

Energy Company Obligation (ECO4) Consultation: scoring methodology - part 2

Energy UK Response

21 January 2022

INTRODUCTION

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering over 80% of both the UK's power generation and energy supply for the 28 million UK homes as well as businesses. The energy industry invests £13bn annually, delivers £31bn in gross value added on top of the £95bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

This is a high-level industry view in response to part 2 of Ofgem's Energy Company Obligation (ECO4) Consultation on scoring methodology. Energy UK's members may hold different views on particular aspects of the consultation. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

EXECUTIVE SUMMARY

Energy UK welcomes the publication of part 2 of the ECO4 Scoring consultation. Overall, we believe Ofgem has continued to do a good job distilling what is a new and complex set of ECO4 proposals from BEIS which are still under consultation, into a potential scoring regime. We have provided detailed responses to the specific questions posed by the consultation, which are set out below.

As per our response to part 1 of the consultation, our overarching principle is that the scoring methodology for ECO4 needs to be as simple as possible, not only for suppliers, but also for the supply chain, Ofgem and customers. Additional and unnecessary complexity will only serve to ultimately place additional cost burdens on energy customers. With this in mind, it is also important that the policy and implementing regulations for ECO4 are fully aligned with the PAS:2019/TrustMark Framework.

Finally, while we welcome the further detail within this consultation, industry unfortunately needs more detailed information, including clarity from BEIS on final policy design, following their consultation last year on ECO4, to reach a firm position on some of the questions.

DETAILED RESPONSE

1. Do you agree with our proposed format for partial project and full project scores? Please provide reasons for your answer, and if applicable alternative suggestions with justification including as much detail and evidence as possible.

A. Energy UK is happy with the new format and file type. Using the CSV seems the most sensible option and can easily be incorporated into many systems.

2. Do you agree with our proposal to include fixed value uplifts into our scoring matrix and for fixed value uplifts to be notified as measures? If not, please indicate your preferred alternative.

A. Yes. The proposal appears sensible, and less complex. One area we would appreciate clarity, however, is whether the final version of these scores will already have the deflator added to them.

3. Do you agree with our proposal to require a post-retrofit RdSAP assessment to determine a project's finishing SAP rating (option 1)? Responses will be considered alongside those received on this topic during part 1 of our scoring consultation.

A. Please see our response to part 1 of the Scoring consultation, where we set out why Ofgem should make use of calculated scores for the post retrofit finishing SAP rating.

Whatever the option decided, however, suppliers should not be held accountable for validating these assessments, the responsibility for such oversight sits with Trustmark, PAS and EPC Accreditation bodies. Obligated suppliers should be able to rely on their auditing processes.

More generally, Energy UK welcomes the publication of BEIS's EPC action plan, highlighting BEIS continued commitment to improving the quality and oversight of EPCs. However, it is worth noting that the EPC action plan progress report does not yet demonstrate an entirely robust or suitable EPC methodology, and it is unlikely that the outstanding action points on the plan will be completed before the commencement of ECO4 (Currently only 11 out of the plan's 35 action points have been completed). With this in mind we would caution against any assumed or over-reliance on EPC's.

4. Do you agree with separate measure and project notifications? If not, would you prefer a single notification? Please suggest any pros and cons to either approach that have not been included above.

A. Energy UK members will respond to this question individually. We would, however, welcome clarification how the notification process could work without both if BEIS continues with a partial and full project scores approach. As a matter of principle, Energy UK supports efforts to ensure the simplicity of ECO4 administration.

5. Do you agree with our proposal to award deflated PPS to the final measure in a project? If not, please suggest an alternative.

A. Yes. It would be more complicated to have deflated PPS for some measures and not others.

6. Do you agree that in ECO4 we should continue to require supplier generated MRNs for all measures? If not, please propose any alternative options.

A. Yes.

7. Do you agree with our proposals for determining the point of completion for the project? Can you suggest any alternatives to determine that a project has been completed?

