

ECO4 scoring methodology: part 2

British Gas response

Exec Summary

We strongly challenge the use of two scoring systems. We believe it would be better to use the partial project scores (we prefer the term: measure scores) without deflators when the MR is met or exempt.

On completion of the project, this would simply mean one of the following:

Score:	Measure scores without any deflation; uplifts if applicable	Measure scores with deflation*; uplifts if applicable	Measure scores with deflation; uplifts if applicable
Eligible projects	<ul style="list-style-type: none"> Project complete in time frame and MR met Project complete in time frame and MR not met but valid exemption Project complete and MR met but time limit fail (measures completed) 	<ul style="list-style-type: none"> In-fill Project complete and MR met but time limit fail (late measures) 	<ul style="list-style-type: none"> Everything else
Capped as a 'partial project':	Not capped	Not capped	Capped on completion

*We don't believe that deflators are needed if there is a cap on 'non MR' or that in-fill should be deflated. We also do not believe that imposing a 3 month time limit is helpful. We responded to BEIS accordingly on all these points and more. However we include in the table to show that PPS can work cleanly across all BEIS policy requirements.

The second element and source of complexity is the SAP points. From a policy point of view, we can see the appeal of the post-retrofit RdSAP assessment, but the administrative simplicity of deemed SAP points (option 2) should not be underestimated. The use of SAP 2012 for the PPS savings calculations, in conjunction with SAP 10.2 (in 2022/23) and SAP 11 (in 2025/26) to meet the Minimum Requirement will, without question, cause confusion and mistakes in delivery that could put installers in breach of contract.

The FPS methodology is a literal interpretation of a BEIS proposal. We believe that Ofgem has a responsibility, as experts in scheme administration, to advise BEIS of the appropriate course of action. The complexity of two points systems (PPS SAP points and RdSAP) and two scoring systems (PPS and FPS) applying to projects at different points in time cannot be the best course of action.

To the detail of this consultation, if BEIS is committed to Full Project Scores that are, amongst other things, detached from heating source and wall type, then such distinctions for

the Partial Project Scores seem inappropriate. Pre-main heating source should be removed from the partial project *heating* measures, as well as insulation as proposed in this consultation. The only time partial scores will apply to a completed project is in a negative outcome: when the Minimum Requirement is not met, not met in time or rescinded (rejection).

We have no objections against a PPS for DHS based on high-level assumptions, as we believe that the installer will be aware that the PPS savings and points are notional. We do not believe the same can be said of pitched roof insulation. The creation of partial projects scores developed “In the absence of specific data...” is another warning sound that is not being heeded.

It is unfortunate that Ofgem is spending so much time on the partial scores when, if the policy is a success, they will be replaced by the non-specific Full Project Scores.

We believe it would be better to use the partial project scores without deflators when the MR is met or exempt. This would allow a lower deflation rate of 10-20% to be applied and enable suppliers to use the contractual framework to manage delivery.

Question 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.

Yes.

We support the continuing use of a single, unformatted, comma separated variable file that is easy to integrate into IT systems.

We support publication of un-deflated PPS alone and likewise for FPS, without deflation or multiplier uplifts. This keeps the worksheets simple and clear. There could be other deflator variations beyond PPS that could get very confusing (e.g. in-fill, private rented including FPS). When the data is read into IT systems, calculations can be made as and when required.

Our only build is that we would recommend adding two columns showing the starting SAP points and ending SAP points, in addition to labels of low or high band. This reduces the likelihood of IT system programming errors, selecting the wrong band. It will also help individuals ad hoc use of the spreadsheet looking up specific scores.

Question 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.

Yes, we strongly agree that 'fixed value uplifts' should be treated as measures. As per our part 1 response, we recommend that the term 'uplift' is reserved for multipliers only (as per ECO3). We call these 'uplifts' *global measures*, because they are independent of starting SAP band and floor area.

Question 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.

No. We support option 2.

From a policy point of view, we can see the appeal of the post-retrofit RdSAP assessment, but the administrative simplicity of deemed SAP points (option 2) should not be underestimated.

The decision to introduce deemed scores in 2017 was to simplify the process for both consumer and installer, providing a strong degree of commercial certainty upfront, before the significant time and cost of full survey are incurred.

The multiple changes to SAP over the course of ECO4 means this certainty will be lost, making design of clear consumer propositions difficult again. The saving scores for both FPS and PPS will be based on SAP 2012. The PPS deemed SAP points will be based on SAP 2012. But the final SAP points will be based on SAP 10 or SAP 11.

The use of deemed SAP points would mean the end goal would be determined at the start of the project. There would be no confusion following SAP updates in 2022 and 2025. The

changes in 2022 are expected to be limited, heat pumps a notable exception. However, the SAP11 update in 2025 could be radical.

