



SCOTTISHPOWER

The Energy People

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Energy Retail

Your ref

Our ref

Date

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Contact/Extension

Dear ECO Team

ENERGY COMPANIES OBLIGATION (ECO): CHANGES TO THE GUIDANCE FOR SUPPLIERS

We welcome the opportunity to respond to the Energy Companies Obligation (ECO): Changes to the Guidance for Suppliers Consultation.

Given the unusual situation that the draft legislation (the ECO Amendment Order (No.2)) on which this Consultation is based was laid in Parliament on 22 July 2014 and is not due to come into effect until November 2014, sometime after a number of the ECO changes will be retrospectively applied from 1 April 2014, we appreciate the timely manner in which Ofgem have published the Draft ECO 1.2 Guidance for Suppliers and the accompanying consultation. We also appreciate the fact that Ofgem are only consulting in a small number of areas, where there is discretion and that where possible, the proposed Draft Guidance appears to reflect current practices.

We are also supportive of the process which Ofgem have put in place prior to the legislation coming into effect to allow suppliers to report progress in relation to 'interim measures' and that Ofgem are taking these measures into account when publishing progress by supplier. We believe this to be important in providing a full picture to suppliers, the wider supply chain and DECC of actual ECO delivery on the ground, particularly as we near the end of the first ECO obligation period on 31 March 2015. We also believe that this will significantly reduce the administrative burden for both obligated suppliers and Ofgem following official notification of the interim measures.

We have provided a response to the consultation questions in Annex 1. Our main issue with the draft guidance is the proposal to require evidence that the installation of a measure complies with Building Regulations. We do not believe that the proposed changes to requirements are necessary and we are concerned that as formulated, as well as being costly, the requirements may not be practicable or effective in solving the particular issues of poor quality that have been cited. In particular:

- Effectiveness of proposed changes: The consultation does not specify the nature of the poor quality installations for which anecdotal evidence has been received and which the proposed changes are intended to prevent. However, we are doubtful whether a certificate showing that the installation is compliant with Building Regulations would prevent the most common defects that are being identified through the industry wide technical monitoring of ECO funded measures. For example, a common defect is where holes drilled for cavity wall insulation have not been properly filled. Building Regulation requirements for insulation are typically expressed in terms of the overall thermal efficiency of the building, so unless the unfilled drill holes materially reduce the thermal efficiency (which seems unlikely) this defect would not prevent a

certificate of compliance with Building Regulations being issued (albeit there may be observations about the quality of the installation).

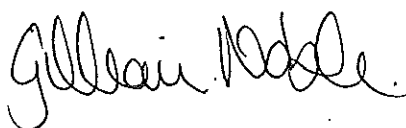
- **Need for change:** We believe the current requirements, as outlined in sections 3.1 and 3.2 of the consultation document, already provide sufficient confidence that the installation of a measure complies with Building Regulations. The current requirements are to install to PAS2030 standards and to use, where appropriate, an approved system. All ECO installations must be carried out by a PAS-certified installer who carries measure-specific PAS accreditation, where the measure is referred to in PAS. Whilst PAS does not expressly evidence compliance with Building Regulations, in the case of cavity wall insulation (CWI) and solid wall insulation (SWI), it requires British Board of Agreement (BBA) Certification for the insulation system together with BBA approval of the installers. The purpose of accrediting installers (and the associated audit requirements) is to ensure that installations are done to an appropriate standard of quality. Therefore, taken together we believe these should provide sufficient confidence that an installation complies with Building Regulations.

- **Cost and practicability:** We believe it would be disproportionately costly and/or impracticable to require suppliers to further demonstrate the compliance of each installation with Building Regulations, where they exist. Whichever of the three options listed in paragraph 3.6 is chosen, we believe it would lead to an increase in programme administration time to obtain the approvals and report in line with the one month rule requirements, with the associated risk of non-compliance and a potentially significant increase in costs (which would ultimately have an impact on consumer energy bills). Furthermore, due to the differences in Building Regulations between Scotland and England, and the fact that the approval options can differ by region, we believe this proposal would be very complex to operate and potentially unworkable.

In summary, we have concerns that the proposed requirements will be unduly costly and burdensome, and in any event may not achieve the intended goal. If Ofgem considers that there are issues in relation to poor quality installations, these should be picked up through technical monitoring and addressed accordingly. In the longer term if Ofgem do not believe that PAS accreditation can be relied upon, we would suggest that Ofgem engage with the PAS accreditation bodies to strengthen the accreditation process and ensure there are sufficient sanctions in place to act as a deterrent to poor quality workmanship.

