



## Report to the Assets, Development and Investment Committee

17 October 2013

**Title:** Response to DECC Consultation

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### Purpose of Report

1. To endorse the response to a recent Department of Energy and Climate Change (DECC) consultation on updates to Electricity & Gas (ECO) Order 2012.

### Background

2. The Energy Company Obligation (ECO) which was formally launched in January 2013, placed a legal obligation on energy suppliers to deliver ambitious carbon savings and heating cost reductions by March 2015. The ECO Order is the Statutory Instrument which sets out the legal requirements applying to obligated energy suppliers in delivering their carbon and notional bill saving obligations.
3. ECO grant funding will be targeted to improve affordable warmth, by boiler repair and replacement (fuel poverty) and reduce carbon emissions by insulating “hard to treat” solid walled properties. The Government's main aims are to tackle fuel poverty, reduce carbon emissions, create jobs and to stimulate the low carbon economy.
4. The consultation proposes six small amendments to the ECO to ensure the Order aligns with the broader regulatory and delivery landscape.
5. These questions propose key changes to help improve the viability for window installation, district heating, works to void properties and the implications of Universal Credit.

### Consultation

6. The response to the consultation has been agreed with Gateshead Council.
7. The consultation response was endorsed by Gateshead Council cabinet on 17 September 2013.

### Links to Values

8. This report links to the following values:

- Being customer focused, innovative and professional
- Being a listening and learning organisation

### **Impact on tenants**

9. The content of this report does not directly impact upon tenants at this time.

### **Risk Implications**

10. There are no risk implications arising from this report.

### **Health Implications**

11. At its core, the ECO scheme is designed to reduce fuel poverty that will have a positive effect on thermal comfort and reducing cold related illnesses.

### **Financial Implications**

12. There are no financial implications arising from this report.

### **Equality and Diversity Implications**

13. There are no equality and diversity implications arising from this report.

### **Value for Money Implications**

14. By responding to the consultation, TGHC are hoping to ensure that the maximum of ECO grant can be obtained for related works in future.

### **Environmental Implications**

15. By responding to the consultation, TGHC are hoping to obtain further carbon saving through accessing of ECO grant in future.

### **Consultation**

16. The response to consultation was developed jointly with Officers from Gateshead Council. Relevant TGHC departments were consulted regarding the response.

### **Recommendation**

17. The committee is asked to note the agreed response to the consultation from TGHC and Gateshead Council.

**Energy Company Obligation: Consultation Response  
Updates to the Electricity & Gas (ECO) Order 2012**

Joint response from Gateshead Council and The Gateshead Housing Company.

***Q1. Do you agree with the Government's proposal to align the scoring of window panes, window units and other ECO measures?***

Yes, TGHC and Gateshead Council are fully supportive of this change in methodology. At present a scheme that is out for tender for ECO works is unlikely to have window replacement supported due to the current ECO order calculation methodology. The result is a higher capital cost requirement by the Council to replace them even though they are single glazed timber framed windows installed circa 1960. Where holistic refurbishment projects are proposed comprising Solid Wall Insulation, district heating and window replacement this would help ensure that they could be delivered concurrently avoiding retrospective fitting of windows where EWI had already been installed resulting in large scale making good and potentially compromising the performance of the measure and invalidating an industry backed guarantee. Under the proposals outlined, the capital requirement from the Council to replace the windows will reduce significantly and allow energy companies to claim the carbon saving. This change will increase the amount of ECO schemes that can be delivered in Gateshead.

The installation of windows also has the additional benefit of reducing ambient noise for tenants in addition to the enhanced security it provides. When windows are offered with solid wall insulation where the windows are the secondary measure the offer is more attractive to a potential beneficiary.

In addition to this, TGHC and Gateshead Council would like DECC to consider revising window replacement on this basis to become a primary measure under CERO. This would enable approximately 2500 cavity filled traditional properties to have windows replaced under ECO ensuring the carbon saved is banked against the scheme and residents fuel bills are reduced quicker than would otherwise be possible.

