

# Energy Company Obligation 2015-2017 (ECO2): Guidance note on specific HHCRO requirements

## Guidance Note

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### Overview:

The government is extending ECO through a new obligation period from April 2015 to March 2017 (termed 'ECO2'). The Electricity and Gas (Energy Company Obligation) Order 2014<sup>1</sup> ('the ECO2 Order') sets out the requirements for ECO2.

This guidance note focuses on three areas where the change in law will affect delivery of Home Heating Cost Reduction Obligation (HHCRO) measures and where we will exercise discretion in administering those changes. We are publishing this guidance note ahead of guidance on the other changes in ECO2 because some of these requirements will affect certain measures delivered under ECO1 from 1 January 2015 onwards, if they are to be credited towards a supplier's ECO2 HHCRO as surplus actions.

This guidance note provides information on how we will administer these distinct areas of policy relevant to HHCRO for ECO2 and is based on the ECO2 Order which came into force on 5 December 2014.

**It is the responsibility of each supplier to understand the provisions of the Order and how those provisions apply to them. This guidance is not intended to be a definitive guide to these provisions.**

<sup>1</sup> [http://www.legislation.gov.uk/uksi/2014/3219/pdfs/ukxi\\_20143219\\_en.pdf](http://www.legislation.gov.uk/uksi/2014/3219/pdfs/ukxi_20143219_en.pdf).

## Context

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The ECO2 Order came into force on 5 December 2014 and applies to measures, with the exception of surplus actions, installed from 1 April 2015. The Order sets out the requirements for ECO for the obligation period from April 2015 to March 2017 (termed 'ECO2'). Some of these requirements affect certain ECO1<sup>2</sup> measures (installed before 1 April 2015) which suppliers may wish to credit as surplus actions against their ECO2 Home Heating Cost Reduction Obligation (HHCRO). These requirements are:

- a. demonstrating whether a premises is non-gas fuelled,
- b. qualifying warranties for boiler replacements, and
- c. warranties for electric storage heater replacements.

All replacement boilers and electric storage heaters delivered from 1 January 2015 under ECO1 and carried forward as surplus actions to ECO2 must have a warranty. Additional information on surplus actions is available in Appendix 1 of this document.

This document is a guidance note on how Ofgem ('we', 'our' and 'us' in this document) will administer ECO in line with the requirements of the ECO2 Order. The guidance will be incorporated into the relevant sections of the final ECO2 guidance, which will be published in March 2015.

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<sup>2</sup> ECO1 is the obligation period from 1 January 2013 to 31 March 2015. The requirements for this obligation period are set out in The Electricity and Gas (Energy Company Obligation) Order 2012.

## Associated documents

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### Legislation

The Electricity and Gas (Energy Company Obligation) Order 2014

The Electricity and Gas (Energy Companies Obligation) Order 2012

The Electricity and Gas (Energy Companies Obligation) (Amendment) Order 2014

The Electricity and Gas (Energy Companies Obligation) (Determination of Savings) (Amendment) Order 2014

The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014

Copies of the legislation listed above can be found at:

<http://www.legislation.gov.uk/all?title=energy%20company>.

### Documents referred to in the guidance note

Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.2):

<https://www.ofgem.gov.uk/ofgem-publications/91749/ecoguidanceforsuppliersversion12final.pdf>.

PAS 2030:2014 Edition 1 Improving the energy efficiency of existing buildings for installation process, process management and service provision. This is available for purchase from the BSI website: <http://shop.bsigroup.com/ProductDetail/?pid=00000000030297314>.

The Government's Standard Assessment Procedure for Energy Rating of Dwellings and The Government's Reduced Data Standard Assessment Procedure for Energy Rating of Dwellings (2012 edition, version 9.92):

[http://www.bre.co.uk/filelibrary/SAP/2012/SAP-2012\\_9-92.pdf](http://www.bre.co.uk/filelibrary/SAP/2012/SAP-2012_9-92.pdf).

### Supporting documentation

Supporting documentation referred to in this guidance can be accessed through our website at:

<https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco>.