If you would like to discuss these and/or any of the additional points contained with the Annex, please do not hesitate to contact me.

Yours sincerely



Gillian Noble
Head of Energy Services and Obligations

**ENERGY COMPANIES OBLIGATION (ECO):
CHANGES TO THE GUIDANCE FOR SUPPLIERS**

SCOTTISHPOWER RESPONSE

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?

Yes. We 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. However, we ask that Ofgem clarify how the primary/secondary measure rule would be applied where, for example, a combination of solid wall insulation and cavity wall insulation is applied to the same property and together they total 50% or more of the exterior facing wall area but individually each measure has been installed to less than 50% of the exterior facing wall area.

It would also be helpful if Ofgem could clarify the definition of an 'exterior facing wall'. In particular, should it be considered as any exterior heat loss wall within a dwelling irrespective of whether it is sheltered or fully exposed to the elements?

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

In line with the current rules for the proportion of a measure to support a secondary measure, we believe the level of 50% to be sensible. This provides uniformity across all wall insulation measures and is enough to ensure that the policy intent of delivering the primary measures is met while preventing low levels of primary measures being installed in order to allow the installation of secondary measures.

In terms of evidence of the proportion of a measure installed, at present suppliers must install 100% of a measure at a premises, unless there are reasonable grounds for not doing so. As such, this information is captured in the industry agreed Declaration of Conformity, together with the reason for not doing so and this percentage is used as part of the ECO score calculation, all of which is checked through technical monitoring. As such, we do not believe any further evidence of the proportion of a measure installed is required.

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?

Yes. We 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 ask that Ofgem clarify how the primary/secondary measure rule would be applied where for example, there are two separate loft spaces in the same property with a different type of roof space insulation applied in each but together the roof space insulation measures installed total 50%

or more of the total roof space but individually each measure has been installed to less than 50% of the total roof space area.

Furthermore, in order to measure the roof space area for each of the roof space insulation measure types we would suggest that RdSAP conventions are used, but for the avoidance of doubt we ask that Ofgem provide clear guidance on this within the Guidance document. This will be of particular importance for those measures which undergo technical monitoring to ensure there are no discrepancies between measurements undertaken by the original assessor and the technical monitoring agent.

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

In line with the current rules for the proportion of a measure to support a secondary measure, we believe the level of 50% to be sensible. This is enough to ensure that the policy intent of delivering the primary measures is met while preventing low levels of primary measures being installed in order to allow the installation of secondary measures.

In terms of evidence of the proportion of a measure installed, at present suppliers must install 100% of a measure at a premises, unless there are reasonable grounds for not doing so. As such, this information is captured in the industry agreed Declaration of Conformity, together with the reason for not doing so and this percentage is used as part of the ECO score calculation, all of which is checked through technical monitoring. As such, we do not believe any further evidence of the proportion of a measure installed is required.

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?

Yes. We agree with the reasons Ofgem are proposing for judging why any of the roof-space or exterior-facing wall area cannot be insulated. However, we believe there to be other reasons which could be "acceptable reasons" for not insulating, which we ask Ofgem to consider. These include but are not limited to those detailed below. However, we ask that Ofgem are not overly prescriptive in setting out the reasons within the Guidance and retain some degree of flexibility in allowing obligated suppliers to put forward reasons as and when they arise, which Ofgem can consider on a case by case basis.

Additional acceptable reasons for not insulating:

- At present, legal reasons are only provided under wall insulation. However, a roof space may not be able to be insulated due to its construction e.g. the roof-space of a flat may be the balcony of the flat above therefore it is not possible to insulate or where there are bats inhabiting the loft space. We ask that Ofgem consider such examples and allow legal reasons to be taken into account in relation to roof spaces which cannot be insulated.
- It may be that planning permission is needed and the time it would take is prohibitive to the work being undertaken. We ask that Ofgem consider, if this is the case and it would prevent measures being installed, whether an excessively long time frame for obtaining planning permission would be an acceptable reason for a premises not to be insulated prior to district heating being installed.

