



Department for  
Energy Security  
& Net Zero

# Energy Company Obligation 4 and the Great British Insulation Scheme

Government response to consultation on  
mid-scheme changes



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Any enquiries regarding this publication should be sent to us at:  
[ecoteam@energysecurity.gov.uk](mailto:ecoteam@energysecurity.gov.uk)

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# Executive summary

We received 122 responses to the mid-scheme changes consultation. We are grateful to have received representations from a broad range of stakeholders including obligated energy suppliers, local authorities, energy efficiency installers, trade bodies, consumer advice organisations, and academic institutions.

The consultation was split into two parts. The first part focused on proposals to improve delivery of the Great British Insulation Scheme (GBIS), in addition to smaller amendments to both GBIS and ECO4. The second part focused on a monitored savings mechanism, Pay-for-Performance (PFP). The proposals in both parts received broad support.

Allowing loft and cavity wall insulation to be installed together, as well as allowing smart thermostats to be installed on GBIS received almost universal support. Respondents suggested expanding the type of measures that could be installed together to include any two lower cost measures. We will introduce this change as a result of this feedback. We intend to legislate so these changes are allowed from the date of the consultation publication, 14 November 2024.

Respondents strongly supported our proposal to allow delivery achieved under ECO4 rules to count towards GBIS. They supported additional simplifications that we will implement, such as the removal of annual targets on GBIS and facilitating annual bill savings achieved under ECO4, rather than individual ECO4 projects, to be counted towards GBIS. There was general agreement that ECO4 delivery counting towards GBIS should be capped, and we will introduce a cap of 75% of the GBIS target. Therefore 25% of the GBIS target must be achieved by delivering to GBIS rules.

Respondents agreed that a conversion factor should be introduced to ECO4 delivery counting towards GBIS, to keep overall costs within a spend envelope of £1.02bn. This is lower than the original £1.08bn to reflect the lower level of customer contributions expected from the revised scheme. Further modelling with the final policy options produces a conversion factor of 1.251. A further conversion factor in being introduced for GBIS delivery of 1.716 for that over and above the 25% threshold of suppliers' targets.

There was broad disagreement with the costs we assumed for ECO4 and GBIS delivery in calculating the conversion factors. However, some stakeholders agreed with our stated costs. The updated modelling results that deliver the conversion factors, above, have included additional costs of meeting PAS (Publicly Available Specification) 2035/2030:2019 and a further increase in the cost of meeting the new PAS 2035/2030:2023 standard.

We are not considering using TrustMark Licence Plus (TMLP) for ECO4, and this position was broadly supported by respondents. We are not going to introduce TMLP for GBIS. Following the identification of issues with solid wall insulation through routine checks by TrustMark, we are clear that the priority of the industry should be to take action to address those poor-quality

installations as soon as possible, and it is felt that the introduction of an alternative standard has the potential to cause delay and confusion amongst the supply chain.

We will amend legislation to clarify the process around Ofgem's rejection of measures for failure to comply with TrustMark's requirements related to guarantees, consumer protection, and installation standards, such as PAS 2035/2030.

We will not be proceeding with amending legislation to change the qualification of those who could potentially undertake a report on substantiating the need for extraction of cavity wall or loft insulation for the purposes of determining building fabric expenditure under ECO4. A Chartered Surveyor will still be required for this role. As a result of the ongoing review of consumer protection we feel changing those requirements is not appropriate. We will be amending the purpose of that assessment within legislation so that it more clearly aligns with the role undertaken by the assessor.

We will not proceed with the proposed change to evidence Shared Ground Loop (SGL) projects through full SAP. We will continue to require that SGLs are evidenced via RdSAP due to the monitoring in place for Retrofit Assessments completed in RdSAP.

We will also amend legislation to specify that SGLs can be considered for the ECO "Innovation Measure" (IM) route. They will therefore be eligible to submit the relevant application to Ofgem for consideration.

We will build on the existing smart meter advice requirement, under both ECO4 and GBIS, to provide householders with the opportunity to opt into a voluntary pledge, signed by the householder, encouraging them to arrange a smart meter installation with their energy supplier(s).

We will update the rural area definition in the ECO legislation to reflect the Office for National Statistics (ONS) and Scottish Government updated datasets. Transitional arrangements will be required for projects delivered between updates and the transitional arrangements will be based on the date on which a project has been completed and notified to Ofgem.

We will not be introducing a PFP pilot to ECO4 and GBIS. The timing of the 2024 General Election significantly delayed the timeframe for this consultation exercise and therefore limited the time available to implement PFP. Insufficient time was therefore available to develop and introduce a robust monitoring and audit regime. Nevertheless, this consultation exercise has provided significant learning and evidence that can inform introduction of PFP to a future scheme. As such, this consultation has made important progress in moving towards a monitored savings mechanism in supplier obligations.

# Part 1: Mid-scheme changes to current requirements

## Chapter 1.1: Deliverability

### Loft and cavity wall insulation in the same project

#### Consultation question

1. Do you agree that a household should be able to receive both loft and cavity wall insulation under GBIS?

#### Summary of responses

*We received 106 responses to Q1. Of these, 93 selected 'Yes', 4 selected 'No', 9 selected 'No view'. Respondents are limited to a single vote for each consultation question.*

Almost all respondents agreed that a household should be able to receive both loft and cavity wall insulation under GBIS. A common view amongst these respondents was that allowing both loft and cavity wall insulation is beneficial because it is time-efficient, cost-effective, and ensures better insulation for homes. The majority of feedback highlighted that the scheme would be more attractive if it offered a combination of measures. It was stated that it would also provide more flexibility for installers to offer solutions for a greater variety of homes.

#### Consultation question

2. Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation?

#### Summary of responses

*We received 105 responses to Q2. Of these, 80 selected 'Yes', 16 selected 'No', 9 selected 'No view'.*

Many respondents support the proposed change to be effective from the date of consultation. The general view was that this would allow obligated suppliers to benefit from the changes as soon as possible and help improve the delivery of GBIS.

Nearly all respondents stated that they would require assurance from DESNZ and Ofgem if the effective date was from the date of consultation. It was highlighted that the supply chain might be reluctant to deliver at risk, and clarity on how measures will be processed during the transitionary period would be required.

The respondents that disagreed with the proposals indicated concerns about the financial risks, the need for clarity and assurances, and the potential administrative burden of implementing the changes before the legislation is in place.

## Government response (Q1-2)

We believe extending the pool of measures that are allowed to be installed in combination strikes the balance between meeting fuel poverty targets and upgrading as many homes as practicable. Responses to the consultation proposed extending the range of measures that can be offered in combination under GBIS. Accordingly, we will allow combinations not just of loft and cavity wall insulation as consulted on, but combinations of a range of insulation measures.

We will allow any two of the following measures to be installed together in both the low-income group and general group: cavity wall, loft, underfloor, solid floor, and pitched roof insulation. We will allow this change to be effective from the consultation date, 14 November 2024.

Installation of these measures should take place within the same retrofit and be completed on the same day or within three months after the insulation measure is finished.

To ensure the scheme reaches a large number of homes, we intend to restrict the range of eligible measures to those we consider lower cost. This determination was made by comparing the average cost of each measure against the average cost of cavity wall insulation, and where we considered them to be in a similar price range, we considered them lower cost (less than £2000 more than the cavity wall insulation average).

We recognise the need for policy clarity and will work closely with Ofgem to ensure that guidance is available as soon as possible. We will work with Ofgem to ensure that measures installed between 14 November 2024 and the legislation coming into force can be assessed and have their scores counted towards obligations before final determination. We understand that obligated suppliers have different levels of risk appetite. Some may start delivering before the legislation is in place, while others may wait.

## Smart thermostats

### Consultation question

3. Do you agree that smart thermostats should be an eligible secondary measure for owner-occupied households in the low-income group?

## Summary of responses

*We received 107 responses to Q3. Of these, 93 selected 'Yes', 6 selected 'No', 8 selected 'No view'.*

Almost all respondents agree that smart thermostats should be an eligible secondary measure for households in the low-income group. Many of the respondents highlight the benefits of smart thermostats, such as improved energy efficiency, better control over heating, and potential cost savings for households. Some respondents highlight that including smart

thermostats in GBIS would make it more attractive to installers and broaden the variety of measures available.

