

# Energy UK response on Ofgem's consultation on requirements for demonstrating characteristics of hard-to-treat cavities

24 September 2013

## 1. Introduction

- 1.1 Energy UK is the trade association for the energy industry. Energy UK has over 80 companies as members that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26 million homes and last year invested £10 billion in the British economy.
- 1.2 Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping to provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.
- 1.3 These high-level principles underpin Energy UK's response to Ofgem's consultation on requirements for demonstrating characteristics of hard-to-treat cavities. The Ofgem consultation presents a model which will be detrimental to the customer journey and adversely impact the ability of suppliers and the supply chain to install measures in a cost effective and timely manner.
- 1.4 We believe that the Ofgem model has a number of customer satisfaction and cost implications. We are proposing an alternative model which we believe will help develop better processes, give more assurance of carbon saved and HTTC measures and allow for the flexibility required when delivering those measures.

## 2 Energy UK position

- 2.1 Suppliers continue to support any proportionate action that will give additional assurance and certainty in the measures installed. However, this cannot happen at a cost that makes measures prohibitive, nor can it affect the customer journey in such a way as to make the disruption of surveying and installing the measures too burdensome.
- 2.2 The priorities for the industry are to offer a good customer journey, deliver measures cost effectively and at the same time ensure compliance with Ofgem guidance. These all have to be balanced in any solution for additional HTTC assurance.
- 2.3 ECO is a new scheme and the supply chain requires more education and experience with HTTC measures. Additional Ofgem guidance will help installers along the learning process.

- 2.4 It is important for Ofgem to inform energy suppliers as soon as possible when measures have not been approved and the reasons why. Most energy suppliers will have contractual terms in place to recoup any losses due to loss of carbon and make sure that any remedial work is undertaken if necessary.
- 2.5 The guidance should make clear that should a supplier requests for 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.
- 2.6 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.
- 2.7 Energy UK believes that the Ofgem suggested model has a number of challenges.
  - 2.7.1 The solution proposed for narrow cavities risks significantly increasing the cost of assessment – especially if an extra day by skilled personnel is required. This can more than double the expense.
  - 2.7.2 The extra assessments and home visits will result in a difficult customer journey. Additional complexity will not help develop interest.
  - 2.7.3 Actual visits by chartered surveyors for other HTTC measures pose a significant challenge in terms of cost, customer journey, coordination and availability of resource.
  - 2.7.4 Judging independence based on payment and/or contractual relationship is impossible given how the market operates. In most cases an installer will be financing independent checks. The independence of third party companies relies on their accreditations and good track record. Each supplier has their own processes to check the performance of a third party; however each party retains responsibility via their accreditation processes for their good conduct too.
  - 2.7.5 Doubling technical monitoring does not promote best practice as it does not reward good performance. We are suggesting an alternative below.
- 2.8 The implementation date of 1 October 2013 when the consultation only closes on 24 September 2013 is impossible. Suppliers and the supply chain are not able to introduce a new system or new processes within 2 to 3 days. However, a phased approach might be possible for some items. This is provided changes are introduced for measures to be surveyed, not measures to be installed.

### 3 Proposed alternative model

- 3.1 We are presenting an alternative model, which should be considered in its entirety. Individual items should not be taken out of context as suppliers feel that the whole model addresses the need for extra assurance when it comes to HTTC measures.
- 3.2 Verification of narrow HTTC measures
  - 3.2.1 100% pre-installation declarations, as proposed by Ofgem, done by the installer. These can be performed by an employee of the installer or other appropriate person, **and**
  - 3.2.2 each supplier will then perform a desk based assessment to a satisfactory percentage<sup>1</sup> of the documentation. The checking process will be made available to Ofgem. This will help ensure that the documentation is filled in appropriately with no errors which can hold up the approval process.

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<sup>1</sup> Obligated parties will make their own submissions as to the appropriate percentage in their individual consultation responses.

- 3.3 Verification of requirements on HTTC measures that require a chartered surveyor's report
- 3.3.1 A chartered surveyor will have to check a complete list of documentation (to be published by Ofgem) prior to signing off the measure. An on-site visit will not be necessary. We also stress that the chartered surveyor should still be able to be employed by the installer; suppliers support 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.
- 3.4 For pre-installation verification, suppliers may choose to use a variety of techniques to obtain extra assurance of the measurements at this point (for example photographic evidence with GPS data attached or a plug in certain points of the elevation to repeat the measurement during technical monitoring). Ofgem should note that these are longer term suggested solutions which – if agreed – may be implemented from January 2014 the earliest. We strongly suggest however that if a supplier can exhibit that such a technique offers assurance then Ofgem evaluates it.
- 3.5 Suppliers will continue doing 60% of their overall 5% technical monitoring mid-installation as currently. Ofgem should note that this is already a highly challenging target from an administrative perspective.
- 3.6 Suppliers will continue doing 40% of their overall 5% post-installation technical monitoring as currently for HTTC.
- 3.7 We recognise that additional assurance may be required for HTTC measures (narrow HTTC measures, HTTC measures requiring remedial works and HTTC measures with non – standard materials or techniques). For those measures suppliers will go to 10% technical monitoring. If an installer does not fail this particular technical monitoring for three consecutive months where HTTC measures have been notified then the supplier can take them down to 5% technical monitoring. This will be increased again if the installer fails one HTTC technical monitoring check.
- 3.8 Where a supplier needs to perform additional checks on an installer's documentation Ofgem to allow an additional window for document verification, following the first core evidence submission.

#### **4 Implementation date**

- 4.1 Making any changes by 1 October when the consultation closes on 24 September is impossible since systems will have to be changed and the supply chain change its processes within a matter of two to three days. Additionally, to make any changes by 1 October risks an automatic fail since measures have already been surveyed under the existing rules.
- 4.2 Suppliers would like to propose that implementation should start on 01 January 2014. We would stress that this date concerns surveyed measures and not installed measures.
- 4.3 Where a supplier is in a position to implement the new system prior to 01 January 2014 then Ofgem should confirm that the measures surveyed and installed under the new regime will not go through the internal review classification of pre-existing HTTC measures.

#### **5 Existing HTTC submitted measures**

- 5.1 We understand that Ofgem is working to analyse, re-visit and evaluate the existing HTTC submitted measures. Suppliers welcome this process.

- 5.2 We would urge Ofgem to move swiftly on this issue to allow suppliers to re-visit and improve processes, as well as work with installers to make sure that any rectifying actions are undertaken.
- 5.3 A clear indication needs to be given into how cavity widths have been measured by the auditors to date and from this a precise method needs to be stated as to how cavities should be measured going forward so that the major errors with wrongly submitted widths do not re-occur.

## 6 Next steps

- 6.1 We believe that continuing discussions with all parts of the supply chain and Ofgem can help improve the administrative regime and help find solutions that work for all parts of the ECO delivery chain.
- 6.2 We recognise the Ofgem ECO team's openness and collaborative spirit. We would urge Ofgem however to consider the impact of the wording of this consultation – especially with regards to the time for implementation – which has forced some installers to grind to a halt.
- 6.3 Suppliers and installers require certainty and timelines which will allow them to change their processes when required. We would therefore support any Ofgem workshops or other meetings in order to arrive at the most appropriate solution.

For any further information please contact:

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