

Sent via email to eco.consultation@ofgem.gov.uk

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RWE npower's response to Ofgem consultation on Energy Companies Obligation (ECO) and changes to the Guidance for Suppliers

Please find below npower's response to Ofgem's consultation on the Energy Companies Obligation (ECO): changes to the Guidance for Suppliers. We would also like to acknowledge that as a supplier we are required to comment on guidance that is retrospective.

We would like to highlight that energy suppliers are in an unusual position as a result of the changes to ECO. The first set of changes are relating to the current obligation period (1 April 2014 and extending to 31 March 2015). Suppliers are asked to comment on Guidance that will effectively apply retrospectively, a most unusual and potentially costly way of re-designing an obligation.

Question 1

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.

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

In line with existing rules; suppliers must install 100% of a measure at premises unless there are reasonable grounds for not doing so.

The Declaration of Conformity and Completed Installation form along with the Notification Template captures this information and therefore this proposal is in line with existing guidance.

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.

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

In line with existing guidance.

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?

Before specifically answering the questions on District Heating Systems (DHS) we would welcome some clarity and guidance on what additional requirements, if any, would be applied to projects that are currently contracted and underway.

In principle, we agree the reasons for judging why any of the roof-space or exterior-facing wall area cannot be insulated.

We acknowledge that clear rules for District Heating Systems (DHS) are required, and that it should not be installed unless there is adequate insulation present in the premises or there are valid reasons for judging that any roof-space or exterior-facing wall area cannot be insulated.

In addition to those listed there should be an additional valid reason for not insulating on “technical” grounds, This would be a catch all for any instance where other, non-specific barriers exist to installing – There can be many varied technical reasons principally in relation to high and medium rise dwellings.

We are concerned with the proposal to specify that cost alone is not a valid reason why a property cannot be insulated. Cost of installing a measure is a critical component of bringing any scheme to the Administrator for approval but decisions on whether to proceed or not on cost must remain with the obligated party, it is not appropriate for the Administrator to intervene on delivery of a party’s obligation on the basis of cost alone. Cost is a valid factor in decisions not to insulate and is part of the obligated parties’ rational decision making process. We do not believe that it is in the best interests of consumers for the Administrator to refuse householders the benefits of a more efficient heating system without insulation, where the cost of insulation is prohibitive.

We have information from one housing provider that the cost of installing external wall insulation into a high rise block of flats will be as much as £15,000 per property. This cost does not represent cost effective energy efficiency improvement for either the tenant or the landlord.

We also believe that this approach is consistent with the Renewable Heat Incentive (RHI). District Heat is an eligible measure under the Non-Domestic RHI, which places no obligation on the owner of the heating system to insulate the property.

However, we do understand the need to implement the intent of the SI. Our recommendation for a sensible, measured and flexible approach to DHS is for Ofgem to continue to consider them on a case-by-case basis similar to the current process we undertake when approving schemes. This would allow suppliers to bring forward schemes and to discuss instances where insulation cannot be installed and the cost of doing so is a mitigating factor.

The resulting proposed guidance relating to Multi-storey flats, where they are not situated on the top floor, where no requirement for roof space insulation to be installed as this is not possible. For this scenario the floor above will no longer be deemed as functioning as loft insulation.

We agree that a minimum level of insulation is always best practice, however there are some circumstances where this is impractical.

Pre-condition 2 states that there is no requirement for roof space insulation as this is not possible. For this scenario it is apparent that the floor above will no longer be deemed as functioning as loft insulation. This is at odds with RdSAP where the presence of a dwelling above is not considered to be an area of heat loss and would not produce a recommendation for insulation. Previously in ECO Guidance 1.1a para. 6.9.iv it was accepted that the presence of a floor above functions as loft insulation.

The ECO Order with reference to achievement of CSCO, and which we understand has not changed, states that “a connection to a district heating system where that connection is made to premises which have loft or wall insulation.” However, the proposed guidance 1.2 now discounts the dwelling above as being deemed to fulfil the loft insulation requirement making the insulation of the exterior wall mandatory. We do not agree this is a valid change and the current guidance that accepts the floor above as functioning as loft insulation should remain.

The intention that DHS would become a primary measure in CERO is now contradicted where the premises are not the top floor and the existence of a dwelling above is to be deemed not applicable for fulfilling the loft insulation requirement, therefore the pre-condition that the walls must be insulated unless they cannot be insulated. This essentially relegates the DHS for multi-storey buildings to

secondary status in all cases. We believe this is a contradiction of the intention that DHS would become a primary measure in CERO.

The proposed Table 1 (Table 4, page 36 of the draft guidance) referring to premises within a multi-storey building which is not located on the top floor should revert to the RdSAP interpretation that a dwelling above functions as loft insulation. This should allow for a wall insulation of potentially 0% being admissible. We therefore propose a change to this table: Pre-conditions for connections to DHS under CERO and CSCO to remove N/A.

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

Ofgem should consider on a Case by Case basis due to the complexities of District Heating Schemes and should also consider the cost-effectiveness as a factor in their decisions.

