EXPLANATORY MEMORANDUM TO

THE ELECTRICITY AND GAS (ENERGY COMPANY OBLIGATION) (AMENDMENT, SAVING AND TRANSITIONAL PROVISIONS) ORDER 2025

2025 No. 802

1. Introduction

1.1 This explanatory memorandum has been prepared by 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 Miatta Fahnbulleh, Minister for Energy Consumers at the Department for Energy Security and Net Zero can confirm that this Explanatory Memorandum meets the required standard.

2.2 Nick French, Deputy Director for the Supplier Obligation at the Department for Energy Security and Net Zero can confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Kate Fielding at the Department for Energy Security and Net Zero, email: kate.fielding@energysecurity.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument amends the Electricity and Gas (Energy Company Obligation) Order 2022 ("the 2022 Order") and the Electricity and Gas (Energy Company Obligation) Order 2023 ("the 2023 Order"). The 2022 Order and 2023 Order impose home-heating cost reduction obligations on licensed gas and electricity suppliers that exceed domestic customer and gas or electricity supply thresholds which obligated suppliers must achieve under both Orders by 31st March 2026.

4.2 Standard Assessment Procedure (SAP) and Reduced Data Standard Assessment Procedure (RdSAP) are energy performance methodologies used in the 2022 Order and the 2023 Order to evidence the starting and finishing SAP ratings of existing domestic premises. Both methodologies have undergone industry updates. Therefore, the 2022 Order and the 2023 Order are being updated to align with the wider industry updates.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument is England, Wales and Scotland.

4.4 The territorial application of this instrument is Great Britain.

5. Policy Context

What is being done and why?

5.1 The objectives of the policy delivered by the 2023 Order, also known as the Great British Insulation Scheme (GBIS), are to: (i) deliver energy efficiency measures to a greater pool of households challenged by higher energy bills, (ii) help alleviate fuel poverty and accelerate progress to meet fuel poverty targets, (iii) contribute to carbon reduction targets in the domestic sector, and (iv) reduce the costs of meeting the UK's net zero target through promoting more efficient energy use.

5.2 The principal objectives of the 2022 Order, also known as the ECO4 scheme, are similar to GBIS. Whereas the ECO4 scheme is aimed at delivering whole house retrofits for low-income and vulnerable households, GBIS is aimed at driving the rapid installation of the most cost-effective mainly single insulation measures, extending support additionally to a much wider group of households in the least efficient, lower Council tax band homes.

5.3 Between January 2013, when the first ECO scheme began, and March 2025, the most recent date for which data is available, around 4.2 million energy efficiency and heating measures have been installed in approximately 2.5 million homes through the ECO schemes. This has helped reduce people's energy bills, making homes more energy efficient, reduce carbon emissions and make our energy system more resilient.

5.4 The ECO4 scheme started in April 2022 and will run until March 2026 at a value of £1bn per annum, in 2022 prices. Accordingly, the principal effect of the 2022 Order was to introduce a new home-heating cost reduction obligation for the period up to 31 March 2026. The obligation is a notional annual bill savings target of £224.3m to be achieved by 31 March 2026.

5.5 GBIS is worth £1bn over three years. The obligation is a notional annual bill savings target of £55,998,000 to be achieved by 31 March 2026. Those suppliers required to participate in the ECO4 scheme are also required to participate in the GBIS. The same domestic customer and gas and electricity supply data as is notified by suppliers under the ECO4 scheme is used for the apportionment of the home-heating cost reduction obligation across three phases of GBIS. The three phases are phase A (from the commencement date to 31 March 2024), phase B (1 April 2024 to 31 March 2025), and phase C (1 April 2025 to 31 March 2026).

5.6 The ECO schemes use the SAP and RdSAP methodologies to assess the energy efficiency ratings of properties before and after retrofit is completed, and for attributing a score to retrofits such that obligated energy suppliers can count it towards their overall statutory targets. These pre- and post-retrofit assessments must be completed in the same version of SAP or RdSAP as applicable.

5.7 SAP is the national methodology used to assess the energy performance of a home. A SAP assessment results in an annual estimate of a dwelling's energy consumption, running cost and carbon emissions. The Department for Energy Security and Net Zero published an updated version of SAP (SAP 10.2)[1], which came into force on 15 June 2022, alongside the interim uplift to Part L (Energy) of the Building Regulations. Though SAP10.2 is already live, it has not created issues with a previous version of SAP, SAP2012[2], currently required for ECO4 evidencing because existing

[1] https://bregroup.com/expertise/energy/sap/sap10
[2] https://bregroup.com/expertise/energy/sap/standard-assessment-procedure-2012

arrangements are in place which enable SAP2012 to continue to be used across the industry.

