

# Welcome to Your ECO4 Partner Update

## What changes are expected with ECO4?

ECO4 is the fourth phase of the government's Energy Company Obligation (ECO) scheme. It is due to replace the current scheme, ECO3, which ends on 31 March 2022.

Following a period of transition, ECO4 will run from 1 July 2022 until 31 March 2026. While the exact details of the scheme have yet to be confirmed, we do know the new scheme is likely to push for a 'whole house' approach to energy efficiency.

**A number of key changes are expected to be made, including in relation to:**

- Who will be eligible for funding
- How many boiler grants are available

- Big changes to Local Authority Flexible Energy (LA Flex)
- Additional Energy Performance Certificate (EPC) improvement requirements
- Exclusions for homes with an EPC rating A, B or C

In the interim period between ECO3 ending and ECO4 starting (between April and June 2022) ECO3T will be in place and contracts for this period are now open.



### Eligible benefits

One area where changes are likely to be seen is in relation to who will qualify for ECO4 funding. The government is proposing to remove a number of disability benefits from its eligibility criteria. It does, however, intend to include Housing Benefit, Pension Credit Savings Credit and those who qualify for the Warm Homes Discount scheme.

**The eligible benefits for ECO4, could therefore become:**

- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Income Support (IS)
- Pension Credit Guarantee Credit
- Tax Credits (Child Tax Credits and Working Tax Credits)
- Universal Credit
- Housing Benefit
- Pension Credit Saving Credit

### Less grants for free boilers

The number of free boilers that can be installed under ECO4 will be limited to 5,000 and there will be additional rules around the types of boilers that will qualify. This could mean fewer households are eligible for boiler grants under ECO4.

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We are always keen to hear from professional, PAS 2030 accredited installers who would like to submit work via the ECO scheme. We have funding available and offer highly attractive payment terms, along with a host of other benefits, for installers accepted to our approved installer network. **To find out more, [click here](#).**

# Proposed ECO4 changes impacting installers

Here is a brief run through of the proposed changes that are likely to have implications for ECO installers.

## EPC minimum requirements

ECO4 is likely to see some additional requirements introduced for how much energy-efficiency ratings need to be increased by the measures being installed.

For example, where a property has an existing Energy Performance Certificate (EPC) band of F or G the grants will need

to improve the rating to at least a D rating. And where a property has an existing Energy Performance Certificate (EPC) band of band D or E the grants will need to improve the rating to at least a C rating. The government is also proposing that a minimum number of band E, F and G homes are upgraded.

## Scoring is shifting to a whole house approach

The ECO4 scheme is designed to encourage a whole house approach. As a result, we will see a multi-measure scoring mechanism coming into play.

ECO4 is based on meeting the Minimum Requirement (MR). To do so, you must improve a property's SAP score sufficiently to increase the EPC Band from F or G to an E, or from D or E to a C.

There will be additional rules associated with doing so. For example, certain properties may have to have insulation measures installed alongside any other heating measures.

The savings will also be changed from Lifetime Bill Savings (LTS or LBS) to Annual Bill Savings (ABS).

**The scoring will be split into two categories:**

- **Partial Project Scores (PPS)** – These are scores linked to individual measures. As multiple measures may take several months to complete, this offers a way for measures that

make up a project to be recognised as they are installed and notified. These scores are anticipated to be heavily deflated to incentivise full projects - potentially between 30%- 40%. There will also be a cap on the amount of partial project scores within each supplier's obligation.

- **Full Project Scores (FPS)** – These are scores for once a Full Project is notified. A full project is one where the Minimum Requirement has been achieved and will override the Partial Project Score.

How a full project is determined has yet to be finalised. It may involve a post install SAP report. Alternatively, it may be done via a deemed score approach that takes into account the incremental improvements achieved by each Partial Project score and converts them into a deemed Full Project Score.

Scoring will be based on the Annual Bill Savings of each Energy Efficiency Measure.

## Greater emphasis on insulation

Obligations for solid wall insulation installs will be increased for suppliers from 17,000 under ECO3, to 22,000 under ECO4. Cavity wall and loft/room in roof insulation will need to be installed before for First Time Central Heating (FTCH) measures.

## Heating system upgrades

Oil and LPG heating systems could be excluded under ECO4 and off-gas properties would not be eligible for First Time Central Heating (FTCH). Only homes already connected to the gas network would qualify and this would be subject to cavity wall and loft insulation measures being pre-existing or installed ahead of the heating measure.

FTCH must be a low temperature heating system that is more efficient, safer, cleaner and easier to integrate with heat pumps.

## Private rental and social housing

The measure package as part of any project for the private rental sector must include at least one of the following. No boiler replacements are allowed:

- Insulation
- FTCH
- Renewable Heating
- DHS

For social Housing – EPC Band E, F or G will only be eligible and there will be restrictions on measures. Minimum requirements will apply.

## Lifetime Bill Savings to be replaced

ECO scores are no longer going to be multiplied by measure-specific lifetimes for ECO4. They will instead be calculated on annual bill savings. Measures will no longer be scored by their lifetime savings, but lifetime savings will still be set and used to dictate warranty periods.

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