

Consultation Response

17th August 2016



ECO: Help to Heat

About HHIC

The Heating and Hotwater Industry Council (HHIC) are the leading representative body for the UK domestic heating and hot water industry, worth £3-4 billion per year. HHIC's membership base covers approximately 94 per cent of heating and hot water solutions available in the UK. HHIC are a division of the Energy and Utilities Alliance (EUA).

Response Summary

ECO has successfully delivered more than 400,000 new gas boilers to homes. Since the advent of Warm Front in the 2000s, the UK has always had a scheme that allows people in fuel poverty to receive support in purchasing a new heating system.

HHIC are therefore extremely disappointed that the Government are now seeking to remove this support. We believe that capping the number of boilers that can be supported to such low levels will hinder the ultimate goal of reducing fuel poverty in the UK. We urge the Government to rethink and develop a more sustainable solution that reduces fuel poverty and allow a range of measures to be available instead of a disproportionate focus on insulation measures.

Full Response

Chapter 2: Purpose and structure of extension

1. Do you agree with our proposal to extend the current ECO by one year, whilst making improvements that transition to a longer-term fuel poverty focused obligation?

HHIC agrees with the proposal to extend the current ECO scheme by a year. However, we would argue that the rules of the existing scheme should remain in place for the extra year rather than amending the rules.

The new rules will add cost to the delivery of the ECO scheme and the time period ahead of the new 'transition year' is not long enough to allow companies to amend their systems in time for the introduction of the new scheme.

HHIC believes that it would have been more prudent to continue the existing scheme until a new fuel poverty focused scheme could be brought in. As significant changes in delivery are being proposed, these should have been earmarked for 2018 rather than for the transition year.

We urge the Government to start consulting on the new plans early in 2017 to give adequate time for planning and responses.

4. Do you agree that there should be no rural sub-obligation from April 2017?

HHIC is strongly against the removal of the 15% rural delivery obligation which was a feature of Carbon-saving Community Obligation (CSCO). This Government policy will continue to actively disadvantage rural off-gas grid householders. Whilst changes have resulted in increased delivery into semi-rural areas, deeply rural off-gas grid households continue to receive little support. Action is needed now to amend energy policy to ensure that the off-gas grid rural fuel poor not only contribute to the cost of delivering energy policy, but actually start to see some benefits.

The Energy and Climate Change Committee inquiry into home energy efficiency and demand reduction heard evidence that argued that the existing measures targeting rural areas had been ineffective, the definition of a rural settlement (10,000) is too high and suppliers do not have access to the data they need to reach those most in need. The Government, it states, "does not currently capture" the information that would allow suppliers to differentiate between ECO delivery to "rural off-gas grid, rural on-gas grid and urban off-gas grid households".

It is important to distinguish the difference between rural off-gas grid, rural on-gas grid and urban off-gas grid household, simply because they will experience heating and insulation issues very differently as a result of characteristics such as the fabric of the property, its location and its fuel source.

The ECCC's final report recommended that 'DECC (DBIES) should "consult on alternative approaches to tackling the serious and urgent problem of fuel poverty" and "must give particular attention throughout this consultation to addressing how to tackle fuel poverty for those living in rural fuel poor homes".

HHIC disputes the Government's belief that there has been sufficient rural delivery (above the 15% target within CSCO) through CERO which did not include a rural target and the resultant conclusion that a rural target is not necessary. We maintain that the Government's assertion is based on the definition of a rural household as a household of private or social tenure within a settlement under 10,000 homes and is therefore misleading.

With no specific targets or policy incentive to deliver to rural areas and with no shortage of fuel poor in easy-to-access urban areas, HHIC maintain that rural off-gas grid residents will not have access to policy support that they need even more than rural on-gas grid and urban off-gas grid households.

HHIC would therefore urge the Government to reintroduce a rural safeguard within the Affordable Warmth element of the ECO scheme with specific targets by fuel type based on the proportional share of the rural market of each fuel, which should ensure delivery to rural off-gas grid properties as a fair proportion of all measures delivered.

Chapter 4: Eligible energy efficiency measures

16. Do you agree with the proposal aimed at limiting the delivery of qualifying gas boiler replacements (and not limiting other types of heating measure)? Where appropriate, justify your response, and describe any preferred alternative proposal, if applicable.

ECO has successfully delivered more than 400,000 new gas boilers to homes. Since the advent of Warm Front in the 2000s, the UK has always had a scheme that allows people in fuel poverty to receive support in having a new heating system.

It is therefore extremely disappointing that the Government are now seeking to remove this support. For homes in fuel poverty, having a new boiler with associated heating controls could save them £350¹ per year. This does not include the health benefits that research shows affordable heating provides.²

Gas boilers are also amongst the most cost effective ways of delivering energy bill savings to homes.

This data from the NEED database shows that a gas boiler is as effective as cavity wall insulation in reducing energy consumed.

