

Energy UK explainer: Energy Company Obligation – the scheme helping to insulate the most vulnerable households on their energy

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Overview of the Energy Company Obligation (ECO)

- ECO began in 2013, and is now in its fourth scheme iteration, ECO4, which runs from April 2022 until March 2026.
- Since its implementation, ECO has delivered almost 2.7 million measures to vulnerable and low-income households, including insulation and heating measures.
- The scheme is led by obligated suppliers that have more than 150,000 customer accounts, with costs being recovered via all customers' electricity bills.
- Previous schemes were measured according to the carbon reductions they achieved, but the most recent ECO schemes focus on achieving fuel bill reductions for eligible households.
- Constituents should contact respective suppliers in order to see if they are eligible for ECO and further support.

Eligible customers

- Customers in Great Britain who receive support via the Warm Homes Discount scheme, or who are in receipt of certain benefits or allowances, are eligible for support under ECO4.
- A new eligibility pathway has been established under ECO4 where suppliers and local authorities can refer customers who are struggling directly to the scheme.
- The scheme is open to customers who own their home or who have permission from their landlord, whether social or private.
- Customers do not need to purchase energy from an obligated supplier in order to benefit.

Quality assurance and value for money under ECO

- Installers delivering measures under ECO are required to be TrustMark-certified and must deliver projects in accordance with a series of consumer protections and provisions.
- TrustMark, Ofgem and energy suppliers are all involved in the monitoring and processing of measures to ensure that they can be accepted under the scheme.

About ECO4

- ECO4 is a four-year scheme with an annual budget of £1bn and is expected to target 450,000 households during this time, achieving an annual bill saving of around £220 million by March 2026.
- Suppliers are required to focus on owner-occupier properties with EPC (Energy Performance Certificate) ratings of D to G. The Government has introduced minimum requirements which will see EPC D and E properties raised to C, and F and G properties raised to at least D.
- A minimum of 90,000 solid walls must be insulated under the scheme, and the Government has limited the number of repair and replacements of broken heating systems to no more than 40,000 over the four scheme years.

Improving ECO in the years ahead

- Energy UK supports moving policy costs into public spending, as funding social policy through obligations is a regressive way to fund these schemes and means that customers living in the most energy inefficient homes end up contributing the most.
- However, this reform would need to be approached carefully to ensure that ECO, the Warm Homes Discount and the Contracts for Difference scheme, which are also funded via a levy on fuel bills, are not at risk. Government should consult with industry before making this change to assess the potential for any unintended consequences.
- Energy UK proposed an ECO+ scheme which builds on the legacy of ECO and makes the scheme fit for the future.