Energy Company Obligation (ECO) consultation: Updating Deemed Scores for ECO3 Questions

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Background

The questions below relate to the consultation seeking views on our approach to updating the deemed scores for ECO3, should it be introduced as set out in the Government consultation. The consultation can be found on our website.

This consultation is open for six weeks from 4 April to 16 May 2018.

Notes For Completion

Please complete all relevant sections of the document by selecting an answer for the question and then providing reasons/evidence for your response in the box provided. The questionnaire should be completed in typeface and returned via email to eco.consultation@ofgem.gov.uk by **close of business on Wednesday 16th May 2018**.

1. Respondent Details

Organisation Name:	SSE
Organisation type:	Supplier
Completed By:	Tommy Atkins
Contact Details:	tommy.atkins@sse.com

1. Updates related to RdSAP and Fuel Prices

Q1. Do you agree with our proposal to apply the RdSAP v9.93 updates across all wall types which currently use a pre-installation U-value of 2.1 W/m²K?

- ○ Strongly Agree
- ○ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ◉ Strongly Disagree
- ○ N/A

Please provide reasons for your answer and include as much detail and evidence as possible.

Whilst, we agree with updating deemed scores to RdSAP v9.93, we challenge the proposal that SWI measures in system built properties with a 2.1 W/m2K starting U-value, should not be given a separate score due to them being uncommon. We believe a sufficient number of 'system build as built' and 'timber frame as built' properties are treated under ECO to justify the retention of the higher U-value option. Our records show that 31% of our ECO2t SWI measures are in system built properties where a higher starting U value should be acknowledged. We also believe it will be possible to reliably evidence system built properties to ensure a higher deemed score is only claimed where appropriate.

These properties are colder and harder to keep warm for householders who are therefore at a greater risk of fuel poverty. We believe it is right for these properties to continue to be awarded the full deemed score as calculated by RdSAP v9.93.

We therefore strongly disagree with this proposal as we believe that where RdSAP v9.93 calculates significantly different scores for measures and building types then these differences should be reflected in the deemed scores.

Q2. Do you agree with our proposal to use the most up to date fuel prices available from the Product Characteristic Database (PCDB) for the deemed scores throughout ECO3?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer and include as much detail and evidence as possible.

SSE agrees with Ofgem's reasoning for allowing the same fuel prices to be used throughout the 3.5 years of ECO3, this will ease administration for suppliers and the ECO supply chain.

2. Proposed Alternative to Percentage of Property Treated

Q3. Do you agree with our proposed approach to removing POPT for the majority of measures by identifying average treatable areas and adjusting the scores accordingly?

- (●) Strongly Agree
- ( ) Agree
- ( ) Neither Agree Nor Disagree
- ( ) Disagree
- ( ) Strongly Disagree
- ( ) N/A

Please provide reasons for your answer, and if applicable provide an alternative approach including as much detail and evidence as possible.

SSE strongly agrees with Ofgem's proposal and welcomes this change which will significantly simplify scoring under ECO3 and therefore reduce the administrative burden on suppliers and the ECO supply chain.

Q4. Do you agree with our use of English Housing Survey data to identify average treatable areas for SWI, CWI, loft insulation, flat roof insulation and underfloor insulation?

- ( ) Strongly Agree
- (●) Agree
- ( ) Neither Agree Nor Disagree
- ( ) Disagree
- ( ) Strongly Disagree
- ( ) N/A

Please provide reasons for your answer, and if applicable suggest an alternative source of data with justification including as much detail and evidence as possible.

SSE agrees with the proposal to utilise English Housing Survey data for determining the average treatable area for these measures types. We welcome the decision to determine the treatable area on a per measure type basis rather than adding additional complexity by applying different factors by property type.

Q5. Do you agree with our use of English Follow up Survey data to identify average treatable areas for heating measures?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable suggest an alternative source of data with justification including as much detail and evidence as possible.

SSE agrees with the proposal to utilise English Follow up survey data for determining the average treatable area for these measures types.