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## 1. Non-gas fuelled premises

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- 1.1. A non-gas fuelled premises is one where the main space heating system is not fuelled by mains gas, or is not a district heating system. The fuel type of the district heating system is not relevant.
- 1.2. The ECO2 Order provides for increased savings (an uplift<sup>3</sup>) for HHCRO measures including measures that improve the insulating properties of a premises and repair/replacement of qualifying boilers that are installed in non-gas fuelled premises that remain non-gas fuelled after the installation of the measure.<sup>4</sup>
- 1.3. It will be possible for a supplier to credit certain ECO1 measures towards their ECO2 HHCRO as surplus actions if the measure was installed between 1 January 2014 and 31 March 2015. If these measures were delivered to non-gas fuelled premises, they will be subject to a conversion factor<sup>5</sup> when submitted as surplus actions.

### Identifying non-gas fuelled premises

- 1.4. A non-gas fuelled premises is identified by the main space heating system(s) within the premises not being fuelled by mains gas or not being a district heating system.
- 1.5. There may be more than one main space heating system in a premises.
- 1.6. If any of the main space heating systems of a premises are:
  - a. fuelled by mains gas, or
  - b. a district heating system

then the premises will **not** be considered non-gas fuelled.

- 1.7. Space heating systems are:
  - a. district heating systems
  - b. central heating systems which have a boiler or warm air unit and system to distribute heat to more than one room
  - c. electric storage heaters
  - d. electric underfloor or ceiling heating systems that distribute heat to more than one room

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<sup>3</sup> An uplift is an increase to the cost saving of a heating qualifying action.

<sup>4</sup> Article 23(1) (a) and (b) of the Order.

<sup>5</sup> Conversion factors are discussed in Appendix 1.

- e. fixed room heaters which provide heat to individual rooms either supplementing another heating system or providing the heating requirement for the particular room, and
  - f. portable room heaters.
- 1.8. District heating systems, central heating systems, electric storage heaters and electric underfloor or ceiling heating systems when present, are always considered main space heating systems.
- 1.9. Where fixed room heaters are present at the same premises as a district heating system, a central heating system, an electric storage heater and/or an electric underfloor or ceiling heating system, the fixed room heaters will not be considered the main space heating system.
- 1.10. However, where a premises is only heated by fixed room heaters these will be considered to be the main space heating system. If the room heaters use different fuels then each type of room heater (based on fuel type) will be considered a main space heating system in itself. For example, if there are gas room heaters and electric room heaters then the premises has a gas fuelled main space heating system and an electric fuelled main space heating system.
- 1.11. Portable room heaters are never considered to be the main space heating system as they are moveable and may not remain in the premises.

### **Evidencing non-gas fuelled premises**

- 1.12. Below are some of the ways in which suppliers can demonstrate, at audit, the fuel type for the main space heating system of a premises:
- a. for measures which improve the insulating properties of a premises – the pre or post installation SAP<sup>6</sup> or RdSAP<sup>7</sup> assessment can be used to demonstrate the fuel type(s) of the main space heating system(s) provided the assessment has been conducted by an accredited SAP or RdSAP assessor.<sup>8</sup> This assessment should be a lodged EPC.
  - b. for qualifying boiler repairs and replacements:
    - i. the boiler assessment checklist can be used to demonstrate the fuel type(s) of the main space heating system(s) where the operative has

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<sup>6</sup> The Standard Assessment Procedure (SAP).

<sup>7</sup> The Reduced Data Standard Assessment Procedure (RdSAP).

<sup>8</sup> A SAP or RdSAP assessor is either an On Construction Domestic Energy Assessor or a Domestic Energy Assessor (OCDEA/DEA). In Scotland, the assessment is conducted by EPC assessors who are members of approved organisations. Approved organisations are those that have entered into protocols with Scottish Government to deliver Energy Performance Certificates.



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recorded the fuel type(s), before and after the measure has been completed,

OR

- ii. a pre and post installation SAP or RdSAP assessment can be used to demonstrate the fuel type(s) of the main space heating system(s) provided the assessment has been conducted by an accredited SAP or RdSAP assessor. Both of these assessments should be lodged EPCs.

