

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



## **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](mailto:eco.consultation@ofgem.gov.uk) by **close of business on Wednesday 16<sup>th</sup> May 2018**.

## **1. Respondent Details**

Organisation Name:	Cenergist Ltd
Organisation type:	Energy Service Company
Completed By:	David Brissenden
Contact Details:	David.Brissenden@Cenergist.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/m<sup>2</sup>K?

- ☐ 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.

We agree that the deemed scores should be brought in line to more accurately represent actual savings for the measure being implemented. It should be best practice that methodologies are as standardised as possible rather than deemed scores becoming an arbitrary number that has no real world application other than providing a reference point for funding.

However, the drop of u-values for solid wall properties to 1.6W/m<sup>2</sup>k (currently with a 2.1W/m<sup>2</sup>k) has had a significant negative impact on the overall value of the LBS for effected property types. For example, if we isolate a measure where the only difference to the current deemed scores value are the changes in rdSAP (u-values and fuel pricing) we can see the impact - for the worked example below we have assumed 100% property treated;

ESH HHR replacement (solid walls) - average change from current scores across all property archetypes:  
-27% (range of -20% to -31%)

In comparison - cavity walls where proposed u-value change is -0.1W/m<sup>2</sup>k:

ESH HHR replacement (cavity) - av. change for current scores across all property archetypes:  
-8% (range of 0% to -14%)

Considering, as per the ECO3 consultation document, 44% of homes occupied by fuel poor households have uninsulated solid walls and there is a significant drive within the proposal to target these properties, the subsequent negative impact on solid wall deemed score value is counter productive.

The justification provided by BEIS for this drop in U-value is based on an assumption that the proportion of domestic properties that of a construction type that would actually achieve 2.1W/m<sup>2</sup>k or worse is substantially less than previously thought. We believe this to be an oversight. A Borough with 907 blocks of flats (housing 20,334 flats), has 246 blocks (housing 7,146 flats) that are classed as concrete frame/concrete large panel with construction date ranging from 1952 to 1979, which equates to 27% of blocks likely to fall into this 2.1 u-value category. This particular borough is a strong example of a borough where fuel poverty will be a substantial issue, we therefore challenge the justification for this overall adoption of 1.7 as the default solid wall u-value .

Within the Deemed Scores Methodology, table 5 shows that the baseline of 1.6 for solid walls is used when promoting a heating measure which is not in line with the rdSAP update. It could be feasible to amend this to 1.7 or higher to ensure wall types b, c and d in 1.4 of the consultation are represented.

Whilst we are in favour of bringing the Deemed Scores methodology in line with rdSAP this should not be in detriment to the value of measures, as this will greatly limit the quantity of work that can feasibly be supported by ECO3.

To mitigate this risk, we would request the inclusion of appropriate uplifts to both solid and cavity walled properties in order to bring proposed deemed scores back in line with current values as a minimum. If this is not included then ECO3 funding rates would substantially need to increase to mitigate against the need for customers to make substantial financial contributions towards the cost of measures. We cannot support a change which forces households in fuel poverty into further poverty in order to fund measures for a Government Scheme which is designed to assist them, not penalise them.

**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.

We agree that fuel pricing should be updated and incorporated into the deemed scoring. However there is slight concern that these fuel prices will not be changed within the 3.5 year ECO3 programme. We recognise from a regulatory and administrative perspective there is no desire to make alterations to ECO3 once it comes into force however there is a risk that over the period of the year, the LBS scoring may not be representative of actual savings. It's worth noting, in the weeks prior to this consultation response being submitted, British Gas has announced gas and electricity price rises of 5.5%. Npower has similarly increased pricing for gas and electricity by 4,8% and 15% respectively. We would like BEIS to explain further how future price changes have been incorporated into the model to allow for fluctuations which overall will make the methodology relevant and deliverable.

## 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.

Calculation of POPT for insulation measures is understandably difficult from a calculation and administrative basis, we understand the logic of applying the proposed standardise POPT % values for these measures. However we do not believe this methodology can be applied to heating measures. Based on the historic heating measures Cenergist have conducted over the past 2 years the calculated unrounded POPT averages are:

QB - 100%  
HHR ESH/QESH - 96.02%

It's recognised that the average POPT we have seen on ESH/QESH measures very closely reflects the proposed POPT for heating measures, the amount of measures that had calculated POPTs <100% equates to only 14% of total electric measures delivered and therefore the loss of 5/4% LBS per job across all heating measures compared to the admin burden of calculating the POPT via floor area/manufactuer design tools isn't viable. We are already seeing a substantial trend where significant customer contribution is needed even at 100% POPT to deliver heating measures and any reduction to LBS value is going to force fuel poor households either to provide monies they cannot afford or continue to live with broken, inefficient, and expensive domestic heating.

