
EXPLANATORY NOTE

(This note is not part of the Order)

Overview

This Order applies in Great Britain. The Order is administered and enforced by the Gas and Electricity and Markets Authority (the “Administrator”).

It sets out at article 3 three overall energy efficiency targets which must be achieved by electricity and gas suppliers in the period 1st April 2015 to 31st March 2017 (the “2015-17 obligation period”). These are—

- (a) the carbon emissions reduction target;
- (b) the carbon saving community target; and
- (c) the home heating cost reduction target.

The Administrator is required to apportion the three overall targets between gas and electricity suppliers, in accordance with the Order. A supplier’s share of a target is referred to as its “obligation”.

A supplier’s carbon emissions reduction obligation, measured in lifetime tonnes of carbon dioxide saved, must be achieved by promoting carbon qualifying actions, defined in article 12. Those actions will lead to a reduction in carbon dioxide emissions (“carbon savings”), which are calculated as provided for in article 18. Each supplier is required to achieve carbon qualifying actions with carbon savings which are equal to its total carbon emissions reduction obligation. As part of the carbon emissions reduction obligation, a supplier must achieve a minimum amount of carbon savings by the promotion of solid wall insulation (the “solid wall minimum requirement”, which is determined under article 13).

A supplier’s carbon saving community obligation, measured in lifetime tonnes of carbon dioxide saved, must be achieved by promoting carbon saving community qualifying actions in accordance with article 14. Those actions will lead to carbon savings, which are calculated as provided for in article 18. Each supplier is required to achieve carbon saving community qualifying actions with carbon savings which are equal to its total carbon saving community obligation.

A supplier’s home heating cost reduction obligation, measured in costs saved, must be achieved by promoting heating qualifying actions in accordance with article 16. Those actions will lead to a cost saving (as defined in article 2) and are attributed with a cost score, calculated by reference to the cost saving, in accordance with articles 19 to 23. Each supplier is required to achieve heating qualifying actions with carbon scores equal to its total home heating cost reduction obligation.

Parts 2 and 3 of the Order

Article 3 sets out the three overall targets which are to be met by suppliers.

Articles 4 to 10 set out the basis upon which the Administrator is to apportion the three overall targets between gas and electricity suppliers and the procedure to be followed by suppliers and the Administrator in doing so. A share of the targets is imposed on gas and electricity suppliers who have more than 250,000 domestic customers and who supply more than a specified amount of electricity or gas, or are in a group of suppliers which meets these thresholds. A supplier’s total obligation in respect of each target is determined in two phases, each covering a year of the obligation period, by reference to the supplier’s customer numbers and supply in the previous calendar year.

The Electricity and Gas (Energy Companies Obligation) Order 2012 (S.I. 2012/3018) (the “2012 Order”) imposes a carbon emissions reduction obligation on suppliers which must be met by no later than 31st March 2015 (an “ECO1 CERO target”). Article 11 of this Order provides that, if a supplier fails to meet its ECO1 CERO target, its carbon emissions reduction obligation for this 2015-17 obligation period is increased. The increase is the amount, in lifetime tonnes of carbon dioxide, by which it failed to meet its ECO1 CERO target, multiplied by 1.1.

Part 4 of the Order

Article 12 provides that a supplier’s carbon emissions reduction obligation must be achieved by no later than 31st March 2017, and by promoting carbon qualifying actions, defined in this article. It also provides that as part of the carbon emissions reduction obligation, a supplier must achieve a minimum amount of carbon savings by the promotion of solid wall insulation (the “solid wall minimum requirement”). A supplier’s solid wall minimum requirement is determined under article 13.

Article 14 provides that a supplier’s carbon saving community obligation must be achieved by no later than 31st March 2017 by promoting carbon saving community qualifying actions, as defined in this article, in an area of low income, with the following exceptions—

- (a) at least 15% of a supplier’s total carbon saving community obligation must be met by carbon saving community qualifying actions promoted—
 - (i) to a member of the affordable warmth group living in a rural area, or
 - (ii) in a deprived rural area; and
- (b) a supplier is allowed to promote carbon saving community qualifying actions in a specified adjoining area which adjoins an area of low income, subject to limits set out in article 15.

Article 16 provides that a supplier’s home heating cost reduction obligation must be achieved by no later than 31st March 2017, and by promoting heating qualifying actions, defined in this article.

Suppliers must notify qualifying actions to the Administrator in accordance with article 17. A notification must include a calculation of the carbon saving or cost score, as applicable, for the qualifying action.

Article 18 makes provision regarding the determination of the carbon saving for a qualifying action.

Articles 19 to 23 make provision regarding the determination of the cost score for a heating qualifying action.

Article 24 allows a supplier to apply to the Administrator for approval of an appropriate methodology for calculating the carbon or cost saving of a qualifying action.

The Administrator must attribute a carbon saving or cost score, as applicable, to each qualifying action notified to it, in accordance with article 25.

Suppliers can apply to the Administrator under article 26 to transfer qualifying actions from one supplier to another.

A supplier can also apply to the Administrator under article 27 to credit towards its obligations an action carried out and approved under the 2012 Order (a “surplus action”). Articles 28 and 29 set out how the carbon saving or cost score of a surplus action is to be calculated. Once approved, suppliers can apply under article 30 to transfer surplus actions from one supplier to another.

Part 5 of the Order

Article 31 requires the Administrator to determine, at the end of the 2015-17 obligation period, whether a supplier has achieved its obligations. The Administrator must also deliver monthly reports to the Secretary of State during the course of the 2015-17 obligation period, and a final report at the end setting out whether each of the overall targets set for suppliers in article 3 has been achieved.

Article 32 enables the Administrator to request information from suppliers regarding the requirements of this Order.

Article 33 requires the Secretary of State to publish the energy savings achieved by suppliers once a year.

Article 34 provides that a requirement placed on a supplier by this Order is a relevant requirement for the purpose Part I of the Electricity Act 1989 and Part I of the Gas Act 1986.

A full impact assessment of the effect that this instrument will have on the costs of business, the voluntary sector and the public sector is available from the Department of Energy and Climate Change, 3 Whitehall Place, London, SW1A 2AW and is published with the Explanatory Memorandum alongside the instrument on www.legislation.gov.uk.