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Date: 12 December 2024

Dear Sir/Madam

**Ofgem's response to DESNZ Energy Company 4 (ECO4) and the Great British Insulation scheme (GBIS) Consultation on mid-scheme changes**

Ofgem is the GB energy regulator and a non-ministerial government department. Our principal aim is to protect the interests of current and future energy consumers and energy efficiency is central to this aim. We are the administrators of both the ECO4 scheme and GBIS scheme.

We welcome the opportunity to respond to the Department for Energy Security and Net Zero (DESNZ) consultation on ECO4 and GBIS proposed amendments. We have provided responses to all questions that relate to our administration of ECO4 and GBIS and Ofgem's interests more widely.

We look forward to continuing to work with DESNZ in relation to our administration of both schemes, contributing to moving to a cleaner, greener energy system whilst providing support to customers in vulnerable circumstances at risk of fuel poverty. We recognise and support the government's ambition for improving the energy efficiency of our homes as part of a long-term solution for reducing energy bills and tackling fuel poverty. Should you wish to get in touch with us about this response, please do so by emailing [ECO@ofgem.gov.uk](mailto:ECO@ofgem.gov.uk).

Yours faithfully



**Andrew Abraham**  
**Policy and Schemes Deputy Director**

# Contents

<b>Contents .....</b>	<b>2</b>
<b>Part 1: Mid-Scheme Changes to Current Requirements .....</b>	<b>4</b>
<b>Chapter 1.1: Deliverability .....</b>	<b>4</b>
Question 1 .....	4
Question 2 .....	5
Question 3 .....	5
Question 4 .....	5
Question 5 .....	6
Question 6 .....	6
Question 7 .....	7
Question 8 .....	7
Question 9 .....	8
Question 10 .....	9
Question 11 .....	9
Question 12 .....	9
Question 13 .....	10
Question 14 .....	11
Question 15a .....	12
Question 15b .....	12
Question 16 .....	12
Question 17 .....	13
<b>Chapter 1.2: Installation Standards .....</b>	<b>13</b>
Question 18a .....	13
Question 18b .....	13
Question 19a .....	14
Question 19b .....	14
Question 19c .....	14
Question 20 .....	14
Question 21 .....	15
Question 22 .....	15
Question 23 .....	15
Question 24 .....	15
Question 25 .....	16
Question 26 .....	16
<b>Chapter 1.3: Minor ECO4 and GBIS Policy Amendments .....</b>	<b>17</b>
Question 27 .....	17
Question 28 .....	17
Question 29 .....	17
Question 30 .....	19
Question 31 .....	19
Question 32 .....	19
Question 34 .....	20
Question 35 .....	20
<b>Part 2: Pay-For-Performance .....</b>	<b>22</b>
<b>Chapter 2.1: PFP Introduction .....</b>	<b>22</b>
Question 36 .....	22
Question 37 .....	22
Question 38 .....	23
<b>Chapter 2.2: The SMETER Method .....</b>	<b>24</b>
Question 39 .....	24
Question 40 .....	24
Question 41 .....	24
Question 42 .....	24
Question 43 .....	25

Question 44 .....	25
Question 45 .....	25
Question 46 .....	25
Question 47 .....	25
Question 48 .....	26
Question 49 .....	26
Question 50 .....	26
Question 51 .....	27
Question 52 .....	27
<b>Chapter 2.3: Data Journey and Audit.....</b>	<b>28</b>
Question 53 .....	28
Question 54 .....	28
Question 55 .....	28
Question 56 .....	29
Question 57 .....	29
Question 58 .....	29
Question 59 .....	30
Question 60 .....	30
Question 61 .....	31
Question 62 .....	31
Question 63 .....	31
Question 64 .....	32
Question 65 .....	32
Question 66 .....	32
Question 67 .....	33
<b>Chapter 2.4: Measures and Eligibility .....</b>	<b>34</b>
Question 68 .....	34
Question 69 .....	34
Question 70 .....	34
Question 71 .....	35
Question 72 .....	35
Question 73 .....	36
Question 74 .....	36
Question 75 .....	36
Question 76 .....	37
Question 77 .....	37
Question 78 .....	38
<b>Chapter 2.5: Scoring and Incentives .....</b>	<b>40</b>
Question 79 .....	40
Question 80 .....	40
Question 81 .....	40
Question 82 .....	41
Question 83 .....	41
Question 84 .....	41
Question 85 .....	41
Question 86 .....	42
Question 87 .....	42
Question 88 .....	43
Question 89 .....	43
<b>Chapter 2.6: Cross Policy Linkages.....</b>	<b>44</b>
Question 90 .....	44

## Part 1: Mid-Scheme Changes to Current Requirements

### Chapter 1.1: Deliverability

#### Question 1

#### **Do you agree that a household should be able to receive both loft and cavity wall insulation under GBIS?**

We agree with this proposal, as allowing two insulation measures to be installed in the same GBIS project would increase the cost-efficiency of the scheme, therefore increasing delivery and supporting the supply chain. However, we are unsure how significant the impact of this change would be.

Under current rules, an insulation measure is not allowed at a home which has already received one under GBIS. When permitting the installation of multiple insulation measures, it is important to clearly define rules around the timing of installation to decrease the likelihood of stakeholders misinterpreting the rules.

We agree that, when two insulation measures are installed in the same home, they must be installed as part of the same project. First, this would be consistent with the rule that heating control measures must be installed as part of the same project, as well as with ECO4 rules on projects. Second, it would promote holistic treatment of the property and consideration of the interaction of multiple measures, as per the PAS 2035 whole-house approach.

On ECO4, suppliers may apply for an installation extension, which if granted allows measures in the same project to be installed more than three months after the installation date of the first measure in the project. Allowing the installation of multiple insulation measures as part of the same GBIS project is likely to increase their complexity, the likelihood of delays, and the potential need for the scheme's own installation extension mechanism. We therefore suggest DESNZ consider whether a similar, or the same, mechanism should be introduced on GBIS.

We suggest there is greater flexibility around which two measures are installed as this would lead to more homes being reached by GBIS. Loft and cavity wall insulation may not be the most suitable measures for each property, or a property may already benefit from one of these measures. An alternative combination could be better determined by the retrofit assessor.

## **Question 2**

**Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation?**

We believe the commencement date of the legislation would be a more suitable implementation date for this policy as it would provide a legal basis to immediately process relevant measure notifications. The commencement date of the legislation would also provide obligated suppliers with policy certainty, and we question the extent to which they would engage with the policy from an earlier date without it. In addition, we are unlikely to be able to update systems to administer this change before the legislation comes into effect. We do, however, recognise the limited time before scheme-close and, therefore, the duration of the policy if the effective date is from the commencement date of the legislation.

