Dear Stakeholders,

Next Energy welcomed the long-awaited consultation on the extension of the current iteration of the Energy Company Obligation (ECO4). This extension represents a crucial opportunity to bridge the gap to the Warm Homes Plan and ensure a smooth transition into the next phase of government support.

However.

We are concerned that some of the proposed parameters risk falling short of the policy's original intent and could unintentionally weaken delivery, disrupt the supply chain, and delay support for the households that need it most.

Over the past month, we have engaged extensively with a wide range of stakeholders — including installers, local authorities, energy suppliers, educational institutions, and system providers. The feedback has been clear and consistent: the sector needs a framework that sustains momentum, protects jobs and skills, and builds the capacity required to scale delivery under the Warm Homes Plan.

This consultation period is a pivotal moment for the retrofit sector. The decisions made now will not only shape the remaining months of ECO4 but will also influence the market, the workforce, and consumer confidence for years ahead. We urge all stakeholders to engage with the consultation, share their insights, and help ensure that the final framework reflects both the needs of the sector and the households we collectively serve.

We would like to share our responses we have provided to DESNZ earlier today, all of which can be found below, and encourage all our connections here to do the same.

A reminder — submissions must be made by Thursday, 25 September 2025, via the link below:
Respond to the ECO4 Extension Consultation →

Kind regards,

Jon Furlong

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1. Do you agree that we should extend the date by which obligated suppliers may deliver to their ECO4 target, which is currently 31 March 2026, and other relevant dates, by 6 to 9 months?

We welcome the proposed 6-to-9-month extension to scheme delivery and final determination dates, recognising the additional time it affords obligated suppliers to meet their ECO4 targets. However, extending timelines without a corresponding uplift to minimum delivery requirements risks creating a prolonged period of minimal or suspended activity within the supply chain.

Many stakeholders, particularly SME's, would face severe financial strain, leading to redundancies and loss of skilled labour that will be difficult to replace. A perceived 'pause' in market will also discourage further investment in people, training and innovation required to scale up and provide necessary infrastructure to deliver the Warm Homes Plan, and wider Net Zero commitments, in years to come. The sectors capacity would be weakened precisely when it must ramp up to meet the next phase of government decarbonisation and fuel poverty objectives.

As direct consequence, consumer impact would be negative. A funding gap in the supply chain would leave thousands of fuel-poor households without support, prolonging their exposure to high energy bills and cold, unhealthy homes.

To mitigate these risks, we strongly recommend that any extension to scheme timelines be accompanied by an appropriate recalibration of minimum annual delivery obligations, ensuring that market activity remains steady and the supply chain remains engaged, viable, and ready to deliver.

2. Do you agree that the date by which obligated suppliers may deliver to their GBIS target, which is currently 31 March 2026, and other relevant GBIS dates, should remain unchanged?

We agree that the current GBIS end date of 31 March 2026 should remain unchanged and do not support an extension. In our view, GBIS has not fully achieved its intended outcomes and, at times, has functioned more as an administrative obligation than as an effective driver for targeting the homes most in need.

Maintaining the existing end date provides an opportunity to reflect on lessons learned and to redesign any future successor scheme to better align with the objectives of ECO and the broader Warm Homes Plan.

3. Do you agree that energy suppliers should be able to carry-over up to 20% of their ECO4 obligation for use in a future obligation?

We do not support the proposal to allow suppliers to carry over up to 20% of their ECO4 obligation into a future obligation where this is optional rather than mandatory. Discretionary carry-over risks creating a delivery landscape shaped by supplier preferences rather than consumer need or supply chain stability.

At the time of responding, there is insufficient clarity on how carried-over delivery would be credited against future obligations. This uncertainty is likely to delay decision-making, disrupt sector planning, and weaken capacity-building efforts once the subsequent obligation is confirmed.

Allowing carry-over in this form could also erode market confidence, as delivery partners may perceive future demand as unpredictable and hesitate to commit resources at the scale required.

In summary, we recommend that DESNZ remove the carry-over provision and instead implement a mandatory interim obligation to protect continuity of delivery, safeguard supply chain capacity, and ensure timely support for households in need.

4. Do you agree that the solid wall minimum requirement and EFG minimum requirement should remain at their current levels and should be achieved by the new end date of ECO4?

We strongly disagree with this proposal and would discourage maintaining the solid wall and EFG minimum requirements at their current levels through the extended ECO4 end date.

Our previous responses outline the risks of doing so, including suppressed delivery during the extension period, further strain on the supply chain, and delayed support for households most in need. A recalibration of these minimums is necessary to sustain market activity and protect capacity ahead of future obligations.

5. Do you agree that the two conversion methodologies represent the best solutions to facilitate delivery in the transition to a future obligation? If not, please provide alternative proposals.

Whilst our position remains firmly against discretionary carry-over, we recognise the challenge of procuring additional budget through legislation within the time remaining to the original end date. As an alternative, we would support a model where delivery during the 6–9 month extension is mandatory but credited toward suppliers' future obligations at a conversion rate determined and administered by DESNZ.

This approach removes the risk of a supplier-led discretionary slowdown, sustains supply chain activity, and ensures households continue to receive help without interruption. Furthermore, this assists suppliers meeting their next obligation early, smoothing the transition into the next scheme and avoiding the disruption associated with a delayed start, whilst also giving an extended period of time to the current final determination date and reduce administrative strain.

Importantly, this model would strengthen DESNZ's oversight, providing clearer visibility of delivery progress and allowing timely intervention if targets risk being missed.

6. Are there any measure types that you believe should not be eligible for carryover?

Based on the approach outlined above, we do not believe any measure types or delivery profiles should be restricted from eligibility. Maintaining alignment with current OFGEM guidance would avoid confusion, minimise the risk of non-compliant notifications, and ensure consistent delivery standards during the extension period.

7. Are there any additional consumer protection reforms we should introduce during the ECO4 extension?

We support the focus on strengthening consumer protection during the ECO4 extension and welcome the recent improvements to PAS 2035/2030 and increased audit activity. However, we believe further steps are required to reinforce confidence and protect households.

Whilst we fully support higher standards, we believe a shift in emphasis is needed — prioritising the quality of works delivered over an excessive focus on administrative compliance.

To date, the Energy Company Obligation has relied on a simplified procurement process that has often prioritised cost over quality. This has resulted in inconsistent installation standards and, in some cases, poor-quality outcomes for consumers. We therefore recommend that suppliers be required to evidence that contractors meet more stringent competency requirements and that more active site monitoring is undertaken to ensure standards are consistently met.

Improving quality in this way would not only protect households but also reduce the future cost of remedial work and complaint resolution for government, suppliers, and the wider sector.

8. Do you agree with our proposal not to allow any new applications for innovation measures or data light measures over the extension period?

We agree with the proposal not to permit new applications for innovation measures or data-light measures during the ECO4 extension period. The short duration of the extension would not allow sufficient time for new applications to be reviewed, approved, and delivered without risking disruption to overall delivery targets.

We support honouring existing 25% and 45% uplifts for approved innovation measures, as this provides continuity for projects already in progress and protects investment already made by suppliers and delivery partners.

However, we recommend that DESNZ use the extension period to review the current innovation process and explore opportunities to streamline application and approval timelines ahead of the next obligation. This would enable faster adoption of new technologies and approaches under the Warm Homes Plan without compromising quality assurance.

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