

ENERGY COMPANY OBLIGATION AND THE GREAT BRITISH INSULATION SCHEME: MID-SCHEME CHANGES

The Department for Energy Security and Net Zero are seeking views on proposed changes to the Energy Company Obligation (ECO4) scheme and Great British Insulation Scheme (GBIS).

SUMMARY OF PROPOSED CHANGES

Part 1: Mid-scheme changes to current requirements

The proposal outlines updates to the Great British Insulation Scheme (GBIS) aimed at making it more attractive to the supply chain and increasing the volume of contracts in the market. Key proposals include:

1. **Simultaneous Installations:** Allowing loft and cavity wall insulation (CWI) to be installed together as part of a GBIS project and enabling smart thermostats to be installed for low-income groups.
2. **ECO4 Delivery Inclusion:** Proposing that delivery under ECO4 rules count towards an obligated supplier's GBIS target.
3. **Alternative Installation Standard for Loft Insulation:** Proposing an alternative installation standard to PAS 2035/2030 for loft insulation (LI) and related measures under GBIS, potentially lowering costs and mitigating risks. Industry consultation on adapting TrustMark Licence Plus (TMLP) for LI under GBIS is invited.
4. **Consumer Protection and Compliance Costs:** The consultation seeks feedback on the costs of compliance with PAS 2035/2030 and proposes minor legislative amendments to improve scheme administration. It also explores strengthening financial protections for consumers undertaking retrofits, with a focus on guarantees for LI and boilers.
5. **Alignment with Industry Changes:** A series of smaller adjustments to align the scheme with broader industry trends and improve the uptake of measures within current ECO schemes.

Part 2: Pay-For-Performance

The proposal introduces a voluntary **Pay-For-Performance (PFP)** mechanism for ECO4 and GBIS. This mechanism would incentivize higher-quality retrofits and gather valuable data for future energy efficiency schemes.

Under PFP, improvements in a home's energy efficiency would be measured using **Smart Meter Enabled Thermal Efficiency Ratings (SMETERs)**, which assess how well a building performs by measuring heat loss. The SMETERs calculate the heat transfer coefficient, indicating how much heat a home loses.

By rewarding industry parties based on actual performance improvements, the aim is to encourage the use of higher-quality measures and raise industry standards.

INTRODUCTION

The UK Green Building Council is an industry network with a mission to radically improve the sustainability of the built environment by transforming the way it is planned, designed, constructed, maintained and operated. As a charity with over 700 member organisations we span the entire sector from some of the largest property owners, managers and developers, manufacturers, multidisciplinary advisory and engineering firms, energy providers and distributors and banks through to public sector bodies including the NHS, MOD and many local authorities as well as many SMEs.

UK housing stock accounts for around 17% of national emissions and is among the least energy efficient in Europe. While good progress has been made to decarbonise electricity, natural gas still accounts for around 85% of fuel used for domestic heating and cooking. Retrofitting the country's homes is crucial to reach our climate targets, lift people out of fuel poverty, address the cost-of-living crisis, and bring multiple health and socioeconomic benefits to communities up and down the country.

These proposed changes to the Energy Company Obligation (ECO4) scheme and Great British Insulation Scheme (GBIS) are welcome as improvements to existing schemes which require greater efficiencies and greater learnings from scheme to scheme. We strongly support the introduction of Pay for Performance which is long overdue. The measurement of performance is fundamental to providing good outcomes for householders and beyond. We strongly support PFP as an initial mechanism to scaling uptake and deployment to ensure the wider societal benefits of retrofit are felt.

Any retrofit schemes should be locally focused, providing long-term solutions which support local areas. We need to see policies to equip local authorities with the skills and resources to carry out retrofit programmes. The Government should give local authorities and councils the devolved powers, responsibility, and resources they need to play a major role in the delivery of a nationwide home upgrade programme. The success of national retrofit schemes requires longer timescales to those currently on offer. This means setting out a 10 year strategic programme, with an initial 5 years of funding committed. This will build industry and financier confidence to invest, previous short windows and stop-start schemes have meant there was little trust or time for supply chain development.