## 2. Qualifying warranties for replacement boilers

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- 2.1. All replacement boilers installed under ECO2 must be accompanied by a 'qualifying warranty'. This requirement applies to all replacement boilers, irrespective of fuel type and whether they are qualifying or non-qualifying boiler replacements.
- 2.2. To be eligible to be credited towards a supplier's ECO2 HHCRO, replacement boilers installed from 1 January 2015 under ECO1 must be accompanied by a qualifying warranty.
- 2.3. A replacement boiler is a boiler, connected to a working heating system, that has been installed which replaces a previous heating source.<sup>9</sup> Where there is no heating system present before installation we consider that the replacement boiler replaces direct acting electric heaters, as this is the assumed main space heating.
- 2.4. The operative(s) must install the replacement boiler in accordance with PAS<sup>10</sup> and as per the boiler manufacturer's instructions. The operative(s) are the installer(s) who carry out the works.

### Requirements for qualifying warranties for replacement boilers

- 2.5. A qualifying warranty is one that:
  - a. provides for the rectification of problems<sup>11</sup> notified to the person(s) providing the warranty within one year of the replacement boiler being installed
  - b. accompanies the replacement boiler at the time the installation is complete. We will be satisfied that the warranty has been provided when the installation was completed if a one year qualifying warranty is in place at the date of handover<sup>12</sup>
  - c. provides for the rectification, free of charge, of problems which affect the functioning of the boiler or heating system, and which relate to the replacement boiler's installation and/or design work carried out by the operative(s). Generally the scope of work required to install a boiler is as described in the manufacturer's instructions for installation. The design work is the suitability of the replacement boiler for the heating system it is intended to serve, including appropriate sizing, and

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<sup>9</sup> Such as a qualifying boiler, a non-qualifying boiler, fixed room heaters or electric storage heaters.

<sup>10</sup> PAS 2030:2014 Edition 1.

<sup>11</sup> Any problems which arise after the replacement boiler has been installed and are not required to be covered by a qualifying warranty are noted in paragraph 2.7.

<sup>12</sup> Please refer to paragraphs 9.6-9.13 of the ECO Guidance for Suppliers (Version 1.2) for more information on 'date of handover'



- d. is accompanied by a signed declaration by the occupier of the premises demonstrating that to that person's knowledge no one<sup>13</sup> has been charged for the warranty.
- 2.6. The warranty is not required to provide for the rectification of a problem which is covered by the warranty provided by the manufacturer for the replacement boiler. Such warranties are likely to be limited to parts and manufacturing faults.
- 2.7. The warranty is not required to provide for the rectification of a problem which arises after the replacement boiler is installed where that problem arises from one or more of the following:
- a. negligence
  - b. accident
  - c. misuse of the replacement boiler
  - d. repair of the replacement boiler

by a person other than the operative(s), warranty provider or person acting on behalf of the operative or warranty provider.

### **Additional information for qualifying warranties for replacement boilers**

- 2.8. Where a qualifying warranty has been issued for the replacement boiler, any repair of the boiler under that warranty or under the manufacturer's warranty cannot be claimed under ECO as a heating qualifying action.
- 2.9. To demonstrate that a qualifying warranty has been provided to the occupier free of charge we will accept the following document at audit:
- a. A copy of the qualifying warranty; marked with a signed declaration by the occupier which states:  
  
"To my knowledge no one has been charged for this warranty. The person providing the warranty has explained what it does and does not cover".  
  
Signed ..... Date .....
- 2.10. The declaration must be on a copy of the qualifying warranty rather than on a separate document.

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<sup>13</sup> This does not include the installer, supplier or any other party in the supply chain.

## **Definition of boiler and heating system**

- 2.11. Qualifying warranties are only required for replacement boiler measures. To identify problems in the boiler or heating system relating to the installation and design work carried out during the boiler replacement, we have provided the definitions below.

### **Boiler**

- 2.12. A boiler is defined as a gas, liquid, solid fuelled or electric appliance designed to provide hot water for space heating through a heat distribution system. It may (but does not need to) be designed to provide domestic hot water as well. A boiler may comprise some or all of the following components:

- a. heat exchanger
- b. the fuel supply system
- c. boiler and burner control system
- d. air supply and exhaust fans
- e. flue connections within the boiler case
- f. expansion vessel and/or fill and expansion header tanks
- g. programmer/timer (one that is integral to the boiler)
- h. circulation pump
- i. condensate drain system
- j. burner assembly,

AND

- k. ancillary equipment and any connections within the case necessary to supply central heating and/or instantaneous hot water.

