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Dear colleague

**Energy Companies Obligation (ECO): changes to the Guidance for Suppliers - Consultation**

SSE welcomes the opportunity to provide comment on Ofgem's draft changes to the supplier guidance.

We believe the changes to the guidance largely reflect the policy intent of the ECO 1.2 changes which were laid before parliament on 22 July 2014 and should not require any significant changes in the way the scheme is already administered.

As indicated in paragraph 3.9 of the consultation, by the time the amended ECO Order (ECO1.2) and Ofgem's guidance comes into force, there will be less than six months remaining in the current obligation period. And therefore introducing any new requirements (beyond those required to administer the changes already anticipated by the supply chain) at this stage is likely to present a problem to suppliers and the supply chain. As well as the risk of having to apply new rules retrospectively to measures which have already been installed, any existing contracts which have been agreed for the delivery of obligations for the current obligation period (ending 31 March 2015) will be at risk. SSE already has its contracts in place for delivering the remainder of its obligations for the current obligation period. To suggest changes to these contracts at such a late stage will increase scheme cost and is likely to hinder our ability to meet our obligations.



If Ofgem believes that additional protections are required under any areas of the ECO scheme, these should be introduced from the next obligation period (2015-2017) to allow suitable time for suppliers and the supply chain to implement the appropriate system changes and to place the appropriate contracts. Additionally, any new proposals should aim to make the scheme simpler to administer and not place further burden on suppliers or the supply chain. We are keen to engage further with Ofgem on ways to make the delivery of ECO more efficient by way of improvements and changes to processes which currently apply, so that such improvements can be applied to the next obligation period(s).

Our responses to the consultation questions can be found in the attached annex.

If you have any questions or would like to discuss our response in further detail please do not hesitate to get in touch.

Yours sincerely

## Question 1

### 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?

We agree with this proposal which is in line with existing requirements for other ECO measures. Our agreement is subject to this requirement being verified using existing checks, with no additional documentation being required. This means the installer will provide the install percentage figure in their submission dataset and SSE will check the figure is 50% or more.

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

Additional checks are not required as it is in the installer's interest to install the maximum amount of insulation possible so as to increase the level of ECO funding they receive. Also we already require installers to obtain prior permission where they intend to install less than the full amount possible for a measure. This permission is requested and granted using an SSE standard form.

### 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?

We agree with this proposal which is in line with existing requirements for other ECO measures. Our agreement is subject to this requirement being verified using existing checks with no additional documentation being required. This means the installer will provide the install percentage figure in their dataset and we will check the figure is 50% or more.

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

See 1b

## Question 2

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?

Whilst we agree the reasons identified are appropriate, we also believe it is not appropriate to have prescriptive rules that could prevent worthwhile district heating schemes from being implemented. For this reason Ofgem should always have the option of assessing district heating schemes on a case by case basis.

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

We have evidence of no other scenarios.

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

We currently require ECO partners to obtain prior authorisation from SSE if they do not intend to install 100% of a measure. This is in the form of a declaration which includes the reason why the measure cannot be fully installed. In the case of district heating which typically involves connections to hundreds of properties we believe it is appropriate for a chartered surveyors report to confirm any reasons why properties cannot be fully insulated.

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

We have evidence of no other scenarios.

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

See response to 2c).

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

We have evidence of no other additional factors; however we believe it is appropriate for Ofgem to have the option of considering schemes on a case by case basis.

For premises, not including those within a multi-storey building which is not located on the top floor

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?

Ofgem should have the option of considering schemes on a case by case basis.

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

No, as there could be instances where the appropriate level of insulation is less than 50%.

### Question 3

3a) Do you agree with our proposal to require evidence that the installation of a measure complies with Building Regulations? Please give reasons for your answer

We are very concerned this proposal will make no difference to the quality of ECO measures and will be very burdensome to comply with. Our reasons are as follows:

We already request evidence that all installers are PAS 2030 accredited. In order for an installer to be accredited they must demonstrate that work is in line with PAS 2030, which includes installing (not just using products or materials) to the latest building standards. This means PAS2030 accredited installers are registered for the competent persons scheme which allows them to self certify work without their local building control having to inspect the installation. Therefore by only using PAS2030 accredited installers we believe we are already evidencing compliance with Building Regulations. Ofgem's rationale for introducing this requirement is based on evidence of previous poor quality measure installations, however we believe that issues of poor quality should be raised with the appropriate accreditation bodies and that the Government should ensure that the accreditation bodies are able to operate effectively. PAS2030 currently conduct yearly auditing of its accredited installers, along with other accreditation bodies such as Gas Safe and BBA, the experience of poor quality would suggest this is insufficient.

