

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 by **close of business on Wednesday 16th May 2018**.

1. Respondent Details

Organisation Name:	Distinction Energy Ltd
Organisation type:	Managing Agent
Completed By:	Dr Chandni Patel
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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.

It is vital for the scores in ECO3 to be accurately represented by the assumptions in rdSAP. As we are moving to a new obligation it makes sense to update the scores in line with rdSAP. However it is only the updates in rdSAP that should have an effect on the scores no additional assumptions should be made to deviate from what has already been proven in ECO2t. Paragraph 1.5 states that only three of the wall types have had a decrease in u-values for rdSAP 9.93. It is not acceptable to carry this assumption across the remaining wall types (b and c) because if these properties are to insulated then the deserve to have a represented score. It is likely based on the scores published by Ofgem that a contribution from a private resident will be needed for measures just as they are now in ECO2t. This contribution should be minimised with maximum funding. Ofgem should not assume a "relatievley few" wall types should suffer from a decrease in score esspecially when they are currently seperated out with no issues from industry. The existence of these properties means that a score should exist to represent them and allow/incentivise industry to insulate them. Simplification of a deemed score will only contribute to inaccurate funding towards that measure which can result in the property not being insulated under ECO3, resulting in the exact opposite of the policies intent. it is not necessary assume the same for walls b and c when industry has not asked for them to be simplified.

We also propose Ofgem release scores based on fuel prices from the latest assumptions in rdSAP specifically those of July 2018. Therefore the scores released in September should be with the latest fuel price figues from July 2018.

Paragraph 1.6 this point makes sense because the system thickness applied and assumed thermal conductivity do not change. The performance of the finishing u-value would change if the starting u-value changes. We agree with this.

Paragraph 1.7 there is no need to apply changes to starting u-values to wall types that have not changed in RdSAP version 9.93. Industry has not asked for further simplification for insulation deemed scores. It is also vital that if the starting u-values are changed and the finsihing u-values are assumed to not improve to same degree then Ofgem will encourage installers to use thinner systems.

Paragraph 1.8 we agree that the change RdSAP should be reflected in the cavity wall insulation 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.

We believe that the latest fuel prices from rdSAP July 2018 should be used for all deemed scores released in September 2018.

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.

Whilst the issue faced by Ofgem is understood, we believe that the approach suggested is very complicated. There are too many assumptions which result in inaccuracy. The industry has adapted to the POPT way of thinking. There are some very clear issues that need to be resolved, namely POPT for wall insulation, RIRI and ESH. Is not better to just solve these issues rather than create a completely new assumption which effects all scores and penalises measures which receive a 100% install. With wall insulation we would like to suggest that the rdSAP rule is used where unheated areas should not need to be insulated.

If the majority rule is to part ways with POPT then Ofgem should also look at data in their own statistics of measures delivered in ECO2t. This evidence should be clear in showing POPT values and should be considered. The data within Ofgem's own systems it should show that 91% of the time 100% of park homes under HHRCO are installed (Please see Appendix A Table 2).

There is also the risk with the suggested POPT methodology that installers will be incetivised not to complete to 100%, because the installer will simply find plausible cause to just complete to 68% and claim a score higher. In addition to evidence to an energy company, the installer will still have to carry out the POPT calculation so the burden on delivery will still be the same and not simplify the process.

PROPOSAL

Given the above being said we propose the POPT is kept as it is now and the issues with RIRI, wall insulation and ESH to be addressed. With wall insulation it should simply be the rdSAP rule of no need to insulate unheated areas. If POPT is not to be kept as it is then the POPT assumptions for park homes should be considered using only ECO2t evidence rather than commerical installs outside of the ECO which are not subject to the same reasons for not completing 100%, specifically financial.

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.

We agree that data from EHS should be used in addition to data from measures submitted in ECO2t

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.

We believe that data from measures delivered in ECO2t must be used as it is only in very rare cases that 100% of the property would not be heated. The proposed methodology is essentially adding an in-use factor which is an unnecessary complication. Reasons for not installing a 100% from data outside of ECO could be financial, or any other not applicable in ECO. These reasons should not be considered when making assumptions for ECO deemed scores.

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.