### **Consultation question**

4. Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation?

### **Summary of responses**

*We received 106 responses to Q4. Of these, 75 selected 'Yes', 20 selected 'No', 11 selected 'No view'.*

Most of the positive responses emphasise the importance of having competent installers who can explain the operation of smart controls to end users. Many stakeholders agree that changes should be effective from the date of the consultation, provided that industry assurances are in place, and timely implementation of changes to maximise the benefits and uptake of GBIS.

Overall, the responses from the respondents reflect a mix of support for the changes being effective from the date of the consultation and concerns about the risks and challenges associated with implementing changes before the legislation is finalised.

### **Government response (Q3-4)**

We will proceed with the proposed approach and will ensure smart thermostats can be installed under GBIS as a secondary measure for owner-occupied households in the low-income group. This will benefit low-income households leading to enhanced energy efficiency, better control over heating, cost savings for households and will increase the range of measures that can be installed.

The smart thermostat will need to be installed at the same home where an insulation measure has been installed and be completed on the same day or within three months after the insulation measure is finished.

We recognise the need for policy clarity, and we will work closely with Ofgem to make updated guidance available as soon as possible. We will work with Ofgem to ensure that measures installed between 14 November 2024 and the legislation coming into force can be assessed and have their scores counted towards obligations before final determination. We understand that obligated suppliers have different levels of risk appetite. Some may start delivering before the new guidance is issued, while others may wait.

## ECO4 counting towards the GBIS obligation

### Consultation question

5. Do you agree with allowing projects meeting the ECO4 rules to count towards an obligated supplier's GBIS obligation?

### Summary of responses

*We received 105 responses to Q5. Of these, 78 selected 'Yes', 11 selected 'No', and 16 selected 'No view'.*

Three quarters of respondents agreed that delivery under ECO4 rules should be allowed to count towards an obligated supplier's GBIS obligation. A common view amongst these respondents was that allowing for the installation of smart thermostats and loft and cavity wall insulation together would not be sufficient to achieve the GBIS target within the original spend envelope. There was recognition that more had to be done to enable obligated suppliers to meet their GBIS targets. Some respondents agreed that the proposal would enable progress towards the government's fuel poverty commitments by enabling more homes to be treated under ECO4 than the counterfactual of allowing GBIS delivery to continue unaided.

Respondents took the opportunity to highlight the barriers to GBIS delivery: the difficulty in finding empty cavity walls; a limited supply chain; competition from more attractive schemes like ECO4; fixed costs that can be recovered under the price cap; challenges contracting in and collecting customer contributions from the general group; higher inflation than expected; single measure projects with high fixed costs; and the score for loft insulation alone not being commercially viable in some instances.

There was a general view, especially amongst obligated energy suppliers, that allowing Annual Bill Savings (ABS) delivered under ECO4 rules to count towards the GBIS obligation was preferable to increasing the estimated costs of GBIS delivery and the subsequent rise in the price cap. No obligated energy supplier suggested that higher costs of delivering GBIS should be passed onto consumers through an increase to the price cap.

### Consultation question

6. Do you agree with our preferred option of a transitional arrangement that enables projects that have met the ECO4 rules during all phases of GBIS to be capable of counting towards GBIS obligations in phase A, B, or C?

### Summary of responses

*We received 99 responses to Q6. Of these, 66 selected 'Yes', 10 selected 'No', and 23 selected 'No view'.*

Those who supported the proposal of allowing ECO4 delivery to count towards GBIS Phase A, B, and C emphasised the importance of simplicity and ensuring the final policy is to the benefit of consumers. Nearly all obligated energy suppliers noted that the trading process allowable

under current scheme rules could be utilised to trade ABS achieved under ECO4 to GBIS instead of nominating individual ECO4 projects to transfer. These respondents thought trades and transfers should be allowed to occur until three months after GBIS ends.

Most obligated energy suppliers had a strong preference for removing annual targets from GBIS to avoid the complexity associated with the proposal. Suppliers recognised the intention of annual targets in supporting rapid delivery of GBIS but identified that they had become an unnecessary administrative burden. They thought removing annual targets would simplify the scheme, especially if ECO4 delivery were allowed to count to any GBIS Phase.

### **Consultation question**

7. Assuming the changes proposed in this consultation take effect, what proportion of your GBIS obligation is achievable?

### **Summary of responses**

*We received 72 responses to Q7.*

This question was most relevant to obligated energy suppliers. Some members of the supply chain provided useful contributions about their predictions for how the GBIS and ECO4 markets would evolve over the remainder of their lifetimes. Installers weren't certain about how much GBIS delivery would be seen in the future.

Most obligated energy suppliers were confident that they could deliver 25% of their GBIS obligation. Some thought they could achieve up to 50%. No obligated energy supplier thought they could achieve their full GBIS obligation within the original cost envelope. Some said they were confident that ECO4 would not be negatively impacted if 75% of the GBIS obligation were allowed to be delivered via ECO4. Some respondents also highlighted that if the limit on the amount of ECO4 delivery that could be counted towards GBIS was capped at 75%, an obligated energy supplier who delivered more than 25% of their GBIS target should not be disadvantaged for doing so.

### **Consultation question**

8. Do you agree that the proportion of GBIS obligations that can be achieved via delivery under ECO4 rules should be limited? What should the limit be? Please provide as much detail as possible.

### **Summary of responses**

*We received 98 responses to Q8. Of these, 45 selected 'Yes', 21 selected 'No', and 32 selected 'No view'.*

Of the nine obligated energy suppliers who responded, six thought the amount of ECO4 delivery that could count towards GBIS should be capped. Three thought that there should be no cap. One obligated energy supplier suggested a cap of 50% and another would be content with this cap, however they noted this would be challenging to meet due to the amount of GBIS

delivery required. One obligated energy supplier thought the cap should be no less than 80% and another no more than 75%. Three suppliers suggested a cap of 75% would be acceptable.

Many installers recognised that having no cap would make ECO4 very attractive to obligated energy suppliers because ECO4 is cheaper to deliver per annual bill saving achieved, meaning GBIS delivery would fall away. The broad view was that installers would prefer to do ECO4 work rather than GBIS since the latter is seen as less attractive and more uncertain. Most installers who answered the question agreed there should be a cap, with 24 supportive and 15 against.

### Consultation question

9. Do you agree that a conversion factor should be applied to projects meeting the ECO4 rules that count towards GBIS?

### Summary of responses

*We received 96 responses to Q9. Of these, 36 selected 'Yes', 22 selected 'No', and 38 selected 'No view'.*

Nine out of ten obligated energy suppliers agreed that a conversion factor should be applied to ECO4 delivery that counts towards GBIS. Two suppliers suggested a further conversion factor or uplift should be applied to GBIS delivery above the required minimum, if a cap on ECO4 delivery that could count towards GBIS were introduced. Opinion amongst installers was split almost evenly between those who agreed and disagreed. Several respondents were concerned that a conversion factor would mean fewer properties would be treated than if no conversion factor were applied. However, they conceded that the conversion factor would reduce the cost of delivering the GBIS target.

### Consultation question

10. Do you agree with our estimate that the cost of achieving an ABS under GBIS would be £24.84/ABS with the proposed scheme changes? Do you agree that the cost of achieving an ABS under ECO4 (excluding EFG and solid wall insulation (SWI) minimums) would be £17.87/ABS?

### Summary of responses

*We received 90 responses to Q10. Of these, 16 selected 'Yes', 36 selected 'No', and 38 selected 'No view'.*

One obligated energy supplier agreed with our cost assumptions for ECO4 and GBIS. Eight disagreed with our cost assumptions.

In terms of ECO4, two suppliers estimated the cost of delivery would be about £19 or £20/ABS, two thought the cost would be more than £17.87 but didn't provide an estimate, three did not provide an estimate. Three obligated energy suppliers disagreed with the methodology of

excluding the ECO4 EFG and solid wall minimum requirement in the calculation of the ECO4 cost per ABS. One supplier in particular thought that both requirements of ECO4 delivery should be included in the calculation and two suppliers thought that only the solid wall minimum requirement should be excluded from the calculation. The reasoning provided for the latter point is that the non-EFG ECO4 market is untested and immature since most ECO4 delivery to-date has been to homes with EPC E, F, or G.

