



Energy Companies Obligation (ECO): Consultation On Changes To The Guidance For Suppliers

Cenergist Consultation Response
19 September 2014

Introduction

The Cenergist team has over 80 years personal experience in the energy services sector and has delivered over £950m of private sector and £200m of public sector investments. Under ECO, our work includes the following.

- Design and delivery of the first completed communal heating scheme under CSCO ECO
- Development and delivery underway of large scale communal heating systems in both urban and rural settings
- Advising local authorities, social housing providers and private sector developers on technical and financial design of energy efficiency and renewable energy projects

Please see our website www.cenergist.com for further details about us.

RESPONSE TO CONSULTATION

1. New CERO primary measures: Minimum insulation level to support a secondary measure

Insulation of a cavity wall

1a) Do you agree that insulation of a cavity wall must be installed to at least 50% of the total exterior-facing wall area of the premises in order to support a secondary measure?

1b) Please give reasons for your answer (including any alternative suggestions for an acceptable minimum level)

No, we do not support this proposal.

The substantial changes introduced to ECO by Government were intended to simplify and reduce the overall cost of ECO to UK householders. This has reduced the level of funding for works by some 70% as evidenced by recent brokerage results. Therefore cost of works has to be included in any consideration otherwise those households in most need will receive no support at all.

Further the proposed exemption on unlawful needs to be widened. It is not realistic to expect projects to make planning applications for EWI/IWI when there is a very strong likelihood that the local community or planners will not support such a measure; or are likely to place additional requirements such as the use of brick slips that substantially impact upon the economic validity of the project.

Similarly there are instances where an EWI package would be allowed under current fire regulations but that best practice means that it should not be installed. An example is where it restricts the opening of balcony access or reduces the width of corridors. The

exemption should therefore cover situations where a letter from the resident or relevant social housing landlord sets out that there are planning concerns or that their internal best practice on fire regulations precludes the installation of insulation.

For some types of property, there should also be a general exemption. These are listed buildings or those within conservation areas where EWI is very unlikely and IWI will also be very difficult. Similarly properties such as Park Homes or electrically-heated multi-storey flats or homes where a communal heating system is proposed should be excluded given the very high fuel bills that these householders face.

Therefore we recommend setting a minimum threshold of 50% unless the resident or social housing provider provides evidence that the insulation works are not possible on the grounds of:

- access constraints;
- it may be unlawful or where there are planning concerns or the install would infringe best practice in terms of fire safety or access;
- refusal to consent including reducing habitable accommodation or on the grounds of cost;
- exemption for listed properties or those in conservation areas;
- exemption for properties that are not using gas-fired heating.

Cenergist believes that its proposal reflects the Governments Response to Q18 of the full consultation on ECO where DECC stated:

'Based on responses to the consultation and discussions with industry during the consultation period, requiring the installation of SWI along with retrofitting a heat network could mean that installation of heat networks in many tower blocks would result in the project being no longer cost effective. In these instances, this requirement could be considered inappropriate. Consequently, we are considering with the Administrator a test to ensure that installation of SWI is not required in such cases, and depending on whether such a test can be developed in practice, we are considering exempting solid walled properties, with effect from 1 April 2015, from the requirement to install wall insulation alongside a district heating system in certain circumstances'

Roof-space insulation

1c) Do you agree that roof-space insulation must be installed to at least 50% of the total roof space area of the premises in order to support a secondary measure?

1d) Please give reasons for your answer (including any alternative suggestions for an acceptable minimum level)

No we do not support this proposal for the same reasons as for Q1 above. Our recommended route is the same as for 1b. In addition the proposals for treatment of roof-space seem at odds with the Rd-SAP treatment of homes where there are dwelling above.

2. Connections to a district heating system: Pre-conditions under CERO and CSCO

2a) Do you agree with the reasons we are proposing for judging why any of the roof-space or exterior-facing wall area cannot be insulated?

2b) Are there any other scenarios where the exterior-facing wall area of a premises being connected to a DHS cannot be insulated?