### **Heating system**

- 2.13. A heating system is a central heating system, which will normally comprise some or all of the following components:
- a. radiator circuit
  - b. heating circuit



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- c. heat emitters (radiators as well as underfloor)
- d. flue
- e. room thermostats and thermostatic radiator valves (TRVs)
- f. mains water supply to the system and/or boiler
- g. cold water tank
- h. expansion tank
- i. hot water storage tank
- j. control valves
- k. heating system pump.

## 3. Warranties for replacement electric storage heaters

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- 3.1. All replacement electric storage heaters installed under ECO2 must be accompanied by a one year warranty.
- 3.2. To be eligible to be credited towards a supplier's ECO2 HHCRO, replacement electric storage heaters installed from 1 January 2015 under ECO1 must be accompanied by a one year warranty.
- 3.3. A replacement electric storage heater is an electric storage heater that has been installed which replaces a previous heating source.<sup>14</sup> Where there is no heating system present before installation we consider that the replacement electric storage heater replaces direct acting electric heaters, as this is the assumed main space heating.
- 3.4. The operative(s) must install the replacement electric storage heater in accordance with PAS and as per the storage heater manufacturer's instructions. The operative(s) are the installer(s) who carry out the works.

### Requirements for warranties for electric storage heaters

- 3.5. The warranty that accompanies a replacement electric storage heater must be for the proper functioning of the entire electric storage heater that has been installed. We are satisfied that this requirement can be met by a manufacturer's warranty.
- 3.6. If more than one electric storage heater is installed in a premises you may choose to provide one warranty covering all replacement electric storage heaters, as long as the details of the individual heaters (such as the heater serial number or any other unique detail to identify each heater) are included in the warranty.

### Additional information for warranties for replacement electric storage heaters

- 3.7. A copy of the electric storage heater warranty provided to the occupier must be made available to us at audit.
- 3.8. Where a warranty has been issued for the replacement electric storage heater, any repair of the electric storage heater under that warranty cannot be claimed under ECO as a heating qualifying action.

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<sup>14</sup> Such as a qualifying boiler, a non-qualifying boiler, fixed room heaters or an electric storage heater.

## Appendix 1 - Surplus Actions

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This appendix explains what surplus actions are, how a supplier can apply to credit surplus actions towards its ECO2 obligations (CERO, CSCO and HHCRO) and how to calculate the carbon saving or cost score for surplus actions. This appendix will be included as a chapter in the final ECO2 Guidance.

### What is a surplus action?

- 1.1. Where a supplier has achieved savings that exceed its ECO1 obligations, it can apply to credit these excess measures or 'surplus actions' towards its ECO2 obligations, providing certain criteria are met.
- 1.2. A surplus action is a measure that:
  - a. is an ECO1 qualifying action (ie is a notified ECO1 measure) and was achieved by the supplier applying for the surplus action
  - b. is not required by that supplier to meet its obligations under the 2012 Order, and
  - c. is an ECO1 qualifying action in respect of the ECO2 obligation it is intended to be credited towards.
- 1.3. A measure is not required by a supplier to meet its ECO1 obligations where:
  - a. the supplier has achieved the obligation against which the measure is credited, and
  - b. the measure was not counted towards achievement of the obligation.
- 1.4. In the case of CSCO we will also judge that a measure is not required by a supplier to meet that ECO1 obligation if the supplier did not meet its rural sub-obligation, but delivered sufficient measures to meet the remainder of its CSCO, and that measure:
  - a. was not counted towards achievement of the rural sub-obligation, and
  - b. is surplus to achieving the remainder of the obligation.
- 1.5. A supplier may apply to credit a surplus action towards an ECO2 obligation even if it has not achieved all of its ECO1 obligations. For example, where a supplier has achieved and exceeded its ECO1 HHCRO, but has not achieved its ECO1 CERO and CSCO, that supplier can apply to carry forward ECO1 HHCRO measures that are not required to achieve its HHCRO.

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- 1.6. Suppliers will only be able to apply for surplus actions once we have made our final determination (no later than 30 September 2015) for ECO1.
- 1.7. Excess actions or group excess actions<sup>15</sup> credited against a supplier's ECO1 obligations cannot count as surplus actions.

