

Dear Sirs

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

We refer to the Consultation.

Go Greena Install Limited is a PAS2030:2012 certified installer of cavity wall insulation. We currently have obligations to "big 6" energy companies to delivery in excess of 100,000 carbon tonnes of carbon savings by 31 March 2014.

The purpose of this email is to respond to the consultation letter dated 27 August 2013, pursuant to which OFGEM has sought the views of industry on the proposed changes to current practice of processing hard-to-treat cavities.

Regulation & Sanctions

We will clarify our views in the remainder of this email. For the avoidance of doubt however, please note that we are not opposed in any way to regulation of the cavity wall insulation market.

We believe the current guidance, whilst badly drafted, does provide a framework which enables ECO to be delivered. We are concerned however that there is not accountability in the profession and that the current consultation arises as a result of OFGEM and RICS lack of enforcement measures being taken against rogues who operate in the sector.

Indeed, to the extent that measures have been installed by companies operating within this sector which do not fall within the definition of hard-to-treat, it is our view that such companies should be subject to stringent controls and penalties, including (but not limited to):

1. Removal of PAS2030:2012 certification
2. Strong and very high financial penalties imposed by OFGEM or other regulatory bodies (RICS)
3. Removal by RICS of authority to act as a chartered surveyor.

Criminal/Civil Actions

We understand that this consultation arises in part as a result of inappropriate behaviour in the industry following a number of parties claiming payment for

measures which they claim to be HTTC when in fact such measures are not HTTC. Perhaps OFGEM can clarify:

1. Why criminal/civil actions (including but not limited to fraud) have not been commenced against such individuals/companies?
2. What sanctions have been levied?
3. Why are such companies not "named and shamed"?
4. Why are RICS not active in the governance of their own membership (to the extent that their membership is at fault)?

100% Verification Of Narrow HTTC Measures (Item 1)

Whilst we have no significant objection to items 1 and 3 of the consultation (100% verification of narrow HHT cavities and Increased Technical Monitoring). We would make the following observations of concern:

1. The proposal requires a declaration to be signed by an independent party. Independent is to include "independence from the installer, third party agents, surveyors...etc but does not require independence from the supplier". We are concerned that this will have the following negative impacts:
 - Suppliers will not be able to meet their ECO obligation if they are, from 1st October, required to provide an independent verification. This requirement will slow down the delivery of HTTC measures due to the fact that the Supplier will need to engage or recruit independent agencies to deliver the verification.
 - Suppliers will suffer an increases cost burden due to the fact that they will need to engage nor recruit independent verification individuals and/or agencies.
2. This proposal places unrealistic obligations upon the supply chain, including the Supplier (who we assume to be the "big 6" energy companies). We are concerned that the requirement of "independence" will have the following negative impacts:
 - There will be an additional site visit. The site visits are as follows (as currently proposed):
 - Canvassing company
 - Property Surveyor (who carries out the British Board of Agreement property assessment)
 - Green deal assessor (who carries out the GDAR)
 - Chartered Building Surveyor (who carries out the CSR)

- Verification Assessor (who carries out the 100% verification of narrow HTTC)
 - Installation team (who install the insulation)
- We are concerned that this consultation could result in up to 6 site visits at an individuals home – a matter which we consider to have the following negative impacts:
 - 6 site visits at an individuals home adds unnecessary expense to the already tight installation margin. The carbon rate currently offered does not support the added regulation.
 - 6 site visits will have a significant carbon cost and result in significant carbon expenditure prior to the installation of the measure.
 - 6 site visits results in absolute inconvenience for the customer. The likelihood is that customers will refuse to have insulation measures installed thus impeding the delivery of the ECO obligation.
- 3. No guidance has been given on what is meant by "appropriate skills" - please clarify. We are concerned that this aspect of the proposal (assuming "skills" is to be interpreted as meaning an individual who as skill equivalent to a surveyor or energy assessor) will be undeliverable on the basis that there insufficient individuals in the UK with such skills.

Perhaps OFGEM can clarify why they require 100% verification (proposal 1) and increased monitoring (proposal 3) if they also require charteredbuilding surveyors to attend and certify these properties are hard to treat (proposal 2)? This assumes that OFGEM has no confidence in the chartered surveyor engaged or with RICS's ability to govern and regulate its own membership.

Surely the appropriate and most cost effective way to proceed is for RICS and OFGEM to audit those engaged in the supply chain and to impose stringent sanctions for fraudulent behaviour.