## **Question 3**

**Do you agree that smart thermostats should be an eligible secondary measure for owner-occupied households in the low-income group?**

We agree for the same overall reasons provided in our response to Question 1. Including smart thermostats as an eligible secondary measure under GBIS for low-income groups will bring GBIS into closer alignment with ECO4 measure eligibility rules, reducing complexity and increasing overall delivery.

## **Question 4**

**Do you agree that we should allow this change to be effective from the date of consultation? If not, would you prefer the change to be effective from the date of Government Response, or the commencement date of the legislation?**

For the same reasons as given in our answer to Question 2, we consider the commencement date of the legislation to be a more suitable implementation date for this policy.

## Question 5

### **Do you agree with allowing projects meeting the current ECO4 rules to count towards an obligated supplier's GBIS obligation?**

We agree with this proposal as it would help suppliers meet their GBIS obligations and of proposals to (best) address the significant under-delivery to date. As stated in the consultation, the aim is to make GBIS more attractive, and using the existing supply chain appetite for ECO4 delivery is a cost-effective way to do so.

It is in the interest of direct scheme beneficiaries, green industries, and the broader public in enabling suppliers to maximise delivery of energy efficient measures to achieve their obligations. This aligns with Ofgem's duty to support net zero ambitions and economic growth, and protect the interests of current and future energy consumers, particularly those in vulnerable circumstances.

We would prefer this policy to be as simple as possible, where annual bill savings associated with selected ECO4 projects can be earmarked to count towards the GBIS obligation, as opposed to moving projects themselves. In this way, projects would continue to belong to ECO4 in every other sense and scheme reporting would reflect *actual* delivery under each scheme.

## Question 6

### **Do you agree with our preferred option of a transitional arrangement that enables projects that have met the ECO4 rules during all phases of GBIS to be capable of counting towards GBIS obligations in phase A, B, or C? Please provide reasons why**

We support the preferred approach. We believe it will increase the likelihood that suppliers will be able to achieve their GBIS obligations, and given the circumstances, it is a fair and considered proposal.

We know the sector has faced some challenges in achieving their GBIS obligations including some which are a result of external factors. We, therefore, believe it is justified to introduce a change that will apply to all phases, and do not perceive this to be a reduction in the obligation placed on suppliers. Pursuing the preferred option would be consistent with Ofgem's administrative value of supporting suppliers to be compliant with their obligations.

Whilst we support suppliers increasing their delivery of GBIS measures and meeting their GBIS obligations, we believe that options 2 or 3 may be less effective in achieving the stated policy aims of increasing delivery within GBIS phases. For example, phase A has now closed, and it is now not possible to deliver additional GBIS measures towards it, so it is not possible for suppliers to 'catch up'. Therefore, for suppliers to be able to meet their phase A obligation, ECO4 projects would need to be countable towards phase A delivery.

It is also important to define 'completed projects' as this will determine whether certain projects can count towards a particular phase of GBIS, this might influence which is the preferred approach. The consultation proposes for it to be possible for ECO4 projects *completed* within the corresponding GBIS phase to be counted towards GBIS. Some projects are never notified as complete (receiving only partial project scores) and so would not be eligible to be counted towards GBIS Delivery, however this number should be limited by the partial project score cap. If projects that have not been notified as completed could be counted towards GBIS, there is a risk that they could be later notified as completed and receive a full project score, thus changing the score of the projects after they have been assigned to GBIS.

## **Question 7**

**Assuming the changes proposed in this consultation take effect, what proportion of your GBIS obligation is achievable?**

We do not have a comment on this question.

## **Question 8**

**Do you agree that the proportion of GBIS obligations that can be achieved via delivery under current ECO4 rules should be limited? What should the limit be? Please provide as much detail as possible.**

We agree that this mechanism should be capped so that ECO4 projects that count towards GBIS obligations only make up the projected shortfall of a supplier's GBIS obligation, rather than replacing all GBIS delivery. This is to ensure both GBIS and its policy outcomes are preserved to a reasonable extent, and to support the fulfilment of GBIS contracts already in place.

Despite the challenges faced under GBIS, we do think it is important that the GBIS obligation is fulfilled by GBIS projects to a reasonable extent, considering the external factors that have made delivery for suppliers somewhat challenging. Therefore, a cap is required as obligations should not be diluted beyond what is necessary.

## **Question 9**

### **Do you agree that a conversion factor should be applied to projects meeting the current ECO4 rules that count towards GBIS?**

We support an appropriate conversion factor being applied to ECO4 projects which count towards achievement of GBIS obligations. We understand that the conversion factor would effectively enable achievement of GBIS obligations (through the delivery of ECO4 projects) at a cost more closely aligned to the GBIS impact assessment. This is preferable to not having a conversion factor, as this enables suppliers to recover costs of delivery through customer bills that are more closely aligned to actual costs incurred.

It is important that there is full consideration and clarity for suppliers of the potential impacts and interactions of this policy on sub-obligations. If the cost of a project contributing towards an ECO4 sub-obligation is not considered as part of the conversion calculation, it would seem appropriate for these costs to remain attributed towards achievement of the ECO4 sub-obligation.

The proposed conversion factor/s have been modelled assuming that the reforms proposed within the consultation are implemented. We support this approach, however, are mindful that until these proposals are realised through changes to the legislation, it is impossible to predict the level of uptake, e.g. measures under the new TrustMark Licence Plus standard, and therefore, setting of the conversion factor carries a risk that it could ultimately not fully serve the purpose intended.



### Question 10

**Do you agree with our estimate that the cost of achieving an ABS under GBIS would be £24.84/ABS with the proposed scheme changes? Do you agree that the cost of achieving an ABS under ECO4 (excluding EFG and SWI minimums) would be £17.87/ABS?**

We do not have a comment on this question.

### Question 11

**Based on your interpretation of the costs per ABS for GBIS and ECO4, what conversion factor do you think 1 ECO4 ABS should be subject to in order to help keep total costs within £1 billion. Please provide answers based on:**

- **A maximum of 25% of GBIS ABS being achievable through ECO4.**
- **A maximum of 50% of GBIS ABS being achievable through ECO4.**
- **A maximum of 75% of GBIS ABS being achievable through ECO4.**

We do not have a comment on this question.

