

# Executive Summary

## Our proposals

1. Although cost-effective abatement measures to tackle energy inefficiency are available in both the domestic and non-domestic sectors, we have Found that there are currently a range of market failures and barriers (see Preface) that prevent the uptake of these abatement measures. The Green Deal and ECO framework has therefore been specifically designed to address several of these market failures and barriers. It has also been designed to create additional incentives to drive demand.
2. The components of the framework are:
  - a government backed remote information and advice;
  - accredited and impartial advice and assessment of properties;
  - an accreditation framework for measures and products; supply chain analysis, and intervention to help create capacity;
  - an accreditation framework for finance providers;
  - low cost finance for energy efficiency measures
  - support through ECO for owners of hard to treat properties who might otherwise not be able to take up Green Deal finance
  - support through ECO for vulnerable and low income households for whom energy performance improvements would help heat their homes more affordably;
  - consent, disclosure and acknowledgement of Green Deal measures;
  - an accreditation framework for installers;
  - provision for collection of finance repayments through the electricity bill and remittance to Green Deal providers or nominated finance providers;
  - partnerships and localised delivery of the Green Deal and ECO to ensure that Green Deal finance and ECO support are seamlessly combined behind the scene;
  - a consumer protection regime to ensure that consumers are protected at every stage through the Green Deal and ECO journey;
  - ECO targets set at a level that will enable delivery against our objectives without overburdening energy companies and bill payers and;
  - monitoring and evaluation to inform future policy development.
3. We are aware that effective oversight of the Green Deal and ECO will be essential to ensure that customers are protected and that the activities of Green Deal participants are monitored to gather useful information on performance that could help improve delivery and help inform future policy. For this reason we are

proposing to appoint an independent body to monitor and oversee the activities of the different participants to the Green Deal and an ECO administrator to monitor and oversee the activities of energy companies in achieving their respective targets under the new ECO. Both bodies would be able to recommend Secretary of State action, where necessary.

4. The Green Deal oversight body will have the following functions:
  - overseeing the register of authorised Green Deal assessors, products, providers and installers;
  - dealing with applications for authorisation of Green Deal providers;
  - managing and monitoring compliance with the Code of Practice;
  - issuing managing the use of the Green Deal Quality Mark;
  - providing up to date details on authorised assessors, products, providers and installers to the advice line in England and Wales and separately in Scotland;
  - Managing advice, referrals and redress when something goes wrong; and
  - overseeing the Green Deal Arrangements Agreement (GDAA).
  
5. The ECO administrator is likely to have functions on the following lines:
  - determining which suppliers are within the scope of the obligation and calculating their obligations (in accordance with formulae set out in the ECO Order);
  - producing detailed guidance to energy suppliers on compliance with the Carbon Saving and Affordable Warmth targets within the scheme, including eligible measures and scoring of measures;
  - advising on suppliers' proposed schemes, where requested to do so;
  - checking and confirming activity undertaken by energy suppliers, and banking this activity to count towards each company's carbon and cost saving obligations;
  - auditing suppliers to check appropriate procedures and systems are in place to ensure that work carried out meets the scheme rules and to guard against fraud;
  - investigating breaches and taking enforcement action, where necessary; and
  - management of data and reporting as specified in the Order.

### **Government backed remote advice service**

6. The Government will support a remote advice service which will consist of a telephone line and website. This will provide: independent and impartial information and support to consumers, businesses and the public sector; referral to accredited Green Deal assessors, installers and providers, and act as an entry point for those who may be eligible for extra support through ECO (see Chapter

- 5). It will also provide advice and referral to assist customers if something goes wrong that cannot be fixed by the Green Deal provider.
7. The advice service will be staffed with appropriately trained advisors who will also provide advice on wider energy efficiency topics e.g. Renewable Heat Incentive and Feed in Tariff. The Green Deal Code of Practice will require all professionals operating under the scheme to inform their customers about this government backed remote advice line and website. Any information or promotional materials supplied around the Green Deal must include the contact details of this independent advice service.

