

ECO Consultation
Ofgem
9 Millbank
London
SW1P 3GE

Email to: eco.consultation@ofgem.gov.uk

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

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy is pleased to respond to Ofgem's consultation on their new draft Supplier Guidance. We agree with Ofgem's proposals for the minimum percentage required for the new CERO primary measures to support a secondary measure. We also broadly agree with Ofgem's proposals for district heating requirements, although our experience of these measures is limited. Therefore, we would encourage Ofgem to adopt a flexible case by case approach for such measures.

EDF Energy agrees with the need to raise installation quality standards across ECO and is committed to exploring how the wider industry can accomplish this. We do question the need for evidencing of Building Regulations compliance and what benefits this could provide. We believe Building Regulations compliance is already demonstrated by implication with a variety of measures. Any further evidencing requirements are requiring suppliers to police established industries that exist outside of ECO. We would encourage Ofgem to work with suppliers, DECC, accreditation bodies, installers and the GD ORB to seek to create a long term solution to address any quality issues in ECO.

Any changes that Ofgem is minded to introduce to ECO as a result of this consultation should not result in a long term net increase of programme costs.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Nigel French on 07826 852988, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads "Eric Salomon".

Eric Salomon
Energy Field Services Director

EDF Energy
40 Grosvenor Place, Victoria
London SW1X 7EN
Tel +44 (0) 7875 118944

edfenergy.com
EDF Energy plc.
Registered in England and Wales.
Registered No. 2366852.
Registered office: 40 Grosvenor Place,
Victoria, London SW1X 7EN

Attachment

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EDF Energy's response to your questions

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

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?**

EDF Energy agrees that a cavity wall measure must be insulated to at least 50% of the total exterior facing wall area in order to support a secondary measure.

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

EDF Energy believes that this is consistent with existing requirements for solid wall insulation and hard-to-treat cavity wall insulation (as primary measures supporting secondary measures). EDF Energy supports consistency in ECO to ensure it is easier for all parties involved to understand scheme requirements.

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?**

EDF Energy agrees that a roof space insulation measure must be insulated to at least 50% of the total roof space area in order to support a secondary measure.

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

EDF Energy believes that this is consistent with existing requirements for solid wall insulation and hard-to-treat cavity wall insulation (as primary measures supporting secondary measures). EDF Energy supports consistency in ECO to ensure it is easier for all parties involved to understand scheme requirements.

2. **Connections to a district heating system: Pre-conditions for the premises 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?**

EDF Energy agrees with the reasons proposed by Ofgem.

However, Ofgem should give consideration, on a case by case basis, where the cost of insulation far outweighs the associated carbon savings benefit. To rule out excess cost as a reason could see suppliers walking away from some district heating measures where significant benefit could still be achieved for customers.

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

EDF Energy is not aware of any other scenarios where the exterior facing wall of a premise being connected to a district heating system (DHS) cannot be insulated. This may be due to the limited number of district heating schemes in which we have been involved. However, this does not mean that there are not any other reasons and we believe that these should be considered on a case by case basis.

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

If there are technical reasons preventing an exterior facing wall from being insulated, a survey sheet from a chartered surveyor detailing the reasons should be sufficient.

A declaration from the landlord should suffice for evidencing refusal of consent of insulation measures, detailing the reasons why consent is refused.

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

EDF Energy is not aware of any other scenarios where the roof-space area of a premise being connected to a district heating system (DHS) cannot be insulated. This may be due to the limited number of district heating schemes in which we have been involved. However, this does not mean that there are not any other reasons and we believe that these should be considered on a case by case basis.

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

If there are technical reasons preventing roof space from being insulated, a survey sheet from a chartered surveyor detailing the reasons should be sufficient.

A declaration from the landlord should suffice for evidencing refusal of consent of insulation measures detailing the reasons why consent is refused.

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

EDF Energy is not aware of any additional factors that would prevent insulation of a premise before District Heating can be installed. However, it would be prudent to not draw up an exhaustive list of factors and explore each system 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?

EDF Energy believes that in every instance a supplier should insulate to 100% unless there are legitimate reasons for not doing so. We do not believe there should be a specified minimum level. Suppliers should insulate as much as possible before installing district heating measures. If it is not possible to insulate the entire property this should be determined by a valid reason and evidenced.

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

As per our answer to question 2g, EDF Energy does not believe there should be a minimum level.

3. Compliance with Building Regulations: Installation of a measure

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.

EDF Energy does not agree with Ofgem's proposal to require evidence that an installation complies with Building Regulations. We cannot see any benefit in asking suppliers to provide this information. Ofgem, suppliers and the installation industry have recently completed a long and successful piece of work simplifying the documentation requirements across the industry. Therefore, to now require additional complexity without a clear benefit seems to run counter to such activity.

