

12th September 2013

The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Sirs,

**REF: Official Response from Thermabead Ltd
in relation to the following;**

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

Introduction

This document details a full response from Thermabead Ltd to the recent Ofgem consultation document, as shown above.

Thermabead is a system designer and manufacturer of cavity wall insulation with a network of over 100 installers, offering improved insulation performance over other conventional products. We account for a large proportion of installers across the UK.

Thermabead has formed this response following detailed discussions with the industry, including our extensive network of installers, other insulation companies and chartered surveying organisations.

Our network of installers consists of mainly small companies who are currently under enormous pressure to ensure that they comply with existing requirements. To summarise, the feedback that we have received from all of them concerning the consultation suggestions is that the additional requirements which will potentially be placed on them could result in being unable to cope as they are already reaching breaking point.

Thermabead has dedicated resource to research and development to innovative methods and equipment design for the installation of hard to treat cavity walls. We have designed and patented an approved system for use when installing insulation into hard to treat cavity walls which incorporates the use of a Thermascopic Lance. We have also designed, tested and

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had approved a product for use in partial fill cavity walls and narrow cavity walls. As previously pointed out, our installers are currently under pressure. This is felt throughout the industry and will have an impact on the excellent research and development we have proven to provide to this potentially growing market.

Thermabead has introduced complex delivery processes and skill sets to meet the demands of this extremely intricate scheme to accommodate the many levels of complexity in its design and execution. We have done this because we truly believe that ECO and Green Deal can and will vastly improve the UK's housing stock by installing energy efficiency measures and in turn will create job opportunities for those involved in the coming years.

We feel that we must bring to the attention of Ofgem the significant additional difficulty that the consultation recommendations will bring about, both as a direct result of implementation and also as we enter further into ECO. We are extremely concerned that the task of completing requirements outlined by Ofgem is becoming so onerous that the cost, complexity and market will not be capable of supporting the scheme. We do not think that additional requirements should be put in place thus allowing the process to be exposed to potentially unqualified decision making input. We are of the opinion that clear communication and confirmed understanding of rulings as to Ofgem requirements are key to moving forward in the ever changing world of ECO.

1. 100% verification of narrow HTTC measures

Proposal

This proposal relates to HTTC measures installed to a cavity wall which is less than 50mm ('narrow HTTC measure'). For information about narrow HTTC measures see the ECO Guidance for Suppliers 5.14(4).

We propose that prior to the notification of a narrow HTTC measure a Narrow HTTC Declaration Form (Appendix 1) must be completed by a person with appropriate skills and experience who is:

- *an employee of the supplier; or*
- *Independent of the supply chain (this includes independence from the installer, third party agents, surveyors, social housing providers etc, but does not require independence from the supplier).*

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The person who signs the declaration must personally assess the site that is the subject of the declaration. We recommend that the assessment take place before installation of the measure is complete so that additional drilling is not required.

A supplier can use an equivalent declaration form as long as it contains all the information within the Narrow HTTC Declaration Form at Appendix 1. The supplier must retain the declaration and make it available upon request by Ofgem. (Ofgem may also request the other documents and data listed in the ECO Guidance Appendix 1.)

Response

We consider the legitimacy of all submitted work to be of paramount importance which is why our own internal processes are robust enough to ensure claims are in line with issued guidance. We consider that ThermaBead is leading the industry on how to ascertain what is and what is not deemed as a hard to treat measure in line with Ofgem guidance.

Upon first inception of HTTC categories, guidance released by Ofgem had to be interpreted by the Energy Suppliers, and in turn by organisations working to install measures under the ECO scheme. During the time since HTTC categories were introduced, substantial safe guards have been put in place to monitor and support each claim. We have seen and introduced extensive industry developments on an administrative level and also in the equipment and methods used by assessors and installers. To accompany this, the level of administration management has also vastly increased to what we believe is becoming beyond a reasonable and practicable level. We must consider not only the extensive administrative demand, but also how this translates to the customer journey.

