

ECO4 CONSULTATION - SCORING METHODOLOGY - PHASE 1

FEEDBACK SUBMISSION

FROM

LIVE MANAGE FACILITATE LIMITED

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Question 1: Do you agree that full project scores should be based on starting and finishing intermediate SAP bands?

No. Scores should be based on the difference in SAP rating points rather than bands or as proposed here intermediate (high or low) bands. If SAP ratings are to be used to indicate annual costs savings and so be translated to scores here, this key data which is anyway available and directly relates to the objective of the proposed scoring should not then be diluted by any banding. The consultation document for ECO4 Scoring Phase 1 at Paragraph 2.8 suggests the intermediate SAP bands approach provides a 'sufficiently granular scoring system, whilst reducing opportunity for score inflation'. However this approach unnecessarily causes the precise granules of SAP points to be lumped together into intermediate bands. 'Score inflation' is seemingly a pejorative description of increased efficient energy performance under SAP which is odd given such increase is the core aim of the proposed scoring methodology for ECO4. The exact SAP rating points are available and should be used.

Question 2: Do you agree that scores should be segregated into four floor area segments?

No. This key data of square meterage of a subject property is available and directly relates to the objective of the proposed scoring and so should not then be diluted by being segmented. The ECO4 Scoring Phase 1 Consultation document at Paragraph 2.12 states that the 'size of a premises has a significant impact on energy costs and savings'. To then as per the Consultation at this section only take the floor area 'into consideration' and merely 'recognise' the increased bill savings available in larger properties and use just four floor area segments rather than using data that is available and which directly affects the scale of heating costs for fuel poor households within a fuel poverty alleviation scheme is odd.

Even if agreeable to any segmenting of the floor area we do not agree to the proposed segments. The total floor area segments proposed by the consultation are less than 73m², 73m² to below 98m², 98m² to below 200m² and above 200m². Those segments have an unequal and disproportionate spread in relation to one another. 72m² to 99m² is a difference of 27m² and results in a two segment gap, whereas 99m² plus 27m² remains in the same segment.

In any case we are not agreeable to any segmenting. The exact total floor area is available and should be used.

Question 3: Do you agree with the methodology used to determine the full project scores?

No. We disagree with the methodology firstly since we disagree with the use of intermediate banding of SAP ratings and segmentation of total floor area as this involves diluting key data which is available and directly affects the scale of heating costs for fuel poor households within a fuel poverty alleviation scheme. The exact SAP rating points and square meterage of a subject property are available and should be used.

Beyond that, within the methodology itself the SAP rating intermediate bands and the total floor area segments are both further diluted in differing ways. For each intermediate SAP band a simple numerical mid point is used. A simple numerical mid point is not used for the total floor area segments, instead the English Housing Survey data median floor area for properties within the (already disproportionate) total floor area segments is used (the ECO4 Scoring Methodology Phase 1 Consultation at Paragraph 2.19 refers to 83.5m² being used for the segment 73m² to 98m²).

Throughout the proposed process for ECO4 scoring key SAP data that is available and directly affects the scale of heating costs for fuel poor households is repeatedly diluted. All of that data has a significant affect on energy costs and savings and if there is to be any dilution it should be as minimal as possible.

Question 4: Are you aware of any further advantages or disadvantages in respect of the options presented to determine the finishing SAP band?

We are aware of further issues that affect both of the options presented to determine the finishing SAP band since those issues relate to SAP itself. We present those issues here as the most appropriate of the questions in this Consultation to which they relate.

Where a boiler / heating system has been removed from a property, under SAP it would not be included in the assessment and so would have no impact at all on the starting SAP band. Further, storage heaters on single rate electricity tariffs should under SAP be treated as electric room heaters rather than electric storage heaters. Both these two approaches are a welcome but significant departure from ECO3. The consultations so far do not appear to have referenced these issues.

If there are to be departures from SAP on these or other areas then they should be clearly signposted and consulted upon rather than merely being dealt with as administrative issues later. They are significant issues which directly affect the delivery of measures to fuel poor households.

SAP appears to fail to recommend heat pumps for space heating due to various out of date and inaccurate data and assumptions such as their Seasonal Performance Factor (SPF)(heat produced compared to electricity required).

Also SAP seemingly requires that the heat demand for a property increases if a heat pump is proposed as the heating source. It is unclear why the heat demand of a property should be affected in any way by the heating that is proposed. There is some suggestion this may be due to it being a low temperature system but gas boiler measures under ECO4 are intended (where possible) to be low temperature systems also. It is unclear whether the heat demand of properties for which a low temperature gas boiler system is proposed is similarly affected. However it should also be noted that the exemptions for gas boilers under ECO4 to be low rather than high temperature systems include where the HHCRO / 'Costs savings' are not met by the lower temperature system (Design of ECO4 Consultation Paragraph 188). It is envisaged that even if proposed low temperature gas boiler systems similarly affect the heat demand of properties that perhaps this exemption would always or more

often apply (and so for gas boiler systems, a high temperature system is always or more often preferred over a low temperature gas boiler system).

Also SAP apparently only allows for one heat pump at a property even if two are fitted, and where one of the heat pumps is deemed by reference to the Product Characteristics Database to be insufficient for the heat loss of the building the shortfall is to be deemed to be made up by expensive direct electric heaters (rather than the other heat pump actually there).

As ECO4 is a fuel alleviation scheme the scoring should also take into account more accurate and up to date fuel prices than in SAP. Due to the volatility of fuel prices there should also be some scope to update it as the scheme progresses over four years. Fuel poor households will be hindered rather than helped via savings that are only theoretical and out dated.