In terms of GBIS, two suppliers estimated the cost of delivery would be about £26 or £27/ABS, two thought the cost would be more than £24.84 but didn't provide an estimate, instead quoting current market prices and prices reported in official statistics. One supplier recognised that it has historically been extremely difficult to predict future costs. Those who mentioned market prices thought it would be risky for government to assume GBIS costs would reduce in the final scheme year, potentially due to historic evidence suggesting price increases towards the end of supplier obligation schemes. Three suppliers did not provide an estimate.

Most installers agreed that prices should be higher on GBIS and ECO4. Most did not provide an estimate of costs, but for those that did, prices centred around £27/ABS for GBIS and about £22/ABS for ECO4. Some installers said non-EFG and non-solid wall ECO4 projects cost less than £17.87/ABS. Some installers noted that non-SWI delivery in ECO4 is low and that market, and therefore market price, is untested. Installers were therefore unsure if £17.87/ABS was an accurate estimate, but there was some support for that estimate. A common concern from installers was that PAS 2030/2035:2023 costs and impacts to ECO4 delivery are yet to be determined.

### Consultation question

11. Based on your interpretation of the costs per ABS for GBIS and ECO4, what conversion factor do you think 1 ECO4 ABS should be subject to in order to help keep total costs within £1 billion. Please provide answers based on:
- A maximum of 25% of GBIS ABS being achievable through ECO4
  - A maximum of 50% of GBIS ABS being achievable through ECO4
  - A maximum of 75% of GBIS ABS being achievable through ECO4

### Summary of responses

*We received 73 responses to Q11.*

Only four stakeholders that were not obligated energy suppliers provided relevant responses to this question. Two agreed with the conversion factors proposed and two provided alternative figures but did not provide any evidence or explanation as to how they arrived at these figures.

Five obligated energy suppliers provided specific conversion factors they thought should be applied at different cap levels. These were mostly based on each supplier's own cost assumptions for achieving 1 ECO4 or GBIS ABS. At a 50% cap on the amount of ECO4 delivery that could be counted towards GBIS, proposed conversion factors ranged from 1.30 to

2.87. At a 75% cap they ranged from 1.02 to 1.24. One supplier chose to propose a conversion factor of 1.15 where the cap set at 85%.

One obligated energy supplier highlighted that the conversion factor and changes proposed in the consultation would only address deliverability and cost challenges on GBIS, not ECO4. They suggested the conversion factor could be used to offset additional ECO4 delivery costs by introducing higher conversion factors to ensure ECO4 and GBIS are deliverable within their original cost envelopes.

Another supplier argued for the application of an additional conversion factor where a supplier achieves more than the minimum GBIS delivery required, keeping GBIS costs within the original spend envelope. The proposed additional conversion factors for GBIS excess delivery were 9.49 for every GBIS ABS delivered over 75%, 1.81 for every GBIS ABS delivered over 50%, and 1.43 for every GBIS ABS delivered over 25%. A similar proposal from another obligated energy supplier was received. They argued it was important that an additional conversion factor is introduced so that suppliers are incentivised to prioritise compliance with future schemes. They proposed a conversion factor of approximately three for any GBIS delivery achieved above a 50% minimum, reflective of a 50% cap on the amount of ECO4 delivery that could count towards GBIS.

Another obligated energy supplier was concerned that the conversion factors were based on a GBIS budget which overstates the level of customer contributions that will be achieved. They pointed out that the example conversion factors were based on a GBIS budget which includes the full value of customer contributions, £80 million, meaning the total GBIS spending envelope is £1.08 billion. They thought that this level of customer contribution has the effect of distorting the spending envelope and therefore the conversion factor calculation. This supplier proposed that, as a minimum, government should adjust the level of customer contributions in proportion to the minimum GBIS delivery requirement. However, this supplier would ideally prefer real customer contribution data to be included in the conversion factor calculation. This supplier also thought that the conversion factors should reflect the costs of already incurred GBIS delivery instead of modelling the whole scheme. Another supplier supported the removal of assumed customer contributions from the conversion factor calculation because they thought they were unlikely to materialise. Another thought that the government should not assume that more than £5 million would be contributed by customers throughout GBIS.

Some obligated energy suppliers stressed that there was no allowance made for supplier administration costs in the conversion factor calculations.

### **Government response (Q5-11)**

We will allow delivery achieved under ECO4 rules to count towards an obligated supplier's GBIS obligation. We recognise the importance of maintaining support for GBIS so it can deliver successfully in its final year, and the importance of being able to evaluate the impact of the changes we are introducing. However, GBIS delivery is slower and more expensive than expected. We do not want to see consumer bills increase to fund the full delivery of the GBIS target. We believe allowing ECO4 delivery to make up the shortfall in GBIS delivery is the most pragmatic approach to enable obligated suppliers to meet their GBIS targets while maximising

ABS achieved, and the number of homes treated, within the original GBIS cost envelope. This approach also maintains continuity in the ECO4 supply chain.

Many consultation respondents identified that even with the changes proposed in the consultation, GBIS delivery would not increase sufficiently to enable obligated suppliers to even come close to meeting their targets. More delivery under ECO4 rules should result in help going to a greater proportion of people in fuel poverty than if we don't make this change, making an important contribution to our statutory fuel poverty target.

We recognise this change adds additional complexity to GBIS and ECO4. However, we believe it is a deliverable, cost-effective solution to increase energy efficiency measures being installed in fuel poor households without raising bills.

Ofgem will consult on how allowing delivery under ECO4 rules to count towards GBIS will be administered. We intend ABS achieved via ECO4 rules and nominated by a supplier to be eligible for transfer towards a supplier's GBIS obligation. We will not be adding to any sub-obligation targets within ECO4. Any form of ABS achieved under ECO4 rules will be eligible for transfer. We believe counting ABS is the simplest approach for obligated suppliers and Ofgem, while also mitigating any detrimental effects on market capacity that may materialise with other options.

Any delivery achieved under ECO4 rules that an obligated supplier wishes to count towards GBIS, and the associated ABS, would count towards that supplier's GBIS low-income minimum requirement. Due to counting ABS and not individual projects, there will be no restrictions on the types of ECO4 delivery which can be counted towards GBIS, and there will be no impact to the GBIS innovation measure cap or Local Authority and supplier flex cap. For example, because ABS is being counted and not individual projects or measures, the ABS could have come from an ECO4 Local Authority and supplier flex project or a project utilising an innovation measure. Since Ofgem will not know if this is the case or not, we will only consider delivery under GBIS rules as counting towards the relevant GBIS cap.

Any ECO4 delivery that counts towards GBIS must meet the ECO4 eligibility criteria. Meeting the GBIS eligibility criteria for the general group is not sufficient. For example, a household that only meets the GBIS general group criteria could not receive support as if it were an ECO4-eligible household.

To further simplify GBIS we will remove its annual targets. These were designed to encourage delivery in the early stages and throughout the scheme. However, the annual targets did not achieve this and have become an unnecessary administrative burden and may in some cases have increased market prices because they created demand for installations when installers were not able to meet this demand. Removing annual targets means that the premise of Q6, which asked about how delivery under ECO4 could count towards different GBIS Phases, is no longer relevant. GBIS will have one obligation target for each obligated supplier and any ECO4 delivery the supplier wishes to count towards GBIS will count towards this overall obligation, rather than having to count to a specific GBIS Phase, since these will no longer exist.

To support obligated suppliers in meeting their GBIS target, we will allow ECO4 ABS to be counted towards GBIS up to 4 months after the end date of GBIS, at any time on or before 31 July 2026. This will provide additional time to reconcile between supply licences and correct unintended errors during the closedown period. This gives additional time to process transfers first and then move ABS between schemes.

We will allow up to 75% of an obligated supplier's GBIS target to be met through ECO4 delivery. This limit strikes an appropriate balance of maintaining support for those eligible for GBIS but not other government schemes, while enabling suppliers to deliver their obligations through increased ECO4 delivery. Allowing more than 75% of the GBIS target to be met via ECO4 delivery would mean a significant reduction in support for the GBIS supply chain and GBIS general group households. Allowing less than 75% would risk the GBIS target not being met.

