

Anna O'Connor
Energy Efficiency and Social Programmes
Ofgem
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Canary Wharf
London
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Dear Anna,

OFGEM CONSULTATION ON UPDATING DEEMED SCORES FOR ECO3

We welcome the opportunity to respond to this consultation.

We supported the introduction of deemed scoring for ECO2t as it was expected to help BEIS meet its two key objectives (reducing costs and simplification) by limiting the administrative burden associated with Energy Performance Certificates (EPCs) and providing a fixed score for a measure or property type.

In our response to Ofgem's Percentage of Property Treated (POPT) survey in September 2017, we expressed our concern that deemed scoring did not appear to have reduced the administrative burden on suppliers due to the introduction of POPT. There was ambiguity around the interpretation of the way POPT was calculated which led to uncertainty for installers. We urged Ofgem to consider providing clearer ruling around deemed scores and POPT as soon as possible.

We are pleased that Ofgem are proposing simplification of deemed scores and a proposed alternative to POPT which we believe provide greater clarification for installers. We support the proposal to set the scores for the entire ECO3 obligation as we believe this helps provide clarity and certainty for all stakeholders.

Although we are in agreement with many of Ofgem's proposals, we would highlight the following points:

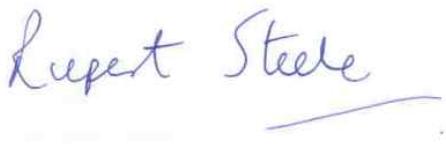
- We think the proposal to apply RdSAP v9.93 updates across all wall types which currently use a pre-installation U-value of 2.1 W/m²K is likely to result in savings being under-estimated, particularly in Scotland. We believe that more work needs to be done analysing the U-values from a larger sample of properties across Great Britain. In the meantime, we believe the current methodology, including a pre-installation U-value of 2.1 W/m²K, should be retained.
- In respect of room-in-roof insulation (RIRI), the proposed weighted average pre-install U-value of 1.14 does not accurately reflect the typical age of the room-in-roof treated under ECO to date and disadvantages older room-in-roof measures which we consider to be the main target. We believe that it is not sensible to

blend the RIRI U-values for pre-1983 and later properties. Either a separate score should apply for post-1982 properties, or they should be ineligible. This would allow for a weighted average U-value of 2.01 applicable to pre-1983 properties which we believe is a more accurate reflection of the pre-install U-value of RIRI measures notified under ECO. Without this change we do not believe RIRI will be viable under ECO3.

We have provided our responses to the consultation questions in Annex 1.

If you would like to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style with a long horizontal stroke at the end.

Rupert Steele
Director of Regulation

**CONSULTATION ON UPDATING DEEMED SCORES FOR ECO3
– SCOTTISHPOWER RESPONSE**

<p>Question 1: 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? Please provide reasons for your answer and include as much detail and evidence as possible.</p>					
Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	N/A
<p>Whilst we support Ofgem's aim to simplify deemed scores, we need to ensure that any changes do not lead to savings being under- (or over-) estimated.</p> <p>We are concerned that the proposal to apply RdSAP v9.93 updates across all wall types which currently use a pre-installation U-value of 2.1 W/m²K is likely to result in savings being under-estimated, particularly in Scotland. In particular, we would note that:</p> <ul style="list-style-type: none"> The research on which the RdSAP v9.93 updates are based only looked at a sample of 300 properties in England, of which only 33 were classed as non-standard solid walls (including some thin brick, stone (varying thicknesses) and system built walls). The small sample size and the wide spread of measured U-values across this classification suggests that more research and testing is required to ensure the assumptions are accurate. (We note that BRE consider samples of 30 or less are likely to be unreliable (page 21), so this sample is borderline, even before the wide spread is taken into account. Ofgem notes that RdSAP v9.93 did not provide updated U-values for wall types b ('System build as built') and c ('Timber frame as built'), but justifies removing the 2.1 W/m²K U-value for these property types on the basis that BRE analysis indicates there are relatively few of these types in the GB housing stock. Looking at data from over 4.4m EPCs in England and 2,410 in Scotland: 2.7% of properties in England and Wales are pre-1967 system built whereas 6.9% are pre-1965 system build in Scotland. We are concerned Ofgem's proposed approach ignores the higher incidence of system built properties in Scotland (and indeed the different mix of property types in Scotland and England more generally). <p>For these reasons we believe that more work needs to be done analysing the U-values from a larger sample of properties UK wide. In the meantime, the current methodology, including a pre-installation U-value of 2.1 W/m²K, should be retained.</p>					
<p>Question 2: Do you agree with our proposal to use the most up to date fuel prices available from the PCDB for the deemed scores throughout ECO3? Please provide reasons for your answer and include as much detail and evidence as possible.</p>					
Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	N/A
<p>Yes we support the proposal to use the most up to date fuel prices from the PCDB for the duration of ECO3. We believe retaining the same data for the entire 3½ years provides certainty and helps us with forward planning.</p>					