### Applying for surplus actions

- 1.8. Suppliers must apply to credit a surplus action towards an ECO2 obligation no later than 30 November 2015.
- 1.9. The application for each surplus action to be credited towards an ECO2 obligation must include the following information:
  - a. details of the measure the supplier considers to be an eligible surplus action
  - b. the obligation the supplier intends to credit the surplus action towards, and
  - c. the carbon saving or cost score of the surplus action.
- 1.10. We will review applications for surplus actions submitted up to and including 30 November 2015.

### Crediting surplus actions to ECO2 obligations

- 1.11. Suppliers can apply to credit surplus actions towards any of their ECO2 obligations, provided the relevant eligibility criteria are met. The obligation that the surplus action is credited towards does not need to be the same as the obligation that the ECO1 measure was credited against.
- 1.12. For example, if a supplier wishes to apply to credit an ECO1 CSCO surplus action towards its ECO2 CERO, the supplier must ensure that the surplus action is a carbon qualifying action.<sup>16</sup>
- 1.13. Where a surplus action is being credited towards a different ECO2 obligation, additional information may be required. For example, if a supplier applies to credit an ECO1 CERO surplus action towards its ECO2 HHCRO the cost score for the measure, which may not have been included in the original notification under ECO1, will be required. Further information on the specific obligations is provided below.

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<sup>15</sup> For more information on excess actions and group excess actions see Chapters 10 and 11 of the ECO Guidance for Suppliers (Version 1.2).

<sup>16</sup> As per Article 12(3) of the 2012 Order.

## Crediting surplus actions towards CERO

- 1.14. A surplus action that is intended to be credited towards a supplier's ECO2 CERO must be an ECO1 carbon qualifying action, as set out in the ECO 2012 Order.<sup>17</sup>
- 1.15. ECO1 carbon qualifying actions are divided into 'primary measures' and 'secondary measures'. A supplier can apply for a primary or secondary ECO1 CERO measure to be credited as a surplus action independently of its corresponding secondary or primary measure (if applicable). For example, an ECO1 CERO secondary measure could be credited towards ECO2 as a surplus action while the associated primary measure is not carried forward as a surplus action.
- 1.16. Where a surplus action is an ECO1 CERO measure, the carbon saving does not include any uplifts that may have been attributed to that measure as a result of the ECO1 levelisation process.<sup>18</sup>

## Crediting surplus actions towards CSCO

- 1.17. A surplus action that is intended to be credited towards a supplier's ECO2 CSCO must be an ECO1 carbon saving community qualifying action, as set out in the ECO 2012 order,<sup>19</sup> and either:
- be promoted in an ECO1 area of low income (an area of low income is as listed in the *2012 low income and rural document*<sup>20</sup> or for measures installed from 1 April 2014, the *2014 low income and rural document*,<sup>21</sup> both are published on the government's website), or
  - have contributed towards a supplier's ECO1 rural sub-obligation.
- 1.18. An ECO1 carbon saving community qualifying action that was delivered in an adjoining area and was notified as an adjoining installation cannot be a surplus action as it does not meet the criteria described in paragraph 1.17.
- 1.19. Where an ECO1 CSCO measure (promoted in an area of low income) that was used to support an adjoining installation is carried forward as a surplus action this will not affect our 25% determination on adjoining installations made under ECO1.<sup>22</sup>

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<sup>17</sup> As per Article 12(3) of the 2012 Order.

<sup>18</sup> For more information on levelisation see Chapter 13 of the Guidance for Suppliers (Version 1.2).

<sup>19</sup> As per Article 13(5) of the 2012 Order.

<sup>20</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/48405/5536-carbon-saving-community-obligation-rural-and-low-.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48405/5536-carbon-saving-community-obligation-rural-and-low-.pdf).

<sup>21</sup> <https://www.gov.uk/government/publications/The-Future-of-the-Energy-Company-Obligation-Small-Area-Geographies-Eligible-for-ECO-CSCO-Support>.

<sup>22</sup> See Chapter 6 of the Guidance for Suppliers (Version 1.2) for more information on the 25% determination.

