



Cymru

TANI

2026



# Breakout: The Implementation Of The Welsh Housing Quality Standard 2 (WHQS 2): Preparing For Energy Efficient Targets

Nick Taylor-Williams  
Director of housing  
Carephilly County Council

Sion Hughes  
Director of policy and delivery  
Adra (Tai) Cyfyngedig

Andy Sutton  
Co-founder and chief innovation officer  
Sero



The logo for Adra, featuring the word "Adra" in white, bold, sans-serif font, centered within a dark teal rounded rectangle.

# Adra

## Adra (Tai) Cyfyngedig

**Siôn Hughes**

**Director of Policy and Delivery**

# WELSH HOUSING QUALITY STANDARD

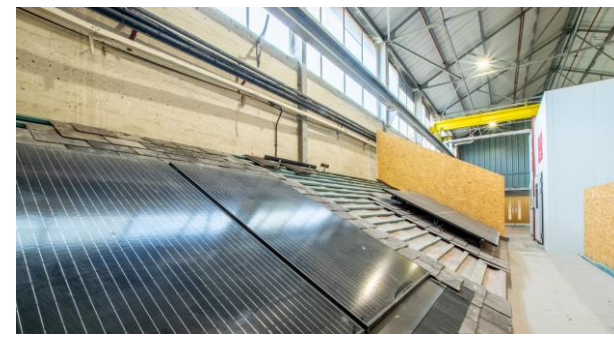
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- Welsh Housing Quality Standard introduced in 2002 to improve social housing quality in Wales.
- Significant investment. Compliance reported across the sector against the original standard in 2021.
- Welsh Housing Quality Standard 2023. Higher quality standard including targets for carbon reduction, safety and further housing quality improvements.
- Movement from adequate heat to affordable warmth. Provide a quality and safe home.
- Tenant engagement and feedback central to delivery.
- Targeted Energy Pathway for every home by March 2027.
- SAP 75/EPC C by 2030.
- SAP 92/EPC A by 2034.



# Tŷ Gwyrddd Fai





Canolfan Isadeiledd, Sgiliau a Thechnoleg  
Centre for Infrastructure, Skills and Technology





Academi

Adra





**Tendra**  
Adiladu'r Dyfodol, Un Tender ar  
Building the Future, One Tender at a Time

Wyt i'n gweithio i dy hun neu yn bereddan ar fusnes bach y sector adeiladwaith? Da ni eich angen chi!

Mae dau ffordd o ennill  
Holladur Cymeradwyo  
Contractwyr / Ffurflen  
cyllwngwr newydd neu  
Gwerthwchi Gyrru  
(Proses tendra)

Oes gennych chi ddatborteb  
manychu gweithio?  
Cysylltwch â ni ar  
info@tygwyrddfa!.cy

Adra ARFOR

# Challenges....

Component	2020	2024	% change
Compounded CPI			20.4%
Kitchen	£4,000	£8,000	100%
Bathroom	£3,000	£5,000	67%
Wiring	£3,000	£5,200	67%
Central Heating	£3,000	£5,000	67%
Roofs	£8,000	£15,000	88%
Fire Doors	£1,000	£1,800	80%
Windows	£3,000	£6,000	100%



The Adra logo consists of the word "Adra" in a white, bold, sans-serif font, centered within a dark teal rounded rectangle. The background of the slide is a solid purple color with a faint, light purple outline of a house or building shape.