Question 3: 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
<p>Yes, in our response to Ofgem's survey on POPT in September 2017 we fed back that the introduction of POPT had not been welcomed by our delivery partners and we expressed concern over the ambiguity around the interpretation of the scoring. We asked for clearer ruling around deemed scoring and POPT as soon as possible.</p> <p>We welcome the proposed simplified approach as it removes the ambiguity for our supply chain partners.</p> <p>Our concern lies around how the 67% threshold required to claim the maximum savings will be interpreted and we believe Ofgem needs to be very clear within their guidance on how this will be determined and the evidence that will need to be provided. This guidance needs to be clear for suppliers, the supply chain and Technical Monitoring companies.</p> <p>We would also suggest Ofgem holds a workshop to explain their guidance to suppliers, the supply chain and Technical Monitoring companies plus some detailed communications on this specific aspect of the guidance.</p>					
Question 4: 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
<p>Yes, we support this simplified approach provided that Ofgem is confident that the use of English Housing Survey data to identify average treatable areas for these standard measures accurately reflects housing stock throughout Great Britain. Ofgem should be satisfied that this does not mean that savings in Scottish properties are underestimated due to differences in the housing stock.</p>					
Question 5: 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
<p>See our response to Question 4 – we want to ensure that Ofgem has taken Scottish Housing data into consideration</p>					

Question 6: 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
<p>Yes, we agree with Ofgem's approach to estimating the average treatable area of RIRI measures using data from the notifications to Ofgem in ECO2t.</p> <p>This appears to remove some of the ambiguity which we have experienced around these measures. We would also expect PAS specifications to provide clear guidelines for installers so that all involved in delivering ECO, including Ofgem, can be confident in all installations.</p> <p>For Park Homes, the proposal to use 80%, mid-point between the average of the few Ofgem notified measures (91%) and industry feedback of 70%, seems like a pragmatic approach given the lack of any alternative evidential data.</p>					
Question 7: 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
<p>Yes we agree with proposal one to allow these measures to claim 100% of the deemed score given the very low uptake of these measures and for the purpose of simplicity.</p>					
Question 8: 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
<p>Yes we support the minimum requirement that at least 67% of the property is treated and we would urge Ofgem to detail how the 67% is determined within their ECO3 guidance and the supporting evidence that they will require.</p> <p>We also believe that the detailed survey that an installer is required to produce under PAS should include accurate detail of the areas of the property that will receive a measure. We would suggest that Ofgem reviews the requirements detailed within PAS to ensure themselves that the PAS survey will clearly provide the level of detail required to support the 67% assumption.</p>					

Question 9: 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
<p>Yes, we agree with the proposed approach of using POPT to score measures which do not meet the 67% minimum requirement as this will help to accurately reflect the savings being claimed.</p> <p>We believe there are two approaches which could be considered:</p> <ol style="list-style-type: none"> 1) A full POPT calculation has to be carried out – rounded to the nearest 20% 2) The proposed POPT tables are amended to include additional categories such as 10%, 25% and 50% <p>We believe option 2 would be the simpler and the more attractive option for installers.</p>					
Question 10: Do you agree with our proposed format for deemed scores?					
Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	N/A
<p>Yes we agree with your proposed flat format as we believe this is the best format for integration with our IT system. It is also an easier format for adapting into look-up tables.</p>					
Question 11: 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
<p>Yes, this seems a sensible approach and is reflective of the properties where we have installed RIRI.</p>					
Question 12: 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
<p>Our experience is that RIRI is typically targeted and installed in older properties where the RIR is uninsulated. For this reason, we believe that the proposal to set a weighted average for the pre-install U-value to 1.14 does not accurately reflect the typical age of the RIR treated under ECO to date and disadvantages older RIR measures which we consider to be the main target.</p> <p>We believe that it is not sensible to blend the RIRI U-values for pre-1983 and later properties. Either a separate score should apply for post-1982 properties, or they should be ineligible. This would allow for a weighted average U-value of 2.01 applicable to pre-1983 properties which we believe is a more accurate reflection of the pre-install U-value of RIRI measures notified under ECO. Without this change we do not believe RIRI will be viable under ECO3.</p>					

Question 13: 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
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Yes and we would expect installers to provide this information on the boiler assessment check list. In addition we believe this evidence will be collected as part of the PAS pre-installation survey.

