



NATIONAL INSULATION ASSOCIATION

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Ms Fiona Kenyon  
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13<sup>th</sup> September 2004

Dear Ms Kenyon

**EEC2 Consultation**

This is the covering letter for our submission to the EEC2 Consultation which is being submitted by e-mail and by letter. The Insulation Industry has collaborated on this response and is broadly very supportive of your proposed way forward. However as you will see from the contents of the submission, we believe there are some concerns to be addressed.

In the event that you would like any further information on our submission, or would like to arrange a meeting to discuss any points in more detail, please do not hesitate to contact us.

We confirm that we are content that our response is made public.

Yours sincerely

I Hopkinson  
Chairman - CIGA

A Hardiman  
Chairman - NIA



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# OFGEM EEC2 CONSULTATION RESPONSE

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## **Insulation Industry Submission to Ofgem Consultation on the Administrative Procedures for EEC2**

### **1. Introduction**

The insulation industry welcomes the opportunity to comment on the administrative procedures that Ofgem is minded to adopt for the Energy Efficiency Commitment 2005-8 (EEC2). Insulation has been the major energy saving mechanism deployed in the previous phases of EESOP and EEC1 and Defra's proposals for EEC2 reinforce this message. It is the most important energy efficiency measure in households that will contribute to the twin policy goals of eradicating fuel poverty by 2015 and meeting the UK's carbon reduction targets by 2010.

The insulation industry has consulted widely to produce this response which is endorsed by the Councils of the National Insulation Association and the Cavity Wall Insulation Guarantee Agency. This response focuses primarily on matters directly of concern to the insulation industry. In all cases the reference numbering is that of the original Ofgem Consultation Document.

### **2. General Considerations**

The insulation industry welcomes Ofgem's attempt to tackle the apparent anomaly that DIY loft insulation on average attracts much higher energy saving values than professionally installed loft insulation. However as outlined below, we believe there are yet further factors which are not included in Ofgem's Consultation and which we think would bring the average savings from DIY loft insulation back to the level for professionally installed loft insulation.

We particularly welcome the clarity afforded by Paragraphs 4.14 - 4.18 which will allow energy suppliers to carry forward energy savings from EEC1 to EEC2. This will avoid the collapse of the insulation market that occurred in the transition from EESOP 2 to EESOP 3.

We welcome Ofgem's commitment to use BRE modelling to derive the energy saving values for all insulation measures in EEC2. However as we have highlighted in our response to Defra's Consultation on EEC2 (separately attached), we believe there are now so many changes involved and, coupled with the newer information available than was the case in 2000, that it is becoming impossible to track all the various changes. We believe that it is timely for all the relevant stakeholders to sit down and agree what is a reasonable approximation to the existing housing stock before insulation measures are carried out in EEC2 and then deduce the energy savings in 2010. The insulation industry is ready to play its part and strongly believes that without an open and transparent discussion of all the parameters involved, it will be difficult for all the various stakeholders (whose interests may not necessarily always coincide) to believe that they have been fairly treated.

The insulation industry supports the interaction between EEC and WarmFront and its devolved equivalents. However, we would not advocate the continuation of the current

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“trading” of insulation measures between WarmFront and EEC. This has led to two separate but related issues discussed below.

The trading mechanism was brought in to increase the amount of insulation that would be carried out under WarmFront. The expectation was that insulation purchased by energy suppliers as part of the trading by the managing agents of WarmFront of measures would give rise to additional sums of money. This additional funding for WarmFront would then be invested in insulation measures. It is hard to discern any additional insulation measures arising as a result of the trading to date.

Indeed it has had a deleterious effect on insulation installers as one major energy supplier decided that it would be easier to meet its commitments by retrospectively buying WarmFront insulation measures. The knock on effect was that one insulation installer who had expanded to meet the projected insulation activity had to lay off half of its staff. The strangeness of the situation is best illustrated by noting that in the financial year 2003/4, 66,475 jobs were traded from WarmFront to EEC but during that same financial year, only around 55,000 properties were insulated under WarmFront.

The insulation industry believes that it would be much simpler and straightforward if measures carried out at the same time as WarmFront were directly paid for by the energy suppliers at the time of installation. Trading as it occurs in large lumps, can have a significant downturn in the market place which is to no one’s long term advantage. We would suggest that integrating WarmFront and EEC schemes should simply be what occurred in EESOP3, where the mechanism seemed to work clearly, transparently and did not have the unwanted side effects described above.