The full details of the Warm Homes Plan expected in spring 2025 must draw on industry experience and be coordinated at both national and local levels.

CONSULTATION QUESTIONS

Part 1: Mid-scheme changes to current requirements

1) Do you agree that a household should be able to receive both loft and cavity wall insulation under GBIS?

Yes. An estimated 5.1 million properties in Great Britain with cavity walls have no cavity wall insulation; 24% of the total. Around 7.9 million homes with lofts (31%) have less than 125mm of loft insulation and 7.7 million homes with solid walls (90% of the total) do not have solid wall insulation.¹ It is important that both measures are installed, but quality of performance must be installed. Being able to install more than one measure under GBIS will also increase the attractiveness of the scheme and therefore we will hopefully see an uptake in delivery.

2) Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation?

Yes, this change should be effective from the date of the consultation to allow suppliers to benefit from the change as soon as possible.

3) Do you agree that smart thermostats should be an eligible secondary measure for owner-occupied households in the low-income group?

Smart thermostats should qualify as secondary measures for low-income groups under the GBIS program with TrustMark Licence Plus. This would enhance GBIS's appeal to installers and expand the range of measures offered. However, if smart thermostats serve as SMETER sensor platforms, they should not receive additional funding for SMETER hardware. It is crucial for GBIS and ECO to regulate the SMETER market to maintain fair competition.

4) Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation? - YES

Yes, the change should be effective from the date of the consultation.

5) Do you agree with allowing projects meeting the ECO4 rules to count towards an obligated supplier's GBIS obligation?

Yes, we anticipate that this approach will lead to a greater number of projects being completed overall. We fully support initiatives that ensure funds for retrofit and insulation measures are effectively utilised.

17) Are there any other changes, not proposed in this consultation, that you believe would increase levels of delivery under GBIS? If yes, please provide details.

Any retrofit schemes should be locally focused, providing long-term solutions which support local areas. We need to see policies to equip local authorities with the skills and resources to carry out retrofit programmes. The Government should give local authorities

¹ House of Commons, Research Briefing '[Energy Efficiency of UK homes](#)' (2024)

and councils the devolved powers, responsibility, and resources they need to play a major role in the delivery of a nationwide home upgrade programme.

The success of national retrofit schemes requires longer timescales to those currently on offer. This means setting out a 10 year strategic programme, with an initial 5 years of funding committed. This will build industry and financier confidence to invest, previous short windows and stop-start schemes have meant there was little trust or time for supply chain development.

21) What do you think the minimum certification requirements for low carbon heating and microgeneration installations should be under ECO4?

We believe adherence to the new MCS 2.0 standard should be mandatory. If equivalence is allowed, it must align with the proposed higher standard as outlined in the MCS consultation, avoiding the use of outdated benchmarks that could undermine quality by lowering expectations.

27) Do you agree with our proposal to update legislation so that Shared Ground Loops can be evidenced by SAP assessments where they are installed alone, or alongside Data Light Measures?

We support using SAP assessments instead of RdSAP for evidencing SGL installations, aligning with practices from ECO1 to ECO3. This change addresses challenges under ECO4, where RdSAP hindered demonstrating eligibility for qualifying EPC bands pre-installation and achieving required two-band uplifts post-installation. Consequently, ECO4 saw a significant reduction in SGL installations, with only 569 GSHPs delivered to date.²

However, we question why SAP assessments are limited to standalone SGL installations, excluding scenarios with additional measures like heating controls or radiator valves. This restriction could force most SGL installations to rely on RdSAP, undermining the intended benefits. Extending SAP assessments to installations with complementary measures would support wider adoption, particularly aiding those in high-rise buildings with direct electric heaters, achieving significant bill reductions and advancing fuel poverty targets.

28) Are there any other barriers to delivering SGL projects under ECO4 we should be aware of?