### **Accredited advice and assessment of properties (Chapter 1)**

8. A qualifying assessment (hereafter referred to as a Green Deal assessment) of the fabric and use of a building (domestic and non domestic) is the entry point into the Green Deal. It will not be possible to enter into a Green Deal finance arrangement or install any measure under the Green Deal banner without a Green Deal assessment. The Green Deal assessment is designed to ensure that measures installed in a building are recommended as the most suitable for that building and can improve the energy and thermal performance of that building enough to be eligible for Green Deal finance. The assessment process also helps identify households that may be eligible for further support under the proposed ECO affordable warmth target.
9. A Green Deal assessment can only be carried out by an authorised Green Deal advisor, who for the purposes of the Energy Act and this document is referred to as a Green Deal assessor. To be authorised as a Green Deal assessor one would need to:
- meet the training and qualification requirements for Green Deal Advisors, currently in development.
  - be a registered member of a certification body which has been accredited by the government's chosen accreditation body, United Kingdom Accreditation Service (UKAS).
  - be certified by their certification body against the relevant standards and requirements set out in the Green Deal Code of Practice

Continued authorisation would be contingent on all Green Deal assessors continuously complying with the relevant parts of the Code of Practice and quality assurance requirements put in place by their certification scheme.

10. The Green Deal assessment tool will consist of an improved EPC. This will be based on an improved reduced data Standard Assessment Procedure methodology (RdSAP) in the domestic sector and building on existing Simplified

Building Energy Model methodology (SBEM) in the non-domestic sector. This document, along with a bespoke occupancy assessment and a summary report will make up the Green Deal Advice Report (GDAR). GDAR produced will be quality assured in line with certification requirements.

11. We expect that any measure promoted and installed by suppliers under the ECO Carbon Saving target would have had a prior Green Deal assessment which had identified the measure as appropriate for the property. We are also consulting on whether we should make provision for rare occasions which fall outside the typical scope of RdSAP, where a slightly different assessment process may be appropriate. In these circumstances, we propose that the ECO company would need to satisfy the scheme Administrator that a different assessment method was appropriate.
12. We would particularly welcome views on whether our approach to the assessment of non-domestic buildings is comprehensive and captures all non-domestic buildings and businesses for which Green Deal might be relevant.

## **Measures, products and systems (Chapter 2)**

13. The Green Deal and the Energy Company Obligation (ECO) will work together to drive the installation of energy efficiency improvements, commonly referred to as “measures”. The focus of each will, be different and, as a result, so will the measures falling within their respective scopes.
14. A measure is a type of energy efficiency improvement made to a property, e.g. cavity wall insulation; a product is the actual product installed (which must fall with a category of measure), e.g. ABC plc Basic Cavity Fibre; and a system is a measure whose component parts are often assembled on site, e.g. external wall insulation systems. A measure must be recognised as being capable of improving the energy performance of a building before it can be considered for eligibility under the Green Deal and ECO. Only products which fall within a category of qualifying measure and are recommended as part of the Green Deal assessment can be installed with Green Deal finance or receive ECO support. A draft list of the qualifying energy efficiency improvements can be found at Annex A. The amount of Green Deal finance available for a measure will depend on the total estimated fuel bill savings it can generate: this is the Green Deal’s Golden Rule principle. We will encourage customers to take up packages of recommended Green Deal measures.
15. The “Carbon Saving Obligation” within the ECO is designed to focus primarily on supporting those households who live in hard to treat homes and cannot fully fund energy efficiency improvements through Green Deal finance alone. Solid wall insulation is the key technology which we see ECO supporting. We are

proposing that other measures under the carbon saving obligation will only be classified as eligible if they are promoted and installed as part of a package that includes solid wall insulation. Views are invited on these issues and in particular the policy for other measures for hard-to-treat properties.