### **3. Detailed considerations and responses**

#### **3.1 Quarterly reporting of cavity wall insulation installations - Paragraph 4.25**

The insulation industry strongly supports Ofgem’s proposal that suppliers should report the number of cavity wall insulations that they have installed each quarter. With the expected expansion of EEC2 being very dependent on the number of cavity wall installations, it is important that more accurate monitoring of the progress towards these numbers is available. The current monitoring procedures have shown themselves to be inadequate over the past few years with no agreement between the volume estimates of the insulation industry and the figure deduced from the aggregate energy savings returned by the energy suppliers and the WarmFront managing agents. The insulation industry would be happy to contribute its information to Ofgem on the same quarterly basis and to assist in the assessment of CWI numbers.

Transparency on such an important issue has to be to the benefit of all stakeholders.

#### **3.2 Additionality - Paragraph 6.9 (d) (v)**

We strongly support Ofgem’s requirement that energy suppliers proposed action must result in an improvement in energy efficiency which is additional to that required to be achieved by minimum legal requirements. In particular, DIY loft insulation which is

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utilised in extensions to existing residential dwellings is covered by Building Regulations 2000 and as such is not additional energy saving.

### **3.3 Additionality - Paragraph 6.9 (d) (viii)**

The insulation industry supports Ofgem's proposals to demonstrate additionality for insulation measures continuing as they were for EEC1.

### **3.4 Professionally Installed Insulation Measures - Paragraphs 7.9 - 7.19**

These are the main paragraphs dealing with cavity wall insulation and professionally installed loft insulation. Our main concerns here are updating the estimate of the effectiveness of existing loft insulation in the light of recent research and the lack of transparency in how and/or whether Defra have taken account of all of these in arriving at the expected energy savings in 2010. As our attached response to Defra on their EEC2 Consultation illustrates, our main areas of concern are:

- The life of newly installed loft insulation should be 40 years.
- An allowance should be made for user disturbance to the existing loft insulation.
- The current BRE calculations of existing loft insulation effectiveness are an overestimate as the great majority of houses with  $\leq 100\text{mm}$  of existing insulation have no loft insulation to the loft hatch.
- The current BRE methodology of calculating the effectiveness of existing loft insulation also overestimates the current effectiveness as it does not take into account the new CE marking which would raise the  $\lambda$ -value for existing loft insulation from 0.040 to 0.044 W/mK
- The extra benefit in energy savings resulting from cross layering of the loft insulation in top up
- How the assumed higher boiler efficiency and higher heating patterns assumed for 2010 have been translated into energy savings for insulation.

The latter point applies to all insulation measures including cavity wall insulation and draught proofing.

We support the Ofgem philosophy of using the BREDEM method as the basis for determining the energy savings for insulation measures. We also support averaging of sizes of loft and wall areas, widths of cavities and existing thicknesses of existing loft insulation to achieve a workable and simple energy saving mechanism which is correct on average but not for individual households.

In Figure 7.1, Ofgem has assumed an incorrect value of the thermal conductivity ( $\lambda$ ) of 0.04 W/mK for existing insulation as the March 2003 revision on thermal insulation product standards increased the thermal conductivity for glass wool which has been used in about 90% of the existing households. As this was due to a re-definition rather

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than to a material process change, then clearly the thermal conductivity value of the existing loft insulation also needs to be increased.

The figures in Figure 7.1 will therefore change due to the adjustment in  $\lambda$ -value of existing insulation and for other reasons cited in this paper and submitted to DEFRA by the insulation industry. We would strongly request that the amended figures be produced in draft form for discussion with industry before finalisation. It is particularly important that the figures are considered in the light of practical constraints such as standard thicknesses of loft insulation available. For example, as currently drafted, a virgin loft would require 275mm of a material of  $\lambda=.044$  whereas the norm is 270mm.

A sensible way of banding existing thicknesses, rather than specifying discrete values, would also help achieve practical working solutions and, as the insulation industry has argued in its submission to Defra, help tackle the problem of “lost opportunities”; these occur when a CWI installation is carried out but not a loft top-up from 100mm as it is not sufficiently attractive to energy suppliers from their cost effective criteria. Clearly, a later separate visit to top-up the loft insulation, including the cost of a further sales survey visit, will be even less cost-effective in the future.

### **3.5 DIY Loft Insulation - Paragraphs 7.20 to 7.30**

The insulation industry welcomes Ofgem’s attempt to produce more realistic average energy saving values from DIY loft insulation. In particular we welcome the statement in Paragraph 7.23 that “if the results of consumer monitoring indicate that considerable proportions are being used in commercial properties or to meet legal requirements”, Ofgem reserve the right to apply a correction factor. We strongly suspect that a significant part of the DIY loft insulation is being used for extensions to existing properties which would be covered by Building Regulations 2000 and as such would not generate any “additionality” in energy savings.