Q6. Do you agree with our use of Ofgem data and industry opinion to identify average treatable areas for RIRI and park home insulation measures?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable an alternative approach with justification including as much detail and evidence as possible.

SSE agrees that this approach seems sensible given the lack of alternative data available for calculating average treatable area for these measure types.

Q7. Do you agree with our proposed approach for measures for which there is insufficient data available to identify treatable areas?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable suggest an alternative source of data with justification including as much detail and evidence as possible.

SSE agrees with the proposal for allowing a 100% POPT factor to be permitted for these measure types. In the absence of sufficient data this seems most appropriate. Utilising the current POPT approach for a subset of measures would create unnecessary complexity in administration processes for suppliers and the supply chain and as a result could discourage beneficial insulation measures such as Party Wall Insulation from being installed. Additionally, using data from a small sample to lower scores for uncommon measures, will make them less viable and reduce uptake further.

Q8. Do you agree with our minimum requirement that at least 67% of the property is treated in order to qualify for the full ECO3 deemed score?

- ◉ Strongly Agree
- ○ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable an alternative approach including as much detail and evidence as possible.

SSE strongly agrees with the proposed minimum requirement. However, SSE urges Ofgem to ensure clear communication and guidance is provided so that Suppliers, Installers and Technical Monitoring Agents (TMAs) all have a consistent view on how this percentage is expected to be evidenced. The potential benefits of this proposed approach could be lost if detailed evidence, containing accurate floor area measurements, is to be expected by TMAs. This clarity should be provided form the beginning of ECO3.

Q9. Do you agree with our proposed approach of using POPT to score measures which do not meet the 67% minimum requirement?

- (●) Strongly Agree
- ( ) Agree
- ( ) Neither Agree Nor Disagree
- ( ) Disagree
- ( ) Strongly Disagree
- ( ) N/A

Please provide reasons for your answer, and if applicable an alternative approach including as much detail and evidence as possible.

SSE agrees with the intention of this proposal, however we are concerned unless an adjustment is made to only apply the current POPT methodology to the full score of the measures, these measures would only gain a proportionate score on an already reduced score. SSE's preference would be for measures to be scored to the current 20% bandings where they are below the 67% minimum requirement.

To aid administration of this we urge Ofgem to include a column detailing the full deemed score of each measure as well as the adjusted score that can be claimed with the POPT factor applied. Finally, to ensure suppliers and the supply chain have a clear and consistent understanding from the start of ECO3, SSE believes it is critical that the approach for applying POPT for measures is clearly and simply set out by Ofgem.

3. Updates to the format of deemed scores

Q10. Do you agree with our proposed format for deemed scores?

- (●) Strongly Agree
- ( ) Agree
- ( ) Neither Agree Nor Disagree
- ( ) Disagree
- ( ) Strongly Disagree
- ( ) N/A

Please provide reasons for your answer, and if applicable alternative suggestions with justification including as much detail and evidence as possible.

SSE welcomes the simplified format for deemed scores. SSE would urge Ofgem to further remove the complexity of handling deemed scores by removing the concept of proxy heating systems and adding scores to the tables to reflect each of the heating types which currently require a proxy to be used. This would significantly ease the administration of deemed scores for suppliers and the supply chain.

Additionally, SSE believe there is an opportunity for updating the format of deemed scores to further simplify the data input required to identify each deemed score by separating out Measure Names and Property Types into their constituent parts, i.e. measure type and product performance as separate fields or likewise property type, number of external walls and bed rooms each as separate fields. This type of formatting would greatly improve the ease and accuracy of data collection and implementation of systems.

Finally, SSE believes that park Homes should be added as a Property Type within the deemed scores tables for heating measures, again this would greatly improve data collection.

These additional changes would also have the benefit of creating a much richer dataset for Ofgem.

4. Updates to Room-in-Roof Insulation Scores

Q11. Do you agree with our proposal to update the assumed size of the floor area of the room-in-roof used to develop the RIRI score?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable please suggest an alternative approach including as much detail and evidence as possible.

