

Consultation Response

Friday 3rd September 2021



Energy Company Obligation

ECO4: 2022 - 2026

The Heating and Hotwater Industry Council (HHIC) is 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 is a division of the Energy and Utilities Alliance (EUA), a company limited by guarantee and registered in England. Company number: 10461234, VAT number: 254 3805 07, registered address: Camden House, 201 Warwick Road, Kenilworth, Warwickshire, CV8 1TH.

21. Do you agree that ECO should target SAP band D, E, F and G homes?

HHIC agrees. ECO should focus on improving poorly performing homes and helping alleviate fuel poverty.

22. Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?

HHIC are concerned that this strict banding requirement could mean homes that need improving are not because they are too low in a specific band and therefore are overlooked in favour of homes that are closer to the band boundary. The cost of moving up a band can be very high and so would probably lead to only cheaper to improve homes being included. Whilst this may improve the overall number of properties helped by ECO this does not mean that the scheme runs better for those that are in fuel poverty. It could easily be the case that band G homes are not helped at all and that only high F and high D are. The minimum number of homes improved we believe to be a better solution to this problem.

23. Do you agree to a requirement for a minimum number of private tenure homes in SAP band E, F and G homes to be upgraded?

HHIC agrees

33. Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?

Only if ECO can cover the full cost of the measure. Also, for some technologies they may not be installed through ECO because of higher upfront and delivery costs. Being able to blend funding may actually increase their delivery.

34. Do you agree homes could benefit from multiple funding if (a) it is not for the same measure; and (b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?

HHIC agrees.

40. Do you agree that the scope of the Home Heating Cost Reduction Obligation (HHCRO) should be broadened to a Home Energy Cost Reduction Obligation?

HHIC agrees. This will be vital to allowing new and innovative products into ECO, including hot water storage and waste water heat recovery. We feel that BEIS should do everything possible to launch the ECO4 scheme with HECRO in place (or with provision for HECRO to be in place as soon as reasonably possible after the launch of ECO4).

ECO4 should enable the deployment of ANY approved fixed services or fabric measures that are proven to reduce a dwellings' heat loss or energy demand. When considering a holistic "lowest regret" approach to energy efficiency upgrades, energy demand reduction is the simplest method to future-proof existing homes in readiness for Low Carbon heating and renewable generation systems to be installed in the future.

The key principles adopted for the Social Housing Decarbonisation Fund which ensure "heat loss prevention measures are installed before other energy efficiency measures, to maximise the dwelling's suitability for low carbon heating either now or in the future, and to benefit tenants (comfort, health, wellbeing and bills)" and that installed measures should "minimise the potential of measures having to be replaced in the future on the journey to Net Zero", should become core to ECO4, without ruling out non-space heating demand reduction measures.

It should also be considered that hard-to-treat homes, by their nature, do not necessarily lend well to traditional fabric upgrade measures. Therefore, demand reduction measures that are not space heating focused, such as WWHRS and hot water storage could provide a cost-effective method of demand reduction ahead of further measures or Low-Carbon heating options.

42. Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?

HHIC agrees. However, sequencing of measures should be taken into account, especially to ensure the sizing of the heat measure is correct. Where insulation measures are not technically or economically feasible it should still be possible to install heating measures where these can achieve the aim of reducing energy consumption. In particular, more efficient heating appliances with advanced heating controls can provide significant benefits to fuel poor households and should not be discounted just because insulation is not practical in certain building types.

43. Do you agree with our proposal to exclude the repair and replacement of oil and LPG boilers?

HHIC members have two views on this issue:

The first view

Off the gas grid the proportion of the fuel poor is higher. The fuel poverty gap is much higher in rural areas (£571 compared to around £300 in urban areas). As a cohort, oil heated homes are older, larger and less well insulated than homes on the gas grid. Only 3% are in EPC band A-C while 65% (765,000) are in EPC Bands F or G. Consequently, there is a concern that it may be too expensive to replace broken oil and lpg boilers with heat pumps through ECO and so these homes may find themselves without working heating. Especially if blending of funding is not allowed.

The Climate Change Committee in their report for the 6th carbon budget identified that up to 900,000 off gas grid homes may need a solution other than a heat pump in their balanced pathway. The most recent National Grid Future Energy Scenario came to similar conclusions. Both assumed the use of bio-LPG and bio oil should be allowed for these systems and industry is actively developing these solutions, so their replacement under ECO would not prevent progress towards climate goals from being achieved. By removing simple, low-hassle measure eligibility such as the installation of a bioLPG or bio oil boiler in rural homes, BEIS is leaving some fuel-poor consumers who do not want a whole-house retrofit with no acceptable solution.

