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Dear Will

Energy Companies Obligation (ECO): Consultation on how to account for the percentage of measure installed when calculating ECO scores

SSE welcomes the opportunity to respond to this consultation. We hope that Ofgem finds our views helpful in informing its final decision on whether to remove 'P' from the formula for calculating savings for ECO measures.

SSE agrees with the principle that it is important to have an accurate system in place for calculating the carbon or cost saving associated with the measures installed under ECO and we support Ofgem's work towards ensuring this. We are, however, concerned with the analysis Ofgem has provided in this consultation in support of its proposal to remove the option to use 'P' in the formula for calculating savings.

Background to the consultation

Ofgem's Guidance for Suppliers states that SAP and RdSAP can take account of the actual extent of a measure installed, and should be used wherever possible, however where it is difficult to use SAP and RdSAP accurately in this way, 'P' can be used to adjust the savings after the SAP/RdSAP calculation has been carried out. Ofgem's rationale for including this alternative methodology in the final guidance came from previous analysis which concluded that attempting these calculations within RdSAP and SAP can be so complex that anything gained in methodological accuracy is likely to be outweighed by human error.

Ofgem concluded that applying 'P' to adjust the savings after the SAP/RdSAP calculation has been carried out would achieve a similar level of accuracy to performing the calculations entirely within SAP/RdSAP and that it was therefore appropriate to use this methodology where it is difficult to use SAP and RdSAP accurately.

Ofgem's initial analysis indicates that there is uncertainty around the accuracy of attempting these calculations within SAP and RdSAP; therefore we request further detail on Ofgem's most recent analysis which shows the difference in accuracy between attempting calculations within SAP and RdSAP, and by accounting for the percentage of measures installed using 'P'. The consultation states that using 'P' could result in potential levels of inaccuracy, however this is in comparison to attempting the calculations directly through SAP, which as stated above, Ofgem has already indicated can result in certain levels of inaccuracy itself. We think it is important for Ofgem to clearly explain any differences between the potential inaccuracies from using **both** methodologies in order that all affected parties can make an informed decision over the most appropriate methodology to apply in particular circumstances.

The impacts of removing 'P' from the formula for calculating savings

SSE has significant concerns about Ofgem's decision to amend the methodology for calculating savings at such a late stage in the ECO scheme and we have highlighted our key reasons below:

- Imposing this change could cause problems in instances where suppliers are trying to score insulation at a property when there is more than one measure installed. As noted in Ofgem's Guidance for Suppliers, in some cases it may be difficult to use SAP and RdSAP accurately when taking into account the actual extent of a measure installed.
- Suppliers will have to re-educate their Partners on the new requirements, which will have to be filtered through the supply chain. There is already a lot of confusion around scoring measures under ECO and this proposal adds another level of unnecessary complexity.
- There will be significant cost and time impacts as a result of the changes which will have to be made to the different software types that suppliers are developing/already using to calculate scores and notify measures under ECO.

Conclusion

We are concerned that Ofgem has chosen to propose such a considerable change to the guidance so soon after it has been published, and that the analysis to support this proposal is not consistent with the analysis behind the initial proposal to include 'P' in the formula for calculating savings.

In the absence of more detailed analysis from Ofgem, we do not consider that calculating scores using 'P' will result in considerable inaccuracies, compared to the inaccuracies which may occur from attempting these calculations within RdSAP and SAP, and for this reason, the impacts which will result from making this change could potentially far outweigh the potential benefits.

We therefore propose that Ofgem does not remove the option for parties to use this methodology where it is appropriate to do so, as detailed in the guidance.

Should Ofgem decide to implement this proposed change, we request that sufficient time be allowed for the impacts detailed above to be effectively resolved.

We would be happy to meet with Ofgem to discuss this matter further. Please contact me in the first instance if you have any questions.

Yours sincerely

Lois Wares
Regulation