In ECO2t of the park home insulation measures completed, 91% of the submitted measures have had 100% of the measure installed and with the surveys carried out for the remainder of ECO2t park home measures, all of the homes have a 100% POPT. Therefore we have proven along with data held by Ofgem that 91% of the time, a 100% is installed. This is the data held and proven in ECO2t therefore should be used solely for a POPT assumption (Appendix A Table 2).

Paragraph 2.22 As indicated above Ofgem notification data should be relied on extensively because it is this data in the transition that proves 91% of the time 100% of the measure is installed. Any data

taken by Ofgem for measure not supported by ECO should not be considered. Measures installed outside of ECO are exposed to many factors outside of the funding mechanism and compliance requirements resulting in a whole host of reasons as to why a measure would not have been installed to 100% of the property. Financial, commercial and even lack of technical skills can all contribute to less than 100% installed to properties outside of ECO.

Our technical skills have enabled us to be able to deliver to 100% of the measure where physically possible.

Paragraph 2.23 Whilst we appreciate industry information, it should only be considered for the deemed score assumption case when it has been evidenced within the scheme. Industry which has delivered in ECO2t is once again informing Ofgem now in this consultation that they are able to deliver 100% of the measure where physically possible and of the measures submitted 91% of them were installed to 100%. Ofgem should only be considering industry which has submitted within ECO2t for such a significant change in the scheme score, evidence which is held and now being brought to attention again. Therefore the POPT for park homes should be based on notification data as 9% of the time a measure is installed to less than 100% and once again with ECO2t data is installed to 70% then $0.9 \times 0.3 = 0.027$ (2.7% should be the POPT value reduced across the measure)

It should be noted the points made in this answer are in relation to work carried out under EWI park home II measure another reason why the measure should stay is, because it evidences that the funding is appropriate for the insulation of a park home.

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 with this approach if no data exists within ECO2t notifications

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.

Whilst we agree with the 67% minimum if POPT is to go, we do not believe this methodology is a simplified one. Industry has already adapted to POPT changing it now will only result in other inherent issues such as a decrease in funding due to large percentage decreases from through POPT. It is therefore vital these percentages are as accurate and fair as possible. For park homes please see answers to question 6 as to why the POPT percentage is currently not accurate or fair to the measure.

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.

Given that the only option for these measures is to use POPT as we do now we believe it is better for consistency to keep POPT as mentioned in our answer to question 3 and solve the issues with three measure types rather than change the whole system? A system which has not been trialled in ECO2t.

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.

Whilst we do not agree the new format is useful we would like to suggest that both formats are kept, one for stakeholders who want to input values into IT systems and one for the rest of the industry who would like to see the breakdown clearly shown in tables per measure type. We were very happy with the current presentation of deemed scores.

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.

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.

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 the efficiencies used for pre-installation efficiency for non-condensing boilers, however we are not clear as to why the non-qualifying boiler score is being used as opposed to keeping both the qualifying and non-qualifying scores for inefficient boilers. Under ECO2t inefficient boilers could be replaced for qualifying and non-qualifying boilers. Surely both scores should remain without the uplifts applied in ECO2t.

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.

We do not agree with the proposed update to park home insulation deemed scores. We will provide evidence data analysis and conclusions stating why the proposed update is not appropriate for park homes. We will begin by explaining why each of Ofgem's paragraphs and justifications are not appropriate for a single standard score for park homes as opposed to the current EWI park home II and standard measure scores.

paragraph 6.3. "The current deemed scores for park home insulation are based on assumed improvements to the walls, roof and floor of the park home. The assumptions behind these deemed scores were based on information on park homes that was available at the time of development. The assumed pre-installation and post-installation u-values are key to the calculation of the scores and the u-values used for current deemed scores for standard park home insulation measures are in Table 8."

It is important that Ofgem has understood that the assumed pre-installation and post-installation u-values are key to the calculation of the scores. The evidence presented to Ofgem in ECO2t proved that the pre-installation and post-installation u-values were not representative for all park homes. Ofgem accepted the evidence which showed that the assumptions did not represent a subset of park homes that needed the measure and released EWI park home II measure. The assumptions of u-values represented in the subset of park homes was accurately represented. Table 1 and Table 2 in the attached Appendix shows the importance of the u-values and clearly evidences that without a separate measure homes that need the insulation measure will not receive them.

