

ECO supported District Heating measures and HNIP



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1 Objectives

Both ECO and HNIP can promote district heating measures

- 1. contributing to government carbon reduction targets; and**
- 2. reducing fuel poverty**

Experience shows that by using programmes in combination (co-funding) actually increases probability that projects proceed – targets then tend to be more easily met.

Moreover in the recent Committee on Climate Change report “Meeting Carbon Budgets: Closing the policy gap” highlights that to meet the legislated carbon budget is likely to require a 20% CO₂ reduction from buildings in the period 2016 to 2030. The CCC advise that this could be achieved, e.g. if amongst other measures i) 2m solid wall installs were completed; and ii) heat networks were to supply 40TWh of low carbon heat. This paper hopefully illustrates that ECO has made some progress against these targets promoting DHS measures – but recommends that more could be achieved if both programmes work together.

- 1. Energy Company Obligation – statutory obligation in which electricity suppliers are required to achieve i) carbon reduction emission targets; and ii) home heating cost reduction targets. Targets are achieved through the promotion and installation of various energy efficiency measures which amongst others include: cavity wall and loft insulation, external wall insulation, heating measures and district heating measures.**

- 2. The current obligation ECO2e runs April 2017 to 30 September 2018 (across all utilities – est. total budget £640m/year of which £450m/year is to be focused on fuel poverty).**

- 3. Eligible DHS measures include:**
 - New connections - e.g. fuel-switching from electric heating to gas communal heating**
 - DHS upgrades – e.g. energy centre upgrades (efficiency improvements (e.g. replacing gas plant), carbon reduction (e.g. adding biomass))**
 - Heat meters – providing users with smart heat metering (providing consumption and unit price information)**

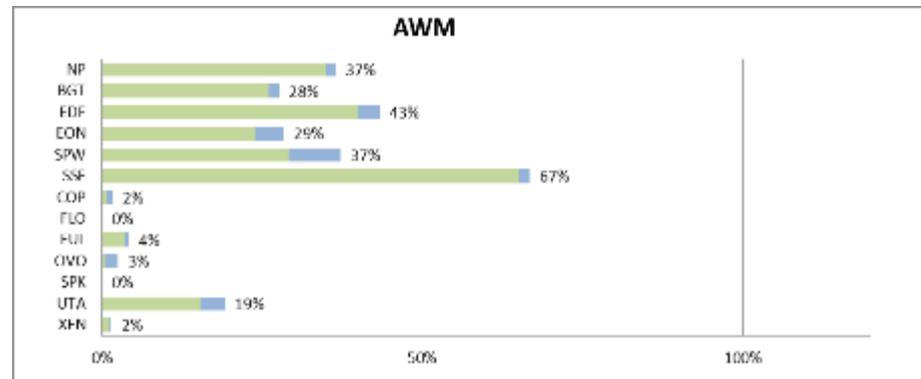
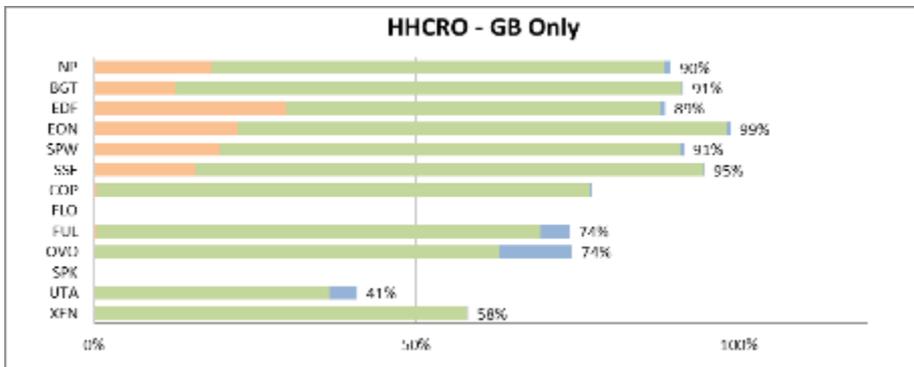
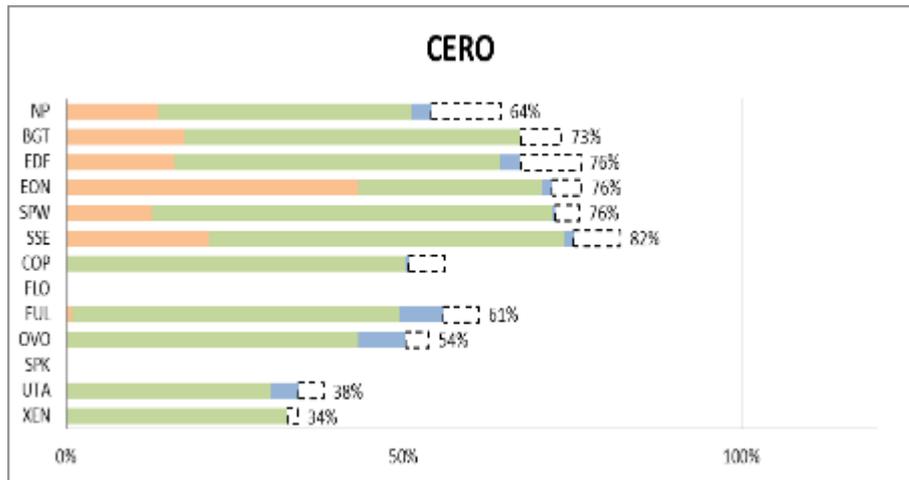
1. ECO consists of two obligations (each providing grant funding)
 - i. CERO obligation – projects re-numerated £ per carbon savings basis – households can be either private or social housing
 - ii. Home Heating Cost Reduction obligation – projects re-numerated on £ per lifetime bill savings basis – targeted at low income/high heat cost private users only

