

Energy Company Obligation (ECO) Delivery – Memorandum of Understanding

Between npower and the Greater London Authority

Working in partnership to invest in London's domestic energy efficiency and CO₂ reduction

13 May 2014

1. Parties

The Parties to this Memorandum of Understanding ("MOU") are:

(A) Npower Northern Limited of Trigonos, Windmill Hill Business Park, Swindon, SN5 6PB ("npower" or "Energy Company")

(B) Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA ("the GLA")

2. Purpose

This MOU relates to the delivery of the Mayor of London's climate change mitigation and energy objectives through a long-term partnership with energy suppliers. In the short to medium term, this relates primarily to maximising delivery of ECO funding in London.

Approximately 21 per cent of ECO-qualifying housing stock is located in London. This not only represents a significant challenge for ECO delivery, but also a considerable opportunity for partnership working in order to meet shared domestic energy efficiency objectives between the Mayor and energy suppliers. This MOU sets out the intentions of both parties to ensure this opportunity is maximised.

3. Background

3.1 Delivering London's Energy Future: The Mayor of London's Strategy for Climate Change Mitigation and Energy

The Mayor's Climate Change Mitigation and Energy Strategy has four primary objectives:

- To reduce London's CO₂ emissions to mitigate climate change
- To maximise economic opportunities from the transition to a low carbon capital
- To ensure a secure and reliable and low carbon energy supply for London
- To meet, and where possible exceed, national climate change and energy objectives

The Mayor's strategy sets the target to achieve 60 per cent emissions reductions on 1990 levels by 2025 and at least 80 per cent by 2050. London's buildings are responsible for nearly 80 per cent of London's CO₂ emissions. With 80 per cent of the region's existing buildings expected to still be standing in 2050, retrofitting these buildings is a priority.

Roughly half of London's building emissions come from homes. It is therefore critical that London's residents are encouraged and empowered to:

- cost-effectively retrofit their homes with energy efficiency measures,
- better manage their energy use and
- access a supply of low carbon energy.

3.2 The Energy Act 2011: Green Deal, ECO and smart metering

The Energy Act 2011 includes provisions for the new Green Deal, which intends to reduce carbon emissions and energy costs by financing the installation of energy efficiency measures through a 'pay as you save' financial mechanism.

A new Energy Company Obligation (ECO) is also being implemented through the Energy Act 2011. ECO integrates with the Green Deal and can cover up to 100 per cent of the costs of energy efficiency measures in specific housing and householder groups. ECO carbon and fuel saving targets have been apportioned to the UK's largest energy suppliers based on the supplier's customer share. These targets must be met by March 2015.

Measures that qualify for ECO funding could include insulation, district heating and, in fuel poor homes, district heating and micro-generation.

The Energy Act 2011 also includes provisions to support the Government's vision for every home in Great Britain to have a smart meter by end of 2020. All ECO-obligated energy suppliers are currently engaged in the Foundation Phase of smart meter roll-out.

Large scale programmes that support installation of ECO-funded measures and smart metering are necessary to help support delivery of the Mayor's climate change mitigation and energy strategy.

3.3 Mayor of London: Commitment and programmes

The Mayor is committed to helping reduce the costs and remove the barriers to delivering energy efficiency measures in London. The GLA's RE:NEW programme is a model mechanism for facilitating delivery of energy company funding for domestic retrofit. The programme provides a London-wide framework that reduces procurement timeframes and provides strategic resources and procurement support for boroughs and landlords to catalyse retrofit works at scale in their stock. To date, over 92,000 homes have been retrofit through RE:NEW. However London has still not seen the levels of retrofit which are needed to meet targets or even to meet its share of the UK housing stock.

To support continued delivery of RE:NEW and increase uptake of available domestic retrofit funding, the Mayor is:

- providing a RE:NEW Support Team that will help boroughs and social landlords to efficiently procure retrofit delivery at scale
- managing a pipeline of energy efficiency retrofit work; he has already identified opportunities that could in total provide nearly 80,000 tonnes of carbon savings
- engaging with local, national and EU organisations, such as the London Energy Efficiency Fund, to maximise available funding sources for domestic retrofit
- redoubling his efforts to work with London's local authorities to tackle barriers such as planning and parking that inhibit efficiency in retrofit delivery at scale.

