
Learning from the UK's Energy Company Obligation scheme: evaluation of previous schemes and developing the evaluation of the 2018 – 2022 scheme

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Presentation outline

- Background on the UK's Energy Company Obligation scheme
- Monitoring delivery of energy efficiency measures under the scheme
- Using delivery data to develop policy
- Developing the evaluation of ECO

The Energy Company Obligation scheme

ECO is a statutory scheme. The UK Parliament has approved the scheme through Acts of Parliament (primary legislation).

The scheme rules are set out in Regulations (secondary legislation). This requires:

- UK Government to consult on proposals for scheme;
- UK Government to analyse responses and publish Response to Consultation;
- Regulations to be laid before UK Parliament; and
- UK Parliament (House of Commons and House of Lords) to debate and approve the regulations.

The Energy Company Obligation scheme

- The Energy Company Obligation scheme is one of the main policies that the UK has to meet its Article 7 requirements.
- Previous schemes operated before ECO (e.g. Carbon Emissions Reduction Target (CERT) between 2008 and 2012).
- **ECO 1** operated from January 2013 to March 2015.

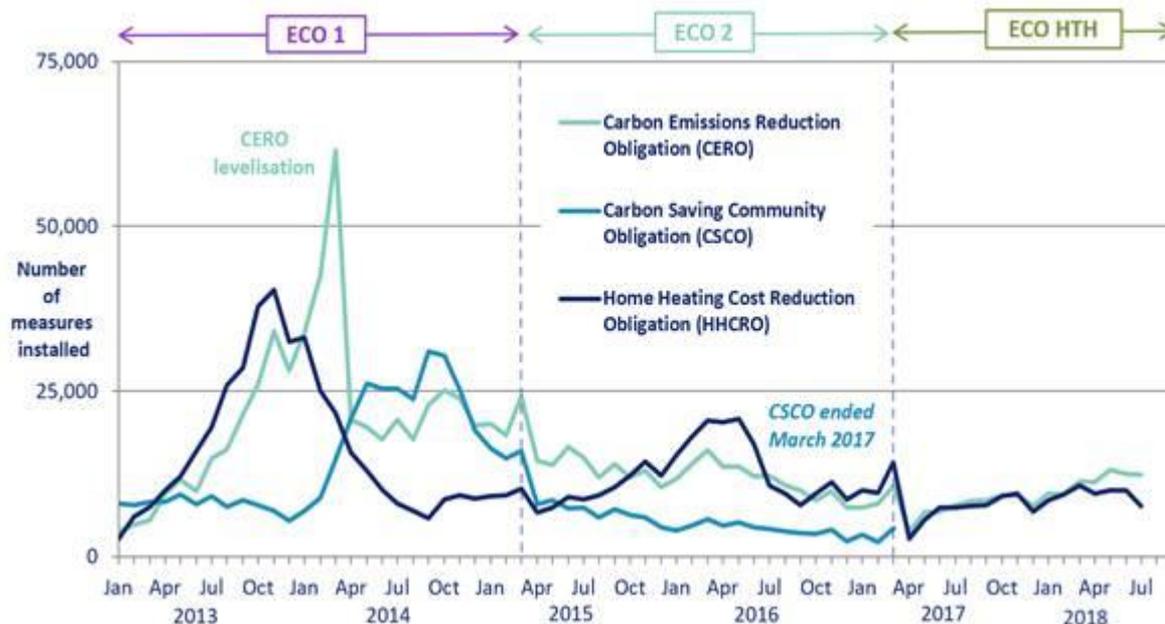
The Energy Company Obligation scheme

- **ECO 2** operated from April 2015 to September 2018
 - Between April 2015 and March 2017, the scheme had three separate obligations:
 - Carbon Emissions Reduction Obligation (CERO);
 - Carbon Savings Community Obligation (CSCO); and
 - Affordable Warmth (for low income households).
 - Between April 2017 and September 2018:
 - Affordable Warmth increased from 36% to 70%; and
 - CERO reduced to 30% of the scheme.
 - CSCO closed in March 2017
- **ECO3** will start operating in December 2018 and run until March 2022. It now supports low income and fuel poor households (100% Affordable Warmth).

Monitoring delivery of energy efficiency measures under the scheme

Ofgem collects detailed data on types of measures that are installed under the scheme. For example:

- number of installations per household; and
- measures installed under the scheme (Solid Wall Insulation; Cavity Wall Insulation)



Delivery of measures is affected by:

- level of funding;
- households who can receive support; and
- stage (i.e. time period) of the scheme.

