
DRAFT STATUTORY INSTRUMENTS

2014 No.

The Electricity and Gas (Energy
Company Obligation) Order 2014

PART 4

Achievement of obligations, determining savings and surplus actions

Achievement of carbon emissions reduction obligation

12.—(1) A supplier must achieve its total carbon emissions reduction obligation by no later than 31st March 2017.

(2) A supplier must—

- (a) achieve its total carbon emissions reduction obligation by promoting carbon qualifying actions; and
- (b) in meeting that obligation, promote the installation of solid wall insulation so that the supplier achieves at least the solid wall minimum requirement which applies to the supplier.

(3) A carbon qualifying action is the installation, at domestic premises, of a measure which is—

- (a) a primary measure or, subject to paragraph (4), a secondary measure;
- (b) installed on or after 1st April 2015 and in accordance with the Publicly Available Specification, where the installation is referred to in the Specification; and
- (c) except in respect of a primary measure described in paragraph (g) of the definition of “primary measure”, a recommended measure.

(4) A secondary measure is not a carbon qualifying action unless—

- (a) it is installed at the same premises where a primary measure has been or will be installed (“a related primary measure”);
- (b) except where the related primary measure is described in paragraph (g) of the definition of “primary measure”, the installation and supplier conditions are met in respect of the secondary measure; and
- (c) where the related primary measure is—
 - (i) described in any of paragraphs (a) to (d) of the definition of “primary measure”, it is installed to at least 50% of the roof area of the premises;
 - (ii) loft insulation, it is installed in lofts which have no more than 150mm of insulation before the installation takes place and results in the lofts being insulated to a depth of no less than 250mm;
 - (iii) wall insulation, it is applied to at least 50% of the walls which are exterior facing;
 - (iv) insulation applied to the ceiling, floor and walls of a mobile home, it is applied to at least 50% of the mobile home;

(v) described in paragraph (g) of the definition of “primary measure”, the supplier condition is met.

(5) Where a secondary measure is installed before a related primary measure, the secondary measure is not completed for the purposes of article 17 until the installation of the related primary measure is complete.

(6) In this article—

“installation condition” means that the secondary measure is installed on the same date as, or no more than six months before, or no more than six months after, the date on which the related primary measure is installed;

“primary measure” means—

- (a) flat roof insulation;
- (b) loft insulation;
- (c) rafter insulation;
- (d) room-in-roof insulation;
- (e) wall insulation;
- (f) insulation applied to the ceiling, floor and walls of a mobile home; or
- (g) a relevant district heating connection;

“secondary measure” means a measure, other than a primary measure, which is installed to improve the insulating properties of domestic premises;

“supplier condition” means that the secondary measure is installed by the same supplier who installs the related primary measure.

A supplier’s solid wall minimum requirement

13.—(1) A supplier’s solid wall minimum requirement is, in MtCO₂,—

A – B

where—

“A” is the sum of provisional solid wall minimum requirements which have been determined for the supplier in respect of phases 1 and 2 under article 7(2);

“B” is the appropriate carbon saving for all solid wall insulation that is—

- (a) an ECO1 qualifying action which was—
 - (i) credited against the supplier’s obligations under the 2012 Order; and
 - (ii) required by the supplier to meet its obligations under the 2012 Order;
- (b) a carbon saving community qualifying action or surplus action, where the action is credited against the supplier’s total carbon saving community obligation;
- (c) a heating qualifying action or surplus action, where the action is credited against the supplier’s total home heating cost reduction obligation.

(2) In this article, “appropriate carbon saving” means in relation to—

- (a) an ECO1 qualifying action or a surplus action, the carbon saving, in MtCO₂, for that action calculated by determining the saving in accordance with article 16(6) of the 2012 Order;
- (b) a qualifying action which is credited against the supplier’s total carbon saving community obligation or total home heating cost reduction obligation, the carbon saving, in MtCO₂, for that solid wall insulation calculated in accordance with article 18.

Achievement of carbon saving community obligation

14.—(1) A supplier must achieve its total carbon saving community obligation by the end of March 2017.

(2) Subject to paragraph (3) and article 15, a supplier must achieve its total carbon saving community obligation by promoting carbon saving community qualifying actions in an area of low income.

(3) A supplier must achieve at least 15% of its total carbon saving community obligation by promoting carbon saving community qualifying actions—

- (a) to members of the affordable warmth group living in a rural area; or
- (b) in a deprived rural area.

(4) A carbon saving community qualifying action is the installation, at domestic premises, of a measure in paragraph (5) where the conditions in paragraph (6) are satisfied.