16. Under ECO's Affordable Warmth obligation<sup>4</sup> we are proposing to class as eligible any measure which will improve the thermal performance of a property, measured through a reduction in the expected cost of heating space or water in the property. We will be interested in respondents' views on whether minimum requirements should apply to ensure major insulation and heating measures are delivered. Suppliers are expected to deliver primarily heating systems and basic insulation measures under the Affordable Warmth Obligation.
17. Products and systems installed under the Green Deal or ECO must be quality assured. Only products that meet the requirements of the Green Deal Code of Practice can be installed. We propose to put in place a process from summer 2012 for manufacturers and suppliers to confirm that their products comply with the Code and are 'Green Deal ready'. Such products and systems will be listed by the Green Deal Oversight Body, who will act as the Green Deal administrator and oversee all activities under the Green Deal. A sample number of registered products will be spot-checked by the Oversight Body for compliance with the Code and could be struck off the list if they are found not to comply.
18. We particularly welcome views on the eligibility of measures specifically relevant to the non domestic sector, which are not already listed in the draft Green Deal (Specified Energy Efficiency Improvement and Qualifying Energy Improvements) Order<sup>5</sup>. Please note that those which are recommended during the consultation process must be proven to be able to improve the energy performance of buildings. Other key issues we are considering are:
- how to best ensure that innovations in new measures and improved product performance can be recognised in the measures framework;
  - whether the ECO carbon saving target should focus exclusively on solid wall insulation or should support other similar measures,
  - whether we should allow any measure under the ECO affordable warmth target as long it allows eligible households to heat their homes cost effectively.
  - whether product performance should be taken into consideration in the Green Deal financing mechanism.

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<sup>4</sup> In the accompanying draft ECO Order the "Affordable Warmth obligation is referred to as the "home heating cost reduction target" or the "home heating cost reduction obligation". The former is the overall target set for all suppliers whilst the latter is a supplier's individual component of the overall target. See articles x and y of the draft order.

<sup>5</sup> See a copy of the order at [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

### Green Deal Provider and the Green Deal Plan (Chapter 3)

19. The Green Deal provider is a key participant in the Green Deal journey as they provide the finance and arrange for the Green Deal measures to be installed. They are also the ongoing first point of contact for customer service enquiries after the Green Deal is complete. In order to operate as a finance provider under the Green Deal, a company must be authorised. Authorisation will be granted by the Secretary of State through an application process that will be managed on his behalf by the Green Deal Oversight Body. To become authorised as a Green Deal provider a company must:

- sign up to and comply with the Green Deal Code of Practice;
- sign up to the Green Deal Arrangements Agreement (GDAA)<sup>6</sup> between Green Deal providers and electricity supplier;
- hold a valid Consumer Credit Act 1974<sup>7</sup> (CCA) licence (if they wish to offer Green Deal plans for domestic properties) ;
- make appropriate provisions for protection for customers in the event the Green Deal provider becomes insolvent or loses its licence;
- establish an appropriate independent conciliation process to help resolve customer complaints;
- pay the required fees to the Oversight Body for Green Deal authorisation.

20. Once the customer has their Green Deal assessment completed by an authorised Green Deal assessor, they will be able to take the outcome of the assessment to any authorised Green Deal provider for a quote for the finance and installation of one or more of the recommended measures. The Green Deal provider's quote for installing these measures will include the costs of the measures themselves, installation, finance and any other associated costs.

21. The Green Deal plan is the contract that sits between the Green Deal provider and the improver and bill payer (if different) at the property. The plan sets out the financial terms of the agreement such as the amount and duration of the instalments, and the applicable interest rate as well as any further obligations on the Green Deal provider or customer.

22. Green Deal plans for domestic properties will be regulated consumer credit agreements under the CCA and will therefore need to comply with all relevant CCA provisions. In addition, the Green Deal Provider will have to comply with other consumer protection legislation such as the Sale of Goods Act, the Consumer Protection from Unfair Trading Regulations (CPRs) and the Unfair

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<sup>6</sup> A copy of the GDAA and the Green Deal Code of Practice can be found here:

[http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

<sup>7</sup> See <http://www.ofc.gov.uk/about-the-ofc/legal-powers/legal/cca/>

Terms in Consumer Contracts Regulations (UTCCRs). Green Deal Providers wishing to provide Green Deal finance under regulated consumer credit agreements will need to be licensed under the CCA in addition to being authorised under the Green Deal framework. CCA licences will also be required by any person engaged in credit brokerage or other ancillary credit activities in relation to CCA regulated Green Deal plans, with the exception of energy suppliers insofar as they are merely collecting Green Deal payments or debts on behalf of Green Deal providers.

23. We would welcome views on the terms of the Green Deal plan, particularly on whether the length of a Green Deal plan should be limited to the guaranteed lifetime of the measures installed and the conditions around the early repayment of Green Deal finance.

#### **The Golden rule (Chapter 4)**

24. The Golden Rule is the fundamental principle underpinning the Green Deal. It limits the amount of Green Deal finance a provider can offer to the estimated energy bill savings resulting from the installation of measures under the Green Deal plan. The Golden Rule principle helps ensure that a Green Deal customer can reasonably expect their overall energy bill to be no higher than they would have otherwise been without a Green Deal, provided their energy consumption pattern does not increase.