Removing annual targets and allowing ABS to count towards GBIS means that ABS delivered during any time period under ECO4 can count towards GBIS. This simplifies administration and takes advantage of the fungibility of ABS. ABS delivered to ECO4 rules that is assigned to GBIS cannot also count to ECO4: each ABS can only count towards one of the two schemes.

For ECO4 ABS that counts towards GBIS, we will subject this to a conversion factor of 1.251. That is, each ABS delivered through ECO4 will be worth 1.251 ABS in GBIS.

In addition, we will introduce a separate conversion factor for GBIS ABS achieved above 25% of an obligated supplier's GBIS target. The conversion factor applied to this GBIS delivery will be 1.716. That is, for any delivery over and above that required to meet 25% of a supplier's GBIS target, 1 ABS will be worth 1.716 ABS. This recognises that any delivery over the 25% GBIS minimum could either be from GBIS or ECO4. Since a conversion factor is being applied to ECO4 ABS, a conversion factor must also be applied to GBIS ABS to equalise the cost of achieving 1 ABS under either scheme. We are grateful for representations from obligated suppliers on this issue and want to incentivise as much GBIS delivery as possible, ensuring we do not penalise obligated suppliers who will achieve more than 25% of their original GBIS target.

The Final Impact Assessment published with this document outlines the costs we have assumed in calculating the conversion factors, informed by the responses to Q10. In calculating the cost of ECO4 delivery that counts towards GBIS, we assumed that the ECO4 solid wall minimum requirement and EFG minimum requirement do not apply. We acknowledge concerns that the installer market for non-EFG non-solid wall delivery has historically been small on ECO4 and is immature. However, we believe that homes in EPC Band D represent an opportunity to achieve more cost-effective delivery than Band E, F, or G properties. Costs remain high for solid wall insulation measures, and we do not wish to encourage more solid wall insulation delivery than is already incentivised by the ECO4 solid wall minimum requirement of 90,000 homes. In calculating the conversion factors, we have reduced the assumed customer contributions in line with the minimum GBIS delivery required of 25% of the original target. That is, we have assumed customer contributions of £20 million are collected by suppliers as opposed to £80m assumed were the full GBIS target achieved.

We have not, as one obligated supplier suggested, used the conversion factor to account for any cost overruns on ECO4. It is Ofgem's responsibility to set an appropriate allowance in the price cap for delivery of ECO4 and GBIS. Supplier administration costs have been accounted for in calculating the conversion factors.

We have allowed for increased costs associated with the existing and new PAS 2035/2030:2023 standards. We have increased cost assumptions by £100 for compliance with PAS 2035/2030:2019 and £200 for PAS 2035/2030:2023. Administration costs for obligated suppliers are included in the ECO4 and GBIS cost assumptions.

The modelled cost we have assumed for ECO4 delivery that counts towards GBIS is £19.32/ABS (unadjusted by the conversion process, above). The cost we have assumed for GBIS delivery is £26.51/ABS (unadjusted by the conversion process, above).

## TrustMark Licence Plus for GBIS: Considering TMLP for ECO4

### Consultation question

12. We are not considering utilising TMLP for ECO4 at this time. Do you agree with our approach?

### Summary of responses

*We received 100 responses to Q12. Of these, 67 selected 'Yes', 13 selected 'No', and 20 selected 'No view'.*

Most respondents agree that TMLP should not be utilised for ECO4. For those who agreed, most thought that applying TMLP to ECO4 was a risk for the multi-measure approach required within ECO4. Some felt that the introduction of TMLP would add confusion whereas PAS 2035/2030 was well established within the scheme, and that there was a lack of understanding of TMLP and how that could be applied to multiple measures.

### Government response

To prevent confusion and mitigate risk, we will continue to mandate that all measures delivered under ECO4 should comply with the requirements as set out in PAS 2035/2030.

## TrustMark Licence Plus for GBIS: Developing TMLP for GBIS

### Consultation question

13. Considering the details set out in this consultation and by TrustMark, do you agree with the proposal to introduce the version of TMLP for use in GBIS for loft insulation when delivered as a single measure (and heating controls when paired with loft insulation)?

## Summary of responses

*We received 101 responses to Q13. Of these 61 selected 'Yes', 17 selected 'No', and 23 selected 'No view'.*

Whilst overall the responses to this question were supportive, they did highlight a number of concerns from a variety of stakeholder groups.

Primarily, those who objected wanted to see one single standard, and suggested reforms to PAS 2035/2030 to make it more cost effective. Those who disagreed with the proposal felt that the introduction of TMLP for use in GBIS would add complexity for supply chain and consumers.

Some respondents were not keen on having TMLP open to new entrants and felt that it should be available to those who have proven themselves in terms of quality delivery. There was a call from some for further clarity on how TMLP would work.

### Consultation question

14. For the adapted version of TMLP, have sufficient risks been identified and addressed in Table 1?

If there are other stakeholder concerns that have not been identified in Table 1 please provide details of such concerns and proposed mitigations.

## Summary of responses

*We received 93 responses to Q14. Of these 46 selected 'Yes', 20 selected 'No', and 27 selected 'No view'.*

Many respondents agreed that sufficient risks had been identified and addressed in the development of TMLP for GBIS. However, respondents also flagged a number of other risks, in particular around lack of policing of any standard and the independence of Retrofit Coordinators and Retrofit Assessors.

Respondents felt more detail was needed from TrustMark on the construct of TMLP for GBIS, and some felt that the Energy Performance Report (EPR) did not provide sufficient information to consumers as compared to the Medium-Term Improvement Plan (MTIP). Clarity was also called for in terms of how any disputes would be resolved between consumers and those delivering if they occurred.

## Government response (Q13-14)

Whilst we note the overall supportive responses to this question and are supportive of the aims of TMLP for GBIS; to provide a cost-effective alternative installation standard for loft insulation when delivered as a single measure (and heating controls where eligible and paired with loft insulation), which would mitigate risks and put consumer protection at the fore; after careful consideration we do not plan to proceed with this change.

We note the concerns expressed by respondents and we are also conscious that whilst industry is working together to remediate the issues identified as a result of routine checks on solid wall insulation under ECO4 and GBIS, the introduction of an alternative standard could cause confusion amongst installers, TrustMark, Scheme Providers and the wider supply chain. We are clear that the priority is for industry to take action to fix any poor-quality installations as soon as possible. Alongside this, we are committed to overhauling the system to drive up quality and protect consumers through the Warm Homes Plan and will be looking to reform the consumer protection landscape.

However, we continue to recognise the potential benefits of a lower cost compliance standard for low-risk single measures, where robust consumer protection can be ensured. As such we will continue to consider any alternative standards as part of any successor scheme design.

### Costs of complying with GBIS TMLP and delivery impacts

#### Consultation questions

- 15A. Given the structure of the version of TMLP suitable for GBIS, what are your views on the average cost assumptions for compliance with its processes (forecast at approximately £400 to £500)?
- 15B. What do you think could be the main drivers for any potential savings between the costs of compliance with PAS 2035/2030 and the costs of compliance with TMLP for GBIS?
16. Given the forecast costs of the version of TMLP suitable for GBIS, and the potential impact on GBIS delivery, do you agree its introduction in the final year of the scheme would have a sufficient impact to make it worthwhile implementing?

If there is any additional information you would like to add, please provide details.

#### Summary of responses

*We received 91 responses to Q15A and 55 responses to Q15B.*

Responses to these questions varied significantly however most respondents thought that the cost would be £501 or over. Particular points were highlighted in so far as the removal of the need for the Retrofit Coordinator within TMLP for GBIS would help to lower costs. There were additional concerns raised about the costs of compliance with PAS 2035/2030 increasing and the need to balance that with robust consumer protection.

*We received 91 responses to Q16. Of these 42 selected 'Yes', 20 selected 'No', and 29 selected 'No view'.*

Overall positive responses indicated that TMLP for GBIS could have a significant impact and be beneficial to the scheme, however concerns were raised about the risk of introducing an alternative installation standard.

## Government response (Q15-16)

As mentioned earlier, given the ongoing potential reforms to the wider consumer landscape, we do not intend to proceed with TMLP for GBIS at this time.

## Deliverability considerations

### Consultation question

17. Are there any other changes, not proposed in this consultation, that you believe would increase levels of delivery under GBIS? If yes, please provide details.