5.8 Similarly, Reduced data SAP (RdSAP) is the national methodology used to assess the energy performance of existing dwellings. RdSAP is a simplified version of SAP, as those assessing energy performance will not have access to all the information on building material and approach used at the time of construction. RdSAP delivers a full SAP calculation if information is available; it uses defaults for some inputs in the absence of detailed information. The previous version of the methodology was RdSAP2012 v.9.94 (referred to as RdSAP2012). The latest version RdSAP, which will be known as RdSAP10, was released on 15 June 2025. No arrangements were in place to facilitate the continued use of RdSAP2012 once RdSAP10 is live, as they are for SAP, at the time of consultation.

5.9 In August 2023, our consultation[3] set out three options for the transition from RdSAP2012 to RdSAP10 within ECO. Option 1 proposed that retrofits could use either RdSAP2012 or RdSAP10 during a 3-month transitional period. After that, RdSAP10 would be required for all pre- and post-retrofit assessments. This option was broadly preferred by most respondents although a 6-month transition was preferred to align with the 6-month RdSAP assessment validity period used by TrustMark, the government-endorsed quality scheme. We therefore propose to allow this approach for 6 months after this instrument comes into force (and for compliance purposes until the end of scheme final determination period).

5.10 The consultation also set out the proposal to update evidencing requirements from SAP2012 to SAP10.2, for retrofits that require SAP assessments, to take advantage of methodological updates. This instrument permits either SAP2012 or SAP10.2 to be used for these retrofits to provide industry with greater flexibility, as there are no restrictions on maintaining legacy versions of SAP.

5.11 The instrument updates definitions in the order to be described by either SAP10.2 or SAP2012. In most cases this has a negligible impact but permits a greater number of types of heating controls to be installed.

5.12 The Office for Gas and Electricity Markets (Ofgem) are the administrators of the ECO scheme and responsible for generating the scores that suppliers use to assess their progress towards their statutory targets. The consultation proposed that Ofgem should have regard to both the existing and the new methodologies when creating these scores, such that new technologies can be appropriately accounted for. The instrument therefore updates this requirement such that Ofgem have regard to SAP2012, SAP10.2, RdSAP2012 and RdSAP10.

5.13 Solar Photo Voltaic (PV) batteries were not represented under RdSAP2012 however they have been added into the RdSAP10 methodology. Government consulted on the role of solar PV batteries in December 2024[4]. As set out in the consultation, no changes will be made to scoring regarding solar PV batteries.

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[3] https://www.gov.uk/government/consultations/energy-company-obligation-schemes-standard-assessment-procedure-sap-and-reduced-data-sap-rdsap-amendments. A copy can be inspected by contacting the Energy Company Obligation Team at the Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG.

[4] https://www.gov.uk/government/consultations/energy-company-obligation-4-and-the-great-british-insulation-scheme-mid-scheme-changes/energy-company-obligation-4-and-the-great-british-insulation-scheme-mid-scheme-changes-consultation. A copy can be inspected by contacting the Energy Company Obligation Team at the Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG.

What was the previous policy, how is this different?

5.14 The previous ECO orders referred to SAP 2012 and RdSAP 2012 [v9.94]. In ECO4 and GBIS, for evidencing pre- and post-retrofit assessments in RdSAP, this instrument refers to both RdSAP2012 and RdSAP10 for retrofits carried out six months after the instrument comes into force and RdSAP10 thereafter. In ECO4, for evidencing pre- and post-retrofit assessments in SAP, the current instrument refers to both SAP2012 and SAP10.2 for retrofits carried out until the end of the scheme, as arrangements are in place which enable SAP2012 to continue to be used across the industry.

5.15 For provisions relating to scoring, the previous ECO Orders directed Ofgem to have regard to SAP2012 and RdSAP2012. The current instrument directs them to have regard to SAP2012, SAP10.2, RdSAP2012 and RdSAP10.

6. Legislative and Legal Context

How has the law changed?

6.1 The instrument is made in exercise of the powers conferred by sections 33BD of the Gas Act 1986 and section 41B of the Electricity Act 1989. The instrument makes technical amendments to the 2022 and 2023 Orders to update the methodology used to assess the energy performance of dwellings. Part 2 of the instrument and makes transitional provision to allow use of RdSAP2012 or RdSAP10 for a period of six months after the instrument comes into force, and RdSAP10 thereafter.

Why was this approach taken to change the law?

6.2 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 In August 2023, the Department published a consultation[5] on transitional proposals to manage the wider industry move to RdSAP10, alongside associated proposals relating to scoring and specific measure considerations. The consultation ran for four weeks and closed on 8 September 2023. The Department conducted two virtual stakeholder events to present the consultation proposals and gather initial feedback from attendees.