We do not believe inspections by a building control body or an approved inspector are a practical proposition as we doubt they have sufficient capacity to take on the inspection of ECO measures. There is anecdotal evidence that some approval certificates for building work can take up to a year to be issued by building control. One of the reasons for introducing the competent person scheme was to alleviate the workload for building control and it is this scheme which underpins assurance for PAS 2030.

We also have concerns about using the "building regulations compliance certificate" issued by a competent person scheme. Our understanding is the installer applies to the local building control that then sends the certificate to the homeowner. Our concern is a copy of this certificate would need to be obtained from the homeowner. This creates a number of difficulties:

- firstly the certificate will be issued some time after the installation is completed;
- secondly the installer would need to engage again with the customer to get a copy of the certificate; and
- Thirdly, we could only accept submissions from installers which include a copy of this certificate. This would be impossible to achieve under the current one month reporting rule and would therefore require the completion date of a measure to be redefined. In effect the completion date or handover to the customer would be the later of the date they receive the building regulations compliance certificate or the handover of the measure. Suppliers should not be left in the position of paying for a measure without confidence that a certificate may or may not materialise at a later date. This would present an unacceptable credit risk.

Also there will always be instances where customers are uncooperative and refuse to provide a copy of the certificate, which would result in the installer being unable to claim a measure.

While we firmly believe that suppliers should not be carrying out the functions of the accreditation bodies, we believe the only other viable option would be to evidence building regulations compliance using the Project Installation and Conformity Form completed by the accredited installer. This form is sent to local building control to apply for a building regulations compliance certificate. This evidence is not something which is currently required under ECO but as it is already produced by the installer it would seem logical, and less administratively burdensome than the alternatives Ofgem has proposed in its consultation. Whilst this evidence could be collected we do not believe it will have any meaningful impact on measure quality. It would be administratively impossible to introduce a subsequent check that the building control approvals were then obtained (there being no central body issuing the approvals).

In any event, the current Technical Monitoring (TM) regime provides an appropriate level of protection against the concerns Ofgem has raised. The analysis of TM results enables suppliers to identify trends in poor performance which can then be addressed with the relevant installer and where appropriate reported to the accreditation bodies. To introduce an additional independent verification stage would surely question the requirement for TM regime, which is "...designed to verify whether a measure has been installed to the relevant standards." (ECO: Guidance for suppliers v1.1a, pg 109).

Any additional independent verification step would also impact an already tight handover period. If Ofgem was to proceed with its proposals then the current 28-day handover period would have to be reviewed to determine if it was still appropriate and whether the current definition of when a measure is complete would still apply.

Ofgem should also consider the increase in the cost to serve as a result of any new proposals. Commissioning independent parties to carry out verifications of each completed measure would require significant resource within the supply chain, with any limits in availability impacting directly on contractual costs.

3b) If this requirement was introduced, how could compliance be demonstrated?

See responses to 3a) and c).

3c) Other means of evidencing compliance (for either the installation or the product and system, or both)?

As per our response to 3a) evidence that a completed measure has been installed to the latest building standards can be obtained via a Project Installation and Conformity Form by the accredited installer.

We disagree that an additional independent verification is needed at this stage as such requirements can be met via the current Technical Monitoring regime.

3d) Do you think we should introduce this requirement from the date version 1.2 of the guidance takes effect or for the next ECO obligation period (2015-2017)?

It is important that any new requirements do not take effect until the next ECO obligation period (2015-2017). Implementation at an earlier date would be impracticable as the contracts for delivery are already in place.

Version 1.2 of Ofgem's guidance states that it will come into effect for all measures notified, rather than installed, after that date, meaning any new rules included in the guidance will apply retrospectively to measures which have already been installed but not yet notified. Suppliers cannot be made responsible for applying rule changes retrospectively. Ofgem's draft guidance would strand otherwise compliant measures, unnecessarily increasing the cost of the scheme.

Additionally, SSE already has its contracts in place for delivering the remainder of its ECO 1 (ending March 2015) obligations. To suggest changes to these contracts at such a late stage is likely to jeopardise their delivery and our ability to deliver our ECO obligations for the current period.

If Ofgem continues to feel that additional protections are required then these should be introduced from the next obligation period to allow suitable time for suppliers and the supply chain to implement the appropriate system changes.