This is also relevent to FTCH measures which is a clear main driver within the ECO3 proposal. The proposed deemed scores for ESH to Gas averaged across all property types is -21% and -1% change (for solid and cavity walled homes respectively) from current scoring. It's understood this incorporates other changes such as 30% uplift removal, u-values and fuel pricing however the consistent negative slide of the scoring will simply de-incentise the market to deliver these measures as funding vs cost of delivery simply does not stack up. Based on actual pricing Cenergist has provided a recent client, a pricing case study is below:

ESH to Gas Boiler FTCH  
2 bed, 3ext. walls, solid wall flat (5 radiators required)  
Funding rate £0.29/LBS\*  
LBS as per proposed deemed scores: 5,431  
Total funding: £1,575  
Install cost: £2,200  
Customer contribution required: £625  
Currently only 2 out of 10 customers asked for a financial contribution towards the cost of installation are able to pay the contribution.

\*Funding rate is a calculated assumption taken from ECO3 consultation where total ECO3 cost per year (£640m) is multiplied by the term (3.5 years) and then divided by the total AW LBS target (£7.735b). This is a substantial increase to what current funding rates are being offered under HHCRO.

This deficit, which equates to 28% of the install cost annual saving for the measure, needs to be met in order for the measure to go ahead. Particularly within the privately owned and private rented sector, this level of contribution would be prohibitive.

**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.

As per our response to Q3, the issue is not the source of the data that has been used to calculate the average treatable area, the issue is that an average treatable area is being used at all. The data set used to calculate the proposed average treatable is representative of England only and excludes Wales and Scotland where data is likely to be different and therefore mis-represents true deemed scores values.

For example; Scotland has a much higher % of inter war and post WWII war pre-fab housing compared to England. Between WWI and WWII both England and Scotland were experiencing shortages in traditional building materials and therefore non-traditional methods were approved and utilised. However, Scotland had a greater shortage of building materials and resources such as bricks/slate and experienced bricklayers than England which led to the formation of the Scottish Special Housing Association (SSHA) in 1937. The SSHA had powers to build houses by non-traditional methods only which led to a higher % of non-trad housing to be constructed in Scotland (source: Non-traditional housing in the UK - a brief review. Authored by BRE, commissioned by CML)

Where similar styles in both countries it is not guaranteed that these will be identical. For example the Swedish pre-fabs that were installed between 1945 and 1946 (a total of about 5,000 units in the UK) were substantially different in Scotland compared to England, with a single storey utility extension being omitted.

At the Deemed Scores consultation event hosted in London on 19th April; an Ofgem representative confirmed that historic ECO data of completed installations held by Ofgem/BEIS had not been looked at to form part of the consultation process. We perceive this as a significant oversight as the purpose of the consultation is to reform ECO to refine the process and make it work in the real world. There's no better way of doing this than utilising a large, real world dataset to be the key driver to potential policy changes rather than a small and unrepresentative data set such as ESH.

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**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.

As per our response to Q3 and Q4, the issue is not the source of the data that has been used to calculate the average treatable area, the issue is that an average treatable area is being used at all. The data set used to calculate the proposed average treatable is representative of England only and excludes Wales and Scotland where data is likely to be different and therefore mis-represents true deemed scores values.

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**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.

The POPT assumption used is based on a data set that is outside of ECO which means this figure is not appropriate. Outside the scope of ECO measures, there multiple reasons why less than 100% of a RIRI measure would have been completed which will negatively skew the assumed average POPT % in the ECO3 proposal.

Looking at ECO2/2t notification data, which in this case should be the data set used, this implies that >91% of park homes are treated from an RIRI measure



**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.

We agree, however we request that an element of flexibility is retained to allow Suppliers to the right to challenge this on a case by case basis where they are able to provide adequate data to support their programme.

**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.

This is reasonable

**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.

We have no views on this subject.

### 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.

The new format is adequate however the previous format did not cause us issues.

#### 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.

We have no views on this subject.

**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.

We have no views on this subject.

## 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.

We agree with this 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.

## 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.

Under current scoring it is commercially non-viable to deliver insulation to park homes under the standard park home insulation deemed scores therefore we do not agree with the removal of the park home insulation II scoring. Without this park homes, which could have measure delivered via the LA Flex route and thus aid in the overall aim in the policy by assisting fuel poor households, will not be able to be improved

## 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.