A. Yes, we agree. Ofgem's proposal is a good idea and shields against incentives to try and manipulate projects to achieve higher scores.

8. Do you agree with the assumptions used to develop the partial project scores? If not, please suggest where the assumptions should be changed.

A: Energy UK members will respond to this question individually.

Please note that we queried the input assumptions for the largest floor area category in part 1 of this consultation. Our concerns on this remain. The assumptions used should be for the potential ECO population, not for English housing stock overall.

More broadly, we would highlight that Energy UK continues to believe that the partial scores add unnecessary complexity to ECO4.

Finally, we also note that the scoring is currently based on SAP 2012 and believe if the scoring was based on SAP10 it would more accurately align with the ECO4 policy intent to transition to low carbon heating.

9. What are your views on our proposal to remove the wall type distinction for heating measures?

A. We support its removal as ECO4 already makes use SAP which considers the heating type, so it is no longer necessary and will simplify the process.

10. Do you agree with our proposal to split the standard heating control measure into a programmer and room thermostat measure and a TRV measure?

A. Yes, we agree. We support any changes where simplicity can be achieved.

11. Do you have any suggestions on how heating control measure category could be further simplified?

A. On the new basis of Boiler Plus coming into effect for Scotland and Wales, this would be a fortuitous time to remove compensation measures as a measure type and to reabsorb those scores back into boilers. As ever, we support any changes where simplicity can be achieved.

12. Do you agree with the proposed changes to the notification of rare heating systems? If not, please provide alternative suggestions.

A. Yes, we agree.

13. What are your views on our proposal to remove pre-main heat source for insulation measures?

A. As per Q9, as SAP takes the heating source into account, this proposal seems sensible.

We also note that falsification of pre-main heat sources accounts for a decent proportion of ECO3 fraud cases. If they do not need to be captured it is one less thing a supplier will need to build fraud detection processes against, which can be administratively heavy.

14. Do you agree that the number of u-value variants for solid wall insulation measures should be reduced? If not, please provide alternative suggestions.

A. Yes, we welcome the reduction in the number of variants and believe the five proposed variants more accurately align with both the current and proposed future Building Regulations.

15. What are your views on our proposal to have a combined park home insulation measure?

A. We support this proposal as it aligns ECO4 with PAS 2030:2019.

We also welcome that BEIS is producing a PAS guidance document on park home insulation which will provide clarity for the supply chain.

We would, however, welcome further guidance and definition on what constitutes a park home or mobile home under ECO4. Some members have reported confusion in ECO3 on when a property should be considered a solid wall bungalow or a park home. We would also suggest that the terminology relating to park and mobile homes throughout ECO4 guidance is limited to a single consistent term to avoid confusion.

16. Do you agree with our proposal to retain the distinction between single and double park homes by creating a “PHI single” and “PHI double” measure?

A. Yes

17. What are your views on the addition of partial project scores for pitched roof insulation, hybrid wall insulation and district heating system connection measures?

A. We would support the creation of scores for hybrid wall insulation and for district heating system connections. However, members views are mixed on the addition of new scores for pitched roof insulation.

18. Do you agree with the approach and assumptions used to derive the scores for the pitched roof insulation measure? If not, please provide alternative suggestions.

A. Members have a range of views on the new scores for pitched roof insulation.

It will, however, be important to define what level of existing loft insulation is present is acceptable for pitch roof insulation to be an acceptable measure. Whilst we would expect that improvements should be picked up by the RdSAP assessment it is likely that pitched roof insulation and loft insulation will be flagged as duplicates by Ofgem either within ECO4 or against previous schemes.

19. Do you agree with the approach and assumptions used to derive the scores for the district heating system connection measure? If not, please provide alternative suggestions.

A. Yes, we agree with the approach and assumptions and believe this should make district heating projects easier to manage with clear scoring.

For further information or to discuss our response in more detail please contact Dan Alchin at daniel.alchin@energy-uk.org.uk.