Paragraph 6.9 "Considering the report does not cover a large sample of park homes, we do not think it is appropriate to use the U-value indicated in the Alba Building Sciences report. However, we do think that this report casts sufficient doubt on the previous wall U-value assumption, so we instead propose that the ECO3 deemed scores use a wall U-value of 1.2 W/m²K, the assumption used within RdSAP for age band G."

The Alba report measured u-values on 100 homes as this was considered as not being a large enough sample further evidence of u-values calculated on a subset of park homes showed starting u-values and finishing u-values which supported the EWI park home II score. As a result it is not appropriate to take one age band and assume all homes fall under the same starting u-value. Especially as Ofgem have agreed above that u-value assumptions are key. Ofgem have ignored published data through this report and randomly picked an age band for the standard park home

score. it is not acceptable to assume that this age band represents all park homes as proven with the EWI park home II measure. Evidence from ECO2t proves EWI park home II measures have a starting u-value worse than or equal to 1.7. This evidence justifies the EWI park home II measure to be kept as a separate measure.

Paragraph 6.10 "The park home insulation deemed scores assume that a given level of insulation is applied to the walls, floor and roof of a park home. This standard and thickness is representative of the typical improvement expected from insulating a park home, developed from internal BRE research. We do not propose to change this assumed level of improvement, which means that the post-installation U-value for walls has also changed because of using 1.2 W/m²K for the pre-installation U-value."

EWI park home II measures installed and submitted have proven the system used on park homes results in the finishing u-value of all the park home results in 0.3 or better. In fact as part of the EWI park home II measure compliance u-value calculations must be submitted to evidence the finishing u-value. Over 100 measures have been submitted in ECO2t proving the assumed starting and finishing u-values for EWI park home II measure. This evidence justifies the EWI park home II measure should be kept as a separate measure with the current assumed starting and finishing u-values.

Paragraph 6.11 "We do not propose to make any other changes to the standard park home insulation deemed scores but would welcome further feedback and evidence on this subject as part of this consultation. The proposed pre and post installation U-values for standard park home insulation measures are shown in Table 13."

The evidence presented to Ofgem (Appendix A Table 1) and the measures submitted proves the u-values shown in Table 13 are not appropriate for EWI park home II measures. This evidence justifies the EWI park home II measure should be kept as a separate measure with the correct assumed starting and finishing u-values which represent these homes. The standard score should be kept separate.

Paragraph 6.12 "We developed the 'Park home insulation II' deemed scores midway through the ECO2t scheme. This was due to the doubt cast on the assumptions underlying the standard park home score outlined previously in this chapter."

Please see evidence below and data presented in Appendix A of why the EWI park home II measure must remain individual and with the current starting and finishing u-value assumptions along with the compliance requirements agreed in ECO2t for this measure.

Table 2 in Appendix A shows the EWI park home II measure sits on its own completely and cannot be averaged out for a measure that results in a score which is so simplified that no park homes will be insulated. There is a 459% difference between the proposed ECO3 park home deemed score and the EWI park home II score. Even if the 30% uplift applied to the current EWI park home II score was removed, there is still a 291% difference between the ECO3 deemed score and the EWI park home II score. Therefore it is clearly concluded that the EWI park home II score must remain on its own because it is not accurately represented in the score or approach proposed by Ofgem for ECO3. In addition there is more than sufficient evidence from what has been submitted to date for the EWI park home II measure that the measure is installed to 100% of the property most of the time.

The analysis presented in Table 2 and explained in the paragraph above proves that the ECO3 deemed score does not represent the EWI park home II score at all. The EWI park home II score should be kept the same with the removal of the overarching 30% uplift (if this uplift is removed for all other measures). Evidence in ECO2t has proven that the measure needs to exist to support the subset of homes and are installed to 100% of the property since the measure was released.

Paragraph 6.13 "By updating the assumptions for the standard park home insulation deemed score (as described earlier in this chapter), the reason for developing the park home insulation II deemed scores is no longer relevant. We will therefore not carry forward this measure type into ECO3." All of the evidence presented in this consultation and throughout ECO2t proves that the simplification is not appropriate for park homes. The EWI park home II measure must stand on its own for the

scheme to serve the homes that need the measure. The suggested ECO3 score only serves new homes.