### Question 12

**We are not considering utilising TMLP for ECO4 at this time. Do you agree with our approach?**

We agree with the approach outlined in the consultation. TMLP for ECO4 may expose the household to risks around ventilation and moisture build-up, which is especially pertinent given that ECO4 is designed to deliver whole house, multi-measure retrofits. The way in which measures interact with one another, and the fabric of the property, are important to avoid unwanted outcomes, such as thermal bridges. PAS 2035, by design, better facilitates the whole house approach by assessing the property holistically and recommending a suite of measures that, when considered together, can improve the property's energy efficiency while mitigating risks.

Additionally, there appears to be little utility for suppliers and the wider industry in implementing TMLP for ECO4. The version of TMLP outlined in this consultation has been

designed for single measure LI (loft insulation) (or when HCs are installed alongside a single measure) installations, which are less desirable than multi-measure installations in ECO4 given the minimum requirement for SAP band improvement that projects must meet to be awarded a full project score. As of 03 December 2024, standalone LI measures comprise around 0.001% of total notified ECO4 measures.

### **Question 13**

**Considering the details set out here and by TrustMark do you agree with the proposal to introduce the version of TMLP for use in GBIS for loft insulation when delivered as a single measure (and heating controls when paired with loft insulation)?**

We broadly support a move to drive delivery of GBIS measures by making the installation of low-risk loft insulation (LI) measures more cost effective. We do not anticipate any administrative or resourcing issues for Ofgem as a result of introducing TMLP for GBIS. However, we highlight the risk to consumer protection when considering the implementation of an alternative installation standard. Different installation standards within GBIS may confuse the supply chain and risks fragmenting the quality assurance regime for consumers, which would be especially undesirable given there are already issues with adherence to existing PAS 2035/2030 standards in GBIS (and ECO4) which can be observed in queries we receive, as well as in some high-profile media reports. As such, we wish to stress that our long-term preference is for a single installation standard (see our response to Question 16), and that TMLP for GBIS, if taken forward, should be utilised for the remainder of the scheme only.

We recognise that while modelling indicates that the adoption of TMLP for GBIS would increase LI delivery by reducing compliance costs, a key benefit of PAS 2035 is the development of a medium-term improvement plan. However, if the householder wishes to proceed with further energy efficiency measures, they will require a further evaluation of their property under the PAS 2035 framework, and the initial cost benefit of utilising TMLP for GBIS may be lost.

We welcome many of the proposals identified by the working group in designing TMLP for GBIS, including the assessment requirements, independent monitoring, and the obligation for work to be completed under the PAS 2035 framework if the retrofit assessor deems work carried out under TMLP for GBIS to be too risky. These proposals go some way to

addressing the concerns we previously raised in response to the ECO+ consultation regarding the adoption of TMLP for GBIS.

We agree that if TMLP for GBIS is to be introduced, it should be for LI (and heating controls (HCs) when paired with LI) only. Government estimates suggest that there are more homes with uninsulated lofts than is the case for other insulation types such as cavity walls<sup>1</sup>, so this proposal could positively affect a greater proportion of households and ensure support for them. Limiting TMLP for GBIS to single LI measures will also bolster consumer protection where LI and cavity wall insulation (CWI) are installed as part of the same GBIS project (see question 1 of this consultation and our response), by ensuring that both are installed to the same, more rigorous PAS 2035/2030 standards.

#### **Question 14**

**For the adapted version of TMLP, have sufficient risks been identified and addressed in Table 1 above? If there are other stakeholder concerns that have not been identified in Table 1, please provide details of such concerns and proposed mitigations.**

We do not have a comment on this question.

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<sup>1</sup> [Household Energy Efficiency Detailed Statistical Release, March 2024](#)

### Question 15a

**Given the structure of the version of TMLP suitable for GBIS, what are your views on the average cost assumptions for compliance with its processes (forecast at approximately £400 to £500)?**

- **Yes, £400 to £500 is about right**
- **No, cost would be significantly higher (£601 or more)**
- **No, cost would be slightly higher (£501 to £600)**
- **No, cost would be slightly lower (£300 to £399)**
- **No, cost would be significantly lower (under £300)**
- **Don't know / Prefer not to say**

We do not have a comment on this question.

### Question 15b

**What do you think could be the main drivers for any potential savings between the costs of compliance with PAS 2035/2030 and the costs of compliance with TMLP for GBIS?**

We do not have a comment on this question.

### Question 16

**Given the forecast costs of the version of TMLP suitable for GBIS, and the potential impact on GBIS delivery, do you agree its introduction in the final year of the scheme would have a sufficient impact to make it worthwhile implementing? If there is any additional information you would like to add, please provide details.**

We believe that if the implementation of TMLP for GBIS is deemed to be worthwhile to drive delivery in the final year of the scheme, it should be done so with a view to bringing the framework under a single, unified standard in the future (previously identified as 'Pathway to PAS' (a proposed annex to PAS 2035)). We expect an update to PAS 2035 to be developed in 2025, and we anticipate that it will be closely aligned with TMLP for GBIS's focus on the first measure in the retrofit project. A single installation standard ensures

consistent practice across the retrofit industry, simplicity and uniformity between Government energy efficiency schemes, and would better uphold consumer protections.

#### **Question 17**

**Are there any other changes, not proposed in this consultation, that you believe would increase levels of delivery under GBIS? If yes, please provide details.**

We will continue to discuss any suggestions around policy and scheme design through our existing forums with DESNZ.

## Chapter 1.2: Installation Standards

#### **Question 18a**

**DESNZ's cost assumption for compliance with PAS 2035/2030:2019 processes is £1,030 per property retrofit (in 2023 prices) for both ECO4 and GBIS. The assumed cost does not vary according to how many measures are installed. Roughly what is the average cost you have experienced complying with the current PAS 2035/2030:2019 processes per property retrofitted? Please answer for both multi-measure and single-measure projects that have upgraded the fabric of a building, as relevant.**

We do not have a comment on this question.

#### **Question 18b**

**If you believe that the average cost does not fall between £900 to £1,100, please provide us with any information on ECO4 or GBIS PAS 2035/2030:2019 compliance costs per project to evidence lower or higher costs.**

We do not have a comment on this question.

### **Question 19a**

**In September 2023 a new version of PAS 2035/2030 was published.**

**Roughly what is the average cost you would expect for complying with the PAS 2035/2030:2023 processes per property retrofitted? Please answer for both multi-measure and single-measure projects involving an upgrade to the fabric of a building, as relevant.**

We do not have a comment on this question.

### **Question 19b**

**Please provide us with any information to evidence why you believe the compliance costs to be within the range you chose.**

We do not have a comment on this question.

