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**Energy Companies Obligation (ECO): Consultation on requirements for demonstrating characteristics of hard-to-treat cavities**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy understands that Ofgem has concerns about the certainty of some hard-to-treat cavity wall insulation measures notified to them in the ECO programme. EDF Energy welcomes the opportunity to respond to Ofgem's proposals outlined in the consultation published on 27 August 2013 and we believe that our response can provide Ofgem with greater assurance on the hard-to-treat cavity wall insulation measures that will continue to be submitted through the remainder of the ECO programme.

EDF Energy is in agreement with a pragmatic increased level of control, of which we have already instigated a process of 100% verification on all hard-to-treat cavity wall insulation documentation prior to notification. We would ask that a new Supplier Guidance makes clear that should a supplier request all documentation then this needs to be made available by the installer. It is EDF Energy's view that the requirements as outlined within the Supplier Guidance should have a stronger bearing on those Green Deal Providers selling through the Brokerage channel.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Nigel French on 07875 113167.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in blue ink that reads 'E Salomon'.

Eric Salomon  
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## **100% verification of narrow HTTC measures**

EDF Energy supports Ofgem's position on 100% verification of narrow HTTC measures and the use of a declaration similar to that proposed in the consultation. However, EDF Energy does not believe that it is practical for these declarations to be completed by someone independent from supply chain due to the way in which the industry operates.

To allow for someone independent to verify a narrow cavity prior to install would:

- add an additional level of complexity to the process,
- take considerable time to change an established industry,
- add another contact to the customer journey which is already challenging with a minimum of four customer visits in many instances
- and potentially stifle interest in the uptake of measures.

EDF Energy agrees with 100% pre-installation declarations similar to that proposed by Ofgem, carried out by the installer. These can be performed by a suitably qualified employee of the installer. Any site survey should clearly indicate where on each elevation the cavity is found to be less than 50mm and that each elevation should be measured in at least three positions to demonstrate cavity width.

EDF Energy would then carry out 100% desk based assessments on the documentation provided and not notify to Ofgem any measures where the documentation is found to be incomplete or non-compliant with the classification of narrow cavities. This desk based assessment process would be made available to Ofgem for regular review and audit.

As part of a longer term solution suppliers could use a variety of techniques to obtain extra assurance of the measurements of the width of the cavity, such as photographic evidence with GPS data attached. EDF Energy would be willing to investigate the use of such technology which could be implemented no earlier than 1 January 2014.

## **Increased requirements on HTTC measures that require a chartered surveyor's report**

EDF Energy agrees that the chartered surveyor's report must be dated before the installation of the measure and that a standardised template similar to that proposed in the consultation should be used.

EDF Energy proposes that a chartered surveyor should have to check a complete list of documentation (to be published by Ofgem) prior to signing off the measure. This process is referenced by RICS as part of their "ECO Assessor Certificate" course. An on-site visit should not be necessary if the correct documentation is provided to them. If a chartered

surveyor was required to personally visit each site to assess its suitability it would prove prohibitive due to the logistics of arranging site visits with both the chartered surveyor and the customer, add another step into an already lengthy customer journey compared to previous obligations and increase the cost of the programme. We also stress that the chartered surveyor should still be able to be employed by the installer. EDF Energy supports the rigorous training and accreditation of chartered surveyors, however any false information submitted will be followed up by the supplier and the appropriate RICS process will be followed.

### **Increased technical monitoring**

EDF Energy agrees with Ofgem's view that additional technical monitoring would help provide assurance that HTTC measures notified to them are meeting the statutory definition of HTTC.

EDF Energy agrees to the proposal to increase technical monitoring to 10% for those measures outlined in the consultation.

However, EDF Energy believes that the extra 5% technical monitoring should be at the 0:60:40 ratio of pre, mid, post installation inspection that exists currently rather than the 100% mid installation proposed in the consultation.