# Adra

**Diolch yn fawr iawn**

**Siôn Hughes**

**Director of Policy and Delivery**

**[sion.hughes@adra.co.uk](mailto:sion.hughes@adra.co.uk)**

# Sero

## Preparing for Energy Efficient Targets

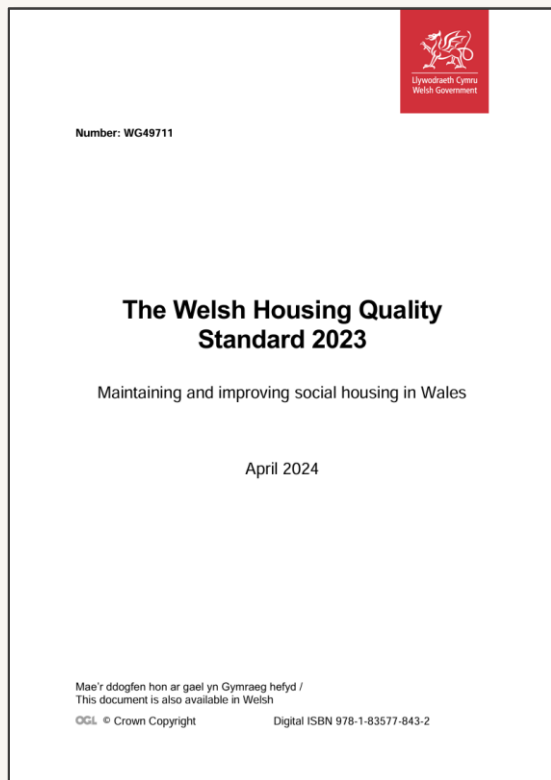
TAI 2026 | 28 April 2026 | Andy Sutton, Sero



# The Regulatory Forecast

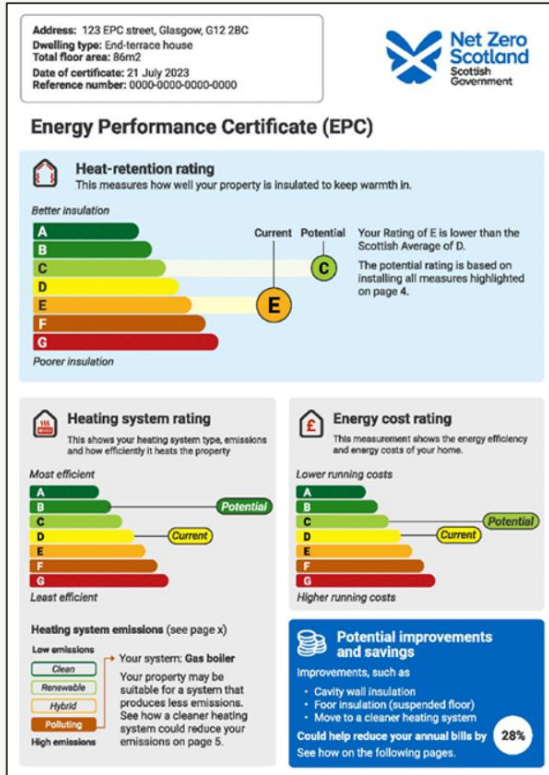
WHQS 2023, EPC reform, SAP to HEM, Levies...

# WHQS 2023: Energy Headlines



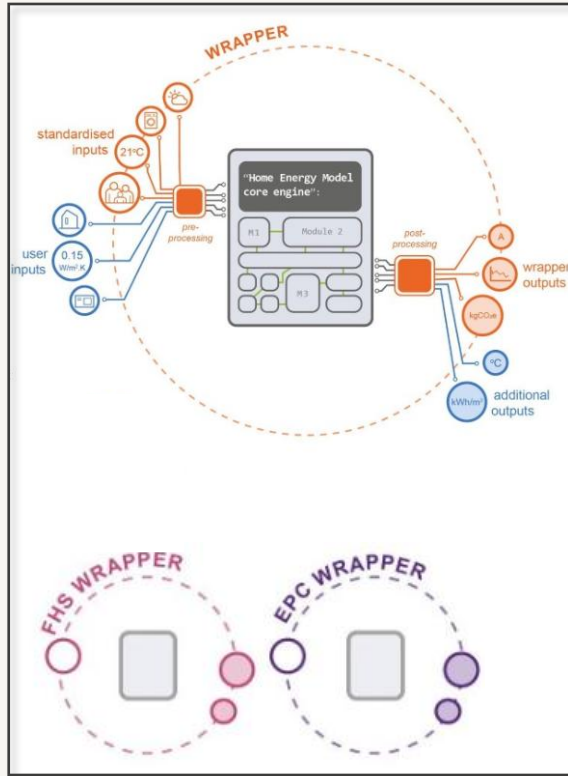
- Target Energy Pathways (TEP) for each home
  - $\geq 75\%$  coverage by 1<sup>st</sup> September 2026, 100% by 31<sup>st</sup> March 2027
- For each home, this is expected to be;
  - SAP  $\geq 75$  / EPC C by March 2030, subject to TEP
  - EIR  $\geq 92$  and SAP  $\geq 92$  (EPC A) is the long-term target
  - Reporting per home SAP, EIR, SAP-based CO<sub>2</sub><sup>e</sup>
  - Exceptions for “*physically practicable*” and “*cost prohibitive*”
- The portfolio balancing is part of the solution;
  - Exceptions mitigated by balancing carbon across portfolio
  - Balancing uses SAP-based regulated CO<sub>2</sub><sup>e</sup> carbon emissions

