

ECO Fraud and Error Assurance Prior Information Notice (PIN)

Background to the Energy Company Obligation Scheme (ECO4)

The Department for Energy Security and Net Zero (hereafter referred to as “the Authority”) are looking to conduct a fraud and error assurance exercise related to the Energy Company Obligation (ECO4) scheme. The ECO4 scheme works by placing an obligation on large and medium-sized energy suppliers in England, Scotland and Wales, to provide energy efficiency and heating measures to low-income and vulnerable households living in the least energy efficient homes across Great Britain. This scheme is funded and delivered by energy companies on behalf of the Authority.

The first obligation started in 2013, and the most recent iteration, ECO4, commenced on 1st April 2022 and will run until 31st March 2026. ECO4 focusses on improving the least energy efficient properties, and targets homes equivalent to an energy performance certificate (EPC) band D-G for owner occupied households; and bands E-G for privately or socially rented homes (subject to certain restrictions). Households eligible for the scheme must also be in receipt of either income-based benefits, certain tax credits, pension credits or qualify through ECO4 Flex (where Local Authorities identify properties for treatment). The scheme aims to provide a more complete retrofit of properties to ensure maximum carbon emission savings, including a variety of measures such as insulation, solar panels, and renewable heating systems.

Overview of this requirement

DESNZ is aware of the potential for non-compliance within the scheme, including:

- The misrepresentation of property eligibility characteristics in the ECO4 scheme, indicating the need for greater control of error and fraud.
- Potential for discrepancies within Energy Performance Reports (EPRs), particularly relating to building characteristics for instance in ceiling heights, default U values (rate of transfer of heat through a wall) and boiler models.
- Possible gaps in household eligibility checks which are required to ensure all households receiving ECO4 support meet the eligibility requirements.

The scope of the exercise is to examine and understand exposure to and causes for this, and other types of error and fraud, on the ECO4 scheme. The overall aim of the exercise is to improve the scheme delivery process, ensure targeted support is going to those most in need, and ensure ECO4 is providing value for money for energy bill payers. Outputs of the exercise will include a report detailing the thematic areas of fraud and error, and providing recommendations that are addressed to the Authority, but relevant to all elements of the supply chain and to delivery stakeholders.

Core Capabilities

In the attached document, Annex A, there is a more detailed list of the requirements of this potential opportunity and the associated capabilities, which can be summarised as:

- Data analysis
- Investigation
- Process review and business analysis

- Fraud Risk Assessment
- Hypothesis testing
- Site audits
- Analysis and reporting
- Policy analysis and design

This fraud and error assurance exercise will cover the geographical remit of the ECO4 scheme – England, Wales and Scotland.

Commercial Model and Route to Market

To minimise the risk of potential conflicts of interest and ensure continued delivery of services under this contract, the Authority intends to design a 'cab rank' system with the following methodology:

- Suppliers are ranked based on the outcome of the procurement process (1st, 2nd, 3rd,...), the evaluation methodology for how suppliers will be assessed is still under consideration. There will be a prime contractor, a first reserve, and a second reserve, etc.
- The prime contractor will be offered all works packages first, to which they can accept or refuse, based on factors such as geographic location, technical capability, if they're conflicted out, and so on.
- If the prime contractor refuses the work package, it will be offered to the first reserve contractor, and the above process will then repeat down to the second reserve, and beyond.

The proposed route to market is a framework call-off competition from the Crown Commercial Service (CCS) Audit & Assurance Services (A&AS) Framework RM6188 - Lot 3 or Lot 4.

The Authority reserves the right to change this commercial model, and route to market, and the market will be informed of any changes.

Value and Length of Contract

At this point in time, the commencement of this contract will be the start of **January 2025**, and will run for a 3 month period, until the end of **March 2025**. The maximum value of this contract will be £594k. Below is an indicative procurement timeline:

- W/c 4th November 2024 – Launch of Invitation to Tender (ITT)
- W/c 4th November – W/c 18th November 2024 – Bidder Clarification Question (BCQs) window (with responses to BCQs published to all bidders a minimum of 7 days prior to bid submission deadline)
- W/c 2nd December 2024 – Bid submission deadline
- W/c 6th January 2025 – Contract award

The Authority reserves the right to change these timelines and contract value, and the market will be informed of any changes. Additionally, the Authority reserves the right to not proceed to tender this opportunity.

Market Engagement

The Authority invites organisations with the capability and capacity to undertake these requirements to express their interest and complete the attached Market Engagement Questionnaire, to help inform the development of this potential procurement. Please provide responses by **Friday 25/10/2024** (17:00).

<https://forms.office.com/e/Zh0QqKJd5a?origin=lprLink>

Feedback from suppliers via this early engagement will help inform our thinking and shape the Authority's commercial strategy. Any further market engagement will be communicated in due course. This market engagement notice is separate to any later procurement exercise. The Authority will not use this to inform the suitability of any future potential supplier.

Any information shared may be subject to requests under the Freedom of Information Act 2000 (FOIA) or Environmental Information Regulations 2004 (EIR) and may be released unless an exemption or exception applies under the relevant legislation.

For any further enquiries in relation to this opportunity, please contact hthcommercial@energysecurity.gov.uk