We will outline our current processes and training which we believe should be used as a standard for the industry to follow with regards to establishing whether a cavity wall is less than 50mm, and always in line with Ofgem guidance. All surveyors are trained in line with the attached training guidance. 100% of claims are monitored by our technical monitoring department. We are prepared to continue working with Ofgem to ensure that the clarity on issued guidance produced is transparent through the industry to remove any doubt.

The Cavity Insulation Guarantee Agency has released additional documentation outlining a new methodology for surveying and a minimum requirement of inspection per elevation. Three inspection holes per elevation fully scoped to evidence area of narrow cavity width. Methods of measuring the cavity width and evidencing cavity widths with clear photographs have now been introduced across each claim and can be provided to support each claim. A GPS location stamp again could be supported and we understand tests are in place with

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regard to this process. Additional software supporting the evidence is being put into place to further monitor this category.

Currently, each survey clearly identifies the assessor completing the survey. They sign to state that they have completed a BBA survey and provide full evidence to support the category. CIGA have issued guidelines with regard to the suitability of the surveyor. To this end, if at audit stage it is found that a measure cannot be attributed savings due to not meeting the statutory definition the original assessor is therefore identifiable, and will be held to account.

Below is an outline of the current and proposed customer journey:

Current Customer Journey

1. Lead Generation (visit required)
2. Internal Check 40mm – 49mm (visit required)
3. BBA Survey / EPC completed (visit required)
4. Chartered Surveyor Sign Off (no visit required)
5. Installation (visit required)
6. Technical Monitoring (visit required)

Consultation Proposed Customer Journey

1. Lead Generation (visit required)
2. Internal Check 40mm – 49mm (visit required)
3. **Independent inspection** (visit required)
4. BBA Survey / EPC (visit required)
5. Chartered Surveyor Sign Off (No visit required)
6. Installation (visit required)
7. Technical Monitoring (visit required)

As can be seen above, the customer journey is already a lengthy process for the householder to be put through consisting of 5 visits. We do not envisage that adding another independent inspection visit will aid the process.

We ask who would be considered independent **and** adequately qualified beyond our internal training to complete the assessment. Where is the capacity within the market? (the cost associated with an independent assessment would we estimate in the region of £50 each).

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One of our main concerns is in regard to the timetable for the proposed measures coming into effect from the 1st of October 2013. We have a four week work in file, if these proposed measures are introduced would there be considerations with regard to implementation. Would you be in a position to provide a time table with regard to claims?

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

Proposal

This proposal relates to the following sub-categories of HTTC measure:

- *Non-standard insulation materials and techniques - ECO Guidance 5.14(2)*
- *Substantial remedial works - ECO Guidance 5.14(3)*
- *Uneven cavity in natural stone walls - ECO Guidance 5.14(6)*

With respect to each of these sub-categories, existing legislation and policy requires that there be a chartered surveyor's report stating the characteristics of the cavity wall. Our proposal supplements this requirement by specifying requirements relating to the timing of the report, the content of the report and the expertise of the chartered surveyor.

We propose that the chartered surveyor's report must be:

- *dated before installation of the measure; and*
- *prepared using the revised Ofgem chartered surveyor's report template (Appendix 2). A supplier can use an equivalent declaration form, provided (i) it includes all of the content in the template in Appendix 2, and (ii) it is submitted to Ofgem for approval before first use.*

The chartered surveyor who writes this report must:

- *be either a chartered building surveyor or a chartered surveyor who has qualified through the residential survey or valuation pathway.*
- *be independent of the supply chain (this includes independence from the installer, third party agents, surveyors, social housing providers etc, but does not require independence from the supplier);*
- *personally assess the site on which s/he is reporting.*

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Response

We would recommend that urgent further clarification is sought with regard to the categories grouped within non- standard materials and techniques.

We would look to separate the following sub-categories from within the Non-Standard techniques heading:

- Raked mortar joints
- Narrow mortar below 9mm
- Significant obstructions
- Exposed properties.