# EPC Reform



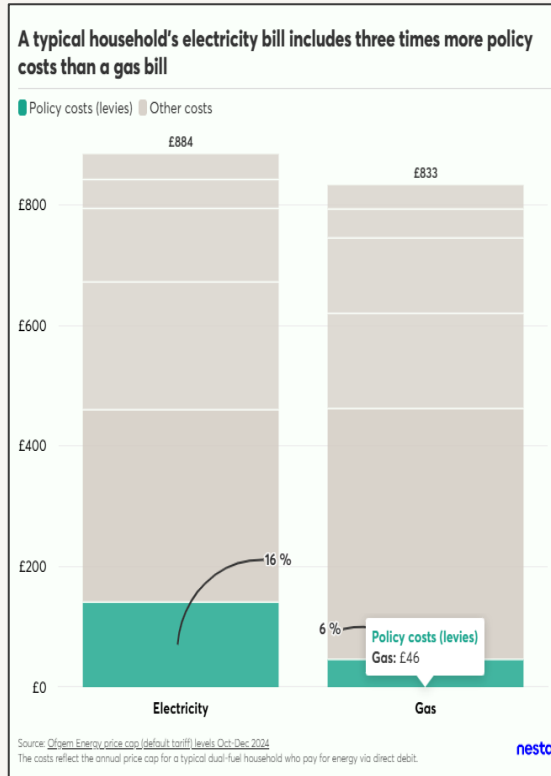
- Single EPC A–G rating and EIR score becomes 4 metrics;
  - Fabric. Heat loss & heat gain, including air leakage
  - Heating. System efficiency & carbon emissions
  - Smart. Renewables, storage, smart heating & EV charging
  - Cost. Estimated annual running cost (standardised assumptions)
- Adoption now expected ‘second half’ of 2027
  - Parallel operation until at least October 2029
  - Existing EPCs valid for 10 years
- Welsh Government still reviewing WHQS impacts
  - English Decent Homes Standard = 1x “C” by 2030, 2x “C” by 2039

# Home Energy Model



- Home Energy Model replacing SAP
  - Half-hourly dynamic simulation (17,520 steps/yr vs 12 monthly)
  - Forward-looking carbon factors (projected grid intensity 2025–29)
  - Cloud-based ECaaS; single government-controlled engine
- HEM adoption timeline
  - New build (England): FHS March 2027; SAP 10.3 first, HEM 3+ months later
  - New build (Wales): Part L 2025 from 4 March 2027; SAP 10.3 then HEM
  - Existing homes (E&W): HEM:EPC from H2 2027; compulsory Oct 2029

# Environmental Levy Reform



- Levies are disproportionate for electricity v gas
  - ≈16% of electricity costs, ≈5.5% of gas costs
  - Budget 2025 moved *some* costs from April 2026 until 2029
- Levy reform looks inevitable... eventually...
  - Widespread, multi-industry lobbying for the shift
  - Ministerial responses suggest more “how” not “why”
  - Challenge: avoiding fuel poverty for fossil fuel heating
- The ‘wild card’ for your portfolio strategy
  - Heat pump & EV adoption more viable once ratio narrows
  - Fuel poverty risk is resolvable via targeted support

# The Changing Costs

Home > Housing > Social housing management > Optimised Retrofit Programme 3 (Year 5): guidance 2026 to 2027 > Optimised Retrofit Programme 3 (Year 5): guidance 2026 to 2027 (HTML)

GUIDANCE DOCUMENT

## Optimised Retrofit Programme 3 (Year 5): guidance 2026 to 2027

Explains the type of retrofitting supported and how to submit a bid for funding.