(5) The measures referred to in paragraph (4) are—

- (a) a recommended measure installed to improve the insulating properties of the premises; or
- (b) a relevant district heating connection.

(6) The conditions referred to in paragraph (4) are that the installation must be carried out—

- (a) on or after 1st April 2015; and
- (b) in accordance with the Publicly Available Specification where the installation is referred to in the Specification.

Actions in specified adjoining areas of low income

15.—(1) This article applies where there is—

- (a) an area of low income (“area A”); and
- (b) in relation to area A, a specified adjoining area (“area B”).

(2) Subject to the limit in paragraph (3), where a supplier promotes carbon saving community qualifying actions in area A, the supplier may promote carbon saving community qualifying actions in area B (“adjoining installations”).

(3) The sum total of the carbon savings for adjoining installations which—

- (a) are achieved by the supplier; and
- (b) relate to area A,

must not exceed 25% of the sum of the carbon savings for all carbon saving community qualifying actions achieved by that supplier in area A.

(4) A supplier must identify, when notifying an adjoining installation under article 17, the areas A and B to which the installation relates.

(5) Only one area A may be notified under paragraph (4) in relation to an adjoining installation.

Achievement of home heating cost reduction obligation

16.—(1) A supplier must achieve its total home heating cost reduction obligation by the end of 31st March 2017.

(2) Subject to paragraphs (6) and (7), a supplier must achieve its total home heating cost reduction obligation by promoting heating qualifying actions.

(3) Subject to paragraphs (4) and (5), a heating qualifying action is the installation of a measure—

- (a) at private domestic premises occupied by a member of the affordable warmth group; and

- (b) which results in a reduction in the cost of heating those premises to 21 degrees Celsius in the main living areas and 18 degrees Celsius in all other areas.
- (4) A heating qualifying action which is the repair of a qualifying boiler or a qualifying electric storage heater must be accompanied by a warranty for at least one year.
- (5) A heating qualifying action must be carried out—
 - (a) by a person of appropriate skill and experience;
 - (b) on or after 1st April 2015; and
 - (c) in accordance with the Publicly Available Specification where the installation is referred to in the Specification.
- (6) No more than 5% of a supplier’s total home heating cost reduction obligation may be achieved by the repair of a qualifying boiler.
- (7) No more than 5% of a supplier’s total home heating cost reduction obligation may be achieved by the repair of a qualifying electric storage heater.
- (8) A supplier must ensure that a heating qualifying action which is—
 - (a) a replacement boiler is accompanied at the time installation is complete by a qualifying warranty;
 - (b) a replacement electric storage heater is accompanied by a warranty for one year.
- (9) In this article “private domestic premises” means domestic premises other than premises described in Schedule 4.

Notifications of qualifying actions

17.—(1) A supplier must by the end of each relevant calendar month notify the Administrator in writing of each qualifying action completed in the calendar month immediately prior to the calendar month in which the notification is required to be made in accordance with this paragraph.

- (2) A notification under paragraph (1) must—
 - (a) identify which obligation the qualifying action is intended to be credited against; and
 - (b) include, as appropriate, the carbon saving or cost score for each qualifying action.
- (3) Except where article 12(5) applies, a qualifying action is completed when its installation is complete.
- (4) A supplier may apply to the Administrator for a completed qualifying action to be notified after the date required by paragraph (1).
- (5) An application under paragraph (4) must provide details of why a supplier is seeking an extension of time to notify the completed qualifying action.
- (6) The Administrator may extend the period for notifying a qualifying action which has been completed for such period as it thinks fit provided that the reason for the application is one other than an administrative oversight on the part of the supplier.
- (7) A notification under this article must include such information relating to a qualifying action as the Administrator may from time to time require.
- (8) In this article—
 - “overall obligation period” means—
 - (a) for a supplier other than a new supplier, the period beginning with 1st April 2015 and ending with 31st March 2017;
 - (b) for a new supplier, the period beginning with 1st April 2016 and ending with 31st March 2017;

“relevant calendar month” means—

- (a) a calendar month in the overall obligation period for the supplier (but excluding April 2015 if that month would otherwise form part of that period); and
- (b) April 2017.

Determining the carbon saving for a qualifying action

18.—(1) Subject to paragraph (2), the carbon saving for a qualifying action notified under article 17 is calculated—

- (a) in accordance with the following formula—

$$(A - (A \times B)) \times 0.925$$

where—

- (i) “A” is the carbon dioxide equivalent saving for the qualifying action, determined in accordance with the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure; and
 - (ii) “B” is the relevant in-use factor; or
- (b) in accordance with an appropriate methodology approved by the Administrator under article 24.