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- 1.20. Where an ECO1 CSCO measure (promoted in a rural area) was credited against a supplier's rural sub-obligation, and removal of the savings for that measure would cause that supplier to fail to meet its rural sub-obligation, and therefore its overall CSCO, then the measure cannot be carried forward as a surplus action.
- 1.21. A surplus action can be credited towards a supplier's ECO2 CSCO rural obligation provided that:
1. it is approved as a CSCO surplus action, and
  2. it meets the following criteria of the rural sub-obligation:
    - i. it was promoted to a member of the AWG living in a rural area, or
    - ii. if it was installed from 1 April 2014, it was installed in a deprived rural area (a deprived rural area is as listed in the *2014 low income and rural document* published on the government's website).<sup>23</sup>

### Determining carbon savings for surplus actions to be credited towards CERO and CSCO

- 1.22. The carbon saving for a surplus action is the carbon saving attributed to that ECO1 CERO and CSCO measure.
- 1.23. If no carbon saving was attributed to a measure (ie the measure was an ECO1 HHCRO measure), the carbon saving must be calculated, in accordance with the ECO 2012 Order, using the following formulae:<sup>24</sup>

#### **If using SAP or RdSAP 2009 (version 9.90 or 9.91 respectively):**

$$(A - (A \times B)) = \text{carbon saving (tCO}_2\text{)}$$

Where:

'A' is the lifetime carbon saving (ie the annual carbon saving calculated in accordance with SAP/RdSAP 2009 multiplied by the lifetime (in years)<sup>25</sup> of the measure),

AND

'B' is the in-use factor (IUF) of the measure (by percentage).

<sup>23</sup> <https://www.gov.uk/government/publications/The-Future-of-the-Energy-Company-Obligation-Small-Area-Geographies-Eligible-for-ECO-CSCO-Support>.

<sup>24</sup> See Chapter 8 of our Guidance for Suppliers (Version 1.2) for more information on calculating savings.

<sup>25</sup> Standard lifetimes are available in the ECO Table of Measures. See: <https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-measures-tables>.



**If using SAP or RdSAP 2012 (version 9.92):**

$$(A - (A \times B)) \times 0.925 = \text{carbon saving (tCO}_2\text{)}$$

Where:

'A' is the lifetime carbon saving (ie the annual carbon saving calculated in accordance with SAP/RdSAP 2012 multiplied by the lifetime (in years) of the measure)

'B' is the in-use factor (IUF) of the measure (by percentage),

AND

0.925 is the weighted average factor for converting CO<sub>2</sub>e to CO<sub>2</sub>.

- 1.24. If the carbon savings cannot be calculated using the above formulae, suppliers must use an appropriate methodology that has been approved by us.<sup>26</sup>
- 1.25. The calculation should take into account the premises as it was when the measure was installed (that is, discounting any later installations). The calculation should also use the version of carbon coefficients that were relevant at the time of initial assessment or installation.

### Crediting surplus actions towards HHCRO

- 1.26. A surplus action that is intended to be credited towards a supplier's ECO2 HHCRO must be an ECO1 heating qualifying action, as set out in the ECO 2012 Order<sup>27</sup> and:
  - a. be promoted to a householder who is a member of the AWG or resides with a member of the AWG
  - b. have been installed in the period from 1 January 2014 to 31 March 2015, and
  - c. where the measure was installed in the period from 1 January 2015 to 31 March 2015:
    - i. be accompanied at the time of installation by a qualifying warranty<sup>28</sup> in the case of a replacement boiler, or
    - ii. be accompanied by a one year warranty<sup>29</sup> in the case of a replacement electric storage heater.

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<sup>26</sup> See Article 18 of the 2012 Order.

<sup>27</sup> As per Article 15(3) of the 2012 Order.

<sup>28</sup> See Section 2 for more information on qualifying warranties for replacement boilers.

<sup>29</sup> See Section 3 for more information on warranties for replacement electric storage heaters.

## Determining cost scores for surplus actions to be credited towards HHCRO

- 1.27. The cost score for a surplus action is the cost saving attributed to that ECO1 HHCRO measure multiplied by the relevant conversion factor (see paragraphs 1.32 to 1.33 for information on the conversion factors to use).

### The cost saving

- 1.28. The cost saving for a surplus action is the lifetime cost saving attributed to that ECO1 HHCRO measure.
- 1.29. If no cost saving was attributed to a measure (ie the measure was an ECO1 CERO or CSCO measure) the cost saving must be calculated, in accordance with the 2012 Order, using the following formula:

$$S \times L = \text{cost saving (£)}$$

Where:

'S' is the annual cost saving calculated in accordance with SAP/RdSAP 2009 or 2012

AND

'L' is the lifetime of the measure.