- Where the structural integrity of the premises would/could be compromised as a result of being insulated, but the connection of a district heating system would make an improvement in the carbon emissions and the comfort taken from the installation of the measure.
- Where the longer term housing strategy within an area is such that planned re-developments are due to take place in timescales which are less than the lifetime of the insulation measures to be installed negating the full savings' benefits, whereas the installation of district heating and its infrastructure does provide full lifetime savings' benefits. For example, cavity wall insulation has a 42 year lifetime whereas the district heating has a 15-20 year lifetime and demolition is planned in 20 years' time.
- Where it is proven not to be cost effective to install insulation in the premises but the installation of district heating and its infrastructure provides long term savings' benefits. We firmly support the principle of insulation being installed prior to installing a district heating system, but this should not be at any cost, particularly where the benefits of the district heating system on its own can be demonstrated. We ask that Ofgem consider applying a cost effectiveness test on a case by case basis. This could involve Ofgem setting a £/tCO₂ threshold over which insulation does not need to be installed.

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

With changes and developments in insulation products and techniques, it is difficult to determine conclusively that an exterior-facing wall cannot be insulated and manufacturers and installers are likely to believe that their respective products can be applied.

Medium to long term housing and energy strategies deployed by home-owners and landlords will play a major part in this decision. As mentioned above, the cost effective delivery of energy and carbon savings to any customer, regardless of their lifestyle, must be a consideration when reviewing large scale projects such as district heating.

District heating systems require considerable planning and programming and each scheme should be considered and approved by Ofgem prior to the commencement of the works.

As stated above, we firmly support the principle of insulation being installed prior to installing a district heating system, but this should not be at any cost, particularly where the benefits of the district heating system on its own can be demonstrated. We ask that Ofgem consider applying a cost effectiveness test on a case by case basis. This could involve Ofgem setting a £/tCO₂ threshold over which insulation does not need to be installed.

When making this determination we believe that the lifetime savings of the measures to be installed as well as the potential social impact should be deciding factors as to whether the project should go ahead with or without insulation being installed.

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

The manner in which suppliers can demonstrate for compliance purposes that the exterior-facing wall cannot be insulated will differ depending on the reason for the property not being insulated. The reason will dictate what evidence is presented. It could range from a Chartered Surveyors/Structural Engineers Report or an area housing strategy to a technical survey and customer declaration. If, as previously suggested, district heating

systems are reviewed on an individual basis then each project will have its associated feasibility study and cost analysis and this would assist in evidencing a decision.

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

Please refer to our response to 2b above which can also apply to a roof space area.

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

Please refer to our response to 2c above.

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

We are not aware of any additional factors that have not already been mentioned in response to 2a-2e above.

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*?

Suppliers will always seek to install measures to 100% of the available area, as is required generally within ECO and where this is not the case, there needs to be an acceptable reason for not doing so which must be evidenced accordingly. As such, we do not believe that a minimum is required.

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

As per our response to 2g, we do not believe that a minimum level is necessary. However, if Ofgem believe this to be required, in line with the minimum level for a secondary measure to support a primary measure, we believe that 50% is the most appropriate level to maintain consistency of administration. However, while considering the minimum level for a district heating project, Ofgem should consider the property types which are proposed for connection. If the project meets the minimum as opposed to the individual properties, then it should be considered as compliant. This would avoid projects failing to be progressed due to the restrictions on the scheme i.e. the different construction types within a geographical area. If a minimum level is chosen we ask that Ofgem set out the rules in relation to the minimum being applied to the entire project as opposed to an individual property clearly within the guidance.

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 do not believe that the proposed changes to requirements are necessary and we are concerned that as formulated, as well as being costly, the requirements may not be practicable or effective in solving the particular issues of poor quality that have been cited.

Firstly, whilst we understand that Ofgem have received anecdotal evidence of poor quality measure installations under ECO, we do not believe these particular types of poor quality installation would be prevented by ensuring measures are installed in a manner that complies with Building Regulations. The consultation does not specify the nature of the poor quality installations which the changes are intended to prevent. However, we are doubtful whether a certificate showing that the installation is compliant with Building Regulations would prevent the most common defects that are being identified through the industry wide technical monitoring of ECO funded measures. For example, a common defect is where holes drilled for cavity wall insulation have not been properly filled. Building Regulation requirements for insulation are typically expressed in terms of the overall thermal efficiency of the building, so unless the unfilled drill holes materially reduce the thermal efficiency (which seems unlikely) this defect would not prevent a certificate of compliance with Building Regulations being issued (albeit there may be observations about the quality of the installation).

