

ECO4 Scoring Methodology Consultation Part 1 – E.ON Response
4th October 2021

Q1 - Do you agree that full project scores should be based on starting and finishing intermediate SAP bands?

Yes, we agree that full project scores should be based on starting and finishing intermediate SAP bands. Splitting each SAP band into high and low, should mean that the deemed savings for ECO measures are more reflective of real life and make meeting the Minimum Requirement for each project more straightforward. It should also help to prevent gaming and fraudulent score inflation.

Q2 - Do you agree that scores should be segregated into four floor area segments?

Yes, we agree that scores should be segregated into four floor area segments. This will result in much fewer deemed scores than currently in ECO3 and will reduce both complexity and administrative burden.

We note that the third segment is particularly broad, with the floor area at the top of the segment being twice the size of the floor area at the bottom end. As the median point within each band has been used to calculate the scores, which in this band is towards the lower end of the range, we think that there is a risk that properties with a floor area above the median point could be disadvantaged. This could also have an unintended consequence of incentivising fraudulent activity to inflate the floor area of a property to above 200m² as the scores in the fourth band are calculated using a median floor area of 250m² and are therefore much higher.

Q3 - Do you agree with the methodology used to determine the full project scores?

Yes, we agree with the methodology used to determine the full project scores, the calculations align with SAP and ensure consistency with EPC band eligibility.

However, we would stress that when developing scores for district heating systems, that they should be calculated based on the specific technology type (for example, GSHP, biomass, energy from waste/renewables etc) rather than a blanket score for all DHS. This will be essential to ensure that certain technologies are not disadvantaged.

Our initial analysis suggests that the full project score is slightly higher than the combined un-deflated partial project scores. Therefore, if the methodology to determine the final SAP rating is based on a calculation of the deemed partial project scores, this would need to be reflected in the overall targets for suppliers. For example, if on average, the current full project scores are 5% higher than the combined un-deflated partial project scores, then the total industry target of £94m notional annual bill savings should also be reduced by 5%.

Q4 - Are you aware of any further advantages or disadvantages in respect of the options presented to determine the finishing SAP band?

In addition to the advantages and disadvantages of each option identified by Ofgem, we believe that the following points should also be considered.

Requiring a post installation SAP assessment will add more cost and resource into the process (both from a system development perspective, and for the assessors carrying out the survey) which could be detrimental to ECO4 as a whole, as the spend required would be better utilised on further installations.

Unless the pre and post SAP assessments are carried out by the same Retrofit Assessor/Domestic Energy Assessor (DEA), there is a risk that there will be inconsistencies with the measurements and assumptions used by the assessor. This could lead to an inaccurate final SAP rating.

The updated SAP assessment option will also require repeat visit(s) to the property and will cause further disruption to the householder, especially in instances where a measure is rejected. Conversely, this is a major advantage of the calculated final SAP rating method in that it will reduce the number of visits to each property.

A further disadvantage with the updated SAP assessment option is the difficulties and complexities in planning and forecasting as the final EPC rating will not be known until the post install assessment has been carried out.

Lessons should be learnt from earlier ECOs where a pre and post SAP assessment was required which caused many issues including significant gaming and manipulation of assessment inputs.

Q5 - What are your views on the advantages and disadvantages identified?

We strongly favour the calculated final SAP rating methodology and believe that the advantages of this method far out-weigh the disadvantages.

It will be much less administratively demanding, will require less sophisticated (and therefore costly) system development, and will provide certainty up-front for both suppliers and the supply chain. It will also enable suppliers to better forecast and plan their delivery strategies.

Q6 - Do you agree with the proposal to use pre-calculated deemed partial project scores based on the floor area, and starting intermediate SAP band?

Yes, we agree with the proposal to use pre-calculated deemed partial project scores based on the floor area and starting intermediate SAP band. This aligns with the full project scores and is a simple and straightforward approach. It also enables installers to forecast the outcome of a project before commencing any work.