25. The golden rule is important for two reasons. Firstly, it helps ensure that Green Deal customers should not face higher energy bills and therefore do not run into difficulties in paying. Secondly, it assures investors that the risk of default on Green Deal payments should be similar to the existing relatively low default rate on electricity bills.

26. The golden rule is based on a snapshot of estimated energy bill savings taken at the outset of the Green Deal plan. Customers should, however, have a reasonable expectation that the charge should not exceed savings throughout the lifetime of the plan and we are therefore proposing to place limitations on how the charge can vary in future years. Indeed, many plans will involve fixed amounts if the interest rates are fixed. In addition, we are setting out what can be included in a Green Deal plan as part of the Green Deal finance to ensure that Green Deal finance is used for the installation of energy efficiency measures and associated costs, as intended. We are proposing to place a limit on any cash advancement promotional offers a customer may receive.

#### **Delivering equitable support and tackling fuel poverty through the Green Deal and ECO (Chapter 5)**

27. The Green Deal and ECO have a significant role to play in tackling fuel poverty by helping households to improve the energy efficiency of their homes and reduce their heating costs. ECO's Affordable Warmth obligation has been designed to ensure that specific assistance can be provided to those households most in need of heating and insulation improvements. The proposed eligibility criteria for Affordable Warmth will ensure that support is provided to low income households who are vulnerable to detrimental health impacts of living in cold homes, and do not have access to alternative means of support.
28. We recognise that a referrals system could help energy companies identify those eligible for support under the ECO Affordable Warmth obligation. We intend to pursue a voluntary agreement with companies for agreeing the terms on which referrals provided by Government would be followed up. Referrals of customers who have indicated that they would like to receive measures could be generated during the Green Deal assessment process or passed on from the Government backed independent remote advice service. Should it not be possible to reach a voluntary agreement, we do have the option to direct companies to provide assistance to specific households<sup>8</sup>.
29. As suppliers are likely to recover the cost of delivering the ECO from consumers' bills, it is important to consider how the benefits of the obligation will be distributed, to ensure the scheme is delivered with a reasonable degree of equity. See section 5.3 for further discussion of equity under ECO.

### **Consent, disclosure and acknowledgement (Chapter 6)**

30. Before the Green Deal can go ahead, relevant consents must be obtained for the measures to be installed and the Green Deal charge to be included in the electricity bill for the property. Consent to the charge will be required from both the electricity bill payer and the owner of the property (if different). Who must consent to the measure will vary depending on the property and the type of measures being installed, but may include the owner, the freeholder, and local planning authority. A redress framework is provided for circumstances where the correct consents to the installation of the measures were not obtained. Once Green Deal measures have been installed and signed off, the Green Deal provider will give the customer a Green Deal plan document and a new EPC.
31. As a property changes hands over time, responsibility for paying the Green Deal charge also changes. We intend to facilitate this change through disclosure of the Green Deal Plan via the provision of the EPC to potential future bill payers. The

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<sup>8</sup> See the new subsection (5)(bc) inserted into both section 33BC of the Gas Act 1986 and section 41A of the Electricity Act 1989 by section 65 and 66 of the Energy Act 2011.

EPC will contain key financial information about the Green Deal. So long as the existence of a Green Deal has been properly disclosed to a new bill-payer, the obligation to pay the Green Deal automatically transfers to them.