(2) Where the qualifying action is a measure installed in Scotland, the carbon saving for that action may also be calculated by determining the saving in accordance with SAP 2009 and reducing that saving by the relevant in-use factor.

(3) Where a qualifying action is the installation of solid wall insulation which is accompanied by an appropriate warranty, the expected lifetime of the solid wall insulation, for the purpose of calculating its carbon saving, is 36 years.

- (4) In this article—

“appropriate warranty” means a warranty which the Administrator is satisfied—

- (a) is supported by a mechanism that gives assurance that—
 - (i) funds will be available to honour the warranty; and
 - (ii) the installation of the solid wall insulation and products used in the solid wall insulation comply with a quality assurance framework;
- (b) is for 25 years or more; and
- (c) provides for repair, or replacement where appropriate, of the solid wall insulation, covering the cost of remedial and replacement works and materials;

“carbon dioxide equivalent saving” means, in respect of a measure, the amount in tonnes of carbon dioxide equivalent that is expected to be saved over the lifetime of the measure;

“international carbon reporting practice” has the meaning given by section 94(1) of the Climate Change Act 2008(1);

“tonne of carbon dioxide equivalent” means—

- (a) a tonne of carbon dioxide; or
- (b) an amount of—
 - (i) methane;
 - (ii) nitrous oxide;

- (iii) methane and nitrous oxide combined; or
 - (iv) carbon dioxide mixed with one or both of the gases listed in sub-paragraphs (i) and (ii),
- with an equivalent global warming potential to one tonne of carbon dioxide (calculated consistently with international carbon reporting practice).

Determining the cost score for a qualifying action

19.—(1) Subject to article 23, the cost score for a heating qualifying action notified under article 17 is calculated—

- (a) except where sub-paragraph (b) or (c) applies and subject to paragraph (2), by determining the cost saving for the qualifying action in accordance with—
 - (i) the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure; or
 - (ii) an appropriate methodology approved by the Administrator under article 24;
- (b) in the case of the repair or replacement of a qualifying boiler, in accordance with article 20 or article 21, as applicable; or
- (c) in the case of the repair of a qualifying electric storage heater or the replacement of a qualifying electric storage heater by another electric storage heater, in accordance with article 22.

(2) Where paragraph (1)(a) applies in respect of a qualifying action installed in Scotland, the cost score for that action may also be calculated by determining the cost saving in accordance with SAP 2009.

(3) Where a qualifying action is the installation of solid wall insulation which is accompanied by an appropriate warranty, the expected lifetime of the solid wall insulation, for the purpose of calculating its cost score, is 36 years.

(4) In paragraph (3), “appropriate warranty” has the meaning given in article 18.

Determining the cost score for a qualifying boiler repair and replacement

20.—(1) Subject to articles 21 and 23, the cost score for the repair or replacement of a qualifying boiler must be determined in accordance with the following formula—

$$(A - B) \times N$$

(2) In paragraph (1)—

“A” is the cost of heating the premises (“P”) where the repaired or replaced boiler is situated and, where applicable, the cost of heating water at P as determined in accordance with—

- (a) the Standard Assessment Procedure or (but only if the repair or replacement was carried out in Scotland) SAP 2009;
- (b) the Reduced Data Standard Assessment Procedure; or
- (c) an appropriate methodology for calculating the cost savings approved by the Administrator under article 24,

where the calculation is based on the absence of a working heating system in P;

“B” is the cost of heating P and, where applicable, heating water at P using, as applicable, the boiler that was repaired or the replacement for the boiler;

“N” is—

- (a) in the case of a repair of a qualifying boiler which is accompanied with—

- (i) a warranty for at least one year, but less than two years, 1;
- (ii) a warranty for two years or more, 2;
- (b) in the case of a replacement of a qualifying boiler, 12.

Determining the cost score for a gas fuelled qualifying boiler replacement

21. The cost score for the replacement of a qualifying boiler by another boiler, where both the boiler being replaced and the replacement boiler are fuelled by mains gas, must be determined by reducing the amount calculated in accordance with article 20 by 20 per cent.

Determining the cost score for a qualifying electric storage heater repair and replacement

22.—(1) The cost score for—

- (a) the repair of a qualifying electric storage heater; or
 - (b) the replacement of a qualifying electric storage heater by another electric storage heater,
- must be determined in accordance with the following formula—

$$(A - B) \times N$$

(2) In paragraph (1)—

“A” is the cost of heating the part of the premises (“PP”) which is heated by the repaired or replaced electric storage heater as determined in accordance with—

- (a) the Standard Assessment Procedure or (but only if the repair or replacement was carried out in Scotland) SAP 2009;
- (b) the Reduced Data Standard Assessment Procedure; or
- (c) an appropriate methodology for calculating the savings approved by the Administrator under article 24,

where the calculation is based on the absence of a working heating system for PP;

“B” is the cost of heating PP using, as applicable, the electric storage heater that was repaired or the replacement electric storage heater;

“N” is—

- (a) in the case of a repair of a qualifying electric storage heater which is accompanied with—
 - (i) a warranty for at least one year, but less than two years, 1;
 - (ii) a warranty for two years or more, 2;
- (b) in the case of a replacement of a qualifying electric storage heater, 20.