It is already challenging for suppliers to arrange mid installation inspections because it relies on the installer sharing their work schedule with the inspection teams. This presents a logistical challenge when co-ordinating two sets of operatives, i.e. the installers and the inspections teams. This method of inspection also gives the installer pre-warning which jobs are being inspected because we have to rely on them sharing their install schedule; therefore this allows them to direct inspection teams to the jobs that they want to be inspected to a certain extent. Maintaining a 40% post inspection level allows the supplier to randomly select which measures they wish to inspect thereby providing a greater chance of identifying non-compliant behaviour from its supply chain.

An ideal proposal would be for each supplier to submit their additional monitoring results to Ofgem at installer level and for Ofgem to aggregate installer performance at industry level. This would enable Ofgem and suppliers to focus on the installers consistently being found to be non-compliant and suppliers should keep the level of monitoring up for those installers while at the same time giving Ofgem and suppliers knowledge of compliant installers where additional monitoring should not be necessary across the industry.

If Ofgem is not minded to adopt the above approach, as an alternative EDF Energy proposes that if an installer is found to have been 100% compliant with the statutory definition of HTTC through technical monitoring for a period of three month's continuous inspections where HTTC measures have been notified by that installer then their level of inspection is reduced back to 5%. If one instance of non-compliance with the statutory definition is found through inspection, that installer would be moved back up to a 10%

level of inspection immediately. Any instances of non-compliance would be notified to Ofgem and any associated measures withdrawn from our notifications. This would limit the increase in costs to the programme through technical monitoring and reward those in the supply chain that are found to already be acting in a compliant manner.

EDF Energy also has contractual power to enforce liquidated damages to a substantial level for HTTC technical monitoring failures which would disadvantage and disincentivise installers who act in a non-compliant manner.

### **Other points**

The timescales suggested for implementation of the consultation are unprecedented and impractical. Suppliers are unable to introduce new ways of working within a few days. EDF Energy proposes the following implementation timetable:

- a. Decision published on 1 October
- b. 100% declarations completed by installers and 100% level of checking those by EDF Energy to be implemented by 1 November.
- c. 10% technical monitoring for HTTC measures (narrow HTTC measures, HTTC measures requiring remedial works and HTTC measures with non-standard materials or techniques) to be implemented by 1 November.
- d. List of documentation for chartered surveyors to be implemented one month following the publication of the list by Ofgem.
- e. Additional or replacement assurance processes (e.g. photographic evidence) to be agreed with Ofgem when available but not earlier than 01 January 2014.

We would ask that a new Supplier Guidance makes clear that should a supplier request all documentation then this needs to be made available by the installer. This is to ensure that suppliers can be as rigorous as required in checking the documentation and ensuring that submissions conform to their standards. This would leave all installers in no doubt of the level of documentation required, including those utilising the Brokerage channel. It is EDF Energy's view that the requirements as outlined within the Supplier Guidance should have a stronger bearing on those Green Deal Providers selling through the Brokerage channel. Key will be Ofgem's involvement in DECC's current review of the Brokerage Standard Contract to ensure that administrative requirements are fully reflected in the revised document

The one month reporting rule creates challenging deadlines for the supply chain and there may be a need for Ofgem to show flexibility when it comes to exemptions to the one month rule, especially when a supplier chooses to apply even more rigorous document checks to certain jobs. EDF Energy proposes each monthly notification be two months in arrears. This would not only allow suppliers greater time for a higher level of documentation checks, but would also allow suppliers to conduct more of the additional

technical monitoring mentioned above before notification. This would strengthen suppliers' submissions because any non-compliant measures could be identified earlier in the process and removed from any notifications to Ofgem.

As has been evidenced above EDF Energy takes compliance responsibilities seriously and will continue to proactively work with Ofgem to ensure that there is confidence in measures delivered under ECO. However, providing such confidence needs to be carefully balanced with the additional costs this places on programme delivery and negative impact on the customer journey through intrusive additional home visits. EDF Energy supports the principles of Better Regulation and specifically proportionality. A key aspect of this is that: "Remedies should be appropriate to the risk posed, and costs identified and minimised." The administrative approach taken to ECO delivery has added a number of costs to programme delivery already, and we would have concerns if these were to increase further.