## Summary of responses

*We received 80 responses to Q17.*

The most common suggestion to increase delivery of GBIS was on the theme of increasing public awareness. Several respondents suggested that government should ensure there is access to independent advice, which could be delivered regionally or nationally. Respondents thought this would increase consumer knowledge and enable them to engage more with schemes like GBIS. Some respondents thought GBIS should be marketed more widely to help generate interest, ensuring that people have the information they need to understand the scheme.

The next most popular suggestion from ten respondents was to allow properties in Council Tax band E in England to be eligible. Respondents reasoned this would increase the eligible pool and could capture some people on lower incomes that are struggling to heat their larger homes.

Six respondents suggested that allowing multiple measures other than just cavity and loft insulation would be beneficial. It was suggested that 'low-cost' measures such as cavity wall and room-in-roof insulation, or loft and flat roof insulation should be allowed to be installed together.

Six respondents also suggested that GBIS delivery could be increased by requiring installers to deliver GBIS if they wanted to deliver ECO4 projects for an obligated energy supplier. Another six respondents suggested an uplift for EPC D homes or smaller floor area homes. They argued that the current scoring methodology results in many measures being installed in Band D homes being economically unviable. One respondent suggested that the uplift could mirror homes rated Band E, which would enable more measures to be delivered to more homes.

Five respondents suggested that GBIS should allow heating controls to be an eligible measure for the general group and/or social housing. They thought this would make GBIS more attractive to householders.

Other suggestions included an uplift for loft insulation measures to make them more economically viable, increasing the innovation measure cap from the current 2% of overall

delivery to 10% of delivery, and allowing any measure identified in a Retrofit Assessment to be permissible where viable and cost effective, in a home with any EPC rating.

## **Government response**

The government provides several digital services to support consumers when making choices about how to retrofit their homes. These include the Find Ways to Save Energy in your Home service<sup>1</sup>, the Warm Homes: Local Grant Eligibility Checker and Referral Service<sup>2</sup>, and the Great British Insulation Scheme Eligibility Checker and Referral Service<sup>3</sup>.

Additionally, the National Retrofit Phoneline service helps provide consumers in England and Wales with tailored and impartial information on improving their homes' energy performance. For those who cannot access the digital services listed above or need further assistance, the phoneline offers bespoke telephone advice and support, ensuring everyone can get the help they need to make energy improvements. In Scotland, the Home Energy Scotland service is funded by the Scottish Government and offers free advice and support to help save money on bills and make homes greener.

We are developing a single access point on GOV.UK, simplifying the user journey for all consumers (homeowners, landlords, and tenants) at various stages of their retrofit journey. This centralised platform is currently under active development.

We will not be expanding the Council Tax band eligibility criteria for GBIS to include band E homes in England. Homes in Council Tax band E are more likely to be better off than those in lower bands, and any delivery to a home in band E would reduce delivery to homes in the lower bands. We consider it a better outcome to realise additional ECO4 delivery compared to GBIS delivery to those in Council Tax band E.

We will not be introducing any uplifts for homes in EPC band D, homes with smaller floor areas, or for loft insulation measures. The reason for this is that any uplifts mean fewer homes would be treated compared to not having these uplifts in place. If more ABS were achieved due to uplifts, this would reduce the delivery of viable installs where no uplifts are required. We expect shortfall in GBIS delivery to be met via ECO4 delivery and consider it a better outcome if this ECO4 delivery is realised compared to GBIS delivery achieved by new uplifts.

We will not be increasing the innovation measure cap for GBIS. Due to the substantial uplift associated with innovation measures, additional delivery of innovation measures above the current cap would mean fewer homes would be treated overall.

We will be introducing multiple measures to GBIS beyond just loft and cavity. For detail on this see the response to Q1.

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<sup>1</sup> [www.gov.uk/improve-energy-efficiency](https://www.gov.uk/improve-energy-efficiency)

<sup>2</sup> [www.gov.uk/apply-warm-homes-local-grant](https://www.gov.uk/apply-warm-homes-local-grant)

<sup>3</sup> [www.gov.uk/apply-great-british-insulation-scheme](https://www.gov.uk/apply-great-british-insulation-scheme)

We will not require installers to carry out GBIS work to secure ECO4 delivery with obligated energy suppliers. Meeting their obligation target is the responsibility of each energy supplier and government does not become involved in these private contractual matters.

We will not allow heating controls to be an eligible measure for homes in the general group or social housing homes. This is because households in the general group are more likely to be able to pay for these measures themselves, while heating controls offer more limited savings when compared to insulation, and the objective of GBIS is to maximise the number of households that can be supported.

We do not plan to allow any measure identified in a Retrofit Assessment to be eligible for GBIS. We want to continue to ensure GBIS is focused on delivering insulation measures that provide good value for money for billpayers.

## Chapter 1.2: Installation Standards

### Costs of compliance with PAS 2035/2030

#### Consultation questions

18A. DESNZ's cost assumption for compliance with PAS 2035/2030:2019 processes is £1,030 per property retrofit (in 2023 prices) for both ECO4 and GBIS. The assumed cost does not vary according to how many measures are installed.

Roughly what is the average cost you have experienced complying with the current PAS 2035/2030:2019 processes per property retrofitted? Please answer for both multi-measure and single-measure projects that have upgraded the fabric of a building, as relevant.

18B. If you believe that the average cost does not fall between £900 to £1,100, please provide us with any information on ECO4 or GBIS PAS 2035/2030:2019 compliance costs per project to evidence lower or higher costs.

19A. In September 2023 a new version of PAS 2035/2030 was published.

Roughly what is the average cost you would expect for complying with the PAS 2035/2030:2023 processes per property retrofitted? Please answer for both multi-measure and single-measure projects involving an upgrade to the fabric of a building, as relevant

19B. Please provide us with any information to evidence why you believe the compliance costs to be within the range you chose

19C. What, if any differences, between PAS 2035/2030:2019 and PAS 2035/2030:2023 processes are driving any changes in cost?

20. We would like to understand more about the compliance costs of PAS 2035/2030. Please provide details on what you feel are the key cost drivers. For example, the PAS process, the need to use qualified professionals, the need to complete paperwork to demonstrate compliance with the PAS etc.

#### Summary of responses

*We received 55 responses for Q18A, 55 for multi-measure retrofits, 51 for single measure retrofits, of which 51 responded to both.*

In regard to the current cost assumptions for compliance with PAS 2035/2030 a significant number of respondents either did not know or preferred not to provide feedback for both multi-measures and single measures.

For multi-measures, most stakeholders placed the cost of compliance above £1,030, with most responses falling in the £1,100-£1,300 range or higher. However, a notable portion did respond with an estimated cost of £900-£1,100.

For single measures, most respondents selected the £900-£1,100 range, with slightly fewer choosing £1,100-£1,300 or more than £1,300.

*We received 18 responses to Q18B, not including those who gave no view.*

In response to why costs of PAS 2035/2030 differed to current cost assumptions respondents broadly identified several factors driving costs up, including the requirement for Retrofit Coordinators and the availability of Retrofit Coordinators and Retrofit Assessors, regional costs, insulation and ventilation requirements and administrative burdens.

*We received 53 responses to Q19A, not including those who gave no view.*

For the new version of PAS published in September 2023 (PAS 2035/2030:2023) a significant number of respondents either did not know or preferred not to provide feedback for both multi and single measures.

From those who did respond the majority indicated that for multi measures, the costs would be more than £1,300, while some answered £1,100-£1,300, and only a few answered £900-£1,100. For single measures, the majority responded with more than £1,300. Some also responded £1,100-£1,300, only a few chose £900-£1,100, and there was only a single response for less than £900.

*We received 49 responses to Q19B, 61 responses to Q19C and 61 responses to Q20, not including those who gave no view.*

Respondents felt that any increase in costs was as a result of increased site visits of Retrofit Coordinators, enhanced qualification requirements, scarcity of qualified Retrofit Coordinators, and insufficient capacity to meet demand, which could further increase costs. Further concerns were expressed about the location of projects and how this impacts costs due to Retrofit Coordinators needing to travel, potentially resulting in eligible consumers being turned away by installers. Additional comments of interest included that Retrofit Coordinators often lack on-site experience, having mostly completed desk work and that ventilation requirements also cause project cancellations, further increasing costs. Further concerns were expressed around the ability of installers to be registered with multiple TrustMark scheme providers and hoped to see steps being taken to end this practice.