Secondly, we believe the current requirements, as outlined in sections 3.1 and 3.2 of the consultation document, already provide sufficient confidence that the installation of a measure complies with Building Regulations. The current requirements are to install to PAS2030 standards and to use, where appropriate, an approved system. All ECO installations must be carried out by a PAS-certified installer who carries measure-specific PAS accreditation, where the measure is referred to in PAS. Whilst PAS does not expressly evidence compliance with Building Regulations, in the case of cavity wall insulation (CWI) and solid wall insulation (SWI), it requires British Board of Agreement (BBA) Certification for the insulation system together with BBA approval of the installers. The purpose of accrediting installers (and the associated audit requirements) is to ensure that installations are done to an appropriate standard of quality. Therefore, taken together we believe these should provide sufficient confidence that an installation complies with Building Regulations. We have discussed this with a representative of BBA and they have confirmed this to be correct.

Furthermore, where solid wall insulation is installed, part of the guarantee process is to submit the BBA certificate for the building warrant, which again confirms compliance with Building Regulations. It is also our understanding that in some cases wall insulation guarantee providers issue the Building Regulations compliance certificate, where it is required, as business as usual. As such, we believe that PAS accreditation, together with the relevant product/system accreditation and/or evidence of the guarantee (depending on the measure type) should provide sufficient confidence that an installation complies with Building Regulations.

If Ofgem do not believe this to be sufficient and believe there to be a gap in the evidence for compliance with Building Regulations, then the proposal to obtain an approval certificate by a building control body; an approval certificate issued by Approved Inspectors; or a building regulations compliance certificate issued by a competent person scheme could potentially fill this gap. Of the three options listed in paragraph 3.6, we believe a compliance certificate issued by a competent person scheme to be most cost-effective and the only potentially viable option of the three which have been proposed. However, as far as we are aware, there is no such option currently in operation in Scotland or in certain parts of England. As such, should this proposal be progressed this could significantly impact the geographical delivery profile under ECO.

We are also concerned that if suppliers were required to obtain an approval certificate by a building control body this would have an impact on ECO delivery, with varying timescales for approval depending on the building control authority, and that it would significantly increase the administrative burden on the building control bodies. Given the volume of measures

installed under ECO, it is unclear whether the building control industry would even be able to process the approvals needed in the required timescales, with the associated risk of non-compliance. The cost of this option which varies across each building control authority and ranges from a fixed fee of a few hundred pounds to e.g. 10% of the overall project costs would also significantly increase the overall cost of the ECO programme with the resulting impact on consumer energy bills. We ask that Ofgem take both these points into account when deciding the final outcome.

Fundamentally, as stated above, we do not believe that the proposal to require evidence that the installation of a measure complies with Building Regulations is necessary nor do we believe it to be an effective or workable option. Depending on the option chosen, we are concerned that the cost could be disproportionate to the problem that Ofgem are attempting to solve through this proposal. If Ofgem believes that there are issues in relation to poor quality installations, these will be picked up through technical monitoring. In the longer term if Ofgem do not believe that PAS accreditation can be relied upon, Ofgem should engage with the PAS accreditation bodies to strengthen the accreditation process and ensure there are sufficient sanctions in place to act as a deterrent to poor quality workmanship.

Whilst we do not support this proposal, if Ofgem decides to progress with any of the proposed options to evidence compliance with Building Regulations, we ask that Ofgem provide guidance in relation to the individual measures for which compliance with Building Regulations would be required and update 'Appendix 1 – Documents and data to be made available on request' within the final version of the ECO Guidance for Suppliers (Version 1.2) accordingly. In particular, we would ask that consideration is given to how to demonstrate compliance with Building Regulations in Scotland where these differ from those in England and Wales e.g. there are no requirements to notify the fitment of cavity wall insulation in Scotland but there are Building Regulation requirements for this measure in England and Wales; and we also believe there is no competent person self certification scheme currently in operation in Scotland or in certain parts of England and Wales.

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

Please see response to Question 3a above.

3c) Are you aware of any other means of evidencing compliance with building regulations other than those listed (for either the installation or the product and system, or both)? If so, please provide details.

No, with the exception of the method outlined in our response to Q3a above, we are not aware of any other means of evidencing compliance with Building Regulations, other than the three options listed.

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)? Please give reasons for your answer.

We do not think Ofgem should introduce this requirement. However, if the decision is taken to do so, given the lead in time required to engage the supply chain and update contracts and systems to facilitate the collection of this additional evidence, it is imperative that this requirement is not introduced until at least the start of ECO2 (1 April 2015).

Question 4:

4a) Please provide any further comments on the changes to our DRAFT guidance document (version 1.2).

Data Protection

We have concerns in relation to the following paragraph which appears on a number of occasions within the draft ECO 1.2 Guidance for Suppliers.