The evidence supplied for the above sub-categories can be clearly shown without the requirement of chartered surveyor site visit. We have set minimum requirements for provision of evidence that fully support each claim and that satisfies independent or internal chartered surveyors. Surveying for these categories and qualification can be clearly evidenced and verified without the significant additional cost and added task of a chartered surveyors visit.

I must point out that whether the chartered surveyors are employed directly or sought independently, decisions that they make must reflect their RICS qualification so they will always make an independent decision. A chartered surveyor being independent of the supply chain is therefore irrelevant.

We will be forwarding to Ofgem our internal process for evidencing each claim. The addition of GPS location could further support each claim and Google imaging. For a chartered surveyor to visit site to carry out a visual inspection would not be viable and would add considerable cost. Figures in the region of £150.00 per site visit and would also add further obstacles in the process of the customer journey. We have already spoken to a number of chartered surveying companies who are already busy due to the upturn within the home buyers report market which raises concern over available capacity to cope with this potential new demand.

We can see that the following categories do require a greater level of investigation and evidencing:

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- Substantial remedial works
- Comprised cavity
- Uneven natural stone

Again, technology and software can video evidence and support each claim and we would again look to avoid chartered surveyors visits on this basis.

3. Increased technical monitoring

Proposal

This proposal relates to:

- *Narrow HTTC measures;*
- *HTTC measures requiring remedial works;*
- *HTTC measures with non-standard materials or techniques.*

We refer to these measures as 'relevant HTTC measures'.

The existing policy for technical monitoring of ECO measures is contained in the ECO Guidance paragraphs 13.7 to 13.39 and the Technical Monitoring Questions are available at: <https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-technical-monitoring-questions>. This proposal involves a modification of that existing policy for relevant HTTC measures.

We propose that:

- *the size of the initial sample for technical monitoring of relevant HTTC measures increase from 5% to 10%;*
- *with respect to the extra 5% sample, the ratio of pre:mid:post installation inspections be adjusted to 0:100:0 (i.e. mid-installation inspections be conducted for all monitored relevant HTTC measures);*
- *with respect to the existing 5% sample, the ratio of pre:mid:post installation inspections be maintained at 0:60:40;*
- *suppliers report on the technical monitoring on a quarterly basis, in line with the current reporting process; and*
- *suppliers submit monthly interim reports on the total 10% technical monitoring conducted on relevant HTTC measures, showing the number of passes and fails for each measure type.*

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The quarterly and interim reports must also include results for any measures which were monitored but were not notified to Ofgem.

The purpose of increasing the technical monitoring requirements for relevant HTTC measures relates to our responsibilities under the ECO Order. As the Administrator of ECO, we have an obligation to attribute savings to completed qualifying actions. Technical and documentary audits undertaken to date have suggested there have been widespread errors in notification of relevant HTTC measures. Due to the extent of the errors identified to date, we require additional assurance that the relevant HTTC measures are as notified before we can approve them as qualifying actions and attribute savings.

The proposal to increase mid-installation monitoring requirements for relevant HTTC measures is expected to:

- deter installation of relevant HTTC measures in properties where the statutory definition of HTTC is not met;*
- provide us with a clearer and more representative picture of the types of errors and issues which are occurring in the recommendation and installation of relevant HTTC measures, and the scale at which they are occurring, in order to inform decisions on how best to address these issues;*
- provide greater assurance that information being recorded in the reports described under proposals 1. and 2. above is accurate; and*
- provide greater assurance that relevant HTTC measures are as notified, in order to enable us to continue to approve these measures as qualifying actions and attribute savings.*

If this proposal is confirmed, then following the submission of the first report containing the results of increased technical monitoring (i.e. following 01 Jan 2014) we will review those results and consider whether it is appropriate to remove, reduce or increase the requirements described above.

Response

Thermabead will always endeavour to provide dedicated research within the industry to provide as precise an account of quality process and procedure as possible.

We will 100% technically monitor works and co-operate with energy Company requirements in regards to technical monitoring.

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