



Will Broad, Head of ECO  
Environmental Programmes  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Head Office  
Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

lois.wares@sse.com  
01738 456410

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Dear Will

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

Thank you for providing SSE with the opportunity to comment on your proposals for demonstrating requirements for hard-to-treat cavity (HTTC) walls.

Whilst we understand the concerns Ofgem has regarding the issue of HTTC, we believe some of the proposals might have unforeseen consequences and we are concerned that they will not address the issues in the most practical way.

We would be happy to meet to discuss our proposals detailed in the attached appendix, which we think are practical and can quickly address the issues which have been identified by Ofgem.

Please contact me in the first instance if you need any further information.

Yours sincerely

Lois Wares  
**Regulation**

## **Appendix**

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

Ofgem has determined that it has information which suggests that a significant number of HTTC measures have been installed to cavity walls that do not meet the statutory definition. We welcomed the further detail provided by Ofgem during the meeting with obligated companies on 10 September 2013. During this meeting Ofgem explained it had conducted a desk based audit of documentation for some 400 HTTC measures which had been notified between February and June 2013, and for 68% of these it was found that the documentation could not verify if the measure met the statutory definition of HTTC. Furthermore, that this raises significant concerns regarding not only the processes employed by ECO installers but also in relation to the level of the checking of documentation carried out by obligated suppliers.

SSE aims to check a substantial proportion of the supporting documentation for ECO measures for new companies in the ECO supply chain. Once we have confidence in each company we then aim to carry out sample checks of their documentation. However this approach is proving difficult to achieve for the following reasons:

- i. It is sometimes impossible to check all documentation before notification of a measure to Ofgem due to the one month notification deadline
- ii. The standard brokerage contract does not require supporting documentation to be provided (a risk for all parties purchasing measures via brokerage)
- iii. Some of the companies in the ECO supply chain are trying to avoid providing documentation even for bi-lateral contracts.

It is important to note that now that we have some practical experience of the administration of ECO, it is proving to be very complex and onerous, and this complexity impacts almost everyone involved in the delivery of ECO. This means that thousands of people including DEAs, boiler installers, insulation installers, insulation surveyors, chartered surveyors and technical monitoring agents must be trained to correctly follow ECO processes. As a result, we are finding that an extremely high proportion of the submissions we receive from the supply chain are incorrect and need to be handled repeatedly by our team.

We believe that before Ofgem introduce any additional evidence requirements, there should be a requirement to allow suppliers to request all the existing paperwork for a measure. Ofgem can help in this respect by clearly stating in the ECO Guidance that suppliers have the right to request all supporting documentation from any ECO partner for any notified measure. This will allow for a consistent and rigorous checking regime to be introduced for the whole of the supply chain. We believe this change can be quickly introduced and will address many of the issues that have been identified in Ofgem's recent audit .

As the level of checking steps up further, it will not be possible to complete the detailed checking exercises for measures within the one month timescale for submission. Accordingly, suppliers are likely to require a clear process for adjusting or withdrawing measures where the core submission requirements have been met but further in-depth reviews indicate that corrections are required after notification.

#### **1. 100% verification of narrow HTTC measures**

We have significant concerns about the practicality of introducing an additional preinstall survey for all narrow HTTC and in particular we query the feasibility of a check which must be organised independently of the supply chain. This will be a further inconvenience for the customer who will now have to endure an EPC survey, an installer technical survey plus an independent verification survey before any work starts. Our experience of conducting work

site safety inspections during CERT suggests it would be impossible to operate where suppliers are forced to intervene this early in the supply chain installation process. It will also introduce additional cost and increase the time taken to complete a measure, detracting further from the consumer experience and we consider it risks driving the public away from the programme.

We believe a more practical approach is for obligated companies to check a high proportion of completed documentation from all companies in the supply chain. We would welcome a discussion with Ofgem on the appropriate sample size, but anticipate this will be well in excess of the levels we currently understand are used across the industry.

Once we have confidence with a specific company we should decide whether to reduce the size of sample checked (or, indeed, increase it if the results of the checking are unsatisfactory). This will ensure the documentation contains the correct evidence for narrow cavities, a proportion of which can be subsequently checked at the technical monitoring stage.