Some mechanism should be included such that the differing proportion of social and environmental levies within gas bills (2%) and electricity bills (23%) are at least attempted to be reflected in the incentivisation under ECO4. Those proportions may well change in the future and so affect fuel costs and ECO4 should as above remain accurate in its efforts toward fuel poverty alleviation.

Gas boilers score well under SAP due to assumed fuel costs. Those costs have not remained as low as SAP states and arguably will likely continue to rise throughout ECO4. Even if fuel costs were as low as SAP suggests and were to remain the same, ECO4 is a Government mandated scheme and so it should not ignore carbon emissions and in house nitrogen oxide emissions anyway but also due to the affect upon health especially within fuel poor households directly affected by the scheme.

The ECO4 Consultation Stage Impact Assessment states at Paragraph 54 that Greenhouse Gas Emission values were at that point under review and that the carbon values for the ECO4 scheme were likely undervalued. In the meantime since publication of that Impact Assessment the review has been completed. The Policy Paper for Valuation of Greenhouse Gas Emissions for Policy Appraisal and Evaluation was published by BEIS on 2nd September 2021, link here:-

<https://www.gov.uk/government/publications/valuing-greenhouse-gas-emissions-in-policy-appraisal/valuation-of-greenhouse-gas-emissions-for-policy-appraisal-and-evaluation?s=09>

As stated by BEIS in publishing that policy paper, the 'fundamental purpose of assigning a value to the GHG emissions impacts that arise from potential government policies is to allow for an objective, consistent and evidence-based approach to determining whether such policies should be implemented'. The old rate was £10/tonne it is now with that policy paper £240/tonne. This must be factored in to not only the proposals which result in modelling for more gas boiler installs than heat pumps, anyway to rely on SAP rating improvement without any correction so as to not encourage gas boiler installations so much, or even to allow gas boiler installations at all under ECO4.

The ECO4 Consultation Stage Impact Assessment includes modelling of the expected uptake of measures under ECO4 under 5 preferred options for the Scheme. Under all options electric storage heaters are modelled at zero whereas under all options gas boilers will via first time central heating and broken replacement numbers be significant and likely outstrip heat pump installations. Even on a 'Costs Savings' only view we suggest due to the other issues we have raised here that gas boilers should not be favoured as much.

Further electric storage heaters can be a useful stepping stone to heat pumps and anyway should be given more attention due to altered and altering fuel costs and a likely increasingly decarbonised electricity grid.

Uplifts are proposed for broken heating systems since SAP would state the main heating system is that broken system, and therefore a broken measure would without an uplift not result in an increase in SAP rating. This is a sensible and practical approach to altering SAP so that it reflects the reality for particular fuel poor households. Similar uplifts or other mechanisms should be employed so as to reflect the reality for such households in relation to actual fuel prices and efficiency of measures as discussed here, as well as incentivising measures that reflect Government policy objectives and commitments for decarbonisation.

Question 5: What are your views on the advantages and disadvantages identified?

On balance we believe of the two, that the updated SAP assessment approach is more favourable over the calculated finishing SAP rating. This approach is more suited than the other in achieving the desired outcome of alleviating fuel poverty in practice rather than theory.

Question 6: Do you agree with the proposal to use pre-calculated deemed partial project scores based on the floor area, and starting intermediate SAP band?

No. The exact SAP rating number and square meterage of a subject property should be used rather than any form of banding which dilutes the relevance of the key data that is available and upon which the principles for ECO4 are apparently based.

If the floor area and band were not diluted we would in principle agree with the general approach of relying on deemed partial project scores except for the 30 to 40% deflation. A deflation, particularly at such a large scale as that, will instead of encouraging delivery of whole projects actually discourage delivery at all due to cash flow constraints this approach unnecessarily imports into the process onto the supply chain. Claw back is anyway available for failure to complete a project and we believe no deflation should be applied here. If it must, then the percentage should be far lower than the proposed 30 to 40%

Question 7: Do you agree with the process used to develop the partial project scores?

Of itself we do not disagree with the process of developing those partial project scores but do not agree with it as a whole since it relies upon dilution of key data and SAP issues we have discussed elsewhere in our answers to the questions in this consultation.

Question 8: Do you agree with the use of a single fixed correction factor to account for interactions between measures?

Taken in isolation away from our other reservations and disagreements with the process as a whole, yes a single fixed correction factor should be used.

Question 9: Do you agree with the use of the actual percentage of property treated to determine the partial project score for a measure?

The use of POPT here will result in a smaller partial project score for a measure and so further discouraging delivery due to adding pressure to cash flow within the supply chain. As POPT will not apply to SAP and the full project scores and since clawback is available, using POPT for partial project scores would create unnecessary obstacles to helping fuel poor households.

Question 10: Do you agree with our proposal to calculate the innovation measure uplift by using the partial project score for the innovation measure?

Subject to our other comments here on innovation measures, yes we agree to this.

Question 11: Do you agree with our proposal to have two routes for new measures to enter the ECO4 scheme – a standard alternative methodology route and a new “data light” route?

Generally agree but assume similar methods are not proposed for correcting scores for existent measures for changed and future changing fuel prices and in use efficiencies. These go to the reliance on SAP discussed elsewhere in our answers to the questions in this consultation response. The data requirements required for new measures to enter SAP and the periods between its updates may be a barrier for existent measures not just new innovation measures.

Question 12: Do you agree with our proposed evidence requirements for the data light route? If not, please inform us of your preferred requirements.

Yes, if the data light approach is equally to be available for updating the savings and scores for existent measures and SAP ratings on the proposed ECO4.

Question 13: Do you think we should have additional mechanisms, such as a review stage or an open call for evidence, to account for the inherent risk associated with data light scores?

An open call for evidence should be made before any data light measures are approved even temporarily.

End.