Table 4.1: Summary of observed savings (weighted) – single energy efficiency measure installed in 2013

Energy efficiency measure		Percentage saving	Saving (kWh) ¹
Cavity wall insulation	Median	-8.4%	-1,200
	Mean	-7.8%	-1,300
Loft insulation	Median	-2.1%	-300
	Mean	-1.9%	-400
Condensing boiler	Median	-8.3%	-1,200
	Mean	-7.0%	-1,300
Solid wall insulation	Median	-15.5%	-2,000
	Mean	-14.0%	-2,100

Solar PV panel ²	Median	-10.6%	-500
	Mean	-8.3%	-400

(1) Savings in consumption have been rounded to the nearest 100 kWh.

(2) Savings in installing solar PV are reported for electricity consumption – unlike cavity wall, loft insulation, condensing boilers and solid wall insulation which report savings in gas consumption.

¹ <http://www.energysavingtrust.org.uk/home-energy-efficiency/boiler-replacement>

² <https://www.theguardian.com/environment/2014/dec/09/boiler-on-prescription-scheme-transforms-lives-saves-nhs-money>

HHIC believes that the drastic reduction in supported boilers will drive up the costs of the ECO scheme, which could result in energy companies passing this on to home owners; it will also make finding participants harder.

Evidence shows that participants want a new heating system rather than new insulation because of the inconvenience of installation and because it is less desirable. Therefore, without boilers being on offer, energy companies will struggle to find homes that want to participate in the scheme. The possibility of a free boiler clearly attracted people to the ECO scheme.³

HHIC believes that the proposals are presented not to help vulnerable customers but purely to meet the Government's aim of insulating one million homes by the next general election. Whilst we understand that this was a commitment that has to be worked towards, it does not help those in fuel poverty that the ECO scheme is designed to provide assistance to.

It is also confusing that other heating measures are still included despite them offering lower overall savings.

We believe that not only should gas boilers remain a qualifying measure, but more emphasis should be placed on using them as a lead technology in order to allow other measures to be installed, such as insulation. Currently this has not taken place because the scoring makes it more effective to install a boiler only. The scoring should reflect the need for other measures to be installed in order to come closer to a whole house retrofit.

In fact, NEED shows that a condensing boiler and cavity wall combined are as effective as solid wall insulation and more cost effective.

Table 4.2: Summary of observed savings (weighted) – combinations of energy efficiency measures installed in 2013

Energy efficiency measure		Percentage saving	Saving (kWh) ¹
Cavity wall insulation, loft insulation	Median	-10.9%	-1,500
	Mean	-9.8%	-1,600
Cavity wall insulation, boiler	Median	-16.2%	-2,400
	Mean	-13.9%	-2,600
<i>Solid wall insulation, loft insulation²</i>	<i>Median</i>	<i>-18.5%</i>	<i>-2,200</i>
	<i>Mean</i>	<i>-16.2%</i>	<i>-2,400</i>
Loft insulation, boiler	Median	-9.3%	-1,300
	Mean	-8.1%	-1,500
<i>Cavity wall insulation, loft insulation, boiler²</i>	<i>Median</i>	<i>-20.1%</i>	<i>-3,000</i>
	<i>Mean</i>	<i>-18.3%</i>	<i>-3,400</i>

(1) Savings in consumption have been rounded to the nearest 100 kWh.

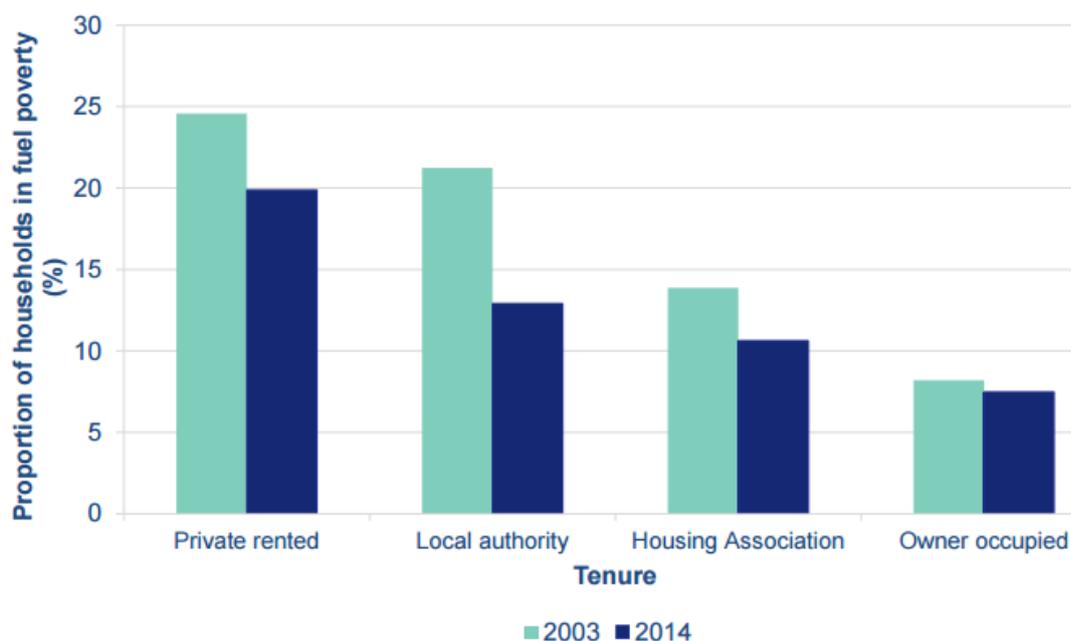
(2) Care should be exercised when interpreting these figures, as these are based on a small number of households. The combinations of: solid wall and a boiler; and solid wall insulation, loft insulation and boiler have not been included as the number of households were very small.