32. Disclosure should happen as soon as possible, but always before the potential bill payer has entered into a binding agreement to take on the property. We are building on the EPB regulations for disclosure of the Green Deal, to ensure that a potential bill payer sees the details of the Green Deal on the property in sufficient time to influence their decision. In most cases, this will be at the point that someone arranges to view the property.
33. In addition to disclosure, the person who is, for example, selling or letting out that property will need to obtain an acknowledgment in writing that the person taking on the property is aware of their responsibility to pay the Green Deal and the terms of the plan. We envisage this being a standard term in lease and sale agreements, or associated documents that form part of those agreements, and we are working with the Law Society to determine the most effective way to do this.
34. It is possible that an incoming bill-payer may wish to challenge whether they had the Green Deal charge properly disclosed. In these circumstances the proposal is that, they must continue to make payments while an investigation is undertaken and representations made. The customer can challenge their obligation to pay the Green Deal charge for non-disclosure reasons, or because the terms of the Plan were inaccurately disclosed. If appropriate, the Secretary of State has the power to order the Plan be cancelled, order refund of Plan instalments following non-disclosure and order the original bill-payer who failed to disclose the Plan to compensate the Green Deal provider for the costs of early repayment.
35. We would welcome views on whether our requirements for consent to both the Green Deal charge and measure provides adequate protection for parties to the Green Deal and whether our approach to consent breaches is equitable. It has been brought to our attention that the multi-party consent requirement to the Green Deal may act as a barrier to entry into Green Deal for certain types of properties. For this reason we have included a call for evidence on barriers to consent and welcome wider views on the likelihood of barriers resulting from the need to secure consent to the Green Deal charge or measure, supported by relevant evidence stakeholders feel should be taken into account. We are also keen to understand the scope for voluntary, non-interventionist solutions to consent barriers and welcome ideas and views on this.

## **Accredited Installers (Chapter 7)**

36. Once a property has had an authorised Green Deal assessment, the finance for measures has been approved and the necessary consents obtained, installation is the next step. In order for the Green Deal and ECO to achieve their objectives, it is essential that installations are carried out to a high standard by trained, qualified and certificated installers, hereafter referred to as 'authorised' Green Deal installer.
37. We are proposing to make it mandatory for an installer to be authorised to operate under the Green Deal and ECO and to have been certified to have met a new Green Deal installer standard. Installers will need to carry the Green Deal Quality Mark, take full responsibility for the quality of their work and comply with the relevant requirements set out in the Green Deal Code of Practice.
38. The British Standards Institute (BSI) is currently developing the Green Deal installer standard with the sector, and this is scheduled to be published in early 2012. The installer standard will bring together existing standards in one place to ensure greater clarity and consistency of approach, as well as robust levels of monitoring and compliance.
39. As with Green Deal assessors, we are proposing to implement the Green Deal installer standard through certification bodies with a view to minimising burdens and costs by using existing structures. To ensure a robust and consistent application of the new standard, we have appointed UKAS as the independent third party body that will accredit the installer certification bodies. Once accredited, certification bodies will be responsible for ensuring installers meet the Green Deal standard and comply with the Code of Practice.
40. We are proposing that all Green Deal and ECO installations be underpinned by a comprehensive scheme of insurance backed guarantees, warranties and redress procedures should anything go wrong.

### **Payment collection (Chapter 8)**

41. A fundamental component of the Green Deal is that repayments should be collected through energy bills. This allows the charge to transfer automatically and allows us to build on the existing protections which cover vulnerable consumers when they run into difficulties paying their bills. The basic principle we have adopted is that the payment collection mechanism ought to be an integral part of the overall energy bill and incorporate all the existing requirements and protections. To help ensure that the cost of financing the Green Deal is as low as possible, repayments will be collected from the customer via a charge on their electricity bill. This is operationally simpler because almost all households are on the electricity grid whereas many houses are off the gas grid. It also helps

protect vulnerable consumers and is designed to ensure that the risk of non-payment of the Green Deal charge is as closely aligned as possible to the historically low risk of non-payment.

42. Once payment has been received from the customer, suppliers will be required to pass on the monies on a *pari passu*, or proportional, basis to the Green Deal provider. The Green Deal repayments will appear on the customer's electricity bill as a separate charge. In most cases, the frequency at which a customer receives their electricity bill or statement will not be affected. Customers with prepayment meters will also be able to benefit from the Green Deal with their charge collected via the arrears function in the current generation of meters. We are proposing to use the annual energy statement received by domestic customers to convey information on the total amount of Green Deal charges that are due to be paid over the next year, and the likely energy savings as reported in the Green Deal assessment. This will be in addition to the annual credit statement provided by the Green Deal provider.
43. As part of the Government's commitment to promoting competition in the energy retail market, we are proposing to introduce an 'opt-in' for smaller electricity suppliers. That is, electricity suppliers with fewer than 250,000 domestic and non-domestic customer accounts will not be obliged to collect the Green Deal charge. If they decide for commercial reasons they want to opt in to the Green Deal collection mechanism, they will be able to do so.
44. We are proposing that all existing obligations in relation to debt and disconnection placed on electricity suppliers via licence conditions be extended to cover the Green Deal charge in order to protect vulnerable consumers.