### **Question 19c**

**What, if any differences, between PAS 2035/2030:2019 and PAS 2035/2030:2023 processes are driving any changes in costs?**

We do not have a comment on this question.

### **Question 20**

**We would like to understand more about the compliance costs of PAS 2035/2030. Please provide details on what you feel are the key cost drivers. For example, the PAS process, the need to use qualified professionals, the need to complete paperwork to demonstrate compliance with the PAS etc.**

We do not have a comment on this question.

## **Question 21**

**What do you think the minimum certification requirements for low carbon heating and microgeneration installations should be under ECO4?**

Where equivalence is required by government, we welcome the alignment of this requirement with other government schemes such as the Boiler Upgrade Scheme in requiring Secretary of State approval. This would help ensure certification requirements are suitable, and the decision maker is clearly identified.

## **Question 22**

**Do you agree that the policy intent could be made clearer to facilitate Ofgem's ability to reject measures which have been identified as non-compliant by TrustMark?**

We support this proposed amendment.

## **Question 23**

**Do you agree with our proposal to allow individuals with at least a Level 2 Technical and Vocational Qualification, or equivalent, to undertake a report substantiating the need for extraction of cavity wall or loft insulation for the purposes of determining building fabric repair expenditure?**

We would support any change that would allow for more efficient and cost-effective delivery in the supply chain, whilst reducing non-compliance and fraud risk. However, at a minimum, standards should be at a level which is no lower than what is currently required by ECO.

## **Question 24**

**Are there any specific Level 2 Technical and Vocational Qualification qualifications, or equivalent, which would be most appropriate for those conducting this report?**

We do not have a comment on this question.

### **Question 25**

**Do you think a Chartered Surveyor continues to be suitably equipped to conduct this assessment.**

We do not have a comment on this question.

### **Question 26**

**Do you agree with amending the purpose of the assessment under article 62(2)(d)(i) of the ECO4 Order from; "identifying potential efficiency measures for improving the energy efficiency of the premises", to; "assessing the condition of the insulation and related building fabric", to more accurately reflect the role undertaken by the assessor?**

We support this amendment as it accurately reflects the role taken by the assessor, and it accurately describes what an assessor can do.



## Chapter 1.3: Minor ECO4 and GBIS Policy Amendments

### Question 27

**Do you agree with our proposal to update legislation so that SGLs can be evidenced by SAP assessments where they are installed alone, or alongside Data Light Measures?**

We have concerns around SAP assessments falling outside of TrustMark's lodgement process due to the increased risk to consumer protection and quality assurance in SGL projects. Given the imminent adoption of SAP/RdSAP 10.2 in ECO4, which appears to resolve the differences in how DHCs are treated between SAP and RdSAP 2012, we believe that there is merit in exploring whether to require all measure types to be assessed using RdSAP, instead of pursuing the approach of having some measure types assessed using SAP. The use of SAP assessments for DHCs adds complexity to the scheme. Having all measure types assessed using RdSAP would resolve this.

### Question 28

**Are there any other barriers to delivering SGL projects under ECO4 we should be aware of?**

We do not have a comment on this question.

### Question 29

**Our objective is to ensure consumers receive the maximum benefit from their retrofit measures by encouraging smart metering uptake. Which of the following is your preferred method for achieving this aim and why?**

- **Option 1 – Voluntary consumer pledge**
- **Option 2 – Consumers agree smart meter installation (to be arranged by their energy suppliers)**
- **Neither – the current process of providing smart meter advice to ECO4 and GBIS consumers should remain as it is now**

- **An alternative approach – please provide details of how your preferred approach is practicable for scheme deliverability and data privacy**
- **No view**

Of the listed options, our preference is for 2a as we believe it provides the best opportunity to meaningfully increase smart meter installations.

We believe that making the process of getting a smart meter quicker and easier for the consumer is a reliable way of increasing smart meter uptake. Option 2a does this by putting the onus on the supplier to follow up, and no extra effort is required from the consumer.

Regarding Option 1, voluntary pledges have a proven positive impact where an individual is (a) motivated to perform a certain behaviour but (b) has trouble sticking to it in the long term.<sup>2</sup> However, given that getting a smart meter does not fit these criteria, we believe that this option would be less effective in achieving the desired policy intent.

We question whether consumers who do not already have a smart meter would be meaningfully motivated to contact a supplier for one. Government targets have actively encouraged suppliers to install smart meters in as many homes as possible. If the various methods employed have not encouraged uptake among the target group already, it is not clear how a pledge would. It is likely that the active engagement component (needing to contact the supplier to arrange a date) means that these consumers are deterred from the process or simply forget to start the process.

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<sup>2</sup> Please see below for examples of voluntary pledges working, in the context of the individual being motivated to enact change.

Savani, Manu Manthri. '[Can Commitment contracts boost participation in public health programmes?](#)' Journal of Behavioral and Experimental Economics 2019: Volume 82 (viewed on 7 November 2024).

Wen Nig S and others. '[The Healthy Weight Commitment Foundation Pledge](#)' AJMP 2014: Volume 47 Issue 4, pages 508-519 (viewed on 7 November 2024).

### **Question 30**

**If Option 1 is your preferred option:**

**Were Option 1 to be implemented, how would you refine the approach to maximise its effectiveness? For example, what is the correct point to contact consumers?**

We do not have a comment on this question.

### **Question 31**

**If Option 2 is your preferred option:**

**Please provide descriptions of how this methodology could operate in practice for a) voluntary and b) mandatory agree to a smart meter installation to receive retrofit funding. Please include information on data sharing routes, and how adverse impacts on deliverability can be minimised.**

While Option 2a is our preferred option, we consider factors such as methodology, data sharing methods and privacy to be matters primarily for industry. As such, we do not have a comment on this question.

### **Question 32**

**Do you think that Option 1 would impact scheme delivery for ECO4, GBIS and/or smart meter targets, and if so, how? Please provide evidence to support your response.**

We think that Option 1 could have a negative impact on scheme delivery. Whilst it does not create a direct barrier to scheme participation as Option 2b does, some consumers could mistakenly believe that a signed pledge would be in some way binding, which may discourage them from consenting to the retrofit itself.

### **Question 33**

**Do you think that Option 2 would impact scheme delivery for ECO4, GBIS and/or smart meter targets if it involved either:**

**Option 2a) a voluntary agreement for a smart meter installation; or**

**Option 2b) a mandatory agreement for a smart meter installation?**

**If yes, please provide evidence to support your response.**

We do not think that Option 2a would impact scheme delivery any more or less than the current smart meter requirements on ECO.