TrustMark Requirements: ECO4 mandates TrustMark registration for SGL installations, unlike other district heat connections (DHCs). This duplicates compliance already ensured by MCS and upcoming Heat Network Regulations, adding unnecessary costs and administrative burdens. TrustMark's single-measure framework is unsuitable for SGL systems, as it excludes underground components like the ground array, limiting its consumer protection value.

Innovation Measures (IM): SGL systems are ineligible for IM uplifts, unlike individual GSHP installations. This exclusion is inconsistent since GSHPs used in SGLs are market-available. Including SGLs in IM funding would enhance ECO4's effectiveness, especially for properties like high-rise flats reliant on SGL setups.

² [Household Energy Efficiency Statistics, October 2024](#)

Part 2: Pay-For-Performance

37) Where development time available to industry for PFP appears limited, would you favour government introducing PFP to ECO4 and GBIS or introducing PFP into any successor ECO scheme?

The introduction of Pay for Performance is already long overdue. The measurement of performance is fundamental to providing good outcomes for householders and beyond. We strongly support PFP as an initial mechanism to scaling uptake and deployment to ensure the wider societal benefits of retrofit are felt. It is imperative PFP goes ahead in the current ECO4 and GBIS iterations.

PFP is voluntary. There is no obligation on suppliers to engage with PFP. The only fear they can have is one or more do engage, and manage to deliver a small proportion of their obligation more cheaply than those suppliers that don't engage with PFP. And it will be a small proportion given it is the back end of the obligation period. This can't be a reason to not progress. Moving on, PFP in the final year of ECO4 & GBIS allows the approach to be 'stress tested' ready for any future scheme.

Build Test Solutions has already demonstrated the practicability of in-situ measurements at scale through a number of successful ECO3 Demonstration Action projects. There is significant potential for learning and efficiency gains for all stakeholders - Government and industry - and we see no reason to delay. Early projects under ECO4, no matter how they are executed, will provide the opportunity to get the PFP concept better honed for use in successor schemes and other related policy.

39) Do you agree with the PFP application scope we have proposed?

In principle, yes, but just as with DESNZ acknowledging that this is a pilot between energy suppliers and industry in delivering SMETER measurements at scale, it's also set to be a learning curve for DESNZ, Ofgem and the appointed external experts.

DESNZ and the panel determine a standard project application form that is simple to populate and which is accompanied by a clear and objective score card for the panel to use in reviewing submissions. It will be this form that then determines the criteria against which project success is ultimately determined at the end of each project.

We also comment throughout this response that the spirit of this being a trial of innovative measurement based policy should be embraced more fully. We consider the number of homes that are to be eligible for PFP is being unduly narrowed too early in the life of the policy - it should not be restricted to homes only with a smart meter, nor should houses of a certain age or type be ruled out.

40) Do you agree with the proposed role of the PFP Panel?

Panel members should be publicly identified, and the panel should operate under transparent terms, such as commitments to specific response times for applications, feedback for unsuccessful submissions, and timely responses to resubmissions. Clear guidelines should be provided to applicants regarding submission requirements, delays affecting project timelines, and expectations. Additionally, an appeals process should be available to contest rejected applications or final submission verdicts.

78) Do you agree with our proposed approach to complementary insulation work?

Yes, PFP can incentivize retrofitters to deliver high-quality, effective energy efficiency measures. Addressing flaws in existing insulation is essential to maximizing the benefits of retrofits for households.

81) Do you agree with our proposal to provide a PFP minimum score via the uplift? If not, please explain why?

Yes, but although PFP projects offer significant potential, they are not entirely risk-free. For example, residents might unintentionally interfere with sensors, or atypical weather conditions could impact measurement accuracy. The uplift for successful projects helps mitigate these risks, but such issues could still become points of contention between the panel and project teams.

90) Do you agree with the policy linkages positions we set out between the PFP mechanism and main schemes? If not, please state which you disagree with and why. What other policy linkages should we provide information on?

Yes.

If you have questions regarding any of the contents of this consultation please contact kirsty.girvan@ukgbc.org.