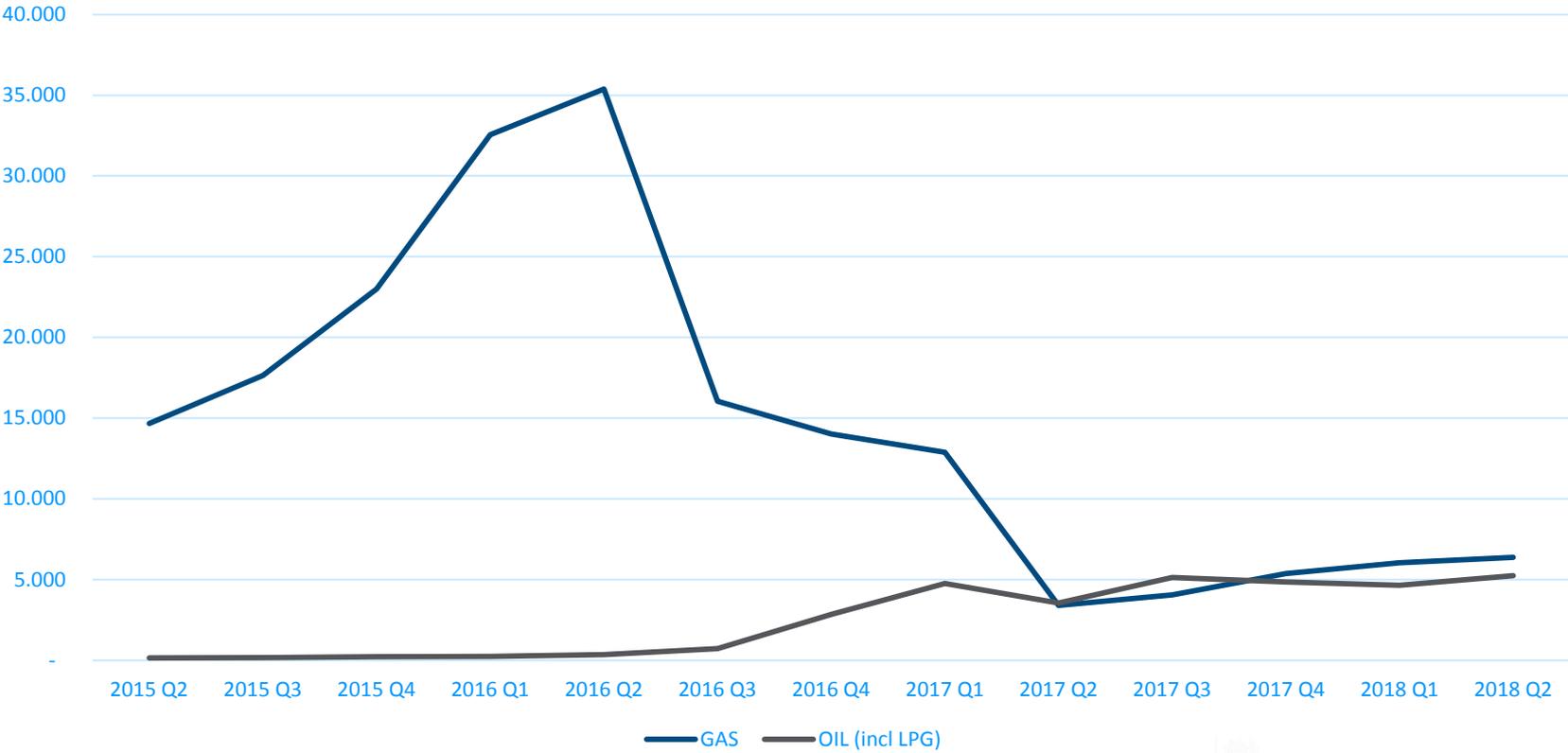
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Monitoring delivery of energy efficiency measures under the scheme

- The data the UK collects is limited by what is needed to administer the scheme.
- As such, there is information that we don't know about the scheme (e.g. how much money households contribute to the measures they receive). More detailed evaluation can provide information on this.
- However, delivery data provides information on what measures are being delivered under the scheme. BEIS uses this data to develop policy for future schemes.
- Under ECO, there were high numbers of gas heating systems installed. When BEIS limited the number that could be installed, there was an increase in oil heating systems.