Our other concerns with DIY loft insulation are:

- We believe the Ofgem factor of 2.5% reduction in energy saving to cover the unused rolls of insulation is too low. Given the low cost of the insulation material, when on promotion, we doubt whether one unused roll would be returned to the retail outlet. We accept that if two or more rolls were left over, those would be more likely to be returned.
- It is not clear how loft insulation purchased by DIY new house builders, small builders and loft conversion companies is excluded from sales as again there is no additionality here.
- The insulation industry is conducting its own monitoring into the uses of loft insulation to insulate structures or items other than the customers’ loft space and until the results are established, we cannot comment further on the 10% estimate currently made by Ofgem.

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- While we wholly support Ofgem's commitment to disallow any trade counter sales from such loft insulation promotions, we are still not convinced that there are sufficient processes and checks in place to ensure that DIY material is not purchased by professionals who would then use it to claim double energy savings through EEC.

### **3.6 Draught Proofing - Paragraph 7.35 to 7.36**

We welcome the extension of life time for approved draught proofing measures from 10 to 20 years. As discussed earlier, we are not convinced that draught proof savings have been correctly evaluated for higher boiler efficiencies and higher heating regimes in 2010.

### **3.7 Tank Insulation - Paragraph 7.37 to 7.39**

We believe that to be consistent with the rest of the energy saving philosophy in EEC2, energy requirements for hot water should not only reflect higher heating efficiencies but also increased usage of hot water in 2010.

### **3.8 Radiator Panels - Paragraph 7.42**

We do not believe Ofgem's assumption that all properties constructed in England and Wales after 1982 will have cavity wall insulation is correct. This is because of the inevitable delay in implementing Building Regulations and the fact that "trade-offs" between different energy efficiency measures were possible and implemented for some years after that.

### **3.9 Qualifying Cavity Wall Conditions - Section 8**

The insulation industry believes that it is in customers' and the environment's interests to have only quality energy efficiency products installed under EEC. For that reason, we applauded the requirement in EEC1 for CWI installations to require a uniquely independent CIGA guarantee and to only allow quality CFLs from a prescribed list to be installed.

We note Ofgem's intention to continue with the use of a quality CFL list but were surprised and concerned not to see any mention of continuing with the requirement for CWI installations to have a CIGA guarantee. This guarantee now provides protection for 1.5 million householders and access to independent advice, technical knowledge and support in the event of any problems with either the materials or workmanship. The guarantee is not dependent on the continued trading of any individual installer or energy supplier.

It is also worth remembering that the CIGA guarantee was launched with Government backing in order to overcome one of the main barriers which CWI shares with the construction industry viz. a consumer fear of poor workmanship necessitating subsequent expensive repairs. CIGA ensures as a matter of course as it is obviously in its own financial interest, that CIGA guarantees are only provided to reputable and reliable CWI installers. CIGA also monitors the track record of all installers closely and consistently.

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### **3.10 Consumer Satisfaction Monitoring – Paragraph 8.10**

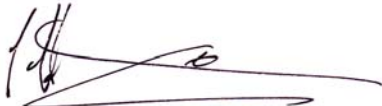
We do not believe that consumer satisfaction monitoring can inform Ofgem regarding the improvement in energy efficiency attributable. The latter can only be done by technical monitoring of energy bills and indoor temperatures.

The insulation industry is committed to continuing to deliver a high quality service to customers and would cooperate positively in ensuring this is maintained as the industry expands. However, there does seem to be a lot of monitoring being carried out by the British Board of Agreement, insulation installers, system designers, energy suppliers, the Energy Saving Trust, etc.. The industry is convinced that some rationalisation of all these inspections would be beneficial and could be achieved without sacrificing the quality of installation. As CIGA already offers a combined guarantee and quality monitoring service of installers we would be happy to offer this as a contribution to any sensible rationalisation of the present situation. CIGA could also offer technical advice and assistance on loft insulation.

### **3.11 DIY Loft Insulation Standard Monitoring Questions – Paragraph 8.12**

Not included in the proposed monitoring questions is checking whether the purchase of loft insulation might be used in insulating new build properties.

The industry would like to see the results of the surveys published by Ofgem regularly as this would help to dispel the secrecy which has brought about the surprising situation where an average energy saving accreditation for DIY loft insulation is nearly 40% greater than that for professionally installed loft insulation.



Cavity Wall Guarantee Agency



National Insulation Association