Actual impact will depend on final approved measures from Ofgem
- Around 1m households supported in the period to 31 March 2015 (gross)
 - Fewer than under the old regulation, but a net increase in 600,000 households supported for the entire target period to 2017.
- Around 102,000 SWI, 995,000 CWI, 514,000 LIs and 500,000 heating measures taken up to the end of March 2017 (gross)
 - The net impact is an increase in number of measures overall
 - The estimated mix of measures delivered, and the distribution of these, remain illustrative as Government does neither regulate nor control this
- Average annual ECO delivery cost
 - ~£1bn in the 2.25 year target period to 31 March 2015
 - ~£0.8bn in the 2 year target period to 31 March 2017



Any other business?



Next meeting is on **26/09/14**,
same time same place.

Thank you.