



United Kingdom

Energy Company Obligation



Responsible authority: BEIS (Department for Business, Energy & Industrial Strategy)

Managing authority: Ofgem (Office of Gas and Electricity Markets)

History, current targets and results

The first energy savings obligation in Great Britain (England Scotland and Wales) started in 1994. The first phase of the Energy Company Obligation (ECO), started in 2013 in England, Scotland and Wales. This was followed by a second phase, which ran from April 2015 and was extended until September 2018. In Northern Ireland, there is also an EEO in place – the Northern Ireland Sustainable Energy Programme (NISEP).

The UK is now in the third phase of ECO (ECO3) which will run until March 2022. ECO3 has a target of £8.253 billion in lifetime energy cost savings to be achieved by March 2022 (BEIS, 2018) (+ sub-targets for rural areas). The target is divided between the obligated parties, according to each supplier's relative share of the domestic energy market.

Key actors, roles and options

The Ministry (BEIS) sets the general rules and the overall targets. The scheme is administered by the energy regulator, Ofgem.

The obligated parties (OP) are the electricity and/or gas suppliers who are above specified thresholds of customers and energy sales in the residential sector. Until March 2020 energy companies with more than 200,000 domestic customers, will be obligated parties. The threshold will then decrease in subsequent phases of the scheme.

Trading obligations between obligated parties is possible, but a set of required criteria need to be met. The trading process is administered by the managing authority and decisions are made on a case by case basis (Ofgem, 2019a).

Scope and focus

The focus of ECO3 is on the promotion of measures to low-income, energy poor and vulnerable consumers. To support the reduction of heating cost in the residential sector, ECO3 will support insulation and heating measures. The managing authority has issued a list of qualifying measures (Ofgem, 2019b).

The Northern Ireland Sustainable Energy Programme also focusses very largely on energy poverty objectives.

Monitoring, Reporting and Verification

OPs are required to notify the managing authority of measures completed, on a monthly basis, using the 'notification template'. The completed date is considered the date at which the measure starts to deliver the anticipated savings to the household.

If an OP achieved savings in the previous phase of the scheme (ECO2) that were above the obligation, they are able to 'carry over' those savings into ECO3. OPs can also transfer qualifying actions to other suppliers. Savings are calculated with deemed savings. OPs notify the lifetime scores for the completed actions and the managing authority attribute savings to each eligible measure. To ensure quality, there is technical monitoring carried out which verifies if the measure has been installed correctly, there is scoring monitoring to ensure the correct deemed score has been used; and also auditing to ensure the OP has followed the managing authority guidelines.

Costs for obligated parties

The costs to OP is estimated to be **£640 million per year** on average (BEIS 2018). The actual costs to OP to meet the targets will also depend on other factors, such as the cost of identifying and targeting eligible households

Other information about costs and benefits

The Impact assessment carried out by BEIS, the responsible authority, estimated that ECO3 would have a **positive value to society of £722 million**. It is estimated that ECO will deliver 1.2 million measures, installed in approximately 1.2m households (BEIS, 2018).

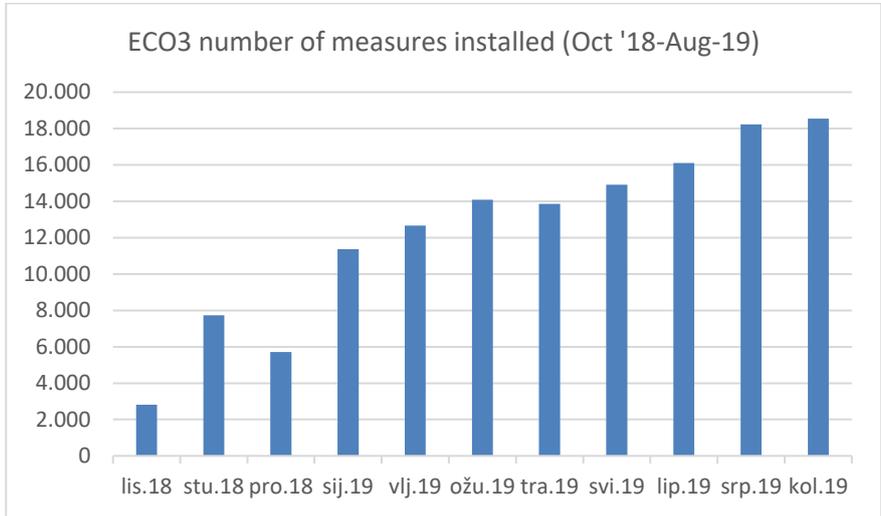
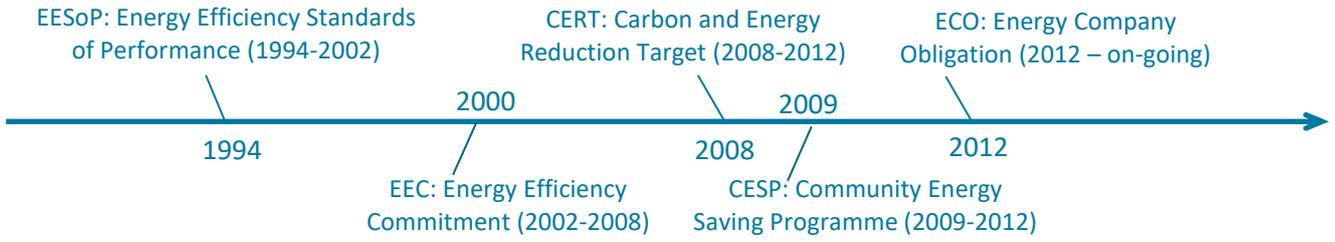
Sources: BEIS (2018). The Electricity and Gas (Energy Company Obligation) [Order 2018 No. 1183](#).