SSE agrees with Ofgem's proposal

Q12. Do you agree with our proposal relating to the assumed levels of insulation in the elements of the room-in-roof used to develop the RIRI score?

- ○ Strongly Agree
- ○ Agree
- ○ Neither Agree Nor Disagree
- ◉ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, and if applicable an alternative approach including as much detail and evidence as possible.

SSE disagrees with the approach taken by Ofgem in determining the starting U-value for RIRI measures. The methodology equally weights properties across all age bands, however we do not believe that newer age bands would be representative of the types of properties likely to be treated under the scheme. We propose that weighted average calculation should exclude room-in-roofs built after 1990.

5. Updates to scores for heating measures

Q13. With regard to upgrades for inefficient mains-gas and LPG boilers, do you agree with the assumptions we have used to identify the pre-installation efficiency for non-condensing boilers?

- ○ Strongly Agree
- ◉ Agree
- ○ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, including as much detail and evidence as possible.

SSE agrees with Ofgem's proposal

Q14. Ofgem are responsible for determining what constitutes a similar efficiency rating to non-condensing boilers and for electric storage heating with a responsiveness rating of 0.2 or less. We are in the initial stages of developing our position on this area and we welcome views from stakeholders. In responding you may have regard to the following non-exhaustive examples of issues to consider;

(i) A methodology for determining this rating for each heating type
(ii) Data sources that we could use

Please provide reasons for your answer, including as much detail and evidence as possible.

We are concerned this has the potential to create administrative complexity.

We note that in the case of electric storage heaters the responsiveness rating is dependent on both the heater characteristics and the nature of the energy tariff. Therefore we believe there is a risk of devising rules that could resrict the upgrade of some old inefficient heaters being replaced.

Our main concern is to achieve rules that are straightforward for the supply chain to evidence and administer, whilst achieving real cost savings for customers. We would be pleased to work with Ofgem in more detail on this issue.

6. Updates to scores for Park Home insulation measures

Q15. Do you agree with the proposed update to the park home insulation deemed scores?

- ○ Strongly Agree
- ○ Agree
- ◉ Neither Agree Nor Disagree
- ○ Disagree
- ○ Strongly Disagree
- ○ N/A

Please provide reasons for your answer, including as much detail and evidence as possible.

7. Invitation to Provide General Comments

Q16. We are also interested in high-level and material issues which are relevant to and likely to have a substantive impact on our approach to improving deemed scores for ECO3, for example, you may have views on:

(i) How could we streamline our administrative processes to further the main objectives of the deemed scores;
(ii) How could we amend the underlying assumptions or methodology to improve the deemed scores.

Please provide as much evidence and detail as possible in your response.

SSE believes that it is important that any changes to deemed scores for ECO3 should be reflected in the final BEIS impact assessment for the scheme.

It is also important to note that deemed scores are an approximation designed to give a good reflection of representative savings rather than being exact calculations, especially when considering the assumptions underpinning measure lifetimes. It should be noted that it is hard to predict the cost of fuels and how homes will be heated in 30 or 40 years' time. Therefore with the impact of the lifetime assumptions on the deemed scores, any increase in accuracy to deemed scores should be weighed against the impact on the ease of collecting and verifying the evidence.

As set out in our response to question 10, SSE also feel there is further opportunity to update the format and structure of deemed scores. The objective would be to aid in systems implementation, reduce complexity and confusion as well as creating a more detailed data set.

SSE has suggested to BEIS that the 400% multiplier for gas boilers should also be applied to qualifying electric storage heaters, to ensure that sufficient levels of rural properties can be treated under ECO3. SSE has higlighted an issue to BEIS regarding their impact assessment modelling assumption of using historic scheme costs to determine costs for ECO3. In particular, BEIS have failed to identify that the majority of measures in ECO 3 will be in smaller dwelling types, commonly found in the fuel poor customer group. SSE has suggested BEIS update their impact assessment modelling or apply an uplift to smaller dwelling deemed scores to account for the impact this would currently have on the targets they have modelled.