³ <http://www.bbc.co.uk/news/business-27163810>

This would suggest that Government should look at incentivising a combination of measures, whilst not restricting the overall number of boilers that can be installed. A restriction on the number of eligible boilers will not allow this to happen, restricting the level of energy savings that can be achieved. The proposed changes to the calculation methodology for lifetime bill savings, whereby the base fuel for calculation of boiler replacement measures will be changed to gas rather than electricity, will be sufficient to re-balance delivery of affordable warmth across all eligible technologies.

HHIC is concerned that with boilers reduced so severely, and the rules on social housing eligibility relaxed to the degree proposed in this consultation, the market will only target mass insulation schemes for homes owned by social landlords. That is without a guarantee that those homes are in fuel poverty and when the responsibility for that improvement should lie with the housing association not bill payers. The table below from the Fuel Poverty Stats shows that fuel poor households in social housing are half that of private rented homes.

Figure 3.22: Fuel poverty by tenure, 2003-2014



It is our belief that the proposals in this consultation will lead to far fewer privately owned and privately rented homes being treated despite those homes being more likely to need support. The table below from the English Housing Survey shows that privately owned and rented households are far more likely to have a non-condensing boiler, and will be disproportionately affected by the proposed restrictions on gas boiler installations and the liberalisation of support to social housing.

Table DA6101 (SST6.1): Heating - dwellings, 2014

all dwellings

	type of boiler					
	standard	back boiler	combination	condensing	condensing -combi	no boiler
tenure						
owner occupied	24.1	3.5	12.6	17.3	35.9	6.4
private rented	15.3	2.3	16.3	7.2	41.1	17.9
local authority	10.9	3.8	9.1	12.1	49.9	14.1
housing association	10.3	2.2	10.0	12.5	46.3	18.8

percentage of dwellings within group

HHIC would request that Government not change the support for boilers for the transition year, but instead consult with more time for significant changes in the new ECO starting in 2018. This would give industry and Government time to explore how to rebalance the measures installed through ECO without indiscriminately targeting one measure because it does not fit in with political aims.

HHIC would especially ask that the boiler cap not to apply to boilers installed through the new 'flexible eligibility' arrangements for HHCRO. Households referred for help through this route are likely to be in the greatest need and the cap will further punish these householders.

18. Do you agree with the proposal to in effect limit the delivery of qualifying gas boiler replacements at a level equivalent to 25,000 boilers under the ECO extension? Where appropriate, justify your response, and describe any preferred alternative proposal, if applicable.

HHIC does not agree with the limit in delivery of gas boilers for the reasons outlined in question

19. Do you agree with our proposal not to impose new limits on the level of installation of the following measures?

- a) Heating controls**
- b) First time central heating**
- c) Non-gas qualifying boilers**
- d) Non-qualifying boilers**
- e) Electric storage heaters**
- f) Renewable heating**
- g) Heat networks**

HHIC agrees with the proposals not to limit installation of these measures.

Chapter 5: Delivery and administration

27. Do you agree that the requirement for measures to be recommended on either a GDAR or a CSR should be removed from 1 April 2017?

HHIC agrees that these are now unnecessary.

28. Do you have views on whether any alternative requirements should be introduced in order to provide consumer advice, or ensure technical suitability of a measure prior to its installation?

Alternatives are not needed.

29. Do you agree that from 1 April 2017 we should move to a system of deemed scoring, as described above, rather than the current bespoke RdSAP or SAP based property by property assessments?

HHIC agrees with the proposal to move to deemed scoring.

39. Government invites views on whether we should introduce any additional rules to incentivise greater delivery to areas with higher delivery costs?

HHIC believes that Government should introduce rules to encourage delivery with rural areas. The removal of the rural sub-obligation is not a welcome step and will harm this; see our response to question 4.

Contact

If BEIS wishes HHIC to clarify any of the points outlined in this consultation please contact Isaac Occhipinti, Head of External Affairs at isaac@eua.org.uk, 01926 513742 or HHIC, Camden House, Warwick Road, Kenilworth, Warwickshire, CV8 1TH.