Determining the cost score for heating qualifying actions installed at non-gas fuelled premises

23.—(1) This article applies where a heating qualifying action is installed at premises which—

- (a) are non-gas fuelled prior to installation of the measure; and
- (b) remain non-gas fuelled when installation of the measure is complete.

(2) Where this article applies, the cost score for the heating qualifying action is the amount calculated in accordance with article 19 or 20 as applicable, increased by—

- (a) 35 per cent, where the action is a measure installed to improve the insulating properties of the premises;
- (b) 45 per cent, where the action is—

- (i) the replacement of a qualifying boiler by a measure other than an electric storage heater; or
 - (ii) the repair of a qualifying boiler.
- (3) For the purposes of this article, premises are non-gas fuelled where the main space heating system for the property is not—
- (a) fuelled by mains gas; or
 - (b) a district heating system.

Approval of an appropriate methodology for the carbon saving or cost saving

24.—(1) For the purposes of determining the carbon saving or the cost score to be attributed to a qualifying action, a supplier may apply to the Administrator to approve a methodology other than the Standard Assessment Procedure or the Reduced Data Standard Assessment Procedure (“an appropriate methodology”).

- (2) An application under paragraph (1) must be made prior to the carrying out of the action.
- (3) The Administrator may approve an appropriate methodology if it is satisfied that—
 - (a) the Reduced Data Standard Assessment Procedure and the Standard Assessment Procedure do not contain a methodology for determining the carbon or cost savings associated with the action; and
 - (b) in cases where the methodology is to be used to determine a carbon saving, it makes provision for the likely performance of measures once they are installed in domestic premises.
- (4) The Administrator must notify a supplier of its decision under this article.

Attributing the carbon saving or cost score to a qualifying action

25.—(1) To determine whether a supplier has achieved its—

- (a) total carbon emissions reduction obligation;
- (b) total carbon saving community obligation; or
- (c) total home heating cost reduction obligation,

the Administrator must attribute a carbon saving or cost score, as applicable, to each qualifying action notified by a supplier under article 17.

- (2) The Administrator must attribute to a qualifying action—
 - (a) where the Administrator is satisfied that the supplier has correctly calculated the carbon saving or cost score, as applicable, the carbon saving or cost score notified by the supplier; or
 - (b) where the Administrator is not satisfied that the carbon saving or cost score notified is correctly calculated, the carbon saving or cost score which the Administrator considers would have been determined for the action had it been accurately calculated.
- (3) The Administrator must notify a supplier of the carbon saving or cost score it has attributed to a qualifying action notified by a supplier.

Transfers of qualifying actions

26.—(1) A qualifying action achieved by a supplier (“A”) may be regarded as achieved by another supplier (“B”) (“a transfer”) if that transfer is approved by the Administrator.

- (2) A and B must—

- (a) apply for approval in writing to the Administrator by no later than 30th April 2017;
 - (b) provide to the Administrator such information as the Administrator may reasonably require; and
 - (c) indicate whether B intends the qualifying action to be credited towards B's—
 - (i) total carbon emissions reduction obligation;
 - (ii) total carbon saving community obligation; or
 - (iii) total home heating cost reduction obligation.
- (3) The Administrator must approve a transfer unless—
- (a) B has indicated that it intends the qualifying action to be credited towards a different obligation to the one it is credited against at the time the application is made; and
 - (b) in a case where sub-paragraph (a) applies, the Administrator is not satisfied that the qualifying action meets the applicable requirements in articles 12 to 16 in respect of that different obligation.
- (4) If the Administrator decides not to approve a transfer under paragraph (3) it must notify A and B of the reasons for that decision.
- (5) If a transfer is approved, the qualifying action is treated as achieved by B and not A.