### **Delivering the Green Deal and ECO (Chapter 9)**

45. We expect the Green Deal and the ECO will frequently work in partnership. For example, measures that save a large amount of carbon and deliver significant energy efficiency benefits, such as solid wall insulation, are currently too expensive to be deliverable within the Golden Rule alone<sup>9</sup>. Green Deal providers will therefore be incentivised to seek out contributions towards a measure from suppliers seeking to fulfil their obligations under ECO. This is likely to bring the net cost of the measure within the terms of the Golden Rule, thereby allowing a Green Deal provider to put a more attractive offer to a customer and increase the number of Green Deal offers they are able to make.

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<sup>9</sup> For example, SWI that delivered an annual bill saving of £320 would be able to raise £3,730 in Green Deal Finance (based on a 7% interest rate and 25 year repayment term). If the SWI installation cost around £6,000, ECO support of £2,270 would be need for the measure to meet the Golden Rule.

46. We propose that energy suppliers receive credit for the full carbon or cost saving benefits of each measure which they are involved in promoting and installing. We expect this to create an incentive for energy suppliers to find Green Deal providers with whom they can develop offers for measures which rely on a mixture of ECO and Green Deal finance. Since energy suppliers will want to meet their obligation at as low a cost as possible, they will be incentivised to leverage in as many other types of funding as possible. In the case of the Carbon Saving obligation this is primarily expected to be Green Deal finance, though other sources of funding are not excluded. Allowing credit for the full carbon savings in this way also creates an incentive to promote packages which qualify for ECO points over those which do not.
47. It will be crucial to an open and competitive energy efficiency market that access to ECO support is as transparent, efficient and cost effective as possible. To do this we propose the introduction of a market based solution, i.e. brokerage, to help energy suppliers make a significant proportion of their ECO support fairly available to those delivery agents who can commit to delivering in a cost effective way.
48. The role of local authorities and other local partners is also likely to be crucial in ensuring effective and intensive delivery of the ECO and Green Deal in particular areas. We believe that many natural incentives will encourage effective partnership to form, and no particular regulatory requirements are needed. The Big Society agenda also has the potential to support local partnerships.

### **Consumer protection (Chapter 10)**

Consumer protection and business confidence in the Green Deal will be central at every stage. Consumers will be protected throughout the Green Deal process. This chapter gives an overview of those protections, which are covered in more detail in the relevant chapters. If something does go wrong for the customer, clear and accessible mechanisms to enable redress will be vital to underpin these protections.

There are two main areas where something could go wrong with a Green Deal. The first is when there is a problem with the installation, the measures installed or the terms of the Green Deal plan. In both cases the Green Deal Provider is responsible for trying to put the problem right. If required, Green Deal providers will compensate the customer, and seek redress from their installers or assessors through commercial contracts. If the Green Deal provider, assessor or installer is found to breach the conditions of the Green Deal authorisation scheme, including the code of practice, the Secretary of State can impose sanctions.

The second is where customers of Green Deal Providers are responsible for disputes, when they themselves have failed to meet their obligations. If people

haven't met these obligations, the Secretary of State can impose sanctions against them and ensure the person who is made worse off can seek redress.

When the Secretary of State imposes a sanction in relation to non compliance with Green Deal obligations, there will be a right to appeal against it.

### **Setting the ECO and target metrics (Chapter 11)**

49. The overall ambition level of the ECO, when looking at its twin objectives of carbon saving and affordable warmth combined, will be set at a level equating to £1.3 billion per annum, and this will be translated into obligations for each ECO supplier under each objective over the course of the life of the scheme.. The two objectives of the ECO differ from each other such that each will require its own target metric. It is proposed that:

- the overall Carbon Saving target will use a metric based on annual tonnes of CO<sub>2</sub> reductions; and that this should be set at a level of 0.52MtCO<sub>2</sub>/yr by 2015 (equivalent to 2.0MtCO<sub>2</sub>/yr in 2022 pro-rata)
- the overall Affordable Warmth target will use a metric based on reductions in lifetime heating costs; and that this should be set at a level of £3.4 billion reduction in notional lifetime costs of heating for low income and vulnerable households by 2015.