First published: 25 February 2026 Last updated: 25 February 2026

Download this page as a PDF (171 KB)

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### In this page

- Overview
- Strategic context
- Timescales
- Requirements of optimised retrofit programme 3 year 5
- Eligibility
- Evaluation
- Application process
- Assessment process
- Communications and branding
- Further information

### Overview

The following guidance is produced to assist applicants submitting bids for funding under the Optimised Retrofit Programme (ORP). It has been developed to help inform the applicants about the types of retrofitting that contribute to the Welsh Housing Quality Standard that the programme aims to financially support.

ORP 3 is for the period of 2022-2027. The main theme of the programme is affordable warmth and decarbonisation achieved through the best path for each individual home.

Registered Social Landlords and Local Authorities have previously received a funding award allocation from Welsh Government to deliver phased activity of the Optimised Retrofit Programme in 2022-2026. For this year's funding round (2026-2027) to be considered for awarding, Optimised Retrofit Programme officials will require submission of an application (proforma) that outlines the intended costs for the year 2026-2027, also known as ORP3 Year 5 (ORP3 5). Please note that the funding allocation will continue to be generated on a formula approach of stock numbers that is based on figures sourced from the 2020 data census. The funding should be targeted to those properties that have full Target Energy Pathways (TEPs) in place.

Recipient organisations will be required to complete the proforma and to conform to the outlined format of the proforma. Submitted proformas will be considered by Welsh Government and any areas of clarification will be raised with the recipient organisation. When the Welsh Government are content the proforma is completed and meets the requirements set out below, a grant offer letter outlining funding and grant terms and conditions will be sent to the recipient organisation.

Successful projects will be monitored and evaluated, with recipient organisations required to adopt an open book approach as a condition of accepting the funding. For example, requests for prime documents such as evidence of defrayment, updated actual to forecast models, and project outputs will be requested by Welsh Government throughout the length of the programme.

- ≈242,000 social homes in Wales, most to upgrade
- ≈£39k/home forecast (2021) — probably pessimistic today
- Even after planned RMI, funding gap was ≈£2.7bn (NEF, 2021)
- Optimised Retrofit programme so far funded ≈£0.5bn+
- Realistic gap likely to be less than £1.25bn (*my personal bet!*)
- Grant funding is unlikely to close the gap, options are;
  - Carbon credits questionable, and shrinking given grid decarb.
  - Grid flexibility services growing, and commercially proven
  - Scale-up cost reductions & efficiencies?

# Chasing targets is not a strategy.

Regulations change. Methodologies change. Benchmarks shift.  
If your strategy is "hit the next target" you will always be reacting.

# 1. Affordable - Set “Running Costs” for your Residents

- Fuel Poverty has effectively unmeasurable targets
  - You are unlikely to know household income or heating regimes
- Set a target household spending on heating & hot water
  - Include min & max temperatures (18-25°C for example)
  - Likely scaled per person, bedroom or m<sup>2</sup> of the home
  - ≈£46/p/m would be a good start (≈1 in 4 working on min. wage)
  - Consider age and different ableness as modifying factors
  - Residents can police this for you – but you’ll need to triage!
- Consider ‘Opex’ solutions as well as ‘Capex’;
  - If a home is too expensive to retrofit for both low bills and electrification, is it better to just subsidise the Residents’ bill?