### **Government response (Q18A-20)**

We will increase the cost assumptions for compliance with PAS 2035/2030 by £100 for the years prior to 2025 and by £200 to PAS costs from 2025 to account for any increases as a result of the introduction of PAS 2035/2030:2023.

## References to PAS 2035/2030:2019 in legislation

To allow references to PAS 2035/2030 to remain accurate within legislation (The Electricity and Gas (Energy Company Obligation) Order 2022) we will take steps to amend the Order to reflect the current version (PAS 2035/2030:2023). If it's likely that legislation will not come into force until after the end of the PAS transition period which finishes on 30 March 2025, we will take steps to ensure continuity and mitigate any risks of negative impacts on scheme delivery.

## Low carbon heating and microgeneration installations certification requirements

### Consultation question

21. What do you think the minimum certification requirements for low carbon heating and microgeneration installations should be under ECO4?

### Summary of responses

*We received 72 responses to Q21.*

Most respondents thought the Microgeneration Certification Scheme (MCS) should be retained. Those respondents who touched on the potential for the Secretary of State to undertake assessment of certification requirements agreed with the proposal. Respondents highlighted that any amendment to requirements should not be a race to the bottom.

### Government response

We are committed to overhauling the system to drive up quality and protect consumers through the Warm Homes Plan and will be looking to reform the consumer protection landscape. In order not to pre-judge any of the work of that review, we do not currently intend to take steps to make amendments to the certification requirements for low carbon heating and microgeneration installations under ECO.

## TrustMark Certificates of Lodgement

### Consultation question

22. Do you agree that the policy intent could be made clearer to facilitate Ofgem's ability to reject measures which have been identified as non-compliant by TrustMark?

### Summary of responses

*We received 94 responses to Q22. Of these, 69 selected 'Yes', 5 selected 'No', and 20 selected 'No view'.*

Most respondents broadly agree that the policy intent could be made clearer, mainly arguing that resources could be better allocated to help companies avoid non-compliance or to simplify scheme parameters.

Respondents felt that a clearer ability to reject should be supported by robust validation and verification processes. Concerns were noted in response to this question around the role of TrustMark and Ofgem with calls for greater transparency, data sharing, uniformity of evidence requirements and speed of decisions.

## Government response

We will take steps to amend legislation to more clearly reflect the policy intent around TrustMark's requirements which include, but are not limited to, requirements related to guarantees, consumer protection, and installation standards, such as PAS 2035/2030.

That amendment will aim to allow Ofgem, in its role as scheme administrator, to effectively reject those measures where TrustMark deems measures and/or projects to have failed to meet their requirements and they remain un-remediated. In these circumstances a measure will be deemed as eligible if it has not been referred to Ofgem by Trustmark as having failed the TrustMark requirements. Ofgem reserves the right to reject measures for other reasons.

## Guarantees

TrustMark consulted on strengthening guarantee requirements for loft insulation and gas boilers to six years. Further details on their response to those proposals can be found at: [www.trustmark.org.uk/pages/licence-plus-consultation](http://www.trustmark.org.uk/pages/licence-plus-consultation).

Both government and TrustMark's ambition is to strengthen financial protection and ensure financial protection mechanisms are available to accompany robust installation standards. We will continue to work with TrustMark towards achieving this goal. This will be considered as part of wider work to strengthen and simplify the consumer protection landscape through the Warm Homes Plan.

## Building Fabric Repair

### Consultation question

23. Do you agree with our proposal to allow individuals with at least a Level 2 Technical and Vocational Qualification, or equivalent, to undertake a report substantiating the need for extraction of cavity wall or loft insulation for the purposes of determining building fabric repair expenditure?

## Summary of responses

*We received 94 responses to Q23. Of these, 30 selected 'Yes', 35 selected 'No', and 29 Selected 'No view'.*

Whilst a majority of respondents who provided a view on this question disagreed with amending the qualification requirements to allow individuals with at least a Level 2 Technical and Vocational Qualification, or equivalent, to undertake a report substantiating the need for extraction of cavity wall or loft insulation for the purposes of determining building fabric repair

expenditure, there were no substantive concerns raised beyond a request for more detail on the level of oversight and qualification being specified.

#### **Consultation question**

24. Are there any specific Level 2 Technical and Vocational Qualification qualifications, or equivalent, which would be most appropriate for those conducting this report?

#### **Summary of responses**

*We received 32 responses to Q24.*

In regard to specific Level 2 Qualifications, or equivalent, which would be most appropriate to conduct this assessment, a variety were suggested. Specific concerns were raised around historic buildings and the need for appropriate competence.

#### **Consultation question**

25. Do you think a Chartered Surveyor continues to be suitably qualified to conduct this assessment?

#### **Summary of responses**

*We received 88 responses to Q25. Of these, 43 selected 'Yes', 23 selected 'No', and 22 Selected 'No view'.*

Although the majority agreed that a Chartered Surveyor should continue to be able to conduct the assessment it was felt that there was a need they should also be specifically trained and experienced in this area.

Those that disagreed also stated that Chartered Surveyors should be required to undertake relevant training to ensure they have the practical knowledge needed to conduct these assessments.

#### **Consultation question**

26. Do you agree with amending the purpose of the assessment under article 62(2)(d)(i) of the ECO4 Order from; "identifying potential efficiency measures for improving the energy efficiency of the premises", to; "assessing the condition of the insulation and related building fabric", to more accurately reflect the role undertaken by the assessor?

#### **Summary of responses**

*We received 99 responses to Q26. Of these, 66 selected 'Yes', 10 selected 'No', and 23 selected 'No view'.*

Most respondents agreed with the change in wording which will make the requirement clearer but there were a few comments that this alone will not ensure that defects are rectified. There

were a few concerns that this would not encompass the assessment of insulation and heating measures which ECO covers.

### **Government response (Q23-26)**

Whilst overall the responses to this consultation were supportive, concerns were flagged around oversight and appropriate competence of extraction assessors if we were to make the change to allow individuals with at least a Level 2 Technical and Vocational Qualification, or equivalent, to undertake a report substantiating the need for extraction of cavity wall or loft insulation for the purposes of determining building fabric repair expenditure.

We were also conscious that prescribing qualifications within legislation cannot be sufficiently future proofed and moves away from the sector taking responsibility when appointing competent persons.

Therefore, given the above and the forthcoming review of the consumer protection and compliance landscape, we do not propose amending the legislation to allow individuals with Level 2 Technical and Vocational Qualifications, or equivalent, to undertake the assessment.

We do plan on proceeding with relevant amendments to change the purpose of the assessment from; “identifying potential efficiency measures for improving the energy efficiency of the premises”, to; “assessing the condition of the insulation and related building fabric”, to more accurately reflect the role undertaken by the assessor.

## Chapter 1.3: Minor ECO4 and GBIS policy amendments

### Shared Ground Loops

#### Consultation question

27. Do you agree with our proposal to update legislation so that SGLs can be evidenced by SAP assessments where they are installed alone, or alongside Data Light Measures?

#### Summary of responses

*We received 93 responses to Q27. Of these, 34 selected 'Yes', 6 selected 'No', and 53 selected 'No view'.*

Of those who left written responses, the majority were in favour of SGL projects being evidenced through SAP. However, respondents also raised the need to expand the use of SAP to include additional measures, for example where heating controls were part an SGL project.

Several respondents noted the benefits of full SAP over RdSAP including the fuel prices set in each methodology along with differences in assumed values.

#### Consultation question

28. Are there any other barriers to delivering SGL projects under ECO4 we should be aware of?

#### Summary of responses

*We received 52 responses to Q28.*

Respondents raised a wide range of barriers to delivering SGL projects under ECO4. Common barriers included the omission from innovation measure uplifts and the requirement to lodge measures through TrustMark. Respondents suggested that there is duplication between other bodies including Heat Trust and MCS.

#### Government response (Q27-28)

Given the need for heating controls as an additional measure in these projects, we understand that this proposed change, as set out in the consultation, would prevent delivery of SGL projects under ECO4.