We also support the proposal that these systems can only be upgraded alongside insulation. However, the deemed scores need to be improved to ensure that these measures are installed in ECO3, as we do not believe the scores that are currently proposed are sufficiently attractive.

We note that that Ofgem has “updated the assumed post-installation efficiency of new mains gas and LPG boilers to reflect Boiler Plus requirements”. As Boiler Plus currently only applies in England, should there be a different deemed score for heating measures installed in Wales and Scotland?

Question 14: 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

Our understanding is that there is no suitable data source currently available.

The most straightforward approach would be to detail this information on the storage heater assessment checklist.

A relatively simple methodology that might be considered is for the electrician to identify that the product is a storage heater primarily designed to be used on an off-peak tariff. These products should be floor mounted and fixed to the wall as opposed to just fixed to a wall. There are two product types:

- (1) a product with electro-mechanical controls that has a single supply connected to the off peak meter;
- (2) a product with the same electro-mechanical controls but with two electrical supplies, the second of which is connected to a standard electric meter and is used to power an additional direct acting element, fitted to the front or base of the product.

These two product types cover all brands offering electric storage heaters with a response rating of 0.2 or less in the UK over the past 40 years.

There is currently a lack of clarity around storage heater installations under ECO, and this is preventing measures being installed.

Question 15: Do you agree with the proposed update to the park home insulation deemed scores? Please provide reasons for your answer, including as much detail and evidence as possible.

Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	N/A
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We support the proposal for the ECO3 deemed score for a park home to use a wall U-value of 1.2 W/m²K as this appears to more accurately reflect the construction of park homes.

According to Ofgem's latest delivery statistics (approved measures April 2015 to end of March 2018) only 11 park homes have been insulated under ECO. This is a very small sample size and it would be very difficult to determine from such a small sample size the percentage of the home that it is possible to insulate.

For park homes to be considered as a viable measure under ECO we would be looking for clear specification standards to be detailed within PAS to provide clarity and avoid any uncertainty.

A measure can be installed in a park home and a few years later the property can be disposed of due to the site owner's conditions. We are wondering if approval should be sought from the site owner to ensure that the property remains in situ for the life of the measure. This more rigorous approach would ensure that the investment in the measures will deliver its deemed saving.

Question 16: We are also interested in high-level and material issues which are relevant and material 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.

Ofgem needs to be comfortable that the deemed scores awarded to measures under ECO3 accurately reflect the housing stock in Great Britain, are fair and prevent any gaming by the supply chain. It is important that ECO3 can be delivered within the cost cap proposed by BEIS.

As ECO3 is 100% focussed on low income and vulnerable homes, we think it is unlikely that Affordable Warmth (AW) customers would be able to make a financial contribution towards energy efficiency improvements to their homes. For this reason we expect it will be necessary for substantially all measures to be fully funded.

Accordingly, we think it could be beneficial to review the deemed score for smaller properties. Our experience is that a significant proportion of the AW eligible homes are flats and small mid-terrace properties which are fairly easy to identify particularly in urban areas. Many of these properties are suitable for low cost insulation measures but, without an uplift to the deemed score, the cost of ECO delivery through measures in these properties is likely to rise. This means that it may be difficult for these smaller properties to benefit from ECO3 funding unless the cost of the programme rises due to a shortage of measures elsewhere. We would therefore encourage Ofgem to consider an uplift to the proposed scores for small properties located in urban areas. We believe it would be easy to define the urban areas where an uplift is allowed.

It is important that we have greater clarity around scoring and any supporting evidence required, so that there is no room for misinterpretation and to avoid any reviews by Ofgem at a later stage in the programme. The supply chain is threatening to exit the ECO market due to the lack of

clarity on some points and the risk of possible reviews in the future.

We would also welcome a more prompt turnaround with regard to information submitted to Ofgem, including with monitoring results, particularly score monitoring. This would remove lengthy periods when still waiting on determinations from Ofgem and measures remain at risk, which impacts or may impact on installers as well as suppliers. This also applies across to other queries, as there may be links to different teams within Ofgem.

We welcome the opportunity to work with Ofgem on the development of the new ECO Register. The design of the current register is restrictive and requires too much manual work around. We believe a more flexible system would ease the administrative burden for both Ofgem and Suppliers.

ScottishPower
May 2018