

Ofgem ECO4 Scoring methodology – Consultation Response – BidConnecter Limited – DISCLOSURE PERMITTED

BidConnecter Limited is an ECO Installer and an ECO Managing Agent. We have significant experience in working within Obligation Funding, starting with Standards of Performance (SoP) through to the current Obligation, ECO3. We are responding to this consultation following internal dialogue and discussions with installers who partner with us to deliver ECO measures and Local Authority Schemes.

General Feedback

1. Do you have any comments about the overall process of this consultation?

We feel that the consultation has been presented to the ECO market and consumers late, we accept that this will be as a result of the COVID-19 Pandemic, and other issues relating to the timing of the BEIS ECO4 Consultation. There are significant changes which are proposed, some of which are complex and confusing and need to be responded to in a contracted timescale. The proposals by both BEIS for the ECO4 Scheme Design, and Ofgem for the Scoring Methodology are complex and new. We believe that more time should have been given, and greater detail provided in the Stakeholder events to ensure a fully considered response. It is our opinion, that whilst Ofgem solicit feedback from consumers, it is unlikely, given the complexity of the proposals that any viable consumer feedback will be given.

2. Do you have any comments about its tone and content?

We feel that the content is informative, but too complex to be easily understood. We understand that Ofgem is seeking to deliver the requirements of BEIS and that the ECO4 Design is complex. We appreciate that Ofgem has sought to explain in clearer language the key principles of the ECO4 scheme, this has helped us in our understanding of the scoring methodology. At 55 pages the document is too long for most potential responders to read and fully understand. This may limit the overall number of responses received by the deadline.

3. Was it easy to read and understand? Or could it have been better written?

The document was straightforward, clearly demarcated, and simple to navigate. The language was clear, and the acronyms explained. It is still a complex document for most people to understand because of the content, although we acknowledge this is not necessarily the fault of the author, just a complicated scoring solution for a complicated scheme.

4. Were the conclusions balanced?

Generally, the conclusions and recommendations were balanced, using reasoned arguments, and balancing potential options well.

5. Did it make reasoned recommendations for improvement?

The consultation document appears to be well researched, and certainly makes reasoned recommendations for the proposals outlined by BEIS in the ECO4 Consultation Document. We found that for each BEIS proposal the Scoring Consultation does offer a scoring recommendation, and we feel that these recommendations have been well researched, and each methodology explained well.

6. Any other comments?

The document is long and arduous to read, it is complex and requires significant cross referencing to other documents. Perhaps for future consultations that are linked to others adding the actual extract rather than a footnote or reference would be helpful to the reader. We welcome the opportunity to provide a response.

Questions 2. Full project scores

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

We generally agree with the principle of adding granularity to the SAP bands, and we understand that this may be required to prevent overpaying for some improvements by using the existing SAP bands, as used on the Domestic EPC. We do have some concerns that the levels of granularity could actually have the opposite effect to the desired outcome, because it is possible to manipulate the intermediate SAP score by adding or removing some small detail from the assessment. We have not completed any specific analysis on the SAP intermediate bands, however increasing the percentage recorded for a portable item (either inadvertently or intentionally), such as low energy lights could move the rating to a higher intermediate band, and this would facilitate potential gaming of the scheme. For simplicity it may be a more suitable alternative to us the traditional SAP bands which correspond with the EPC ratings. We believe that when Primary Legislation is laid for the ECO4 it must allow for changes to SAP and rSAP which occur from time to time, and that the ECO must be flexible enough in its approach to account for any such changes.

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

We agree that floor area should be a consideration, and that properties could be segregated using the bandings suggested in this consultation. We are concerned how these would be evidenced specifically where a property is close to the next floor area band. Our experience of EPC assessments in the main is that they are notoriously inaccurate. Ofgem should consider evidencing the floor areas and we suggest that the EPC may not be the most appropriate route. Guidance must be specific on heated and unheated spaces, extensions, additions, and changes to use.

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

This section is complex, and you appear to be undecided between two final full project score determinations. This is a failure of the ECO4 scheme design, and a significant risk to the supply chain. When a project is scoped a predicted SAP outcome will be determined by the Retrofit Coordinator, the only way to guarantee that this outcome is achieved is to allocate SAP points to each measure. If subsequently, an XML is relied on this may not match the predicted outcomes and the eventual SAP rating will be lower, and the Full Project Score may be achieved. The outcome must match the input, i.e. if you build your project using a series of pre-determined SAP points, then your project must be evaluated in the same way. We have significant concerns that if an alternative evaluation is used to determine the final full project score, then there is significant risk to the supply chain. The greatest

risk is that the minimum requirement is not met, and only partial project scores will be attributed to the project, this is an unacceptable risk. The scoring must use a clear and predetermined SAP points, and these same SAP points must be attributed to the final project score, there can be no ambiguity in evidence.