7.2 A four-week consultation period was considered appropriate due to the administrative, technical nature, and small scale, of the changes. Furthermore, no new policy was introduced. Regular engagement with stakeholders was conducted ahead of the public consultation period. The Department received 32 specific responses to the consultation, including from energy suppliers, installers, manufacturers, managing agents, trade associations, accreditation providers/oversight bodies. One further general response was also received.

7.3 Overall, respondents were supportive of the proposals and the final policy decisions reflect this. Changes made in response to the consultation, include:

[5] https://www.gov.uk/government/consultations/energy-company-obligation-schemes-standard-assessment-procedure-sap-and-reduced-data-sap-rdsap-amendments. A copy can be inspected by contacting the Energy Company Obligation Team at the Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG.

- Implementation of a revised option 1 – either RdSAP2012 or RdSAP10 can be used for a period of six months after the instrument comes into force and, RdSAP10 thereafter. The increase in the length of the transition period from three to six months reflects the six-month RdSAP assessment validity period used by TrustMark. Retrofits that need to be reassessed for compliance reasons are permitted to use the methodology they were initially carried out until the end of the relevant scheme's final determination period.
- Projects that require the use of a SAP assessment must be conducted using either SAP2012 or SAP10.2. There will be no transition period as there are existing arrangements to support legacy versions of SAP concurrently with the current version of SAP.
- District Heating Connection (DHC) retrofits primarily use RdSAP assessments but may use SAP assessments in certain instances. The consultation proposed allowing SAP assessments for all DHC retrofits so that these measures are more appropriately accounted for. At the time of publication, further work was required to ensure that supporting systems can handle SAP assessments, and that existing arrangements for consumer protection are replicated for SAP where they are used in ECO retrofits that currently use RdSAP. A subsequent Government response published on 7 April 2025[6] considered evidencing Shared Ground Loops using SAP and concluded that no amendments would be made to how these projects are evidenced.
- Although the current SAP2012 scores will be retained, government will update legislation where relevant to reflect the updates in SAP10.2 and RdSAP10, enabling any new measures to be accurately scored with reference to these methodologies where needed.

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[7].

7.5 As part of the consultation process the Department discussed its proposals with the devolved administrations in Scotland and Wales.

8. Applicable Guidance

8.1 Non-statutory guidance for obligated suppliers under GBIS will be published by the Administrator on its website. The Administrator will also publish an updated guidance for the ECO4 scheme.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

[6] https://www.gov.uk/government/consultations/energy-company-obligation-4-and-the-great-british-insulation-scheme-mid-scheme-changes. A copy can be inspected by contacting the Energy Company Obligation Team at the Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG.

[7] https://www.gov.uk/government/consultations/energy-company-obligation-schemes-standard-assessment-procedure-sap-and-reduced-data-sap-rdsap-amendments. A copy can be inspected by contacting the Energy Company Obligation Team at the Department for Energy Security and Net Zero, 3-8 Whitehall Place, London, SW1A 2EG.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies. As a result of requiring ECO projects to be delivered in RdSAP10, obligated suppliers under ECO4 and GBIS may experience higher or lower costs to achieve their home-heating cost reduction obligations. Compared to RdSAP2012, RdSAP10 can result in different energy efficiency ratings for homes. This can affect whether an ECO project can take place in a home and the scores attributed to ECO projects. The Impact Assessment submitted with this memorandum describes the uncertainties concerning how energy efficiency ratings will be affected by the change and the uncertain implications for obligated energy suppliers' costs. Whilst unquantifiable, in the context of overall scheme costs, the cost impacts are expected to be small.

9.3 The legislation does not impact affect small or micro businesses. The 2022 Order and 2023 Order impose home-heating cost reduction obligations on licensed gas and electricity suppliers that exceed domestic customer and gas or electricity supply thresholds. The customer number and energy supply thresholds mean that small businesses (those with fewer than 50 full time employees) are unlikely to be included in the obligations imposed by these Orders.

9.4 There is no, or no significant, impact on the public sector. The Gas and Electricity Markets Authority is responsible for the administration of ECO4 and GBIS.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring of this instrument 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 suppliers, supply chain, local authorities and others to understand progress on delivery and any delivery issues.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015 Minister Fahnbulleh made the following statement: no statutory review clause is included because the deadline for the Administrator to determine whether suppliers have met their obligation under the instrument is 30 September 2026.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 Miatta Fahnbulleh, 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, Saving and Transitional Provisions) Order 2025 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”).