We believe that the mandatory Option 2b would have a negative impact on scheme delivery as it would introduce a direct barrier for some consumers to participate. Under this option, a consumer who does not want a smart meter is less likely to agree to a retrofit.

### **Question 34**

**Do you agree with our proposal to update the “rural area” definition in line with the planned ONS and Scottish Government updates?**

We agree with the proposal to update the ECO legislation to reflect the latest available data. In principle, we support any effort to align the schemes we administer with the latest industry data and standards. Doing so in this case will allow for more accurate targeting of the rural uplift.

### **Question 35**

**If transitional arrangements are required, which transition option would you prefer and why? If you would prefer a different transition option, please provide details.**

We prefer an arrangement that minimises increased scheme complexity or changes to our current systems.

We currently validate a project against the rural area dataset at the date of project notification, whereas the two transitional options propose different dates. They also propose arrangements in which we would have to simultaneously host both the old and

new datasets, validating projects against one or the other depending on the validation date. Changes such as this would require significant changes to our systems and increase scheme complexity.

If possible, we recommend an option whereby validation is made against a single dataset on the date of project notification to reduce systems changes and scheme complexity.

## Part 2: Pay-For-Performance

### Chapter 2.1: PFP Introduction

#### Question 36

##### **Do you plan to participate in PFP in ECO4 and/or GBIS?**

We do not have a comment on this question.

#### Question 37

##### **Where development time available to industry for PFP appears limited, would you favour government introducing PFP to ECO4 and GBIS or introducing PFP into any successor ECO scheme?**

Our preference is for PFP to not be implemented in the current ECO4 and GBIS schemes and recommend postponing the introduction of PFP to future ECO schemes. Introducing PFP so late in the scheme is unlikely to result in significant delivery, and the potential gains are therefore small. The risk, cost, and short timescales left in the current scheme, we would argue, outweigh the limited benefits and risks of delivering it in the same period.

We support the policy intent of driving greater improvement in energy efficiency measures, and favour collecting data on actual versus assumed performances to evaluate SAP's accuracy in rating measures. However, this is a complex mechanism still under development, only one heating season remains on current schemes and as such it will have limited benefits impact for supplier delivery. Supply chain uncertainty at early policy design stages, with limited realisation timeframes, may also impact engagement levels and could undermine PFP policy intent.

The complexity and administrative burden added to both ECO4 and GBIS will be high. For example, PFP will bring new data collection requirements, both through the extraction of data from TrustMark, and through notifications received from suppliers. The uplift itself is also complex and will require scoring calculations to be adjusted.

This work will be required across both schemes if introduced under mid-scheme changes, whereas implementation under a successor scheme would only require development on a single track. This would provide more time for development, as well greater opportunities

to engage with suppliers. As we are already approaching the end of the two current schemes, increasing development needs at this stage, particularly from a digital perspective, could take away from other needed developments for current schemes, as well as time and resource available for developing a successor scheme. Therefore, whilst we support the aims of PFP, we think the likelihood of uptake and delivery numbers impact on the benefits of introducing it so late into the schemes and are outweighed by the administrative burden and complexity added, and the potential value for money when contrasting the administration costs and the resulting benefits from the scheme.

At the same time, we understand the benefits of starting sooner rather than later such as working with SMETER providers, including approving them through the panel led by DESNZ and developing a suitable compliance oversight regime.

### **Question 38**

**Do you agree with our proposal to limit ECO4 & GBIS PFP to SMETER methods? If not, what approaches do you think we should allow and why?**

We agree with the proposal to limit ECO4 and GBIS PFP to SMETER methods.

## Chapter 2.2: The SMETER Method

### Question 39

#### **Do you agree with the PFP application scope we have proposed?**

At this stage, we do not have sufficient information to comment on this question.

Please view our responses to Questions 40 and 52, where we have provided more detail on the PFP panel and application process.

### Question 40

#### **Do you agree with the proposed role of the PFP Panel?**

We agree with the PFP Panel's role. Ofgem would be open to being a member of the panel but as there are no specific details of the roles and responsibilities, we would be keen to know more about this. This will help ensure that we are best placed to be on the Panel with the most appropriate person(s).

Please also see our response to Question 52.

### Question 41

#### **What additional information should SMETER applicants be required to provide if anything, and why?**

We do not have a comment on this question.

### Question 42

#### **Do you agree with us that updates or modifications to SMETER algorithms should be notified to the PFP Panel?**

We do not have a comment on this question.



#### **Question 43**

**Do you agree with our approach for validating the accuracy of Type 1 SMETERS? If not, what alternative do you suggest?**

We do not have a comment on this question.

#### **Question 44**

**Do you agree with our approach for validating the accuracy of Type 2 SMETERS? If not, what alternative do you suggest?**

We do not have a comment on this question.

#### **Question 45**

**Should we use a synthetic dataset, a real dataset or both when assessing SMETER accuracy, or another approach entirely? Please explain your answer.**

We do not have a comment on this question.

#### **Question 46**

**If we were to rely on synthetic datasets for assessing SMETER accuracy, do you agree with our preference to exclude survey data? If not, why not?**

We do not have a comment on this question.

#### **Question 47**

**Do you agree with our proposal to set an NMBE accuracy minima of between -5% to +5% and set a CVRMSE accuracy minima of 0 to 20%? If not, what alternative rate or metric do you suggest?**

We do not have a comment on this question.

#### **Question 48**

**Do you agree with our proposal to set accuracy minima using both NMBE and CVRMSE to assess the accuracy of Type 1 and 2 SMETER approaches? If not, what alternate do you suggest for either or both of Type 1 & 2 methods?**

We do not have a comment on this question.

#### **Question 49**

**Do you agree with our preference to capture methodology repeatability via NMBA and CVRMSE? If not, how else should this be tested at application?**

We do not have a comment on this question.

#### **Question 50**

**Do you agree with our proposal to require SMETER monitoring to take place for a minimum of 28 days pre-retrofit and 28 days post-retrofit?**

We agree with the proposed approach as it provides flexibility for anomalous days while still ensuring sufficient data is gathered. It also minimises the risk of 'cherry picking' data, i.e. choosing the worst data on the pre-retrofit monitoring and the best data on the post-retrofit monitoring which result in a bigger difference compared to a more averaged random approach to data collation. The use of cherry-picked data could result in a greater uplift being awarded based on inaccurate data.

### **Question 51**

**Do you agree that SMETER providers (or their sub-contractors) should conduct the ongoing quality assurance we have stated? Besides anomaly detection, what else do you think this should comprise?**

Yes, we agree there should be a quality assurance requirement on SMETER providers, and gathered data should be monitored for anomalies prior to HTC being reported.