In addition to the incongruence noted above, we are unclear how Ofgem see the transition from SAP 2012 to SAP 10 working in practice (and likewise SAP 10 to SAP 11). The opening survey and starting SAP points will be calculated from one version and, at a much later date, the end SAP band from the next.

As a final note, we believe that there is no justification for operating two scoring systems when PPS can be adapted for both partial and final scoring. The use of deemed SAP points alongside the accompanying deemed measure scores is very compelling for its simplicity and transparency.

Question 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.

We can see the benefits of separate measure and project notifications for Ofgem but having only one template would be simpler for British Gas to administer.

The greater concern is the financial exposure for both supplier and installer created by the scoring set-up.

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

We agree that for completeness the final measure in a project should be awarded a PPS, but that is no defence against a delay between completion and Ofgem awarding FPS. It is very important that projects are notified complete as soon as possible after the last measure is installed, and that those projects are approved in a timely manner and awarded the FPS. The 'in progress' status of projects is a significant risk for suppliers, unable to confirm that projects have met the MR or will meet the MR in time.

The PPS revenue won't be sufficient to manage cash flows and we expect installers to require inflated prices to counter the score deflation, especially if experience shows a long delay before the FPS is awarded. This will make ECO more expensive than it needs to be and will increase costs on energy bills.

We believe it would be better to use the partial project scores without deflators when the MR is met or exempt. This would allow a lower deflation rate of 10-20% to be applied and enable suppliers to use the contractual framework to manage delivery.

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

Yes

Question 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?

Yes. In the event of separate project and measure notifications, it is vital that projects are notified complete immediately after the last measure is notified to avoid stranded projects.

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

Broadly speaking, yes.

We queried the input assumptions for the largest floor area category in part 1. Our concerns on this remain. The assumptions used should be for the ECO population, not for English housing stock overall.

And as noted in question 3, the use of SAP 2012 for the PPS savings calculations, in conjunction with SAP 10.2 (in 2022/23) and SAP 11 (in 2025/26) to meet the Minimum Requirement will cause confusion and mistakes in delivery that could put installers in breach of contract. This, along with the switch between PPS and FPS (and potentially back again), adds unnecessary complexity and administrative burden.

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

We agree that no wall type distinction should be made for heating measures.

If BEIS is committed to Full Project Scores that are detached from wall type per se, then such distinction for the Partial Project Scores is inappropriate.

Question 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?

Yes.

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

Reporting TRVs as separate measures in all cases is the most significant step that could be taken for simplifying the heating control category. Controls could be simplified further by adding weather compensation back into the heating measure score.

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

Yes.

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

We support the removal of the pre-main heating source for insulation measures.

As per Q9, if BEIS is committed to Full Project Scores that are, amongst other things, detached from heating source, then such distinction for the Partial Project Scores is inappropriate. For the same reason, the pre-main heating source should also be removed from the partial project *heating* measures.

It is unfortunate that Ofgem is spending so much time on the partial scores when, if the policy is a success, they will be replaced by the non-specific Full Project Scores in any case.

As stated in prior responses, we believe that there is no justification for operating two scoring systems when PPS can be adapted for both partial and final scoring.

Question 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.

No.

The type of solid wall properties treated under ECO4 is expected to be different so using ECO3 delivery as a guide is inappropriate. Reducing the number of variants offers less choice to installers. Unless contrary to building regs, the solid wall insulation variants should be left as is.

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

Agree

Question 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?

No. This is disproportionate to delivery. We expect very few park homes to receive the whole house solution of ECO4.

Question 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?

We support the creation of hybrid wall insulation. We have no objections to the PPS for DHS. However, we have concerns on the addition of new scores for pitched roof insulation.

A new measure presented this way could confuse some installers, tempted by partial project scores double the loft counterpart even though pitched roof insulation is typically more than double the cost.

The measure score will of course be irrelevant when the FPS supersedes the partial scores. The area of concern is then where the assumed SAP points offered do not match the final

SAP assessment (as raised in question 3). This is likely because the savings and points have been created using unverified assumptions¹

Ofgem will need to provide clear guidance on maximum level of any existing loft insulation allowed. Then, putting aside the scoring, if pitched roof insulation is going to be promoted under ECO4 then we recommend TrustMark is on the front foot regarding technical monitoring, learning lessons from previous iterations of ECO (RIRI in ECO2 and UFI in ECO3).

Question 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.

No. Please see question 17

Question 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.

We have no objections against a PPS for DHS based on the high-level assumptions given. Unlike pitched roof, we believe that the installer will be aware that the PPS savings and points are notional.

¹ Section 3.1.1.6 "In the absence of specific data...". Calculations of data to support ECO4 scoring methodology, BRE, January 2022