We do have concerns about the application of a deflator to the partial project scores. Whilst this is intended as an incentive to ensure that projects meet the Minimum Requirement (MR), we believe that the fact that the number of projects that do not meet the MR will be capped will be sufficient incentive for suppliers to ensure that the vast majority of individual projects will meet the MR.

We also think that it is inevitable (especially if the deflation is set at the proposed level) that the supply chain will price to the deflated scores. This in turn will drive up the overall cost of delivering the scheme and could therefore mean that the £1bn per year spend envelope is breached.

Q7 - Do you agree with the process used to develop the partial project scores?

Yes, we agree with the process used to develop the partial project scores.

Q8 - Do you agree with the use of a single fixed correction factor to account for interactions between measures?

Yes, we agree with the use of a single fixed correction factor to account for interaction between measures. This seems a very pragmatic approach and based on the modelling data provided, we think that it is set at an appropriate level.

Q9 - Do you agree with the use of the actual percentage of property treated to determine the partial project score for a measure?

No, we strongly disagree with the use of the actual percentage of property treated (POPT) to determine the partial project score for a measure.

Given that in the vast majority of cases, the partial project scores will be superseded by a full project score, we see the continued use of POPT to be an unnecessary administrative burden on both suppliers and the supply chain, with no clear benefit to either.

We have seen in ECO3, that POPT causes much confusion for the supply chain. As scoring for ECO4 is already more complex than ECO3, retaining POPT will lead to many more mistakes being made which will require correction which again will add significant administrative burden for all parties, including Ofgem.

Under a PAS2035 regime, a Retrofit Coordinator is required to ensure that as much of the property that can be treated, will be treated. Therefore, the percentage of each measure installed to a property is a matter for TrustMark to enforce and not suppliers.

We think that there will only be a few scenarios where POPT could be relevant in a whole house approach under PAS2035, for example where there is more than one wall construction type. Therefore, if Ofgem do feel that a correction factor is necessary, we suggest that it is only applied in these instances, and not for all measure types.

Q10 - Do you agree with our proposal to calculate the innovation measure uplift by using the partial project score for the innovation measure?

Yes, we agree that the innovation measure uplift should be calculated using the partial project score for the innovation measure. It should also be added undiscounted to the final project score.

There should also be an allowance for more than one innovation measure uplift to be applied if more than one innovation measure is installed in a single project.

As the scoring for ECO4 will be more complex than current or previous ECOs, our preference would be that all uplifts are converted to simple percentages which will be known up front. This will make

it easier for the supply chain to understand and will make system development more straightforward and less costly.

Q11 - 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?

Yes, we agree with this proposal, but we think that the standard alternative methodology process should be streamlined and simplified, and that Ofgem should work to defined service level agreements in order to speed up the process.

It would also be helpful if manufacturers could engage directly with the Technical Assessment Panel (TAP) to present a summary of their product. This would enable the TAP to ask questions directly to the manufacturer and would remove some of the administrative burden required to have an innovative product approved.

We think that the proposals for the "data light" route seem sensible and should encourage innovation by reducing the complexity of evidence required under the standard route.

Q12 - Do you agree with our proposed evidence requirements for the data light route? If not, please inform us of your preferred requirements.

Yes, we agree with the proposed evidence requirements for the data light route, although some of the ambiguous terminology will need to be properly defined. For example, what is meant by "scientifically robust" and "sufficiently independent", and how small can a "small scale field trial" be?

We do not agree that measures approved via this route should be capped at 5,000. This is very limiting when broken down to individual supplier level and will be very hard to administer if more than one supplier is promoting the same measure independently, which could result in the cap being reached as a result of one supplier's promotion of the measure without the second supplier having any knowledge of this.

We suggest that if Ofgem choose to introduce a cap on these measures, then it is applied as a percentage of each supplier's overall obligation target.

Q13 - 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?

Yes, we agree with this proposal providing that there is a sufficient notice period for any resulting changes, and that the criteria for any decisions are clear and unambiguous.