### **Question 52**

**What other aspects, if any, of the ECO PFP application process, as proposed, do you disagree with or wish to provide further thoughts on?**

We would be open to being a member of the panel but as there are no specific details of the roles and responsibilities, we would be keen to know more about this. This will help ensure that we are best placed to be on the panel with the most appropriate person(s). We also note that the proposal is for PFP delivery to take place following the government response publication. At this stage, it is unclear how the application process will function and what requirements from panel members would be for example in terms of assessments and recommendations.

## Chapter 2.3: Data Journey and Audit

### Question 53

**Do you agree with the likely data journey we have set out? If not, how do you expect this to differ?**

We broadly agree with the likely data journey. We note that Table 3 shows the third-party auditor will only handle data that has come through Ofgem, which suggests that auditing action may only be carried out on PFP retrofits that have first been notified to us. This appears to conflict with Annex D, which proposes that the auditor will take and lodge a SMETER reading before notification to Ofgem. In both instances, the use of small quantities of summary data compared to what is being collected raises concerns on the extent of audits intended for PFP.

Of the two options, we would support the latter approach and would expect the third-party auditor to conduct investigations into data as soon as it becomes available from the SMETER providers. We would prefer that this process is not dependent on either our or a supplier's administrative timings and prefer the audit process to be both scheme and administrator agnostic.

### Question 54

**Do you agree with the data collection proposals? If not, please explain your reason and proposed alternative(s).**

We agree with the data collection proposals.

### Question 55

**Do you agree with the proposed deadlines of two and 12 months of the retrofit completion date for lodging pre and post-retrofit SMETER HTC reads, respectively? If not, please explain your reasoning and proposed alternative(s).**

We agree with this proposal as it ensures data will be notified in sufficient time for auditing activities to be conducted. The hard deadline at scheme end is important, so that all scores can be calculated in time for final determination. We note that, to administer this

requirement, we need to be able to access the lodgement dates of the HTC data from TrustMark.

#### **Question 56**

**Do you agree with those stipulations set out under “Monitoring and equipment requirements” for SMETER providers that would apply in the absence of an appropriate accreditation scheme for SMETERs and in-use performance? What should be added or removed from this list if anything?**

We do not have a comment on this question.

#### **Question 57**

**How might those stipulations set out under “Monitoring and equipment requirements” best be evidenced and compliance assessed?**

We do not have a comment on this question.

#### **Question 58**

**Should we require SMETER providers to lodge confidence ranges for each HTC value with TrustMark? As this would not inform scoring, what value do you think capturing this data would provide?**

We agree confidence ranges should be lodged with TrustMark. This supports the data collection aims of PFP as it gives important insight into the accuracy and reliability of SMETER methods in practice. We believe that this data would be valuable in designing future iterations of PFP.

## **Question 59**

**Do you agree with our preference for SMETER providers to upload HTC reads to TrustMark's Data Warehouse? If not, what alternate is preferable?**

We agree with this proposal, a scheme agnostic approach, as this would support accessing HTC values directly through the existing TrustMark API, reinforcing existing retrofit compliance oversight, and would remove the need for suppliers to notify these through project notifications, thus effectively streamlining the process. If an alternate approach were pursued, it would add significant administrative burden to Ofgem and obligated supplier processes, as well as raising the question of where data would be stored for short- and long-term analysis purposes.

This approach also works better with the project timing element. As post-monitoring data could be lodged several months after a project is complete, it is also likely to be lodged after notification to Ofgem. Being able to obtain this data through TrustMark rather than requiring additional notification from suppliers would be faster, as well as less administratively complex and burdensome.

## **Question 60**

**What other information should SMETER providers upload with TrustMark besides that stated?**

For ease of administration, we would recommend that SMETER providers should also lodge the dates for HTC reads, and any identified anomalous data. Access to this information via the TrustMark API would support ensuring PFP uplifts are not mis-awarded.

### **Question 61**

**Do you agree with our preference for TrustMark to access RdSAP-derived HTC values directly from scheme providers?**

We agree with this proposal. TrustMark lodgements and accessibility to relevant data, through the API rather than through notifications, will support streamlining PFP administration for both us and suppliers.

Please also see our response to Question 59.

### **Question 62**

**If an accreditation scheme relevant to SMETERs and in-use performance is available, do you think we should require adherence to it in PFP?**

We agree that an accreditation scheme should be used, should an appropriate one be available. This would bolster confidence in compliance and reduce dependence on the third-party auditor.

### **Question 63**

**If an accreditation scheme relevant to SMETERs and PFP is not available, do you think this is sufficiently mitigated by the activities of Ofgem, TrustMark, TrustMark-licensed scheme providers and the proposed activities of a third-party auditor in PFP? If not, what further activities are necessary to assure PFP in the absence of an accreditation scheme?**

We currently do not possess the technical expertise in SMETERs required to oversee such accreditation processes or conduct extensive compliance activity and fraud investigations in PFP. These processes rely on SMETER methodologies, an area we understand DESNZ and other organisations have subject matter expertise in - and who would currently be better placed for oversight.

Effective administration would rely on a DESNZ appointed third party auditor to carry out all required fraud and non-compliance investigations on our behalf, given they will be carrying out auditing processes within this space and will have expertise in SMETERs and

underlying analytical data models. Moreover, the third-party auditor would also be best placed to identify anomalous data aggregations and instances of fraud or gaming. We're keen to continue working with DESNZ to ensure that something appropriate is put in place.

Additionally, as mentioned in other responses to Part 2 of this consultation, we prefer PFP processes to be developed in a scheme-agnostic manner.

Please see our response to Question 67 for more details.

#### **Question 64**

**Do you agree that any accreditation scheme to which we stipulate adherence in PFP should meet the criteria set out under the "Accreditation scheme(s) for SMETER providers" section? If not, what do you think we should add and/or remove from the criteria?**

We agree with the criteria.

#### **Question 65**

**Do you agree with the process we have proposed for updates to SMETER providers' software and algorithms? What else should be required of them in these instances, if anything?**

We do not have a comment on this question.

#### **Question 66**

**Do you agree with the validation process? If not, please explain your reasons and proposed alternative(s).**

We do not have a comment on this question.