50. Suppliers will gain credits towards their obligations for each package of eligible measures<sup>10</sup> installed. Property-specific scores will be calculated through a similar SAP or RdSAP methodology used for Green Deal assessments with scores reflecting the modelled reductions in carbon and heating cost reductions.

51. We propose that the obligation should be placed on large energy suppliers, defined as those with over 250,000 gas and electricity customer accounts. This will avoid introducing barriers to the market for smaller energy companies expecting \_\_\_\_\_ to \_\_\_\_\_ grow.

52. A key issue under ECO is determining the size of the overall target. Greater levels of ambitions under ECO mean greater costs to energy companies and by extension greater costs to all bill payers. The proposal put to consultation represents our assessment of the optimum balance to be struck in this respect. Within this, we would welcome views on the proposed metrics and scoring mechanism, including whether ECO scores should be expressed, and targets set, in terms of annualised or lifetime savings of measure. We also encourage views on whether a move to a supply-volume basis for calculating obligations, rather than a customer account basis, would have beneficial effects. We would also welcome any evidence from consultees that would affect the estimation of the

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<sup>10</sup> Referred to in the draft ECO Order as a “qualifying action.”

costs and benefits of the targets proposed, as set out in the summary sheet of the Impact Assessment.

## **Green Deal Monitoring and Evaluation, and ECO Administration (Chapter 12)**

53. We propose to legislate to ensure that we have access to the information we need in order to monitor and evaluate the operation and effect of the Green Deal and ECO policies.

54. We are proposing that an action which an energy company intends to count towards their obligation has to be reported to the Administrator in the month following the installation being completed. Suppliers will also be required to provide information to the Secretary of State on costs incurred by energy suppliers in meeting their obligations, although we will not have powers to require information about how funds have been raised. We also propose to ensure annual public reports on progress of the scheme are produced.

55. Ofgem is the default Administrator, but the Secretary of State now has the power to appoint another person to be the Administrator. Efficient and effective administration of the scheme will help to ensure its smooth running, minimising overhead costs to energy suppliers and, in turn, costs passed on to consumers. The Administrator will monitor compliance with the scheme rules, ensuring carbon and energy bill savings are genuine.

56. For present and past obligations, including CERT and CESP, the role of Administrator has fallen to Ofgem in each case. However, the May 2011 DECC Delivery Review concluded that delivery of new programmes should be led by DECC unless there is a clear case for placing delivery with a particular body, with outsourcing where appropriate<sup>11</sup>.

57. Consultees are therefore invited to give their views on the following two options for who should administer the ECO:

- Option i - Ofgem is the Administrator.
- Option ii - DECC is appointed Administrator, but outsources technical functions.

## **Associated documents: key issues**

58. **Code of Practice for assessors, installer and providers:** we welcome views on the clarity and robustness of the Green Deal code of practice, which sets out the criteria that assessors, installer, providers and products and systems must

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<sup>11</sup> <http://www.decc.gov.uk/assets/decc/about%20us/1656-delivery-review.pdf>

adhere to in order to be able operate under the Green Deal banner. Specifically we are looking for comments on the:

- authorisation requirements for assessors, installers and providers.
- quality assurance, monitoring and complaints handling procedures
- requirements for the provision of insurance backed warranties.

**59. Licence modifications, industry agreement changes and the Green Deal Arrangements Agreement (GDAA):** We propose to establish the payment collection and remittance mechanism through a combination of changes to the electricity supply licence, gas supply licence, electricity distribution licence, the Master Registration Agreement and the Distribution and Connection Use of System Agreement and the establishment of a GDAA between electricity suppliers and Green Deal providers. We welcome comments on the draft licence modifications, draft industry agreement changes and the draft GDAA.

**60. Green Deal and ECO Impact Assessment (IA)<sup>12</sup>:** the impact assessment combines a range of evidence and assumptions. We are keen to receive responses to the consultation that strengthen the evidence base for the Green Deal and ECO to enable the estimate of the policies impacts to be refined. We would welcome further evidence on energy efficiency measures' deployment potential, and the likely costs and benefits associated with these, as well as other impacts associated with detailed policy decisions around ECO and the Green Deal.

**61.** In additions to these specific issues and questions asked throughout the consultation document and the impact assessment, we also welcome views on any aspect of our proposals.

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<sup>12</sup> See copy of the IA at [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)