We considered extending evidencing in SAP for additional measures, however this would fall outside of current monitoring processes completed by TrustMark, aimed at detecting potential non-compliance in Retrofit Assessments completed using RdSAP. As such, we will not proceed with the proposed change to evidence SGL projects through full SAP.

Under the ECO SAP and RdSAP Amendments Government Response, published in March 2024, transitional arrangements were set out for the use of RdSAP10 in the scheme. Several

improvements will be made to the accuracy of RdSAP assessments which may benefit SGL projects. We would like to consider the impact made by transitioning to RdSAP10 when this becomes available for use.

TrustMark currently ensures compliance with the overarching PAS 2035/2030 requirements for ECO projects and sets requirements to protect consumers for work carried out under our schemes. TrustMark also oversees the lodgement of measures to its Data Warehouse and provides essential monitoring of Retrofit Assessments.

As such, we will continue with this oversight by TrustMark to monitor for non-compliance across schemes. However, we recognise that the consumer protection system needs reform, and we will press ahead with a sweeping overhaul through the Warm Homes Plan.

We note the feedback received through the consultation which stated that the current exclusion of SGLs from Innovation Measures (IM) is seen to be prohibitive to their delivery. As such, we will amend legislation to specify that SGLs can be considered for IMs and therefore will be eligible to issue a relevant application to Ofgem for consideration.

## Smart meter requirements

### Consultation question

29. Our objective is to ensure consumers receive the maximum benefit from their retrofit measures by encouraging smart metering uptake. Which is your preferred method for achieving this and why?
- a) Option 1 – Voluntary consumer pledge
  - b) Option 2 - Consumers agree smart meter installation (to be arranged by their energy suppliers)
  - c) Neither – the current process of providing smart meter advice to ECO4 and GBIS consumers should remain as it is now
  - d) An alternative approach – please provide details of how your preferred approach is practicable for scheme deliverability and data privacy
  - e) No view

## Summary of responses

*We received 117 responses to Q29. Of these, 19 respondents selected 'Option 1', 22 respondents selected 'Option 2', 27 respondents suggested neither and to retain the current approach, and 49 respondents provided no view/no answer.*

Among those who provided a view, responses were mixed, with no clear consensus between supporting Option 1 (voluntary pledge), Option 2 (supplier-led installation), and retaining the current approach. While slightly more respondents preferred to retain the current approach, this did not indicate a strong preference for the status quo, and many emphasised the need for careful design to avoid unintended consequences.

Some respondents supported Option 2, though a subset raised concerns about practical challenges, particularly around sharing contact and installation details between installers and suppliers, feasibility of implementation, and potential delays to retrofit delivery. A small number proposed alternative approaches, though implementation details were limited.

### Consultation question

30. If Option 1 is your preferred option:

Were Option 1 to be implemented, how would you refine the approach to maximise its effectiveness? For example, what is the correct point to contact consumers?

### Summary of responses

*We received 121 responses to Q30. Of these, 94 respondents provided no answer/no view.*

Most of the respondents suggested creating a centralised referral system, linking to the relevant energy supplier to make the process easier for the consumer. A few respondents emphasised engagement with consumers as part of the retrofit stage, where retrofit installers could advise how to find their energy suppliers and request a smart meter.

### Consultation question

31. Please provide descriptions of how this methodology could operate in practice for a) voluntary and b) mandatory agreement to a smart meter installation to receive retrofit funding. Please include information on data sharing routes, and how adverse impacts on deliverability can be minimised.

### Summary of responses

*We received 121 responses to Q31. Of these, 105 respondents provided no answer/no view.*

Most respondents who provided a view preferred Option 2a, with some highlighting the delivery challenges of Option 2b and suggesting industry trials during ECO4 to assess feasibility.

Several respondents raised concerns about the practicalities and privacy implications of sharing consumers' details between installers and energy suppliers, citing both GDPR compliance requirements and the absence of established data-sharing infrastructure.

### Consultation question

32. Do you think that Option 1 would impact scheme delivery for ECO4, GBIS and/or smart meter targets?

If yes, please provide evidence to support your response.

## Summary of responses

*We received 121 responses to Q32. Of these, 22 respondents selected, 'Yes', 30 respondents selected, 'No' and 69 respondents provided no answer/no view.*

Among those who responded, most believed that Option 1 would not impact scheme delivery.

A few respondents stated that Option 1 could help improve smart meter uptake. However, one respondent questioned whether voluntary pledges alone would lead to significant increases in uptake from consumers. Another respondent noted that some customers might mistakenly perceive the pledge as binding, potentially discouraging them from agreeing to measures.

### Consultation question

33. Do you think that Option 2 would impact scheme delivery for ECO4, GBIS and/or smart meter targets if it involved either:

- Option 2a) voluntary agreement for a smart meter installation; or
- Option 2b) mandatory agreement for a smart meter installation?

## Summary of responses

*We received 121 responses to Q33. Of these, 48 selected 'Yes', 10 selected 'No' and 63 respondents provided no answer/no view.*

Support for Option 2 was similar to Option 1; however, concerns were raised about feasibility and scheme delivery. Some stakeholders saw Option 2a as viable with clear consumer information, while others flagged administrative challenges. A key issue was the transfer of consumer contact details between retrofit assessors, installers, and energy suppliers. Current regulations restrict sharing these details without explicit consent, making it harder for suppliers to arrange smart meter installations. Without a structured process, uptake would rely on consumers taking action themselves, reducing effectiveness.

For Option 2b, respondents noted that mandating smart meter installation for recipients of ECO and GBIS could deter applicants and add logistical challenges. Additional administrative burdens, including securing consent and verifying compliance, could slow delivery and increase costs.

## Government response (Q29-33)

Out of the three options consulted, we will implement Option 1, the voluntary consumer pledge. Stakeholder views were mixed on the best course of action, with no strong consensus on a preferred approach. Option 1 was selected as a practical and effective solution to encourage consumer action while avoiding regulatory and operational complexity within the constraints of the current scheme. It is the most practical and achievable option within the existing ECO framework, requiring minor changes for implementation.

Option 2, while supported by some stakeholders, presented major deliverability challenges, primarily due to the practical difficulties of sharing consumer details across multiple parties.

Several respondents raised concerns over the legal and operational barriers involved in transferring consumers' account details from GBIS and ECO administrators to energy suppliers. This process would require substantial changes to current regulatory frameworks and explicit consumer consent, which could introduce additional complexity and delays to the retrofit process. Given these challenges, Option 2 was not considered viable within the current scheme timeframe.

Under Option 1, the consumer is encouraged to sign a voluntary pledge to seek a smart meter installation from their energy supplier(s) prior to the installation of any measure(s). The pledge will be voluntary and non-binding, and will act as a timely prompt to action, leveraging the retrofit process as a moment in which a customer may be more receptive to having a smart meter installed, and providing consumers with information on how to contact their supplier to arrange an installation. Ofgem will work with government to provide guidance on the recommended format of that pledge which we expect will be provided by individual obligated suppliers.

Behavioural studies in multiple contexts suggest that voluntary pledges like this can be effective in encouraging people to follow through on an action, even when they are not binding. We believe that pledges could slightly increase the impact of the current smart metering information provision to consumers and provide a boost in the number of consumers who would get a smart meter installed following an ECO4 or GBIS retrofit. The same research also suggests that the context and method for introducing a pledge is crucial for its effectiveness.

In proceeding with Option 1, we will continue to explore ways to integrate smart metering further within any successor ECO scheme, including potential solutions to the information sharing barriers that limited the feasibility of Option 2 in the short term. This approach lays the groundwork for stronger smart meter integration within any future ECO iterations, ensuring consumers are better supported in making informed energy choices. The requirement for this voluntary pledge will come into effect on the date on which the amended regulations come into force, which will follow this response in due course.

### Rural area definition

#### Consultation question

34. Do you agree with our proposal to update the “rural area” definition in line with the planned ONS and Scottish Government updates?

### Summary of responses

*We received 89 responses to Q34. Of these, 53 selected ‘Yes’, 4 selected ‘No’, and 30 selected ‘No view’.*

Stakeholders were in support of updating the rural area definition to align with the Office for National Statistics (ONS) and Scottish Government planned updates. Reasons for this included the benefit of aligning with the latest industry data and standards, which could permit more accurate targeting for the uplift.