## **Question 67**

**Do you agree with the auditing and risk management process? If not, please explain your reasons and proposed alternative(s).**

As highlighted in our response to Questions 40, 52 and 63, we are not well placed to undertake these tasks as we do not currently possess appropriate technical expertise pertaining to SMETERs, nor would we have time within the currently proposed timeframes to upskill colleagues to meet resourcing needs to perform investigations into gaming or fraud (depending on the use of these methodologies). In our experience, for effective compliance checks, they must be performed thoroughly and in totality by the third-party auditor DESNZ is seeking to appoint, as they should be best placed to evaluate PFP information and establish cases of non-compliance, such as alterations in SMETER methodologies or data manipulation. Where the third-party auditor detects PFP retrofits as having breached requirements, TrustMark would be informed and this would result in the PFP uplift being revoked. The key is that we should not be responsible for determining where non-compliance has occurred.

From a longer-term perspective, Ofgem in general is not best placed to be the body overseeing auditing of data-driven thermal efficiency ratings across government funded schemes or otherwise, as it doesn't align with our key functions.

## Chapter 2.4: Measures and Eligibility

### Question 68

**How can the risk that an installer reduces intended ventilation (as a means of artificially improving the HTC value) best be mitigated?**

We do not have a comment on this question.

### Question 69

**Do you agree with our preference to require GBIS retrofits to include only one of CWI, SWI, RIRI, FRI or PRI? If not, why not?**

We agree with this proposal as accuracy of SMETER data is key for obtaining useful information for future scheme design. The proposed selection of insulation types includes the most common measure types and therefore would not have any significant impact on delivery. This also would not significantly increase the complexity of our current administrative processes. Nonetheless, it would be beneficial to consider how multiple measure delivery under GBIS (please see our response to question 1) could be aligned with the PFP mechanism, if it is introduced as part of mid-scheme changes.

Additionally, we think the requirement that only roofs without pre-existing insulation can receive roof insulation in PFP could be difficult to administer, as we do not currently distinguish between top-up and brand-new roof insulation and introducing this would add more complexity to our data gathering requirements.

### Question 70

**Do you agree with our preference to require ECO4 retrofits to include at least one of CWI, SWI, RIRI, FRI and PRI? If not, why not?**

We agree for the same reasons as in our response to question 69.

## **Question 71**

**Do you think we should allow eligible heating measures to be delivered in ECO4 and GBIS PFP? If not, why not?**

We agree with allowing heating measures in PFP, as it reduces the differences between the main schemes and encourages PFP participation by making it easier to complete PFP retrofits. We believe that allowing heating measure delivery in PFP would decrease risk to participants, and ensure benefits are maximised from current scheme projects. This is because, if heating measures were not allowed in PFP projects, heating that could otherwise have been installed would likely be avoided so as not to compromise potential PFP uplifts. Thus, excluding heating measures would likely discourage participation in PFP.

However, whilst inclusion of heating measures could be beneficial for PFP projects, we have some reservations relating to repair and replacement of boilers and eligibility of ESH. See our response to Question 72.

## **Question 72**

**Do you agree with our proposal to allow repair and like-for-like replacement of efficient, broken boilers and ESHs in ECO4 PFP? If not, why not?**

Delivery of these measure types has been low in ECO4 at fewer than 200 combined, and is unlikely to increase significantly.

The proposal to allow these in PFP would require complex changes, as they would diverge from current scheme project requirements for insulation to come before heating measures – therefore unique minimum insulation requirements would need to be introduced, and rules around measure installations would need to be altered to accommodate for the PFP mechanism. This would introduce unique timing requirements for these measures in PFP, and the date for when pre-monitoring period commenced would also be critical in our assurance processes. We do not capture this currently and wouldn't need to without this proposal.

Considering only a marginal number of projects have previously received these repairs/replacements, we believe the benefits of including them in PFP would be significantly outweighed by the added complexity to scheme rules and increased administrative burden.

There are also considerations relating to scheme intent and wider governmental net zero objectives, incorporating this approach under the PFP mechanism could prevent eligible renewable heating measures from being installed. We recommend these measure types are not allowed in PFP retrofits, and note that repair and replacements would still be available under ECO4.

### **Question 73**

**Do you agree with our preference to apply the same minimum requirement in ECO4 PFP as in the ECO4 main scheme? If not, why not?**

We agree with this proposal, as it would provide consistency and reduce any potential complexity. This proposal would be of benefit to the administration of the scheme and the participation of the wider supply chain in the scheme.

### **Question 74**

**Do you agree with our preference to allow exemptions to the minimum requirement while excluding 'consumer circumstances' as valid reasons for not meeting the minimum requirement in ECO4 PFP retrofits?**

We agree with the proposal to allow exemptions as it retains alignment between the main schemes and PFP projects, in turn reducing complexity.

Moreover, we agree with the proposal to not permit consumer circumstances and the difference these could make in preventing potential fraud risks. This mechanism is infrequently used, with only a handful of cases having been notified so far in ECO4. We do not believe that removing it will impact delivery, as there have been almost no legitimate consumer circumstances encountered to date.

### **Question 75**

**Do you agree with our proposal to only include homes with a relevant smart meter in the eligible pool for ECO PFP?**

We agree with this proposal.

It would be useful to understand how third-party organisations storing relevant smart meter data would be involved, to make sure validation processes are workable and secure.

We suggest legislation includes a clear definition for a smart meter and how to meet this requirement, as nebulous wording could result in uncertainty and increased admin burden in clarifying edge cases.

We also note that the exact wording of the smart meter requirements could restrict the eligible pool of households and hinder PFP uptake. We suggest DESNZ perform analysis on the expected eligible pool for PFP with varying definitions of the smart meter requirements, to ensure the legislation enables adequate delivery.

#### **Question 76**

**Do you agree with our preference to limit PFP to properties with those characteristics set out above? If not, why not, and what characteristics should be omitted or included and why?**

We agree with the criteria listed as they are all data points either currently captured, or that can be captured through RdSAP data, and thus avoids additional complexity. We are in agreement that the housing stock should still be large enough to support PFP delivery.

#### **Question 77**

**Do you agree with our preference to require heat metering and electricity sub-metering in those circumstances outlined above?**

We agree with the proposal to require heat metering and electricity sub-metering for the identified list, where they are important to the accuracy of the SMETER methodologies.

Secondly, it would be useful to define the term “primary method of heating the home”, as various homes can have multiple heating systems, and could also have a combination of PFP-eligible and ineligible heating systems.

## Question 78

### **Do you agree with our proposed approach to 'complementary insulation work?**

We agree that the BFR uplift should be retained in PFP to maintain consistency with main scheme projects where possible.