Ofgem (2019a). Energy Company Obligation (ECO3) [Guidance: Supplier Administration v1.1](#).

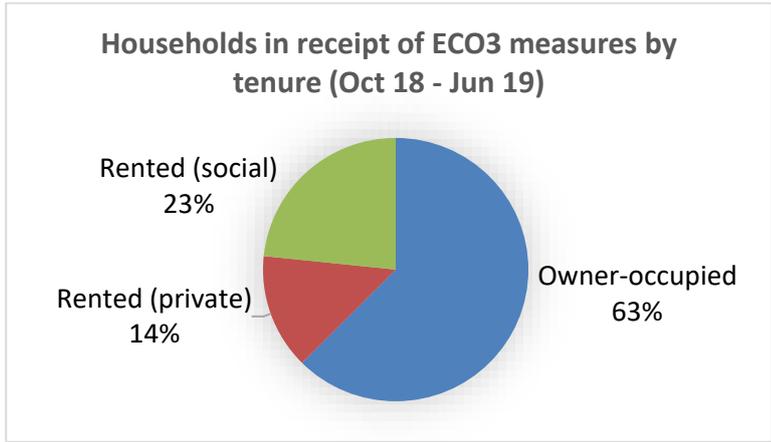
Ofgem (2019b). Energy Company Obligation (ECO3) [Guidance: Delivery Version 1.2](#).



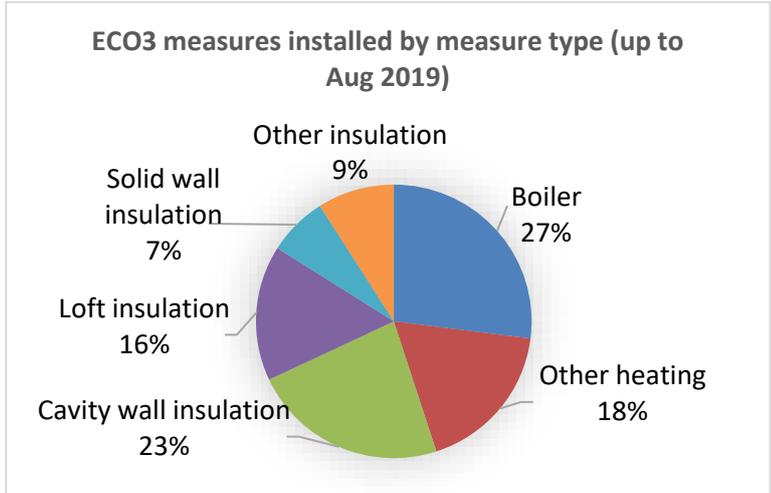
This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 840034.



Since the start of ECO3 in October 2018, 136,000 measures have been installed.



Measures installed under ECO3 have been primarily in the private owner sector (63%), where the occupier has ownership of the property. 23% of measures have been installed in social rented properties and 14% in private rented properties. ECO3 has certain restrictions on which measures can be installed in the private rented sector, so that private landlords do not obtain measures that help them meet their statutory requirements.

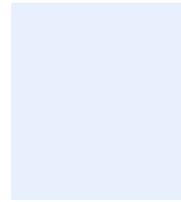


Of the ECO3 measures installed up to the end of August 2019, 55% have been insulation measures, including cavity wall insulation (23%), loft insulation (16%) and solid wall insulation (7%). The remainder are heating measures, boiler measures (27%) and other heating measures (9%).

Interview with Full Name

Position

Name of organisation



1) What have been the main changes and lessons learnt since 2017?

[if the EEOS has started in 2017 or later, then replace the question with: **What would be the first lessons learnt from starting an EEOS?**]

Answer...

2) And more specifically about monitoring, verification and controls?

Answer...

3) What are the main interactions with other policies?

Answer...

4) Are there challenges or changes foreseen for the coming years? (especially after 2020)

Answer...

5) If you could go back in time, what would you do differently?

Answer...