***Q2. Do you agree that the six-month rule for delivery of a DHS as a secondary measure under the CERO should be removed?***

TGHC and Gateshead Council support this change. This will enable schemes that are currently out to tender to be delivered within a reasonable timeframe. The six month rule creates the possibility for a 'rushed job' which could lead to poor commissioning of heating systems and higher fuel bills. Extending the period to March 2015 allows for smoother installation and potentially mitigates supply chain and labour market issues.

At present, a tender is out for 5 tower blocks for approximately 500 tenancies. Installing the district heating system with 6 months of the primary measure

(EWI), will be difficult to achieve and result in higher costs due to the need for the contractor to increase the labour required to complete within time. Access to properties can sometimes take time in addition to considering the needs of some vulnerable tenants with specific needs.

**Q3. Do you agree with the proposal to replace the requirement that solid wall insulation must reduce the U-Value of treated walls to “0.3W/m<sup>2</sup>k or less” from the ECO Order with a more flexible reference to meeting the requirements of the building regulations?**

TGHC and Gateshead Council support this change. It is a more sensible option to amend the wording of the guidance in relation to a solid wall as existing solid walls can vary in construction and type and as such the U value will change. The current Building Regulations L1B does include a reference to table 3. This table has a threshold U Value for upgrading existing thermal elements. If the existing thermal element [Solid or otherwise] meets the threshold limit given in Table 3, then the Building Regulations cannot enforce the upgrading of this element.

By targeting a U value of 0.3W/M<sup>2</sup> K for the wall element it is a specific target, but this also allows the designer/ builder a degree of flexibility in how to achieve this target. This flexibility will allow the Designer / Builder to take into account the existing construction of the wall, the position of the wall element in relation to other building elements, and whilst still achieving a greater U value than existing and thus a reduction in carbon emissions. The Part L 1B gives guidance on reasonable, functional and a pay back time, this is generally difficult for a Building Control Surveyor to administer and control and is often overlooked and omitted an easy option for the designer where compliance is difficult to achieve.

It is also important that proposed guidance encourages consideration of the type and age of construction so any wall insulation measure installed does not introduce cold bridging, condensation, mould or damp.

**Q4. Do you agree with the proposal to align the rules for “excess actions” and “qualifying actions” in the Order?**

TGHC and Gateshead Council have no response to this question.

**Q5. Do you agree with the Government’s proposal to clarify the wording in the Order to make clear the circumstances in which ECO measures can be installed in rented properties during “void” periods?**

TGHC and Gateshead Council would welcome a clarification of the wording. Although TGHC have found that energy companies are happy to fund ECO works during void periods in social stock clarification on the circumstances when ECO measures can be installed in rental properties during void periods would be welcome with specific focus on the private sector. Particularly, about the landlord’s role in the organisation of the works and responsibilities thereafter.

Where properties are long term empty properties (over 6 months) the proposals become more problematic. A vague *“a demonstrable prospect of the property being occupied within a reasonable period”* would not encourage these properties to be brought back into use expeditiously.

To overcome this it is suggested that rather than an unstipulated time scale for reoccupation, a time period for re-letting would be constructive as this would help to reduce the number of properties left empty and would expedite occupation by new tenants.

In the various schemes Gateshead Council have previously employed for bringing empty properties back into use in the private sector we have always used a maximum void period of 12 weeks after which a breach of conditions occurs. Something similar would be helpful with these types of properties.

**Q6. Do you agree that the ECO AWG eligibility criteria should be updated to include UC recipients in a way which mirrors, as closely as practicable under the UC system, the approach taken for current AWG eligible working age benefits/tax credits?**

TGHC and Gateshead Council agree with an approach of adding Universal Credit in a mirrored way that is clearly defined and understood by all involved.