The consultation document suggests that Ofgem believes there are issues of poor quality installations. However, we do not believe that evidencing compliance with Building Regulations will achieve an improvement in quality. Installers are already required to comply with Building Regulations in PAS, when registering a boiler install with Gas Safe, to notify Building Control when installing solid wall insulation and if they are a member of CIGA's self certification scheme Buildings Regulation compliance is required.

Requiring suppliers to obtain further evidence from our supply chain to evidence compliance with Building Regulation is a further example of requiring suppliers to police other industries. Such industries have their own controls already built into their standards.

EDF Energy agrees that there is a need to improve installation standards further but believes that this is not something that suppliers and Ofgem can tackle on their own due to the size and variety of the industry participants in ECO. We believe the installation industries and PAS should have more stringent accreditation processes to discourage

poor workmanship. This should improve standards across installation industries both inside and outside of ECO.

A more collaborative approach to quality should be established by working with the relevant industries and their certification bodies, DECC, Green Deal ORB and Ofgem. We would support the creation of an ECO installer accreditation which would be mandatory for anyone wishing to install measures in ECO, with accreditation revoked if participants were found to have consistent or serious quality failings.

Ofgem is in a unique position to know which installers are consistently demonstrating issues with quality through the technical monitoring submissions of all obligated parties. We would encourage Ofgem to use this information to create a more targeted approach to technical monitoring, focussing attention to where greater scrutiny is required.

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

EDF Energy does not believe that this requirement should be introduced. However, if a supplier can demonstrate that a measure was installed by a member of Gas Safe, CIGA's self certification scheme or FENSA or that a solid wall measure had Building Control approval applied for, then these should all be sufficient to demonstrate that a measure has been installed in line with Building Regulations.

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, EDF Energy is not aware of any other existing means of demonstrating compliance with the building regulations. However, if installers were able to self-certify for all measures then this could be used as evidence. However, we would again question how this would improve the quality of installs in ECO.

Something that EDF Energy has started to do on a voluntary basis with its supply chain is ask that the installer completes and signs a form answering the quality related technical monitoring questions in the form of a checklist before leaving site. EDF Energy is asking for this form to be submitted with our required documentary evidence, with the objective that this will make the individual installer more accountable for the measure they are installing.

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.

EDF Energy does not believe this requirement should be introduced at all. However, if Ofgem is minded to introduce anything it should not take effect before the start of the next period of ECO. Ofgem should realise that embedding any changes across the myriad industries that operate in ECO takes time and requires a long lead time to implement. The early experiences in ECO, notably the introduction of the hard-to-treat

cavity wall insulation measures, demonstrated the issues that installers had when dealing with change to an already complex scheme.

4. General comments on our guidance (version 1.2)

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

EDF Energy believes that the SAP scoring element of technical monitoring is unnecessary and Ofgem should seek to remove it by mandating the lodging of EPCs instead. EPCs are a legal document created by accredited assessors who are subject to regular audits by their accreditation bodies. We do not believe that technically monitoring the accuracy of EPCs adds any benefit and is another example of suppliers having to police another industry which already has recourse for removing the accreditation of assessors who are found to be completing EPCs erroneously.

We would again encourage a collaborative approach, as outlined in our answer to question 3a, between DECC, Ofgem, certification bodies and GD ORB for any issues with the scoring of measures. This would be preferable to expecting suppliers to be able to influence an industry for which ECO is only a minor funding channel.

EDF Energy would welcome guidance from Ofgem on what would be suitable evidence for demonstrating that cavity wall insulation is present before the installation of a district heating measure. Consideration needs to be given to properties that have been insulated prior to the issue of CIGA guarantees. EDF Energy recommends that in the instance of local authority properties, a declaration from the local authority confirming their housing stock has been insulated should be sufficient. Other options, including a Chartered Surveyor report or full technical survey to prove the existence of insulation already adds cost unnecessarily to what can already be an expensive measure to install.

EDF Energy would appreciate a defined list of the new Carbon Saving Community Obligation (CSCO) and CSCO rural area postcodes being made available to suppliers to ensure that they and Ofgem are working to the same list of eligible premises.

We realise that the requirement to provide warrantees for boiler replacement measures that suppliers wish to carry forward into the next period of ECO is not in the current draft legislation. However, many suppliers may already be delivering boiler replacement measures with a warranty due to their compliant position in HHCRO. Therefore, we would recommend that Ofgem consult on or define as soon as possible what the requirements are for boiler replacement warrantees.

Any changes that Ofgem is minded to introduce to ECO as a result of this consultation should not result in long term, net increases in costs of the programme. This would not be in the interests of the domestic energy users that ECO is designed to benefit.

EDF Energy
September 2014