
EXPLANATORY NOTE

(This note is not part of the Order)

This Order applies in Great Britain. It establishes the Energy Company Obligation scheme for the period to 31st March 2026 for the promotion of measures for reducing the cost to individuals of heating their homes. The scheme is administered and enforced by the Gas and Electricity Markets Authority (the “Administrator”).

Part 1 contains introductory and interpretation provisions.

In Part 2—

- (a) article 3 sets out the overall home-heating cost reduction target for the period from the commencement of the Order to 31st March 2026;
- (b) article 4 sets out who must participate in the scheme. These are licensed electricity and gas suppliers that have more than a specified number of domestic customers at the end of any year between 2021 and 2024 (each being a “qualification year”), and that supply more than a specified amount of gas or electricity to domestic customers during that same year, or that are in a group that meets these thresholds;
- (c) article 5 requires participants to notify the Administrator of their customer numbers and amounts of gas or electricity so supplied.

Part 3 sets out the process for the apportionment of the overall home-heating cost reduction target between participants. A participant’s share of the target is referred to as its total home-heating cost reduction obligation (its “obligation”). A participant’s obligation is determined in four phases, by reference to whether the participant is a participant in relation to the phase, and if so, by reference to the amount of gas or electricity supplied by the participant (or its group) in the qualification year preceding the start of the phase. Phase 1 is the period from the commencement of the Order to 31st March 2023. Phases 2 to 4 are each successive periods of 12 months.

Part 4 requires a participant to achieve its obligation by no later than 31st March 2026, and by promoting “qualifying actions”, which are defined in Part 5 (see article 11). It sets limits on the amount of a participant’s obligation that may be met by certain qualifying actions. It also requires a participant to promote “solid wall actions” at sufficient domestic premises to meet its total “solid wall minimum requirement”, and to promote sufficient qualifying actions at private domestic premises that have an energy efficiency rating of band E, F or G to meet its total “EFG minimum requirement”. The amount of a participant’s solid wall minimum and EFG minimum requirement is determined in four phases by the Administrator under article 6.

Part 5 contains provisions about qualifying actions—

- (a) article 11 sets out different conditions to be met for a measure to be a qualifying action, depending on whether the measure forms part of an ECO4 project, is an in-fill measure, is an ECO3 interim delivery action or a surplus action. These terms are all defined in article 2;
- (b) article 12 sets out general requirements for measures forming part of an ECO4 project or in-fill measures;
- (c) articles 13 to 16 set out different conditions to be met for a measure to be a qualifying action, depending on whether the measure is installed at owner-occupied premises, private rented premises, social housing with an energy performance rating of band D or social housing with an energy performance rating of band E, F or G;

- (d) articles 17 to 21 set out conditions that measures may meet to be a qualifying action, where a relevant authority or participant has made certain declarations;
- (e) articles 22 and 23 set out conditions to be met for a measure to be an in-fill measure;
- (f) articles 24 to 30 set out additional requirements relating to heating measures;
- (g) article 31 sets out further requirements relating to installation standards, consumer protection and smart meter advice.

Part 6 contains provisions about applications for approval of a measure as a standard innovation measure or a substantial innovation measure.

Part 7 contains provisions about applications for approval of a measure as a data light measure or a standard alternative methodology measure. Where an application under Part 6 or Part 7 is approved, some of the provisions of the Order differ for these measures, including the rules for calculating the contribution the measure makes to a participant's obligation.

Part 8 contains provisions about the notification of completed measures—

- (a) except in the case of surplus actions, the requirements for a qualifying action include a requirement for the participant to notify the measure to the Administrator in accordance with article 43;
- (b) the deadline for notification of the measure is set by, or determined under, article 44.

Part 9 contains provisions about surplus actions. A participant, or any other licence-holder on whom a home-heating cost reduction obligation was imposed under the Electricity and Gas (Energy Company Obligation) Order 2018 (S.I. 2018/1183) can apply for a measure promoted under that Order to be recognised as a “surplus action” if it is not required by the applicant to meet its obligations under that Order and meets the criteria in Part 9 of this Order. A measure recognised by the Administrator as a surplus action may contribute towards a participant's obligation under this Order.

Part 10 contains provisions about scores—

- (a) article 46 sets out definitions;
- (b) article 47 requires the Administrator to give a score to each ECO4 project that meets the requirements of article 49 (such a score is known as a full project score). It also requires the Administrator to give a score to each qualifying action which is part of an ECO4 project that does not meet the requirements of article 49, and to each qualifying action which is an in-fill measure, ECO3 interim delivery action or surplus action. The score is the amount the ECO4 project or qualifying action contributes towards the achievement of a participant's obligation;
- (c) before giving any score, the Administrator must calculate various allowances for each participant in accordance with article 48. These allowances affect the calculation of the score for certain ECO4 projects and qualifying actions;
- (d) articles 49 to 52 set out the requirements that an ECO4 project must meet in order to be given a full project score. This includes the minimum requirement for energy efficiency improvement in article 50;
- (e) articles 53 to 65 contain provisions for calculating the full project score;
- (f) articles 66 to 76 contain provisions for calculating the score to be given to a qualifying action in an ECO4 project that does not meet the requirements of article 49 (such a score is known as a partial project score);
- (g) article 77 provides for the calculation of the score to be given to an in-fill measure;
- (h) article 78 provides for the calculation of the score to be given to a surplus action or ECO3 interim delivery action.

Part 11 contains provision about the circumstances in which a measure attracts an exemption for the purposes of certain requirements of the Order.

Part 12 contains provisions about transfer of measures and obligations—

- (a) relevant suppliers can apply to the Administrator under article 80 to transfer notified measures from one to another;
- (b) participants can apply to the Administrator under article 81 to transfer all or part of a participant's obligation, total solid wall minimum requirement or total EFG minimum requirement from one to another.

Part 13 contains provisions about information and enforcement—

- (a) article 82 requires the Administrator to determine before 1st October 2026 whether a participant has achieved its obligation. The Administrator must also deliver monthly reports to the Secretary of State until April 2026, and a final report before 1st October 2026 setting out whether participants achieved the overall home-heating cost reduction target;
- (b) article 83 enables the Administrator to require information and evidence from a participant regarding compliance with the requirements of this Order and the costs of achieving its obligation;
- (c) article 84 requires the Administrator to check copies of purported declarations by relevant authorities with information provided by the relevant authorities, when requested to do so by a participant;
- (d) article 85 provides that a requirement placed on a participant under this Order is a relevant requirement for the purposes of Part 1 of the Electricity Act 1989 and Part 1 of the Gas Act 1986.

A full impact assessment of the effect that this instrument will have on the costs of business and the public sector has been published and is available at www.legislation.gov.uk. Hard copies of the impact assessment can be obtained from the Energy Company Obligation Team, Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London SW1H 0ET.