Using delivery data to develop policy

Gas and Oil Heating Systems installed under ECO, 2015-2018



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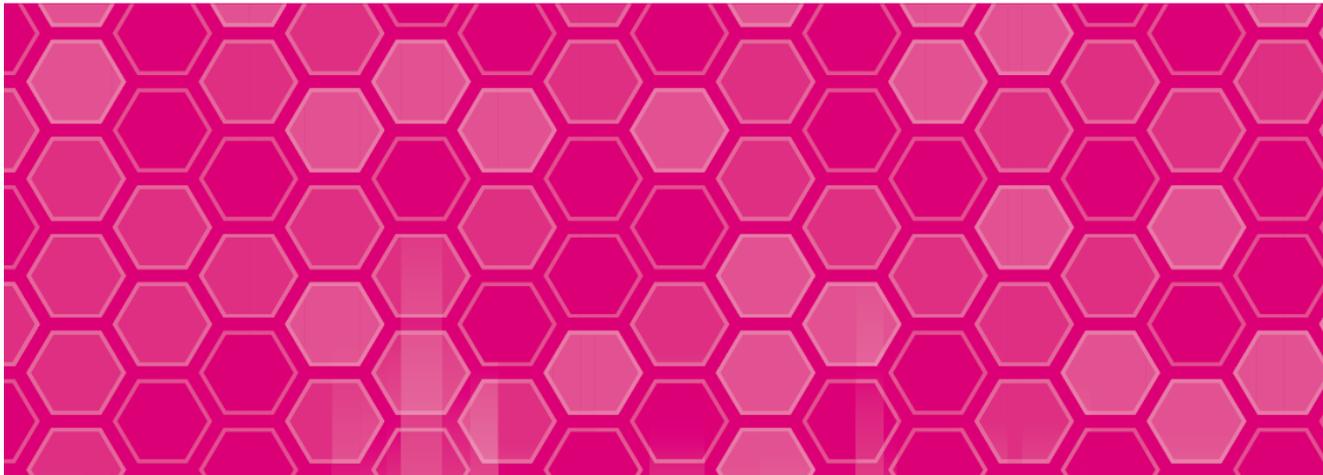
Developing an evaluation of ECO3



HM TREASURY

The Magenta Book

Guidance for evaluation



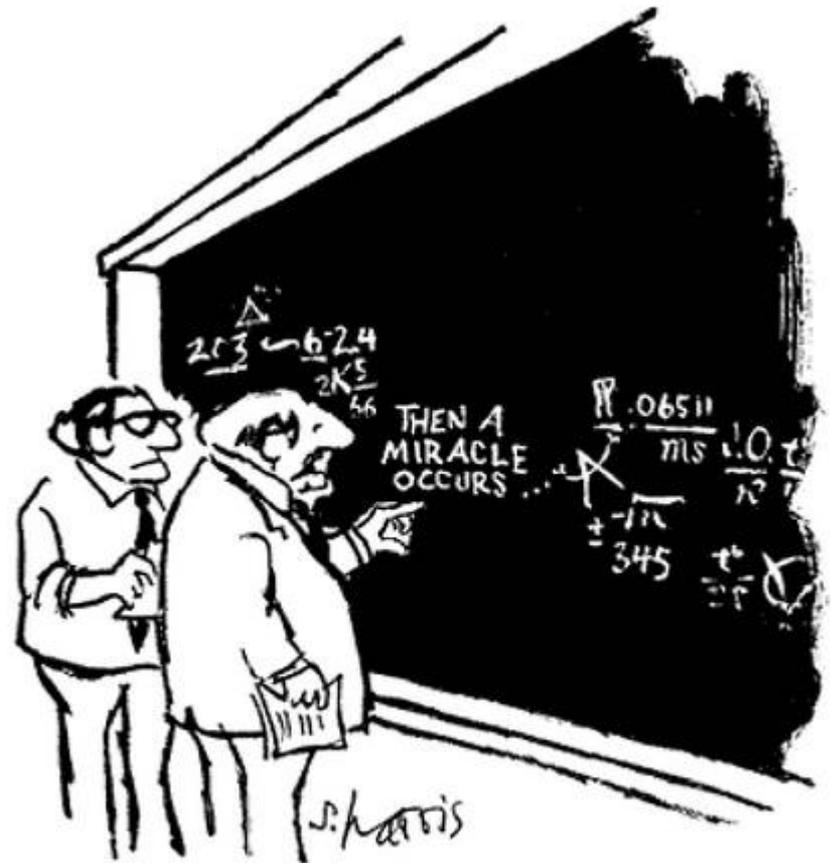
BEIS evaluation – more than ‘Did it work?’