Paragraph 6.14 "All park home insulation measures will therefore use the standard park home insulation deemed scores regardless of the age of the park home being insulated. This approach may mean that the savings claimed for a given measure are not representative of the actual level of improvement that installation achieves. However, this could be the case for many measures claiming a deemed score (due to the average approach taken) and hence, is consistent with the overall approach to developing deemed scores. The approach is designed to introduce simplicity and is expected to be representative of the savings achieved across the scheme as a whole."

Ofgem's rationale for a single inappropriate and unrepresentative score is that they do not have a good understanding of the variation of types of park homes in the UK housing stock. However, evidence you do have and agree with is that there are homes with varying u-values. The variation is vast between only four u-values in a spectrum representing homes that are very poor, medium and new homes. Ofgem's approach of one single score to represent this range results in a score that is highly skewed and only represents newer homes. Therefore, it is not appropriate to develop a single score which results in the loss of a measure. Evidence showing this is held by Ofgem through submissions in ECO2t. We have shown this data again in Table 2 and Table 3a and Table 3b and in the attached Appendix A.

The approach suggested will not serve any park homes that require the measure. Please see evidence presented in Table 3a and Table 3b in the Appendix. This evidence shows that the approach used by Ofgem does not only eliminate EWI park home II which is the only score that represents park homes most in need of the measure, but also the only measure that has represented fuel poor and low income vulnerable residents in park homes. The approach does not introduce simplicity as Ofgem have not explained what aspect of simplicity it brings in addition and most importantly the evidence presented shows the approach is not representative of the savings achieved with insulating EWI park home II measures. Ofgem's approach will eliminate the installation of insulation to park homes.

Ofgem has stated they need to focus on what the available data tells them about the housing stock and the likely savings a measure will deliver on an average property and that their current approach is reflective of the data that they have been able to identify. Ofgem has welcomed alternative data which demonstrates the need for a different approach. The data presented in the Appendix (please see all evidence presented in Appendix attached) shows EWI park home II measures have been submitted in ECO2t and accepted under HHCRO which demonstrates the measure needs to sit on its own as the standard score has delivered zero measures in ECO2t under HHCRO. This evidence shared in this consultation response and held in Ofgem's system demonstrates that a different approach is required, specifically that the EWI park home II measure must remain in ECO3. Having one score that is skewed and not representative of the bill savings is a pointless score and measure.

BEIS state in their consultation that one of their main policy objectives is to address the Clean Growth Strategy, specifically decreasing E, F or G rated properties. All of the homes treated with EWI park home II are E, F or G rated (Please see Table 3a). Therefore this measure should be allowed to carry on into ECO3 as it achieves this policy objective.

PROPOSAL

With all the justification, evidence and data presented in this response along with the accompanying Appendix A, our proposal is for Ofgem to keep the EWI park home II measure separate to the standard score measure as successfully demonstrated in ECO2t.

ECO2t standard park home measure served 0 extremely fuel poor or fuel poor homes. ECO2t EWI park home II measure served >100 extremely fuel poor residents (with a further 70 to be delivered by end of ECO2t) in the spectrum of park home types. With this evidence and documented data in mind, Ofgem's approach eliminates EWI park home II measure which will result in no park homes being insulated in ECO3. Whilst we can predict 1000s of fuel poor, low income and vulnerable residents can benefit from park home insulation in the ECO3 if Ofgem use our proposal of keeping the EWI park home II measure.

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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.

We believe the key issues with deemed scores is that the underlying assumptions need to be representative but are currently not. They also need to be dynamic, as technology and knowledge, develops with time. This being said there should always be an avenue that allows new scores and measure to be added to the deemed score list. During CERT and CESP this worked very well because the deemed scores were based on the individual parameters behind measures. By over simplifying you end up complicating and eliminating measures.

In our view the current deemed scores are far too simplistic. Having lots of deemed scores does not make the administrative process any more difficult because the delivery process is the same. In fact it makes delivery easier with more scores accurately presented because it means that measures are installed with the correct amount of funding.

By amalgamating the scores, you indirectly eliminate the delivery of measures. This is shown clearly in our response to section 5. Therefore we propose more scores which have been accurately reflected in the underlying assumptions and methodology. Deemed scores are based on technical data so it is important to use this technical data rather than make decisions and assumptions based on opinion. Therefore our proposal is to ensure the opportunity to increase the scores and add measures is kept within the deemed score methodology. Facts and data must be accurately used, otherwise measures will be lost due to misrepresentation of the score for the measure in question.