n.b. under HHCRO – there is also kind of “sub-obligation” Flex – initiative to support local authority led fuel poor community projects.
2. ECO2e runs 1 April 2017 to 30 September 2018 – to allow for notification periods - projects commissioning to May/June 2018 could receive support.
3. ECO3 from 1 October 2018 – still to be consulted – likely 12/18 month period – so inside HNIP programme running to March 21

3b Tracking ECO progress

The Ofgem Compliance Update details supplier progress towards their ECO2e obligation based on July 17 notification and August 17 Ofgem Approvals. Progress is reported against the ECO2 + ECO2e target (April 15 to September 18)

- ▲ Ofgem report progress against September 18 ECO2e target (including ECO2).
- ▲ Flow Energy (FLO) and Spark Energy (SPK) are all newly obligated for the ECO2e obligation, but are yet to deliver any volume.



4a What DHS measures has ECO2 supported

	Project Scope	Benefits
Hackney Communal Heating	>600 flats converted from electric storage heating to DHS new connections (gas fired). Each flat has new “central heating installed	residents realised significant unit heat cost savings (e.g. unit heat costs were reduced by circa 50%)
South London (social housing)	energy centre upgrade (gas boiler replacement)	331 residents benefit from lower heat costs following upgrading energy centre
Barrow Community Heating	refurbishment of Grade II listed buildings which had fallen into disrepair creating 318 new apartments including the provision of communal heating	Affordable, low carbon heating. CERO funding
Birmingham	>500 flats converted from electric storage heating to DHS new connections (gas fired). Each flat has new “central heating installed	Lower heat costs. Later potential to connect blocks to other heating networks



4b What DHS measures is ECO2e supporting /examples

	Project Scope	Funding	Benefits
East London community heating	>90 flats converted from electric storage heating to DHS new connections (gas fired). Each flat has new “central heating installed	CERO (carbon savings)	users are to benefit from significant unit heat cost savings (e.g. unit heat costs are to be reduced by circa 50%)
Ground source heat pump community heating, N West	18 flats converted from electric heating to community heating from ground source heat array.	CERO (carbon savings) and HHCR0 (lifetime bill savings)	lower heat charges
City DHS energy centre upgrade and new connections (in development)	DHS energy centre upgrade (addition of heat pump and CHP) and c 400 new connections .	CERO (carbon savings)	users benefit in lower heat charges from connection to upgraded energy centre

4c ECO statistics

Statistics

ECO2 supported 4099 DHS measures (2015-2017)

ECO2e supporting 149 DHS measures (2017 onward/work in progress)

5a

How can ECO projects help HNIP ... co-funding seems important

- 1. Fuel-switch new connection DHS projects tend to be capital intensive often requiring >£10-12k/home. This tends to require a combination of funds e.g. customer contribution, ECO, RHI, LEEF/HNIP/similar, HEEPs/similar. Our experience is that ECO has provided an essential contribution to these projects – helped by this being a grant and the carbon saving funding being recognised.**
- 2. Under ECO2 a significant number of DHS projects progressed in Scotland as you had various co-funding available e.g. district heating loans, HEEPs, Warm Homes funds – this supported many ECO projects – and vice versa**
- 3. ...the Committee for Climate Change are forecasting that the government could have a shortfall to reach its 2023/2032 carbon reduction targets – by using ECO in combination with HNIP our experience suggest that projects are then more likely to proceed – this should only help to deliver on the legislated carbon reduction targets**

5b

How can ECO projects further help HNIP it provides new connections and also incentivizes delivery

- 1. ECO targets are statutory targets – so if projects are to be ECO financed they need to complete inside ECO programmes. This incentivizes projects to complete.**
- 2. ECO new connection projects – provide classic opportunities to connect to wider heating networks (e.g. under ECO2 270 flats were added to the extensive Nottingham district heating network – a further 90+ are to be connected under ECO2e) – it is hoped that in the future ECO/CERO funding should continue to support such applications**

5c

ECO + HNIP – possible support to affordable housing developments ?

1. **ECO and HNIP programmes might also (should ?) support new affordable housing (government did have target of 1 million new affordable homes by 2020) – generally it is thought quicker progress is needed. Usefully ECO has previously supported this sector.. e.g.**
 - a) **e.g. under ECO2 > 300 flats/voids were re-furbished as part of the Barrow community heating scheme; and**
 - b) **e.g. under ECO2 135 new build flats from the Wythenshawe Community housing project received ECO finance**

Key requests:

- 1. future ECO and HNIP programmes should be allowed to work together – our experience suggests that funds working together deliver more; and**
- 2. ECO has helped deliver a significant volume of carbon saving DHS projects (these are also reducing fuel poverty) – it is recommended future ECO schemes should encourage and maintain this effective form of funding**

in this way progress on the governments legislated carbon budget is then more likely to be maintained.

CLOSE