Increased Requirements On HTTC Measures (Item 2)

We cannot stress in stronger terms our opposition to, and disappointment with, the proposed changes specified in Item 2. We would ask you to note the following points with regard to proposal 2:

1. There is currently not requirement in the OFGEM guidance for a site visit by a chartered surveyor. Our business model, and hence our carbon rate, is calculated on this position. The requirement for a specific site visit by a surveyor is not budgeted for and places a burden upon our business which cannot be sustained as the carbon price does not justify this.
2. Our install process comprises the following data collection exercise prior to install:

- Property Assessment Form (compliant with the British Board of Agreement requirements)
 - Green Deal Assessor Report and EPC
 - Chartered Surveyor Report
3. We do not install a measure unless these reports are to hand and the cavity is properly within the definition of HTTC.
 4. We already engage the services of an independent firm of chartered surveyors who are regulated by RICS and have significant experience managing large infra-structure projects. This firm of surveyors are highly professional. Our Supplier has reviewed the reports prepared by this firm and confirm that the quality is exception. In addition, the monitoring carried out by this firm is robust. However, notwithstanding the high quality of service, this firm does not fall within the proposed amendments identified in proposal 2. In other words, the firm is not a firm which engages chartered building surveyors or chartered surveyors who have qualified through the residential survey or valuation pathway. Accordingly, this firm would not be able to deliver chartered surveyor report should proposal 2 be implemented.
 5. We have systems in place which ensure that the data collected by our company specifically enables us to determine whether or not a cavity is hard to treat. Our property assessment forms, which are in excess of 3 pages in length, are we believe industry leading and extensive. The British Board of Agreement have reviewed our forms and have confirmed that they are exceptional and industry leading in that the data collected is robust and comprehensive.
 6. We already require a chartered surveyor's report to be prepared and dated prior to the commencement of the installation. The report is prepared on a desktop basis following submission of data (including photographic evidence) to the firm of surveyors.
 7. The firm of surveyors engaged by us carries out random inspections of 20% of our surveyed properties in order to ensure that the data captured is accurate.
 8. To the extent that any data presented to the firm of surveyors indicates that the cavity is not properly classified as hard to treat, this cavity is not installed with insulation.
 9. The engaged firm of chartered surveyors already prepare reports in line with current OFGEM guidance.

With regard to proposal 2 we would make the following observations of concern and disappointment:

1. There are insufficient building surveyors/chartered surveyors who have qualified through the residential survey or valuation pathway within the UK to deliver not only the number of site visits required. Indeed, it is our view that the UK does not have enough surveyors generally to satisfy the amended proposal 2.
2. It is proposed that a chartered building surveyor attend site prior to each install. This proposal has significant negative impacts:
 - The cost associated with having to engage a chartered surveyor to attend site, in addition to a green deal assessor, is excessive and unaffordable. Current carbon rates offered to installation companies does not support the cost.
 - By way of example, our own obligations require us to install approximately 6,500 hard to treat properties by March 2014. This is achievable if we continue in line with existing OFGEM guidance (i.e. Green deal assessor carries out a property condition assessment, a GDAR and energy assessment, and EPC). The time required to carry out a proper site survey and GDAR by our green deal assessors is approximately 3 hours per property in our experience. It is not possible, taking account of travel and other site specific conditions, for a surveyor to carry out more than 3 site specific visits per day.
 - In our own organisation, we require the site visit to be carried out by the green deal advisor, who produces all appropriate data. Cavity specific data (including photographic evidence) is provided by the green deal assessor to our independent RICS certified chartered surveyor who carries out a desk top survey. By engaging in this process, the appropriately qualified RICS surveyor is able to produce approximately 10 reports per day.
 - On the basis that chartered surveyors are much more expensive than green deal advisors, this enables us, financially, to afford to employ sufficient people to carry out site specific inspections whilst at the same time being able to afford to pay the surveyor to carry out the desk top surveys and site specific monitoring of up to 10% of our measures.
 - The effect of requiring building surveyors to attend every property places additional financial costs on the installation process and potentially renders it financially difficult (if not impossible) for installers to deliver installs at current market rates for carbon. As already noted, the cost of chartered surveyor services are significantly greater than those of our employed green deal advisors.
3. The effect of requiring building surveyors to attend every property will result in an immediate and dramatic decline in the number of properties being surveyed and the number of measures being installed. This will have

the consequence of reducing the number of installs delivered in the period to March 2015 and thus the carbon saving nationally will be significantly hampered.