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

We think the existing process for chartered surveyors to evidence certain categories of HTTC measure is adequate. However we do believe more needs to be done to ensure forms are correctly completed and action needs to be taken to correct issues with poor paperwork. There are two possible causes for issues with chartered surveyor reports:

- i. The surveyor has misunderstood the form or partially completed it. These forms should be returned to the installer to be corrected.
- ii. The chartered surveyor's report includes false information, in which case the matter should be referred to RICS.

These checks can only occur if Ofgem requires all documents and evidence to be provided to obligated suppliers and that this requirement is prescribed in the Guidance. Unless these reports are checked it is doubtful the core issue of misunderstanding will be addressed.

We believe Ofgem's proposal for independent chartered surveyors to personally visit every property will be costly, logistically very difficult and inconvenient to the customer. We would be keen to understand whether Ofgem has been given assurances that there is sufficient capacity in the surveying profession to meet this requirement, even at the current levels of installation. The informal indications that we are receiving indicate this may not be the case.

We do not think it is necessary to have chartered surveyors commissioned directly by the supplier in order to accept their evaluations, particularly if higher levels of supplier checking are introduced in accordance with our proposals.

## **3. Increased Technical Monitoring**

The key issue to be addressed for technical monitoring is to improve the quality of post install monitoring rather than increase the number of mid-installation monitoring which is costly and logistically difficult.

One simple, inexpensive and practical step that could be taken is to introduce a narrow cavity measurement point where the cavity width can be easily checked before and after the work is completed. This would allow undisputed measurements to be taken before and after installation, which will assist post installation technical monitoring. This methodology should be developed with BBA, CWI guarantee agencies and system providers. We have attached a sketch of our suggested method for conducting post install measurements.

If a post install measurement method can be developed then increasing the percentage of post install surveys to 10% would provide further assurance that the statutory requirements for HTTC were being met.

Where technical monitoring identifies a significant issue with the quality or reporting of measures from a specific installer, there needs to be a clear course of action. Installers need to be given the message that submissions with a significant failure rate can be entirely rejected by Ofgem, resulting in financial loss to the installer.

### **Rejection of ECO Measures**

We are concerned that although Ofgem has identified issues in the ECO supply chain; to date no measures have been rejected. We believe a key role of the ECO Administrator is to provide a clear message where the ECO guidelines have not been met by rejecting measures. This in turn will allow obligated companies to recoup any losses due to loss of ECO credits. Timely feedback to the supply chain with the potential for financial loss is the single most effective method for ensuring the statutory requirements are met and that those in the ECO supply chain understand the consequences of not meeting the Ofgem guidance.

### **Introduction of Alternative Technological Solutions**

We understand that there may, over time, be suggestions to introduce other technical methods to address the concerns raised in this consultation. Where Ofgem is approached to approve any technical solution which is sought to apply in place of any requirements introduced following this consultation, it is important that the technical solution is made available to the industry generally and is not subject to any exclusive licensing arrangement (for example a licence held by an individual supplier). Where there are a limited number of obligated suppliers, this would risk allowing a supplier to use an Ofgem relaxation to distort the market in energy efficiency measures.

### **Implementation Date**

The suggested changes and implementation date of 1 October 2013 are simply impossible for the supply chain and obligated suppliers to meet. The increased administration requirements and, importantly, the high level of errors in installer submissions have required us to substantially increase the size of our team. We anticipate that ECO will soon require a team three times the size of the team employed to administer CERT and CESP (combined). To allow us to recruit and train the additional staff, our preferred timetable for implementation of the proposals is as follows:

- i. 1 October 2013 – Ofgem publishes its decision and update the ECO guidance so as to allow obligated suppliers to request all documentation prior to notification of a measure to Ofgem.
- ii. 1 January 2014 – obligated companies to put in place desk based auditing of a high proportion of documentation.
- iii. 1 January 2014 – obligated companies increase to 10% technical monitoring for HTTC measures.
- iv. 1 October 2013 – Ofgem to work with obligated companies and the supply chain to develop an accurate and non intrusive method of measuring cavity width before and after installation (to be available generally to the industry). 1<sup>st</sup> January would be the target date for introducing a new process.



Whilst we agree with Ofgem's analysis of the issues in the supply chain, we do not believe the proposals in this consultation will work effectively in practise and we think there are more constructive solutions which could be applied. We look forward to further engagement with Ofgem and other stakeholders on these issues.