It is also worth noting that the non fuel poor can replace their oil and LPG systems with new oil and LPG systems. It seems unfair to penalise the fuel poor whilst it is still legal to replace these systems like for like.

The second view

Improvements should be delivered holistically; seeking to reduce energy use, maximise efficiency and use renewables in order to improve homes. Repair would not satisfy either of these 3 points significantly and replacement would only potentially improve efficiency. Any homes with poor thermal efficiency should be addressed as a primary action; before any heating system is applied/changed and the minimum action should be replacement, with a much more efficient option reduce carbon.

Hybrid heating systems should also be allowed off the gas grid. The CCC has recognised a significant role for hybrid heating systems and so ECO should allow their use. Restricting them to on gas only would remove a practical and sensible solution for many rural and off grid homes, especially as many of these homes have poor property fabric conditions.

44. Do you agree with our proposal to only allow the repair of efficient heating up to a cap of 5,000 homes per year?

HHIC agrees.

45. Do you agree with our proposal to reduce the Broken Heating Cap for broken efficient heating replacements up to 5,000 homes per year?

HHIC agrees.

47. Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?

HHIC agrees. This will be in line with Building Regulation across Great Britain.

We also believe that ECO 4 should stipulate that all systems adhere to BS 7593:2019, which helps ensure that domestic heating systems are cleansed, flushed, and inhibited correctly. This as well as advocating the use of in line system filters and offering other supporting guidance in related matters.

The standard ensures that systems and the heat generator perform optimally and minimises any post-install/commission drop-off in efficiency (with resulting increase in carbon emissions due to greater energy consumption). Following the guidance is also key to avoiding the formation of scale and corrosion (e.g. sludge) in hydronic heating systems, which can increase the likelihood of appliance/system breakdown. Prevention in this way prolongs product lifetimes, is key for warranties, and so ensures consumer protection (less costs etc.).

[The latest NEED report](#) shows that boiler efficiency, if not maintained properly and adhering to BS 7593, will decline by 10% over 5 years. This is easily solved by correct maintenance and water treatment. However, building regulations do not always have the oversight to ensure this happens. To ensure recipients of ECO funding get the correct results we believe that BEIS should stipulate BS 7593 along with Boiler Plus for all new boiler installations.

48. Do you agree with our proposal to restrict first-time gas central heating to households already connected to the gas grid?

HHIC disagrees. As per our responses to question 43, there will be a role for systems using LPG or oil especially if paired with a heat pump. By adding this restriction, BEIS will limit solutions for some properties whereby a heat pump alone may not be feasible.

49. Do you agree with our proposal for all new wet central heating systems to be installed as a "low-temperature heating system"?

HHIC agrees, however it should be set to 50 degrees mean water temperature as this is a more accurate way of ensuring the optimum delivery temperature for both boilers and heat pumps.

50. Do you agree with our proposals to expand the eligibility for first-time central heating?

HHIC agrees.

51. Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?

This proposal may restrict some property types from receiving assistance. Some district heating systems may use a heat pump as their heat engine and so it would be strange that this would not be allowed.

52. Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?

HHIC members were split on this point. Some of our members pointed out that modern ESH systems have advanced controls that would mean they would be capable of providing affordable and flexible heating for property types that may not be able to have a heat pump. However, others argued that cost of running ESH can be high and they also have increased electricity demand that is not flexible, thereby increasing demands on the grid.

53. Do you agree with our proposal that energy suppliers should be required to provide advice on the benefits of smart meters and how to request the installation of a smart meter alongside the energy advice requirements required by PAS 2035?

HHIC agrees.

92. Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?

HHIC disagrees, it should be eligible to all installers that are legally allowed to install that product and not restricted. It increases installation cost, reduces the number of installers and does not provide the presumed increase in quality. HHIC members are reporting that many installation businesses are walking away from providing ECO measures as they cannot afford the administrative burdens. If we reduce the pool of eligible installers too much this will have a big impact on the cost of delivery. It will also hamper the identification of eligible households.

Another concern is that some geographic areas may be excluded completely as there will not be a local installation company that provides ECO measures, in particular this will affect rural and semi rural areas.

We urge BEIS to reconsider the use of these two standards.

93. Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO legislation for ECO4?

HHIC believes that all organisations capable of providing the certification that BEIS requires should be allowed to do so. Allowing TrustMark to have a monopoly on certification is not appropriate and will impact costs, innovation and ease of compliance.