The stakeholders that disagreed expressed concerns that the update could negatively impact individual projects. They suggested postponing the amendments until the end of the obligation to avoid complexity, adding that the update would have minimal impact at this stage in the scheme, and changes would be more beneficial in the next iteration of ECO.

### **Consultation question**

35. If transitional arrangements are required, which transition option would you prefer?

### **Summary of responses**

*We received 85 responses to Q35. Of these, 27 selected 'Option A', 2 selected 'Option B', 5 selected 'An alternative approach' and 51 selected 'No view'.*

Of those who provided a view to this question, Option A was the preferred option, with stakeholders suggesting that option B would be more complex to administer. They considered that it would not align with the rationale of ensuring scheme continuity, although they recognised that option A could have additional system development requirements.

The majority of stakeholders who provided responses suggested that irrespective of the transitional arrangements, a suitable timeframe would be required to permit suppliers and industry to adjust to the selected option.

Ofgem strongly opposed Option A. Reasons for this included complexity in integrating the pre-retrofit assessment date into the digital systems, which currently do not record this date. Additionally, supporting multiple datasets would require additional system changes and therefore add further complexity to the administration of the scheme for the supply-chain, suppliers and Ofgem.

### **Government response (Q34-35)**

We will update the rural area definition in the ECO legislation to reflect the ONS and Scottish Government updated datasets.

The Scottish Government rural-urban datasets were updated on 16 December 2024 and the ONS rural-urban datasets were updated on 6 March 2025. However, the updated datasets will not be required to be referred to until the legislation comes into force.

For respondents who had a view, the preference of the two options was for the transition to be based on the date of the project pre-retrofit assessment (Option A). However, we will be pursuing the option to base the transition on where a project has been completed and notified to Ofgem (Option B).

Further evidence gathered via the consultation responses suggested that an option whereby validation is made against a single dataset on the date of project notification would reduce delays to implementation due to Ofgem system changes and scheme complexity.

Ofgem currently validate a project against the rural area dataset at the date of project notification, and Option A would require them to simultaneously host both the old and new datasets, validating projects against one or the other depending on the validation date.

As such, we consider that the simplest and quickest way to administer the policy is for the notification date to continue to be the point at which a project's rural status is checked. Referring to one dataset on the register will ensure a more seamless transition between two dates and therefore ensure simplicity under the scheme.

We do not anticipate significant differences between the old and new datasets. In Scotland, between 2016 and 2022 ~0.57% of Data Zones have changed from rural to urban. Therefore, the number of negatively impacted stakeholders and consumers is expected to be low.

We are working with Ofgem towards solutions for specific projects that may be impacted by the change. Ofgem will ensure projects notified before any cut-off dates will not be adversely impacted by the change.

Ofgem will also ensure clear communication on the relevant dates of change to mitigate against scenarios of non-compliance for installers.

### Off-gas heating hierarchy – Improvement Options Evaluation (IOE) report

We intend to make some administrative changes to regulations to clarify requirements related to the IOE in the legislation establishing the ECO scheme for consistency with the requirements in PAS2035/2030.

## Part 2: Pay-For-Performance

### Consultation question

36. Do you plan to participate in PFP in ECO4 and/or GBIS?

### Summary of responses

*We received 93 responses to Q36. Of these, 35 selected 'Yes', 21 selected 'No', 37 selected 'No view'.*

We received a mixed response from stakeholders regarding their participation in a PFP mechanism in ECO4 and GBIS. Of those providing a view, more suggested they would participate than not, however this varied significantly across stakeholder types.

Four obligated suppliers stated they would participate, three of which conditionally, with their participation dependent on the final design of the mechanism and there being sufficient time available for set up. Of the five stating they would not participate, most were supportive of the aims and rationale of PFP but cited the tightness of timelines as the decisive factor. Several of these suppliers noted they would likely participate in a PFP mechanism beyond ECO4 and GBIS provided there was sufficient time.

A plurality of installers selected 'no view'. A minority of these offered written responses, which touched on mechanism complexity and indecision over participation until final policy was available. A large minority of installers said they would participate, while a large minority said they would not. Those against mostly based this on design complexity, limited timelines, GDPR concerns, certainty beyond ECO4 and GBIS, and the remaining low volume to be delivered in ECO4. Of installers in favour of participation, several said the improved incentive structure would drive quality and that PFP would deliver other consumer benefits. However, many of these installers highlighted uncertainties over how payment, contracting and coordination by SMETER providers would work.

Many other stakeholders, including industry trade bodies, local authorities and SMETER providers, were supportive of PFP and planned to participate (or their members did), citing the opportunity presented by the mechanism. Several academic organisations responded positively in written responses to this question but selected "no" or "no view" on participation.

### **Consultation question**

37. Where development time available to industry for PFP appears limited, would you favour government introducing PFP to ECO4 and GBIS or introducing PFP into any successor ECO scheme?

### **Summary of responses**

*We received 95 responses to Q37. Of these, 36 selected 'introduce to ECO4 and GBIS', 33 selected 'introduce to any successor scheme', 26 selected 'No view'.*

Responses were split on whether we should introduce PFP into the current schemes or introduce in a successor scheme. However, again, this varied significantly by stakeholder type. Many gave similar reasoning as set out to Q36, above.

Seven of nine obligated suppliers favoured introducing PFP to a future scheme. Most of these cited current delivery challenges and the short time available for set up; several also referred to the risk of low PFP participation due to low remaining delivery volumes on ECO4.

Across installers and other supply chain parties (e.g. trade bodies, energy efficiency measure manufacturers and managing agents), responses were evenly spread across "introduce to ECO4 and GBIS", "introduce to a future scheme" and "no view". Those in favour of introducing now offered various reasons for this: many stated the need to support this sector and deliver benefit to households, a few said this should be done but only if the consultation on a successor scheme is published in early 2025 with carry over proposals, while two others suggested implementing in only ECO4, and therefore not GBIS, would reduce timeframes and complexity. Those in favour of deferring cited the timeframe and scale of change over that timeframe. Those stating 'no view' did not provide written responses.

SMETER providers were uniformly in favour of introducing PFP now, with many stating that this would signal to industry the direction of travel and help this sector grow.

### **Government response (Q36-37)**

We are no longer proposing to pilot PFP in ECO4 and GBIS. The primary driver of this is the limited timeframe remaining before the schemes end in March 2026. Significant time would have been needed to tender for and set up the essential 'third party auditor' role. Without this function, gaming risk in any PFP mechanism would have been unacceptably high, calling into question the validity of any learnings from the pilot. The limited timeframe is largely a result of the timing of the General Election in June 2024, the associated purdah period and subsequent delays to the publication of the consultation.

A second key factor is the solid wall insulation quality issues recently found in some GBIS and ECO4 retrofits. It would be imprudent to pilot a new mechanism in the schemes at this time as this pilot would take capacity away from those organisations responsible for identifying these quality issues and managing next steps, including Ofgem and TrustMark. We recognise that PFP has significant potential to incentivise industry to deliver higher quality retrofits, but the

benefits of PFP must be balanced against the present need to ensure sufficient capacity to resolve issues as soon as possible.

We explored several light touch PFP options that would have reduced timeline constraints; however, these came with their own challenges and risks. For example, one option was to pilot PFP without a third-party auditor, with some oversight passed to TrustMark and the PFP Panel, however, this would have increased gaming risk and reduced TrustMark's capacity to deal with quality issues. Another option explored was to introduce the application process but no PFP mechanism itself in order to provide certainty to industry and speed up any application process in any successor scheme. However this option was discounted due to lack of certainty surrounding any successor scheme, the design of which would need to be factored into any PFP application process.

In-use measurement methods such as SMETER could have significant benefits across net zero priority areas. We will continue to explore applications and develop approaches to quality assurance, prior to potential widescale introduction of these methods at a national level. Subject to wider aims, we may introduce PFP to a future supplier obligation. To clearly indicate our intention in this sector, we will respond to questions 38-90 of this consultation as part of any consultation on a future supplier obligation. Learning and evidence from this consultation will inform any proposals set out for a future scheme. This consultation therefore represents significant progress in moving towards a monitored savings mechanism within a supplier obligation scheme that aims to drive better outcomes for households.

You should use this template for most documents, including research and government responses. There are separate templates for consultations and independent reports.

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