Identifying additionality is a challenge

- Long history of energy policies
- National roll-out and over-lapping eligibility criteria
- Context plays a huge factor in success

Theory based evaluation as well as ‘traditional’ methods

- Build detailed theory of how the policy works
- Collect evidence to test that theory and understand the policy delivery
- ‘How did it work, where and for whom?’ rather than ‘Did it work?’



“I think you should be more explicit here in step two.”

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Previous ECO evaluations have focused on the process

CERT and CESP [evaluations](#)
Green Deal and ECO [evaluation](#)

Customer journey

- Participation is mostly reactive (64% approached by installer/supplier)
- Awareness of 'ECO' was low (12%)

Importance of assessments

- Mystery shopping showed lack of consistency in property assessments

Impact

- Majority (59%) had never previously considered the measure they received
- Majority (72%) reported feeling their home was warmer or fuel bills reduced



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ECO3 requires a different approach to evaluation

The evaluation seeks to understand how the updated approach to ECO is working

What outcomes for vulnerable and fuel poor households specifically?

Does increased flexibility improve policy impact?

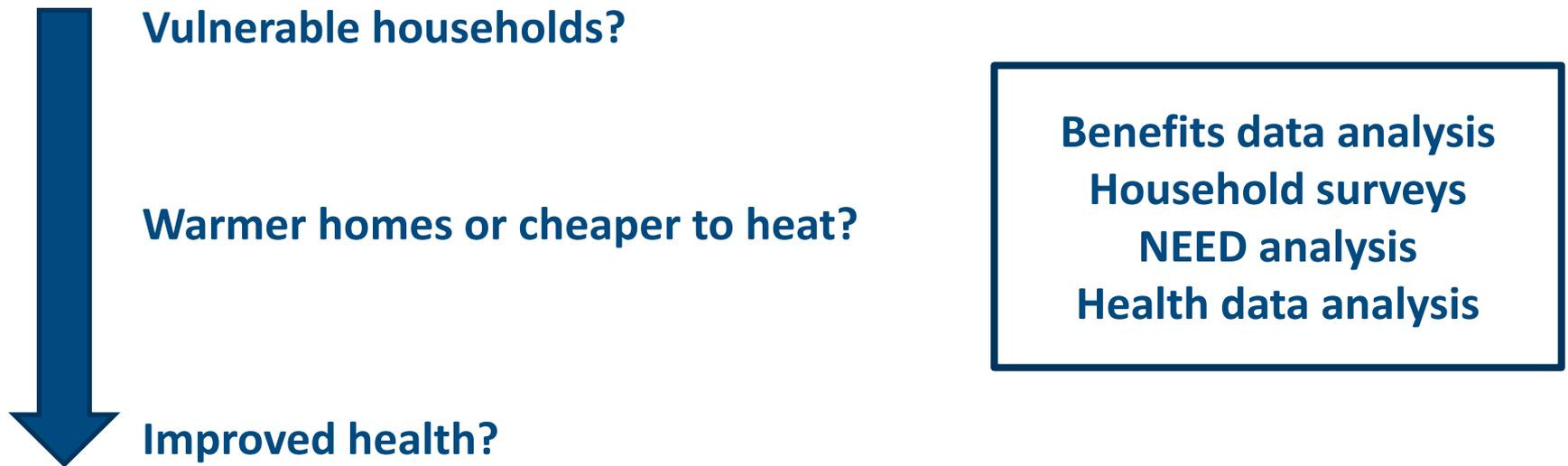
Is the delivery mechanism an efficient and effective approach?




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What outcomes for vulnerable and fuel poor households?

Success for ECO3 is more than just energy or carbon savings, it is creating warmer homes for those most in need



Does increased flexibility improve policy impact?

What flexibility is there?

Local flexible eligibility – reaching previously ineligible households

Uplifted scores for innovative measures – improving reach of measures and cost-effectiveness

What does success look like?

- Are the flexible methods enabling reach to households and properties that were previously excluded?
- Are they having a larger impact than otherwise achieved?
- Are they improving cost effectiveness or ease of delivery?

The challenge of assessing the delivery system still remains

ECO is more complicated in delivery than it looks on paper.

We want to understand:

- What decisions does the focus on bill savings promote? e.g. larger homes being favoured
- What influence does trading of bills savings have?
- Is the delivery market effective and consumer focused? e.g. managing agents
- What is the consumer experience?
- What costs are being incurred across the delivery mechanism? e.g. consumer costs

But how do we collect robust data in this area?

QUESTIONS and DISCUSSION


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