

Centrica plc: Clean Heat Market Mechanism - revisions ahead of Scheme Year 2

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2<sup>nd</sup> July 2025

## About Centrica

Centrica brings together capabilities which support the UK and Ireland's energy security and will help both countries reach net zero. We provide energy and services to almost one in three homes in the UK. British Gas customers benefit from zero carbon electricity supplied from our interest in the UK nuclear fleet, long-term power purchase agreements with renewable electricity generators, and £70bn worth of long-term gas supply contracts. We are advancing a low carbon future with a £4bn investment pipeline. We also install low carbon heating solutions in our customers' homes and work with hospital trusts, local authorities and large business customers to reduce their carbon emissions and improve their energy resilience. As one of the country's largest energy suppliers, we intend to make clean energy accessible across a wide range of UK homes and businesses. In doing this we are committed to delivering wider economic benefits in terms of new skilled jobs and supply chain innovation.

## The Transition to Net Zero

Delivering a net zero energy system is one of the biggest challenges facing the UK – and the world. It is a process that will take time, determination and significant investment. We are working hand in hand with our customers to help them decarbonise their energy. Our Hive products including our smart thermostat, have saved customers over £400 million on their energy bills over the last eleven years.

The next few decades require unprecedented changes in how we all use energy – from how we heat our homes, to how we drive our cars. We are helping customers navigate this changing energy landscape by putting them at the heart of the energy transition. We want net zero to be something we do with our customers, not to them and we are also using insight and technology to help our customers change their relationship with their energy and drive decarbonisation. Net zero also requires a fundamental shift in training and skills and we are excited to be upskilling the net zero engineers of the future. We are proud to have the biggest unionised workforce across energy and services in the UK, and we'll continue to work closely with our Unions during the transition.

We don't believe there is a single answer to deal with the transition to low carbon heated domestic and non-domestic buildings – we will therefore need a mix of different technologies and solutions to decarbonise the UK's homes. These will include a transition to low carbon heating, as well as improved insulation and energy efficiency measures.

## Consultation Questions

1. Do you agree with a target within the range of 8-10% for Year 2? Yes/No. Please provide reasoning to support your response. If yes, where in the range should it be set?
  - Yes. We agree and view this as an improvement over the current 6% target. We understand the Government's cautious stance, due to underperformance of previous targets. As heat pumps are currently mainly installed in larger, semi-detached and detached homes, the CHMM scheme will need to be altered to include smaller properties to meet future targets.
  - The Government should clearly distinguish between new builds and retrofit installations. Without doing this, manufacturers might focus solely on new builds, which are easier to meet targets with.
2. Do you have an alternative suggestion for a Year 2 target? Yes/No. If yes, please provide reasoning to support your response.
  - Similar to our answer for question one, the Government should split targets for new build installations and retrofit, instead of setting a flat alternative target. Doing this would allow the Government to track progress across the built environment.
3. Do you agree that there should only be one certification body? Yes/No. Please provide reasoning to support your response.
  - Yes. We agree that there should only be one certification body. Having a single body is a proven method of uniform standards and discussion (Gas Safe, NIC EIC as examples). Moving away from this approach, in area already under media negativity for a perceived lack of quality installs and suitability for homes, would not be a positive move.
4. Do you agree that, if there is to be only one certification body, it should be MCS? Yes/No. Please provide reasoning to support your response.
  - Yes. We support that MCS should be the certification body, as this would provide consistency and simplicity.
  - However, MCS should evolve with industry needs. We would encourage MCS to provide as much transparency as possible, to avoid favouritism. There have been instances where clauses with grey areas (e.g. HTHP regulations) have not been clarified, while certain suppliers have been provided sufficient clarity to launch new propositions.
5. Are there any other elements of the scheme you would like Government to consider consulting on revisions to in the future?

The Government should ensure that:

- Targets are split for retrofit and new build installations.
- There are consistent heat pump rules across the UK to simplify consumer access. We note that the Government removed the one-metre planning rule for air source heat pumps on the 29<sup>th</sup> May and that the Welsh Government is consulting on removing its three-metre rule.
- Provide clarity on the rules around the installation of multiple heat pumps and the installation of the technology in flats facing restrictions.

New build property procurement should be brought into scope of these targets.

- This will be a key growing area of volume over the next few years.
- Knowing this now would lead to home redesigns for 2026/27 to be amended from Gas Boiler heat systems to ASHP.
- All these installs would be funded by private business, outside of BUS.
- Leading to an increase in install volumes, decrease in boiler installs.
- Would support more of the developer community going early before the FHS and establishing contracts, supply chains and training early – unlocking a key area of support for the countries net zero ambitions and targets.
- Will also make the Government's CHMM target more achievable in the minds of the Boiler OEM community.