'Ofgem does not require suppliers to hold or retain these documents and this data. A supplier may choose to enter into an arrangement with third parties (such as installers), under which the third party agrees to hold these documents and this data and make them available to the supplier whenever the supplier requests them. It is for each supplier to choose how they will ensure that they are in a position to make documents and data available to Ofgem auditors or officers'.

Whilst it is helpful that Ofgem provide flexibility to allow each individual supplier to decide how and whether to hold and/or retain these documents, in order to meet Ofgem's audit requirements, we believe Suppliers have little choice other than to hold and retain this information for the duration of the potential Audit period. However, as this is not a specific requirement, this could be seen to be excessive from a Data Protection point of view. We ask that Ofgem require this within the Guidance in order to provide the necessary justification for holding and retaining this data.

We would also appreciate clear guidance if evidence has been gathered (e.g. for an Ofgem audit) on the duration that this evidence is to be held for following the completion of an obligation period.

Solid Wall Insulation (Chapter 4)

The draft guidance states: S.4.68 - *'Suppliers should be aware that inconsistent or discontinuous solid wall insulation will mean there are gaps which will result in heat loss and could lead to condensation and mould growth over time. Insulation should therefore be continuous and properly installed to ensure that this does not occur'.*

This wording is new to the Guidance and is not covered within the current Technical Monitoring. Q43 within the EWII/IWI questions is similar but not the same and as such, we ask that Ofgem clarifies the particular rules. If this new wording is to be taken forward, we ask that Q43 is updated in line with this revised requirement.

Adjoining Areas (Chapter 6)

The sections referring to adjoining areas within the revised Guidance are not particularly clear. We ask that Ofgem looks to simplify the Guidance in this area e.g. within S.6.25 – it may be easier to specify the document that should be referred to from 1 April 2014.

Affordable Warmth Group Requirements (Chapter 7)

The wording relating to the Affordable Warmth Group Requirements has changed between versions 1.1a and 1.2 and both are different from version 1.1. We note that this and some other changes were not picked up in the summary of changes between 1.1 and 1.1a. We ask that going forward Ofgem ensures that all changes are included in the summary of changes, which, as it can be very difficult to compare one version to another, is often relied upon by suppliers and the wider supply chain to ensure all changes have been captured.

Tax Credits (Appendix 1)

We ask that Ofgem confirms what is meant by the addition under Tax Credits which states 'or that they receive the maximum amount of tax credits' and how they would like suppliers to evidence this.

Boiler Replacement Warranty

Given the requirement to include a warranty with any boiler replacements installed under surplus action from 1 January 2015 onwards, and given this Guidance is intended to cover the period to end March 2015, we would have expected Ofgem to have included guidance on the warranty specification. We understand that Ofgem is looking to consult separately on this towards the end of the year but we ask that guidance is provided as soon as possible, and definitely before 1 January 2015, particularly given a number of suppliers are already in a surplus action position.

Hard to Treat Cavity Wall Insulation (HTTCWI)

If suppliers choose to notify measures installed from 1 April 2014 as HTTCWI and they fail Technical Monitoring on the basis of not being HTTCWI, we ask that Ofgem confirms whether they can be re-classified as standard CWI at a later date or whether this would be considered by Ofgem as mis-reporting.

District Heating

We ask that Ofgem confirms that where a supplier notifies District Heating as a secondary measure, whether this can only be done to support one of the previous Primary measures i.e. SWI/HTTCWI.

Inflator/Deflator

We ask that Ofgem confirms how the inflator or deflator scores will be applied for surplus action installed before 1 April 2015 and whether suppliers will be required to provide further information/evidence of boiler warranties in particular.

RdSAP Version 9.92 and DECC's Proposed Conversion Factor

In light of DECC's recent Call for Evidence in relation to the SAP/RdSAP conversion factor and the concern that the new version of RdSAP may be implemented prior to the ECO scoring software tools being approved, we ask that Ofgem confirms the process for applying the conversion factor within this version of the Guidance and in the event that scoring tools are not approved in time, that Ofgem works with suppliers to agree an alternative solution. It is essential that suppliers are able to report compliant ECO scores or to re-score without recourse once approval for the ECO scoring tools has been obtained and not placed in a position of potential non-compliance through no fault of their own.

PAS 2030:2014

We ask that Ofgem clarifies the process for evidencing compliance with PAS 2014, particularly where an installer has been approved under PAS 2012 and their certificate has no expiry date. We also ask that Ofgem confirms whether they expect the accreditation bodies to provide updated certificates and whether the requirement will be backdated to installations from 28 June 2014 when PAS 2014 came into effect.

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