Surplus actions

- 27.—(1) Not later than 30th November 2015 a supplier may apply to the Administrator in writing to credit a surplus action towards its—
- (a) total carbon emissions reduction obligation;
 - (b) total carbon saving community obligation; or
 - (c) total home heating cost reduction obligation.
- (2) An application under this article must—
- (a) give details of the measure which the supplier considers constitutes a surplus action;
 - (b) indicate which of those obligations the supplier intends the surplus action to be credited towards; and
 - (c) provide a calculation of the carbon saving or cost score for the surplus action, determined in accordance with article 28 or 29 as applicable.
- (3) A surplus action is a measure which—
- (a) is an ECO1 qualifying action which was achieved by the applicant supplier;
 - (b) is not required by the supplier to meet its obligations under the 2012 Order; and
 - (c) if it is intended to contribute towards—
 - (i) the carbon emissions reduction obligation, is an ECO1 carbon qualifying action;
 - (ii) the carbon saving community obligation, is an ECO1 carbon saving community qualifying action which was promoted in an ECO1 area of low income or in accordance with article 13(4) of the 2012 Order⁽²⁾; or
 - (iii) the home heating cost reduction obligation, meets the applicable requirements in paragraph (4).
- (4) The requirements referred to in paragraph (3)(c)(iii) are that—

(2) Article 13(3) is amended by S.I. 2104[].

- (a) the installation of the measure was carried out in the period starting with 1st January 2014 and ending with 31st March 2015;
 - (b) the measure is an ECO1 heating qualifying action which was promoted in accordance with article 15(2) of the 2012 Order; and
 - (c) if installation of the measure was carried out in the period starting with 1st January 2015 and ending with 31st March 2015 and the measure is—
 - (i) a replacement boiler, it was accompanied at the time the installation was completed by a qualifying warranty;
 - (ii) a replacement electric storage heater, it was accompanied by a warranty for one year.
- (5) The Administrator must approve the application if satisfied that the measure to which the application relates is a surplus action.
- (6) A surplus action which is—
- (a) the installation of solid wall insulation; and
 - (b) credited against a supplier’s total carbon emissions reduction obligation,
- may be credited against the supplier’s solid wall minimum requirement.
- (7) A surplus action which is credited against a supplier’s total carbon saving community obligation may be credited against the requirement in article 14(3) which applies to the supplier if the Administrator is satisfied that it was promoted—
- (a) to a member of the affordable warmth group living in a rural area; or
 - (b) in a deprived rural area.
- (8) In this article, “ECO1 area of low income” means an area of low income as defined in article 2 of the 2012 Order.

Determining the carbon saving for a surplus action

- 28.** The carbon saving for a surplus action is—
- (a) the ECO1 carbon saving for that action; or
 - (b) if no ECO1 carbon saving was attributed to the action under article 19 of the 2012 Order, the carbon saving for that action calculated in accordance with article 16(6) of the 2012 Order.

Determining the cost score for a surplus action

- 29.—(1)** Subject to paragraph (2), the cost score for a surplus action is—
 $A \times B$

where—

- (a) “A” is—
 - (i) the cost saving attributed to that action under article 19 of the 2012 Order; or
 - (ii) if no cost saving was attributed to the action under article 19 of the 2012 Order, the cost saving for that action calculated in accordance with article 16(7) of the 2012 Order;
 - (b) “B” is the relevant conversion factor.
- (2) Where a surplus action is the repair or replacement of a qualifying boiler, the cost score for that action is the cost saving for that action calculated in accordance with article 17 of the 2012 Order multiplied by the relevant conversion factor.
- (3) In this article, “relevant conversion factor” means—

- (a) where a measure is described in the first column of the table in Schedule 5, the number specified for that measure in the second column of that table; or
- (b) where a measure is not so described, 1.

Transfers of surplus actions

30.—(1) Where—

- (a) a supplier (“C”) has achieved a surplus action (“S”); and
- (b) the Administrator has approved an application made in respect of S under article 27(5),

S may be regarded as achieved by another supplier (“D”) (“a transfer”) if that transfer is approved by the Administrator in accordance with this article.

(2) C and D must—

- (a) apply for approval in writing to the Administrator by no later than 30th April 2017;
- (b) provide to the Administrator such information as the Administrator may reasonably require; and
- (c) indicate whether D intends S to be credited towards D’s—
 - (i) total carbon emissions reduction obligation;
 - (ii) total carbon saving community obligation; or
 - (iii) total home heating cost reduction obligation.

(3) The Administrator must approve a transfer unless—

- (a) D has indicated that it intends S to be credited towards a different obligation to the one it is credited against at the time the application is made; and
- (b) in a case where sub-paragraph (a) applies, the Administrator is not satisfied that S meets the applicable requirement in article 27(3)(c) in respect of that different obligation.

(4) If the Administrator decides not to approve a transfer under paragraph (3) it must notify C and D of the reasons for that decision.

(5) If a transfer is approved, S is treated as achieved by D and not C.