## 2. Comfortable - Set “Indoor Environmental” Quality Metrics

- Key to health & wellbeing, effectively unmanaged today
  - Could include air quality, noise, daylight in time – start with air
- Set targets that are practically & affordably measurable;
  - Relative Humidity, CO<sub>2</sub>PPM & temperature are most likely
  - Broadly good proxies for damp & mould through to pollution
- Embed requirements into Client briefs;
  - Set operating parameters into new build & retrofit specifications
  - Include metering wherever possible (≈£300/home + data)
  - Ensure contracts have requirements for delivery in practice

### 3. Net Zero - Determine a target “Net Zero” year

- Establish your organisation’s goal for decarbonisation
  - 2050 is the UK legal deadline, 2040 is Wales’s 89% aspiration
  - Determine GHG Scopes – Resident usage is in Scope 3
  - Commit to net 0 kgCO<sub>2</sub><sup>e</sup> annually and how you will measure it
- Develop Target Energy Pathways towards this
  - Model based on target year grid carbon factors, with contingency
  - Move to electrification as swiftly as possible
  - Embed smart meter installs in void & retrofit specifications
  - Depending on measure, split consumer units for EVs & unregulated
  - Consider annualized smart meter data in tenancy agreement

# Affordable, Comfortable, Net Zero.

This means your homes deliver core societal needs.

With cost-effective metering, you can prove this for every home.

I'd argue that is likely to survive any regulatory changes we have to weather

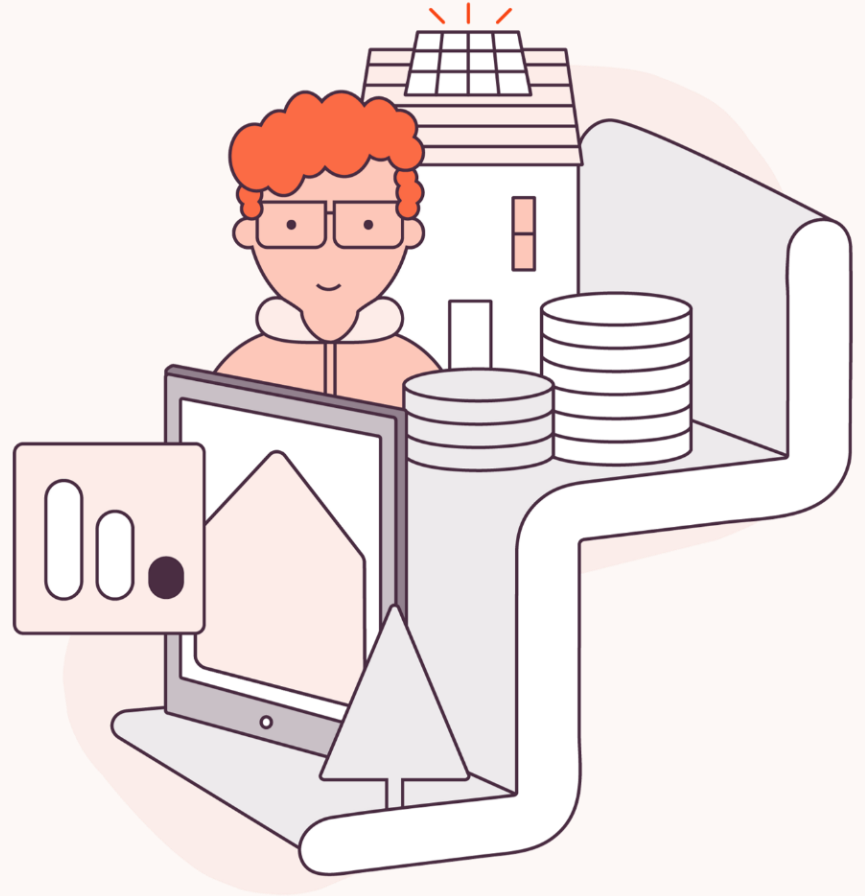
# Thank you!

**Andy Sutton** <sup>RIBA</sup>

e: [Andy@Sero.Life](mailto:Andy@Sero.Life)

t: 079 6817 8243

Li: [www.linkedin.com/in/andrewdgsutton/](https://www.linkedin.com/in/andrewdgsutton/)





**TAI** 2026

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Thank you



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