EXPLANATORY MEMORANDUM TO

THE ELECTRICITY AND GAS (ENERGY COMPANY OBLIGATION) (AMENDMENT) (SPECIFIED PERIOD) ORDER 2026

2026 No. XXXX

1. Introduction

1.1 This Explanatory Memorandum has been prepared by The Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Martin McCluskey, Minister for Energy Consumers at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 Nick French, Deputy Director for the Energy Company Obligations at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Simon Dales at the Department for Energy Security and Net Zero can be contacted by email at the following address with any queries regarding the instrument: simon.dales@energysecurity.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Electricity and Gas (Energy Company Obligation) Order 2022 (the "2022 Order"), which imposes a home-heating cost reduction obligation on licensed gas and electricity suppliers that exceed domestic customer and gas or electricity supply thresholds (known as the "ECO4 scheme" or "ECO4"), by extending the date by which obligated energy suppliers must meet their ECO4 Annual Bill Savings (ABS) and sub-obligations, and the remediation of non-compliant installations by nine months, from 31 March 2026 to 31 December 2026.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain.

5. Policy Context

What is being done and why?

5.1 This instrument amends the 2022 Order by extending the time in which an obligated participant or "supplier" has to meet their ECO4 Annual Bill Savings

(ABS) and sub-obligations targets from 31 March 2026 to 31 December 2026. The extension will also provide additional time for remediation of non-compliant installations.

Extending the scheme deadlines

5.2 In Articles 2, 3 and 10, the date by which obligated energy suppliers must comply with their ECO4 targets is amended from 31 March 2026 to 31 December 2026.

Amending consequential and reporting deadlines

5.3 This instrument amends several consequential dates for compliance to reflect the new end date of 31 December 2026. These include dates in Articles 12 extending some reporting requirements by obligated energy suppliers from 1 April 2026 to 1 January 2027. In Articles 24 and 31, the dates for the Administrator's determination and review of compliance are amended from 1 July 2026 to 1 April 2027. The instrument also specifies 31 March 2026 as the date by which certain applications for innovation measures and data light measures under Articles 33, 35 and 38 of the 2022 Order must be submitted.

Ensuring consistency throughout the 2022 Order

5.4 All references to the previous end dates are updated to ensure legal clarity and operational consistency across the ECO4 scheme.

What was the previous policy, how is this different?

5.5 The ECO4 scheme is scheduled to end on 31 March 2026. The extension shifts the date by which obligated energy suppliers are to comply with their targets under ECO4 to 31 December 2026, with no increase in targets. The focus of the ECO4 scheme over the extension period is to permit additional time for remediation by obligated suppliers of non-compliant installations and orderly scheme closure, rather than expanding the scope or scale of obligation.

6. Legislative and Legal Context

How has the law changed?

6.1 The changes in the law are as described in paragraph 5. The 2022 Order is made using the powers conferred by section 33BD of the Gas Act 1986, section 41B of the Electricity Act 1989 and section 103A of the Utilities Act 2000, with the agreement of the Scottish Ministers.

Why was this approach taken to change the law?

6.2 This instrument is being used to amend the 2022 Order. We are doing this to allow additional time for obligated energy suppliers to meet their targets and sub-obligations under ECO4 and the remediation of non-compliant installations by the date that is set out in the 2022 Order. On this basis, amending secondary legislation is required to amend these dates.

7. Consultation

Summary of consultation outcome and methodology

7.1 On 29 August 2025, the Department published a public consultation on proposals to extend the ECO4 scheme end date. The consultation closed on 25 September 2025. The proposal was to extend the time available to obligated energy suppliers to comply with their targets under ECO4 by a period of six to nine months. During the public

consultation period, the Department conducted virtual interactive stakeholder events to present the consultation proposals and gather initial feedback from attendees.

7.2 The Department received 215 responses to the consultation from a variety of stakeholders ranging from the larger energy suppliers and trade associations to individuals with an interest in energy efficiency and fuel poverty.

7.3 Overall, a strong majority of respondents supported extending the ECO4 deadline, with most favouring a nine-month extension to allow obligated energy suppliers additional time to meet targets and remediate non-compliant installations. In response to the consultation, the Government has taken the decision to extend the scheme by nine months.

7.4 A description of the changes and a summary of the responses to these and other areas are included in the Government's consultation response which is available at https://www.gov.uk/government/consultations/extending-the-eco4-end-date

7.5 As part of the consultation process, the Department discussed its proposals with the devolved administration in Scotland and Wales and subsequently received their formal responses.

8. Applicable Guidance

8.1 Non-statutory guidance for obligated energy suppliers under ECO4 will be published by the Administrator on its website.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument, as the extension of the ECO4 scheme by nine months is not expected to result in significant additional costs to obligated energy suppliers or have bills implications. The principal effect of the Order is to provide obligated suppliers with additional time to meet existing targets and remediate non-compliant installations without increasing the overall obligation or introducing new requirements. This will support consumer protection, particularly for low-income and vulnerable households, and promote supply chain continuity.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The extension does not introduce new requirements or increase targets.

9.3 The legislation does not impact small or micro businesses.

9.4 The impact on the public sector is limited to ongoing programme management and monitoring.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is through a requirement on the Administrator to submit monthly progress reports to the Secretary of State on suppliers' performance against the overall target. The Department also has regular engagement with the Administrator, obligated energy suppliers, supply chain, local authorities, and others to understand progress on delivery and any delivery issues.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The extension is expected to attract interest due to its impact on remediation efforts. There is no bill impact on consumers as the obligation target is not being extended.

12. European Convention on Human Rights

12.1 Martin McCluskey, Minister for Energy Consumers at the Department for Energy Security and Net Zero, has made the following statement regarding Human Rights:

"In my view the provisions of the Electricity and Gas (Energy Company Obligation) (Amendment) (Specified Period) Order 2026 are compatible with the Convention rights".

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts"). It does not relate to the withdrawal of the United Kingdom from the European Union and does not trigger the statement requirements under the relevant European Union Acts.