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ECO4 scoring methodology consultation part 1

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

Improving the energy efficiency of UK housing stock could provide annual bill savings of £7.5 billion for consumers¹ and is a key component of Net Zero. We welcome the opportunity to comment on the first scoring proposals from Ofgem for the Energy Company Obligation 2022 – 2026 (ECO4).

The key points that we have identified are set out below:

Evidencing finishing SAP band scores

Having the final score determined after installation makes it very difficult to ascertain the commercial viability of a job pre installation. We believe this is fundamental to the deliverability of the future scheme. With the introduction of deflated partial project scores, it is already going to be difficult for supply chain to work out how much they will get paid for a job.

There is a significant gaming risk where the start and end scores are to be calculated for every property. It would also require suppliers and Ofgem to validate the start and end scores of every job, when neither is resourced appropriately or has the knowledge and skills necessary to do this without additional administration costs. The additional burden in ECO1 this placed on suppliers when similar approaches to evidencing scoring was in place was significant. To do so again would be unnecessary when there is a simpler proposal already on the table from Ofgem in the form of calculated finishing SAP ratings.

We recognise, that there is an advantage in having a final SAP assessment or EPC in order to provide data for future policy development and scheme evaluation. Therefore, we recommend a hybrid approach is put in place whereby an EPC should be carried out post final installation of a

¹ BEIS (2020) [Energy White Paper](#), page 116

project. However, it should not be used for evidencing final scores for the reasons provided above and the calculated finishing SAP ratings approach should be used instead.

This will result in some measure packages not meeting the minimum requirement in practice once the final EPC has been completed. However, this would be balanced out by some packages more than exceeding the minimum requirement as well as having a scheme that is going to be less complex and more workable for supply chain, whilst also significantly reducing the fraud risk of having two separate SAP calculations with multiple inputs that can be manipulated and are not easily verified.

Having to complete a final EPC that has no bearing on the final score will in fact give more certainty when providing more data for future policy development and scheme evaluation than relying on one that has been created to evidence a final score where a participant could be incentivised to artificially inflate the inputs to create an EPC. The costs of the final SAP assessment should be fully reflected in the Impact Assessment.

Our detailed responses can be seen below. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Dave Nutt or me.

I confirm that this letter may be published on OFGEM's website.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Howell".

Paul Howell
Senior Manager of ECO

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

Yes, we agree

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

Yes, we agree.

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

Yes. However, another option available could be to use the PPS summed to get final score. However, we accept that this would make the scheme less measure agnostic.

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

Approach	Benefits	Disadvantages
Calculated finishing SAP rating	<p>Easy to determine and verify</p> <p>Only one SAP assessment required for scoring purposes</p> <p>Easily updated if measure is changed or rejected</p>	<p>May not match the SAP rating for a specific property</p> <p>Does not encourage better performing measures</p>
Updated SAP assessment	<p>Accurate finishing SAP band</p> <p>Rewards better performing measures</p> <p>Provides data for future policy development and scheme evaluation</p> <p>Occupants receive a finishing SAP assessment</p>	<p>Higher gaming risk as SAP inputs could be manipulated</p> <p>PPS require a larger deflator</p> <p>Increased cost of an additional SAP assessment</p>

Further advantages of using the SAP calculated finishing SAP ratings are: Lower costs, simplicity and the ability for supply chain to price up a job at survey stage.

Having the final score determined **after** installation makes it very difficult to ascertain the commercial viability of a job pre installation. We believe this is going to be fundamental to the deliverability of the scheme. With the introduction of deflated partial project scores, it is already going to be difficult for supply chain to work out how much they will get paid for a job.

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

This is a significant gaming risk where the start and end scores are to be calculated for every property. It would also require suppliers and Ofgem to validate the start and end scores of every job, when neither is resourced appropriately or has the knowledge and skills necessary to do this without additional administration costs. The additional burden in ECO1 this placed on suppliers when similar approaches to evidencing scoring was in place was significant. To do so again would be unnecessary when there is a simpler proposal already on the table from Ofgem in the form of calculated finishing SAP ratings.

We recognise, that there is an advantage in having a final SAP assessment or EPC in order to provide data for future policy development and scheme evaluation. Therefore, we recommend a hybrid approach is put in place whereby an EPC should be carried out post final installation of a project. However, it should not be used for evidencing final scores for the reasons provided above and in our answer to question 4 with regards to the advantages of using a calculated finishing SAP rating.

This will result in some measure packages not meeting the minimum requirement in practice once the final EPC has been completed. However, this would be balanced out by some packages more than exceeding the minimum requirement as well as having a scheme that is going to be less complex and more workable for supply chain, whilst also significantly reducing the fraud risk of having 2 separate SAP calculations with multiple inputs that can be manipulated.

Having to complete a final EPC that has no bearing on the final score will in fact give more certainty when providing more data for future policy development and scheme evaluation than relying on one that has been created to evidence a final score where a participant could be incentivised to artificially inflate the inputs to create an EPC. The costs of the final SAP assessment should be fully reflected in the Impact Assessment.

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?

Yes, we agree.

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

Yes, we agree. However, a deflator as large as 40% risks increasing costs if installer just sees the FPS as a bonus. The purpose of partial project scores is to allow supply chain to be paid for each measure as it is installed within a project. In order to de-risk the project there is a strong possibility that supply chain will price to the deflated score to ensure they are paid fairly for each measure.

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

Yes, this is the simplest solution.

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

No – this is not needed if only in place for PPS. Trustmark should be doing this anyway, by the retrofit co-ordinator specifying that all appropriate areas should be treated which is reflected in the final project scores. This would only be applicable in very limited circumstances where property is of a hybrid construction, such as CW/SW or RIR/Loft.

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

Yes, we agree.

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?

Yes, if they are different enough, see below in question 12.

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 – but evidence requirements should be flexible as possible as not many measures will be allowed through this route due to caps in place.

The criteria for assessing them looks very similar to the AM route (see below). It should be made very clear that the evidentiary requirements are less stringent than an AM application.

Data Light	Alternative Methodology
Description of measure type and how the measure meets the eligibility criteria	Description of measure type and how the measure meets the eligibility criteria
Is the applicant working towards SAP inclusion for the measure. If not, details on why the measure cannot be included in SAP at this stage.	If not included in SAP - details on why the measure cannot be included in SAP at this stage.

Energy bill saving mechanism and details of the calculation methodology.	Energy bill saving mechanism and details of the calculation methodology. This should be logical and consistent with the ECO4 scoring framework.
Supporting evidence for bill savings.	Supporting evidence for the bill saving – we would expect this to be of a similar level required for SAP inclusion.
All relevant installation standards, technical specifications and expected guarantees.	All relevant installation standards, technical specifications and expected guarantees.
Provisional technical monitoring questions.	Provisional technical monitoring questions.

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?

This would seem unnecessary given these measures are low risk because of the caps on data light measures.