4. The form at Appendix 2 of the consultation suggests that chartered surveyors have to be paid by the Supplier (the energy company). This has not been budgeted for by the big 6 energy companies. This proposal may require that actual energy suppliers to engage surveyor, at their expense. The energy supplier do not currently engage chartered surveyors to carry out this function, let alone building surveyors. Shortage supply to one side, the addition time which will pass whilst energy companies engage firms of surveyors and the added cost associated with engaging them, will not only slow down the rate of installation, but will impact negatively on their ability to deliver the CERO obligations by March 2015.
5. Requiring a chartered surveyor to attend site on every occasion prior to the installation of a HTTC measure will increase the carbon footprint of the installation, which is contrary to the ECO principles of reducing carbon expenditure.
6. There is no reason why suitably qualified RICS approved surveyors cannot continue to provide the survey of the property, even on a desk top basis. So long as the surveyor is RICS approved and is robust in the number and quality of on-site technical monitoring visits, it would be a more workable proposition and entirely appropriate for the surveyor conducting the surveys to be subject to regular inspections by OFGEM, energy companies or RICS. To the extent that the surveyor is found upon audit to fall short of the standards required, then appropriate sanction by RICS ought to be imposed.
7. It our view that implementation of the new measures will result in dire financial and personal consequences across the whole supply chain. By way of example, system manufacturers will supply less insulating material due to the decline in the number of installed measures, resulting in at least redundancies and job losses, and potentially an increase in the number of companies going into administration or liquidation. We have already seen a collapse in the industry as a result of this consultation as funding lines are drying up.
8. It is our view that the number of hard to treat measures installed will decline significantly as a result of the proposed OFGEM changes, such decline arising as a direct consequence of a lack of ability for installation companies/energy suppliers to find enough chartered surveyors to deliver site visits and reports. On the basis that nationally there are between 3.9million to 5.8million households with hard to treat cavities yet to benefit from cavity wall insulation, the carbon reduction targets will not only be impaired but will become unachievable.

In its guidance note to suppliers OFGEM specifically defines "Surveyor" as "A Chartered Surveyor, for the purposes of ECO, is a RICS-qualified chartered surveyor." Whilst examples of an appropriate surveyor are given in the guidance, the guidance does not make it a requirement for the surveyor to be a building surveyor/valuation surveyor. Our own steps over recent months have been based upon this guidance and significant funds have been expended based upon this guidance. Perhaps OFGEM can explain why it now deems it necessary to impose changes which will have significant financial consequences on companies operating appropriately within existing guidance by the engagement of RICS qualified chartered surveyors, albeit not qualified within the terms of the proposed new requirements?

Consequential Losses/Indemnity

We now turn to consequential issues. As already mentioned, our current practices and procedures are based upon current guidance to suppliers prepared and issued by OFGEM. Based upon this OFGEM guidance we have expended significant funds on the preparation of appropriate forms and procedures, and the engagement of a suitably qualified firm of surveyors. Furthermore, we have entered into contracts and agreements with such firms and with the energy providers for the delivery of hard to treat measures.

In the event the OFGEM consultation is now implemented there will be significant consequences for our organisation. We make the following observations:

1. We have a contractual arrangement with the firm of chartered surveyors. Our failure to deliver on the contract, as a direct consequence of OFGEM's proposed amendments, will put us automatically in breach of that contractual arrangement and render us liable to the firm of surveyors for damages. Should legal action be taken against us by the firm of surveyors, we reserve absolutely the right to seek redress from OFGEM for any claims, losses or damages incurred by our organisation.
2. We have contractual arrangement with one of the energy companies for the delivery of in excess of 100,000 carbon tonnes by 31 March 2014. Under the terms of our contractual documentation, a failure to deliver under the contract will put us at significant risk of liquidated damages being claimed against us as a debt. Our current practices and procedures are sufficient, based upon reasonable projections, to enable us to deliver on our obligations to the energy company. In the event that OFGEM implements the measures proposed, our ability to deliver will be jeopardised. Accordingly, we reserve absolutely the right to seek redress

against OFGEM for any claims, losses or damages incurred by our organisation as a result of liquidated damages being claimed against us.

3. Should the changes by OFGEM be implemented we may need to engage new surveyors who comply with the proposed OFGEM changes. This will result in time delays and loss of earnings arising as a direct result of our lack of ability to install hard to treat cavities. We reserve absolutely the right to seek redress from OFGEM for any losses incurred by our organisation (including, but not limited to losses of earnings).

We look forward to your response.

Yours sincerely

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