No, we do not support the proposed grounds for exempting properties from meeting the insulation minimum as they are too excessive. Given the benefits from communal heating, particularly for hard to heat properties, we believe there needs to be greater grounds for exemption.

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Further the proposed exemption on unlawful needs to be widened. It is not realistic to expect projects to make planning applications for EWI/IWI when there is a very strong likelihood that the local community or planners will not support such a measure; or are likely to place additional requirements such as the use of brick slips that substantially impact upon the economic validity of the project.

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For some types of property, there should also be a general exemption. These are listed buildings or those within conservation areas where EWI is very unlikely and IWI will also be very difficult. Similarly properties such as Park Homes or electrically-heated multi-storey flats or homes where a communal heating system is proposed should be excluded given the very high fuel bills that these householders face.

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To illustrate the situation if these changes are not allowed, we set out below a couple of examples of projects.

Example 1 - NW Communal Heating Package

This concerns a group of 211 electrically heated flats in the NW. Current residents are struggling to keep warm, facing average cost of £22 per week or £1,144 to keep warm. Most cannot afford this cost and so homes are cold and unhealthy.

Option 1 – Install Biomass Communal Heating Only

Householder heating and hot water bills reduced by 45% to £12 per week

Cost of works	- £3.2m
ECO Grant	- £0.99m
Social landlord	- £2.21m

Option 2 – Install Biomass Communal Heating and EWI

Householder heating and hot water bills reduced by 55% to £10 per week

Cost of works	- £4.5m
ECO Grant	- £1.05m
Social landlord	- £3.45m

The inclusion of EWI increases the capital cost to the landlord by 56% while only providing an additional saving of £2 per week for the tenant. In cost-effectiveness terms, it would be better to use the additional capital monies to treat a second electric block rather than install EWI on this site.

Example 2 - Rural Communal Heating Package

A community of 302 homes that away from the gas grid and facing very high heating and hot water costs. The location is suitable for a biomass-fired communal heating network. This would substantially lower fuel bills but is only feasible with ECO support. Approximately 50% of the homes have simple cavity wall or loft insulation requirements then these would be completed at time of installing the heating systems. The other 50% would require an EWI solution to meet the proposed threshold.

These households face average heating and hot water costs of £26 per week or £1,352 per year to keep warm. Most cannot afford this cost and so homes are cold with damp.

Option 1 – Install Biomass Communal Heating Only

Average householder heating and hot water bills reduced by 50% to £13 per week

Cost of works	- £4.5m
ECO Grant	- £2.6m
Social landlord & Private Householders	- £1.9m

Option 2 – Install Biomass Communal Heating and EWI

Average householder heating and hot water bills reduced by 58% to £11 per week

Cost of works	- £5.4m
ECO Grant	- £2.7m
Social landlord & Private Householders	- £2.7m

The inclusion of EWI increases the capital cost to the landlord by 42% and will make this project only marginally cost-effective. There is serious risk that the project does not proceed and no residents are helped at all.

2c) How can suppliers demonstrate for compliance purposes that the exterior-facing wall area cannot be insulated?

We recommend that this depends on the reason for non-installation as follows:

- For technical reasons then a report from a chartered surveyor or technical engineer should suffice.
- For reasons of planning, exempted buildings or cost then a supporting letter from the householder or landlord setting out the issues in detail.

2d) Are there any other scenarios where the roof-space area of a premises being connected to a DHS cannot be insulated?

Please see our response to 2a above.

2e) How can suppliers demonstrate for compliance purposes that the roof space area cannot be insulated?

Please see our response to 2c above.

2f) Are there any additional factors that can affect the decision on whether or not to insulate a premises?

Please see our response to 2a above.

2g) Do you agree that, where the roof-space area or total exterior-facing wall area of the premises are insulated to less than 100% but more than a specified minimum level, a DHS connection should be eligible where the remaining area cannot be insulated?

Yes

2h) Do you agree that this minimum level should be set at 50%?

No, please see our response to 2a above.

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