- 1.30. If the cost savings cannot be calculated using the above formula, suppliers must use an appropriate methodology that has been approved by us.<sup>30</sup>
- 1.31. The calculation should take into account the premises as it was when the measure was installed (that is, discounting any later installations). The calculation should also use the fuel prices that were relevant at the time of initial assessment or installation.

### Relevant conversion factors and the cost score

- 1.32. Suppliers must apply a conversion factor to the cost saving of any surplus action to be credited towards a supplier's ECO2 HHCRO to calculate the cost score. The conversion factors are detailed in Table 1, Table 2 and Table 3 below. Where a measure is not included in the tables below a conversion factor of 1 is to be applied.

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<sup>30</sup> See Article 18 of the 2012 Order.

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1.33. The cost score for a measure is calculated using the following formula:

$$A \times B = \text{cost score}$$

Where:

'A' is the cost saving as calculated above in paragraphs 1.28 to 1.31,

AND

'B' is the relevant conversion factor

1.34. The cost score should be expressed in pounds sterling to zero decimal places.

1.35. Conversion factors, other than 1, apply to:

- a. Measures installed in non-gas fuelled premises<sup>31</sup> that remain non-gas fuelled once the installation is complete, and
- b. Replacement boilers – qualifying and non-qualifying boilers that are installed with or without a qualifying warranty.

**Table 1** Conversion factors for non-gas fuelled premises

Measure	Conversion Factor
A measure which improves the insulating properties of a premises	1.35
Repair of a qualifying boiler at a non-gas fuelled premises	1.45
Replacement of a qualifying boiler at a non-gas fuelled premises <ul style="list-style-type: none"> <li>- by a boiler which <b>was not</b> accompanied at the time of installation by a qualifying warranty</li> </ul>	1.4
Replacement of a qualifying boiler at a non-gas fuelled premises <ul style="list-style-type: none"> <li>- by a boiler which <b>was</b> accompanied at the time of installation by a qualifying warranty; <u>or</u></li> <li>- a measure other than a boiler or an electric storage heater</li> </ul>	1.45

<sup>31</sup> See Section 1 for more information on non-gas fuelled premises.

**Table 2** Conversion factors for replacement of a qualifying boiler in premises fuelled by mains gas

<b>Measure</b>	<b>Conversion Factor</b>
Replacement of a qualifying boiler by another boiler where: <ul style="list-style-type: none"> <li>- both the boiler being replaced and the replacement boiler were fuelled by mains gas; <u>and</u></li> <li>- the replacement boiler <b>was not</b> accompanied at the time of installation by a qualifying warranty</li> </ul>	0.75
Replacement of a qualifying boiler by another boiler where: <ul style="list-style-type: none"> <li>- both the boiler being replaced and the replacement boiler were fuelled by mains gas; <u>and</u></li> <li>- the replacement boiler <b>was</b> accompanied at the time of installation by a qualifying warranty</li> </ul>	0.80

**Table 3** Conversion factors for replacement of a non-qualifying boiler

<b>Measure</b>	<b>Conversion Factor</b>
Replacement of a boiler: <ul style="list-style-type: none"> <li>- which was not a qualifying boiler; <u>and</u></li> <li>- by a boiler which <b>was not</b> accompanied at the time of installation by a qualifying warranty</li> </ul>	0.95

1.36. To ensure the correct conversion factor has been applied, we may audit the measure to confirm that the evidence supports the applied conversion factor.

1.37. **It is important to note that conversion factors are not applied to measures as part of ECO1. Conversion factors should only be applied when submitting an application for surplus actions to be credited towards HHCRO under ECO2.**

#### Additional information required for validating HHCRO cost scores

1.38. So that we can validate the cost score provided for a surplus action to be credited towards a supplier's ECO2 HHCRO, the appropriate measure name must be used and the following additional fields of information must be provided in the surplus action application:



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- a. pre and post fuel type of the main space heating system(s) of the premises
- b. whether a warranty has been provided, and
- c. the conversion factor applied.

### **Approval of surplus actions applications**

- 1.39. We will approve applications to credit a surplus action against an ECO2 obligation if we are satisfied that the measure is a surplus action as defined in paragraph 1.2.
- 1.40. Details of all surplus actions credited against suppliers' ECO2 obligations will be included in our public reports.