4. Agreement to work in partnership

The Mayor aims to work closely with energy suppliers to ensure London is competitive in securing investment to meet climate change mitigation and energy objectives.

This document is a memorandum of understanding between NPOWER and the GLA to work together to maximise the number of energy efficiency measures that are financed through ECO and Green Deal and installed in London homes at a scale that meets or exceeds the region's proportion of fundable opportunities and retrofit needs.

5. Roles

5.1 NPOWER

This document sets out the basis on which NPOWER will work with the GLA to:

- A. Develop a plan setting out how NPOWER will support delivery of the Mayor's climate change and energy objectives for London's homes, which may include considering the viability of:
 - (1) ECO investment or carbon and bill savings under ECO in London
 - (2) supporting the RE:NEW Support Team, including financial contributions if appropriate
 - (3) working with the Mayor to monitor energy use, carbon and/or energy performance of London's housing stock
 - (4) supporting the growth of London's low carbon economy and energy efficiency supply chain, especially SMEs (*Optional and strongly encouraged*)
 - (5) facilitating behaviour change in domestic energy use (*Optional and strongly encouraged*)

- B. Meet quarterly with the GLA, to
 - (1) review progress on areas set out in (A) above;
 - (2) consider the availability and competitiveness of ECO projects in London; and
 - (3) identify on-going retrofit delivery and investment challenges, discuss possible resolutions for the Energy Company and/or the GLA to take and, where appropriate, agree actions to overcome those challenges
- C. Support the future delivery of RE:NEW by creating a designated point of contact to actively consider and respond to projects developed through the RE:NEW pipeline.

5.2 Greater London Authority

The Greater London Authority Act 2007 gives the Mayor of London a statutory duty in tackling climate change. Delivering wide-scale domestic energy efficiency installations is essential in order to achieve the Mayor's carbon reduction targets.

To work towards achieving the Mayor's objectives in relation to domestic energy efficiency and supply, this document commits the GLA to:

- A. Monitor and review ECO funding and carbon reduction scores delivered by energy companies in London and the rest of the UK in order to assess the competitiveness of London domestic home retrofit projects and, where appropriate, implement policy and programme changes to improve this competitiveness
- B. Proactively work with London's ECO delivery stakeholders to
 - (1) reduce barriers to delivering energy efficiency measures in London by providing tools and holding workshops to identify real barriers and solutions, focusing especially on planning;
 - (2) work with London's boroughs and landlords to establish a pipeline of potential energy efficiency retrofit projects;
 - (3) where appropriate, work with National stakeholders to lobby for policy or regulatory changes to address London challenges; and
 - (4) host procurement workshops with energy suppliers, delivery agents, boroughs and landlords, either with a single partnering energy supplier or on specific subjects relating to ECO and Green Deal procurement.
- C. Meet quarterly with NPOWER, to
 - (1) review progress on (A) above;
 - (2) review the availability and competitiveness of ECO projects in London; and
 - (3) identify on-going retrofit delivery and investment challenges, discuss possible resolutions for the Energy Company and/or the Mayor to take and, where appropriate, agree actions to overcome those challenges.
- D. Promote and deliver future RE:NEW activity to ensure London has a constant pipeline of fundable projects and is competitive in securing Green Deal and ECO funding by, for example, reducing procurement timeframes, consolidating stakeholder buy-in, increasing customer up take and identifying innovative funding options.

6. Governance

The GLA and NPOWER will meet quarterly, to review progress on commitments set out in this MOU including:

- Progress of delivering NPOWER and the Mayor's targets
- Availability of ECO-qualifying projects in London
- Address risks, issues and concerns arising from activities in London and across the UK
- Review funding and financing options including ECO, Green Deal and others to enable delivery of retrofit in London

7. Signed

Signature of this MOU indicates that the Energy Company and GLA agree in principle to support future delivery of RE:NEW and the Mayor's climate change mitigation and energy objectives as expressed above. These parties agree to work in partnership to identify and secure funding opportunities, including ECO, at a scale that reflects the opportunity and needs of London's homes.

On behalf of N.Power

Signature

Printed name

Date

Position

Company

On behalf of the Greater London Authority

Signature

Printed name

Date

Position

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