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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order, which applies in Great Britain, amends the Electricity and Gas (Energy Company Obligation) Order 2014(1) (“the 2014 Order”).

The 2014 Order set out three overall energy efficiency targets which must be achieved by larger electricity and gas suppliers in the period 1st April 2015 to 31st March 2017. The targets were apportioned between the electricity and gas suppliers by the Gas and Electricity Markets Authority (“the Administrator”). A supplier’s share of a target is referred to as its “obligation”. A supplier’s carbon emissions reduction obligation must be achieved by promoting carbon qualifying actions (defined in article 12 of the 2014 Order) which lead to a reduction in carbon dioxide emissions (“carbon savings”). Each supplier is required to achieve carbon qualifying actions with carbon savings which are equal to its total carbon emissions reduction obligation. A supplier’s home heating cost reduction obligation must be achieved by promoting heating qualifying actions (defined in article 16 of the 2014 Order) which lead to a cost saving. Each supplier is required to achieve heating qualifying actions with cost savings equal to its total home heating cost reduction obligation.

Article 3 amends article 3 of the 2014 Order to increase the overall carbon emissions reduction target and the overall home heating cost reduction target and to extend the period covered by those targets by 18 months to 30th September 2018. Article 2(8) amends the definition of “phase” in article 2 of the 2014 Order to create a “phase 3” covering the 18 month extension to the targets. Article 2(12) makes a consequential amendment to the definition of “relevant year” in article 2 of the 2014 Order.

Articles 2(5) and 4 amend articles 2 and 4 of the 2014 Order to replace the definition of “new supplier” with definitions of “new 2015 supplier” and “new 2016 supplier” to distinguish between those suppliers that exceed the thresholds in article 4(1) of the 2014 Order for the first time on 31st December 2015 and those that exceed them for the first time on 31st December 2016 (and so will become required to achieve a share of the targets). Article 5 makes a consequential amendment to article 5 of the 2014 Order.

Articles 2(6) and 6 amend articles 2 and 6 of the 2014 Order to amend the definition of “notification period” and to require suppliers to notify the Administrator of their number of domestic customers as at the end of 2016 and amount of electricity supplied during 2016. The notification must be made no later than 7 days after the coming into force of this Order. Article 2(2) inserts a definition of “commencement date” into article 2 of the 2014 Order.

Articles 7 and 8 amend articles 7 and 8 of the 2014 Order to require the Administrator to determine a supplier’s carbon emissions reduction obligation, home heating cost reduction obligation, provisional solid wall minimum requirement, home heating minimum requirement and rural minimum requirement for phase 3. The home heating minimum requirement is a new requirement to promote at least a minimum amount of cost savings from heating qualifying actions on or after 1st July 2016 that are not replacements of qualifying boilers (as defined in article 2 of the 2014 Order) fuelled by mains gas. The rural minimum requirement is a new requirement to promote at least a minimum amount of carbon savings from carbon qualifying actions on or after 1st April 2017 in rural areas. The Administrator must notify a supplier of its determination of the obligations no later than 28 days after the coming into force of this Order. Article 2(4), (10), (13), (15), (16) and (17) insert definitions of “home heating minimum requirement”, “rural minimum requirement” and “total provisional solid wall minimum requirement” into article 2 of the 2014 Order and make

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(1) [S.I. 2014/3219](#).

*Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.*

consequential amendments to the definitions in that article of “provisional solid wall minimum requirement”, “total carbon emissions reduction obligation” and “total home heating cost reduction obligation”. Article 10 makes a consequential amendment to article 13 of the 2014 Order.

Article 9 amends article 12 of the 2014 Order to extend the period for meeting the carbon emissions reduction obligation to 30th September 2018 and requires suppliers to achieve that obligation in a way that also achieves their rural minimum requirement. Article 9 removes any requirement for measures completed after 31st March 2017 to be recommended in a Green Deal report or by a chartered surveyor in order to be a carbon qualifying action. For measures completed after 31st March 2017 new requirements are imposed that a certified installer must be responsible for the installation (unless the measure is not referred to in the Publicly Available Specification), and the measure must be installed in either a pre-existing building or in premises that were first occupied as domestic premises before the installation was completed. Article 2(2) and (9) insert definitions of “certified installer” and “pre-existing building” into article 2 of the 2014 Order. Article 2(7) and (11) amend the definition of “Publicly Available Specification” to refer to the 2017 version of the specification and insert new definitions of “PAS 2014” and “PAS 2017”.