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

We broadly agree with the advantages and disadvantages outlined in your table on page 21. We strongly believe that whatever methodology is used to build the project, MUST be the same methodology to determine its outcome. We believe that the only methodology that will work for the supply chain is Calculated Finishing SAP Rating.

You have identified several disadvantages, but not the supply chain risk in your table, this is the single highest risk in our view. ECO Supply chain participants must know at the outset of any project how the final project score is to be determined and evidenced.

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

We agree that the advantages of a calculated finishing SAP rating match our view of the advantages, we also agree that the disadvantages as stated are possible outcomes, however with PAS2035 and higher standards of products and services permissible in ECO, we do not feel that calculated finishing SAP ratings would discourage better performing measures. Measures must be installed in accordance with the PAS, meet the design requirements specified and conform to building regulations, there are other regulatory constraints within ECO that will prevent lower performing measures from being installed. The differential in insulant material (thickness/product selection) can be engineered into the scoring, and regulation will catch non-conformance with the standards.

Questions - 3. Partial project scores

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?

We agree that this appears to be the only mechanism through which to build your project and deliver it over time. And in principle we do not disagree that this is a poor methodology, however in practice it is fraught with problems, that all increase the risk to participants. It appears to us that the only way to successfully deliver ECO4 measures is to complete whole projects, in short order. If you are a supply chain participant without this capability you will be highly likely to fail. In our experience of delivering previous schemes, albeit none of such complexity as this proposal, the process must be straightforward, simple to evidence and fair. It seems to us that the partial project scores are complex and open up significant risk to the supply chain. The supply chain is not attuned to working collaboratively and it is difficult to apportion which partial project scores should receive which proportion of the attributable full project score. The undesirable outcome of this methodology is that some participants will fail, others will endeavour to diversify unsuccessfully (and deliver poor outcomes for customers) and the only winners will be large businesses. ECO is a scheme that is designed to support the SME, the use of partial project scores is complex and divisive and not conducive to the ECO4 ambitions. We agree that Ofgem is required to determine mechanism to

deliver the policy intent of the ECO, but the partial project, pre-determined deemed scores will be a significant issue for the programmes overall delivery. A new mechanism must be found.

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

We see nothing inherently wrong with this process and we appreciate the complexity and time taken to evaluate the test projects and collaborate with others to arrive at the scores. Unfortunately, the scores in some instances bear no relation to the cost of the measure to which the score is attributed. We feel that a 'bottom up' approach, i.e. building each measure accounting for materials, labour, ancillaries, remedial work, profit & overhead would be a way to validate the efficacy of these scores and give the supply chain confidence that they can be paid a fair price for completing the work. ECO4 does not specify an order in which measures should be applied in order to build a project, for example there may be instances where it is more appropriate (and is part of the Retrofit Design) to install a heating system, after walls have been treated. We therefore believe that the fabric first approach in determining the correction factors may unduly penalise the supply chain for simply carrying out the design according to the Retrofit Designer and it will penalise insulation only projects as it is currently described.

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

There needs to be a single metric, otherwise the scoring will be more complex than it currently is.

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

In principle we agree, however given our view that the supply chain is not cohesive and multi-disciplined (i.e. able to install fabric and M&E measures) this will cause issues when the POPT is only applied to the partial project score. Installer A may be required to install only 50% of the property because 50% is already treated. Installer B may subsequently install the Heating measure, therefore reaching the minimum requirement, completing the project which will then become eligible for the full project score, which is calculated using a completely different methodology. Installer A may well have installed the measure at a loss (deflated PPS x 50% POPT) but this measure will have undoubtedly contributed to the FPS – if Installer A and Installer B are unable to determine each other's contribution to the FPS this will cause disputes. It is our contention that the way to resolve this is for an additional layer of administrative cost, project management to ensure remuneration is made appropriately. Fundamentally this will increase costs, limit market participants and give a complex customer journey.

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.

Questions 4. Alternative methodology

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?

We have not answered this question

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

We have not answered this question.

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?

We have not answered this question.