However, we have concerns about the statement that "any ECO-eligible insulation measures installed at a property between pre- and post-retrofit monitoring must be properly notified to Ofgem and lodged with TrustMark. If they are not funded via ECO4 or GBIS, they must not be installed between the PFP monitoring periods." This specifies the post-monitoring period as the deadline for when other works are allowed. However, post-monitoring could happen several months after the project has ended and all measures are completed. This statement, therefore, appears to place restrictions on the activity that can take place in a property *after* a project has ended.

This is unprecedented in ECO4 or GBIS and could be difficult to enforce as we would have no knowledge of any installations performed outside of an ECO project. For this to function, we would need to build a new complex process to be informed about any such work, and a clear route for lawfully obtaining this information identified, given it does not relate to the eligibility of an ECO qualifying action. Administrative complexity could also be present with how these measures are notified, and it is unclear if Ofgem oversight of these would be akin to exemptions where we receive notifications for visibility or how the current scoring mechanism would account for non-ECO or GBIS changes to property energy efficiencies.

We propose instead that delivery of non-ECO measures between the pre-and post-retrofit assessments should be avoided, aligning with current ECO4 and GBIS scheme rules. This would also prevent the need for extensive changes to account for increased scheme complexity. We understand that it may lead to more work being carried out before the post-monitoring that potentially result in an improved HTC. However, such work would not be funded through ECO and would only be rewarded through a potentially bigger PFP uplift and not an inflated full project score.

We view the resulting costs and possibly a small additional PFP reward, compared to the PFP cap and need to gain consent from consumers, as limitations to the risk profile. Similarly, we believe that as more data is gathered for PFP projects, improvement in SAP ratings not derived from measures delivered under a project, should appear and flag as anomalous to third party auditors.

We believe fraud risks can be lowered further by flattening the uplift structure. Please see our response to Question 85.

## Chapter 2.5: Scoring and Incentives

### Question 79

**Do you agree with our preference to align scoring in both ECO4 and GBIS PFP with the wider ECO4 and GBIS scoring systems, respectively? What changes do you think we should make to this, if any, and why?**

We agree with this approach, as it would maintain simplicity and consistency across both schemes. We see no reason why PFP projects should have any scoring differences from other projects aside from the uplift itself and consider that doing so would add complexity.

### Question 80

**Do you agree with our proposals to align ECO4 and GBIS PFP evidencing with the approach in the respective main schemes? If not, why and what alternative do you suggest?**

We agree that evidencing should be aligned to keep the differences between PFP and other retrofits as minimal as possible, and to avoid excess complexity within the scheme.

### Question 81

**Do you agree with our proposal to provide a PFP minimum score via the uplift? If not, please explain why.**

We agree with the introduction of a PFP minimum score uplift, as we believe such an approach would attract and encourage participation. This is vital at an early stage, as it will aid data collection, which will prove useful for future policy development.



## **Question 82**

**Do you agree with the score outcomes we have set out in those scenarios in table 5? If not, why? In what other scenarios should we clarify PFP score outcomes?**

We agree with the table except for the last scenario, which states that “insulation measure not notified or captured in the RdSAP assessments is installed between monitoring periods”. We have reservations about the practical enforceability of this and have addressed our concerns in relation to this in our response to Question 78.

## **Question 83**

**Do you agree that anomalous HTC reads should still be lodged by SMETER providers with TrustMark? If not, please explain why.**

We agree that anomalous HTC reads should still be lodged by SMETER providers with TrustMark. This approach would benefit data collection processes, provided it is made clear to Ofgem which lodged HTC reads are anomalous.

## **Question 84**

**Do you agree with the overall uplift approach we have proposed for PFP? If not, why not and what alternative do you suggest?**

We agree with the general uplift approach. Our suggestions for the uplift scores are contained in our response to Question 85.

## **Question 85**

**Do you agree with the uplift rates we have suggested for both ECO4 and GBIS PFP? If not, please provide data to e.g. justify any costs not covered.**

We feel that the mechanism would benefit from a flatter uplift structure, with a higher minimum score, but a reduced score at the highest level. Having large uplift differentials achievable with a PFP project could create the wrong incentives within the supply chain and potentially result in increased gaming.

Increasing the minimum score could not only reduce risks for participants but could also encourage greater participation in PFP. There are considerable advantages to the data collection element of PFP, as it could provide insight into the real performance of ECO measures compared to the current methodology which is dependent on SAP assumptions. For this data to be valuable, a sample size as large as possible is needed, as such, we view successfully achieving high levels of supply chain participation being pivotal for policy embedding, rewarding accurate data collection regardless of performance should help with this.

On the other hand, by keeping the performance-based increase small it reduces incentives for fraud, reducing what could be a considerable risk.

#### **Question 86**

**Do you agree with our proposal to allow the IM uplift for all eligible IMs where these are delivered in PFP? If not, why not?**

We agree with this approach as it would align the ECO4 and GBIS main schemes with ECO4 and GBIS PFP. From an administrative point of view, this approach would be welcomed as it would increase consistency across the schemes and reduce any potential complexity. In addition, we agree that an IM uplift will make PFP retrofits more commercially attractive and encourage greater participation. Therefore, it is likely that this proposal would have a positive effect on delivery across the schemes.

#### **Question 87**

**Do you agree with our proposal to provide a hardware cost allowance for SMETER approaches that use physical monitoring devices? If not, why not?**

We agree with the allowance as it aligns with our views, as explained in our answer to Question 85. The allowance should encourage PFP uptake by lowering risks and costs to participants.

Our reading of this proposal is that this allowance would be awarded at the application stage, so each successful application would note whether the allowance is included, and every PFP measure belonging to that application would be given the allowance. We agree

provided only that this is the case, and not that allowances are awarded on a measure-by-measure basis, as the latter would add significant complexity and be harder to verify.

#### **Question 88**

**Do you agree with the expenses allowance rate we have proposed?**

We do not have a comment on this question.

#### **Question 89**

**Do you agree with our proposal for a 10% cap on GBIS and ECO4 PFP with all retrofit score contributing to this? If not, what do you propose and why?**

We agree with the 10% cap. As PFP is untested, and the effectiveness and scope of compliance activity remains to be seen, there is considerable fraud and gaming risk involved. Capping PFP at no more than 10% of a supplier's obligation would be an effective means to mitigate this risk. We also agree that the entire retrofit score contributing to the cap is the simplest and easiest approach.

## Chapter 2.6: Cross Policy Linkages

### Question 90

**Do you agree with the policy linkages positions we set out between the PFP mechanism and main schemes? If not, please state which you disagree with and why. What other policy linkages should we provide information on?**

We do not have a comment on this question.