Article 9 also amends article 12 of the 2014 Order to add party cavity wall insulation installed after 31st March 2017 to the list of measures that, if installed, allow other insulating measures (referred to in article 12 of the 2014 Order as “secondary measures”) to be eligible as carbon qualifying actions. Article 2(9) inserts a definition of “phase 3 party cavity wall insulation” into article 2 of the 2014 Order.

Article 11 amends article 16 of the 2014 Order to extend the period for meeting the home heating cost reduction obligation to 30th September 2018 and requires suppliers to achieve that obligation in a way that also achieves their home heating minimum requirement. For measures completed after 31st March 2017, the measure must meet one of the conditions set out in a new article 16A of the 2014 Order, as inserted by article 12. These conditions relate, among other matters, to—

- (a) the involvement of a local authority; or
- (b) the premises in which the measure is installed, such as—
  - (i) premises occupied by a member of the help to heat group (article 28 inserts a new Schedule 4B into the 2014 Order listing the benefits and conditions to be met for a person to fall within the “help to heat group”);
  - (ii) private domestic premises (article 27 amends Schedule 4 to the 2014 Order, by creating a new description, for installations completed after 31st March 2017, of domestic premises that are not private domestic premises);
  - (iii) E, F or G social housing (article 28 inserts a new Schedule 4A into the 2014 Order, which describes domestic premises that are “E, F or G social housing”).

Article 11 amends article 16 of the 2014 Order to set a limit on the proportion of a supplier’s home heating cost reduction obligation that can be met by measures that are heating qualifying actions because they meet a condition in the new article 16A of the 2014 Order relating to the involvement of a local authority.

Article 11 also amends article 16 of the 2014 Order so that, for measures completed after 31st March 2017, a certified installer must be responsible for the installation (unless the measure is not referred to in the Publicly Available Specification), and the measure must be installed in either a pre-existing building or in premises that were first occupied as domestic premises before the installation was completed.

Article 13(1) to (3) amend article 17 of the 2014 Order to widen the circumstances in which a supplier may notify a completed qualifying action after the one month deadline set by that article. Article 13(4) amends article 17(8) in consequence of the 18 month extension of two of the overall targets.

Articles 14 and 15 amend articles 18 and 19 of the 2014 Order to require the carbon saving and cost scores from qualifying actions completed after 31st March 2017 (other than district heating

connections) to be calculated using a methodology published by the Administrator. A 30% uplift is applied to the calculation. Article 20 inserts a new article 24A into the 2014 Order to require the Administrator to publish the methodologies. Articles 16 to 19(2) make consequential amendments to articles 20, 21, 22 and 24 of the 2014 Order.

For the calculation of savings from measures completed before 1st April 2017 or district heating connections, article 19(3) amends article 24 of the 2013 Order to enable the Administrator to approve the use of methodologies published on behalf of the Department for Business, Energy and Industrial Strategy to replace the 2012 edition of the Reduced Data Standard Assessment Procedure or the 2012 edition of the Standard Assessment Procedure.

Article 21 amends article 26 of the 2014 Order to extend to 31st December 2018 the period in which qualifying actions achieved by one supplier may be regarded as achieved by another supplier. Actions cannot be credited towards a supplier's carbon saving community obligation after 30th June 2017 and actions cannot be transferred from a supplier's carbon saving community obligation after that date unless the Administrator is satisfied that they are not required by the supplier to meet that obligation.

Article 22 makes similar amendments to article 30 of the 2014 Order in respect of the circumstances in which surplus actions (as defined in article 27(3) of the 2014 Order) may be regarded as achieved by another supplier. Article 24(1) and (2) make similar amendments to article 31 of the 2014 Order in respect of the transfer of actions from one obligation to another obligation.

Article 23 inserts a new article 30A into the 2014 Order to set out circumstances in which a supplier may transfer some of its obligations to another supplier.

Article 24(3) amends the date in article 31(6) of the 2014 Order by which the Administrator must report to the Secretary of State on whether suppliers have achieved the overall targets.

Article 25 extends the years in article 33(1) of the 2014 Order in which the Secretary of State must publish the energy savings achieved by suppliers. That paragraph implements the first paragraph of article 7(8) of [Directive 2012/27/EU](#) on energy efficiency (OJ L 315, 14.11.2012, p.1).

Article 26 amends the in-use factor for phase 3 party cavity wall insulation in Schedule 2 to the 2014 Order.

A full impact assessment of the effect that this instrument will have on the costs of business, the voluntary sector and the public sector is available from the Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London, SW1H 0ET and is published with the Explanatory Memorandum alongside the instrument on [www.legislation.gov.uk](http://www.legislation.gov.uk).