Examples for Ofgem to consider include the following:

- Listed Buildings
- Conservation areas
- Planning restrictions
- In mixed tenure blocks with a proportion of private ownership then it may not be possible to legally enforce improvements (as opposed to repairs) on unwilling owners. In such a scenario, where it would clearly not be feasible to insulate anything less than the whole of the external wall, then the scheme could not proceed.
- Other considerations should include:
- Buildings that are of non-standard construction, i.e. timber or steel frames and insulated. This should be deemed 'adequately insulated'
- Existential condensation which may be an effect of insulation being introduced retrospectively and can affect building construction and produce steel corrosion or decaying timber frames.
- Wall construction and building fabric that will not support the fixing of external wall insulation making it unsuitable to insulate. as an example drilling to concrete panels etc.
- Cost effectiveness of delivering the insulation should be taken into account
- Building construction may only allow small areas of external walls to be suitably insulated due to differing construction
- Cold bridging issues due to building construction

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

A report from an industry professional, chartered surveyor, structural engineer or other suitably qualified person providing the details of why an exterior facing wall cannot be insulated.

Alternatively where there are other restrictions, such as lack of consent or legal issues in the leasehold a statement from the landlord, freeholder or leaseholder should be sufficient.

npower do not believe cost alone is not a valid reason why a property cannot be insulated as each District Heating scheme may differ project to project and would request consideration is given to each DHS being considered on a case by case basis in line with an agreed framework.

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

Examples for Ofgem to consider include the following:

- Limited access, small loft hatch, inaccessible area
- Refusal of consent from resident or landlord
- Roof space is adequately insulated, i.e., to 150mm where existing loft insulation

- The roof-space of a flat may be the balcony of the flat above therefore it is not possible to insulate
- Protected species inhabit the loft space, therefore it is not possible to insulate.
- Planning permission is required and the time it would take is prohibitive to the work being undertaken
- Health & Safety issues as an example where working on insulating areas that are considered confined spaces, this can be due to shallow roof construction/structures etc. within the roof space that can affect safe access & egress
- Ceiling structures that are not suitable for further weight loading of installation materials
- Hazardous materials such as asbestos
- Potential issues structurally not allowing suitable ventilation i.e. Condensation issues We do not believe the Ofgem Supplier Guidance should be extensive of all reasons and should apply flexibility.

There are many unknown possible reasons for not insulating, and recommend this is assessed on a case-by-case basis.

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

A report from an industry professional, chartered surveyor, structural engineer or other suitably qualified person providing the details of why it cannot be insulated.

Alternatively where there are other restrictions, such as lack of consent or legal issues in the leasehold a statement from the landlord, freeholder or leaseholder.

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

Overall we would urge Ofgem to continue considering DHS projects on a case by case basis, to ensure that the rules do not prejudice potential installations.

A proposal to complete a district heating scheme would always include a requirement to insulate the roof and/or walls of the properties which are to benefit from a communal system, however there are circumstances that should be considered as exceptions. We believe that the guidance should reflect that certain properties may be exempted.

Currently the proposed guidance does not address the issue highlighted in the government response to the 5th March consultation Q18 where it was stated “*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.*”

There needs to be some consideration provided for cost effectiveness as some projects may not go ahead if wall insulation has to be completed and the cost outweighs the benefit. These cases are typically uncommon and occur with multi-storey premises and high rise blocks. The cost effectiveness will in some cases be prohibitive in completing wall insulation and therefore the DHS will be prevented from going ahead. This will deprive communities from the benefits of an otherwise very advantageous heating system.

As rural communities and park homes have some of the country’s highest unit heating costs, consideration should be given to the advantage to those communities in the provision of a community heating scheme and again where cost will prohibit the full insulation of SWI measures an exception should be considered.

The complexities of some cost effectiveness considerations provide grounds for reviewing schemes on a 'case by case' basis and decisions being made on the merits demonstrated in each District Heating project.

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, we agree with this statement. If insulation needs to occur, suppliers would seek to insulate as much of the premises as possible.

Ofgem should consider this on a case-by-case basis and the cost effectiveness of installation. Please refer to responses to the previous questions for more information.

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

Agree that it is reasonable to set a minimum level for roof insulation which could be set at 50%.

For wall insulation a lower minimum level should be considered. For example where a multi-storey premises has gable end walls that can be insulated but other walls cannot be insulated the percentage could be as low as 25%. Again, a case by case basis may be required rather than a hard and fast rule.

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.

No.

npower disagree with the draft proposed introduction of a Building Regulations sign-off, this would impose further checks on suppliers to police other industries.

Whilst there is agreement that the quality of installations can and need to be improved, we do not believe, based on our experience, instances of poor quality installations would necessarily be prevented by providing an additional certificate indicating a measure was installed according to Building Regulations.

npower seek further clarity to support the draft changes i.e. how would the improvements and the quality of installations be evidenced. npower agree that quality of installations is an important part of our processes and have seen through our Compliance Controls and Technical Monitoring that improvements are being made and we continue to work with Ofgem and other suppliers through groups such as the Fraud and Prevention groups. npower do not believe Building Regulations documentation will have the desired effect of improvements to quality.

Through such Eco Industry group's suppliers, Ofgem & Energy UK are driving a wider stakeholder engagement such as the recent Orb & SIGA discussions which allows suppliers to check quality with the various parties concerned. We feel this is a more appropriate method for suppliers to ensure compliance with Building Regulations.

We have spent a considerable amount of resource through the ECO compliance checks in place where we are policing other industries involved in the energy efficiency market when these parties have their own processes in place and are governed accordingly through processes independent of Eco. The policing of other industries have always been a subject of debate with Ofgem and continues to be discussed through groups such as the Standardisation & Simplification and Fraud & Prevention Group.

Energy suppliers must already ensure that the installation of a measure is carried out in accordance with the relevant standards. All ECO installations must be carried out by a PAS-certified installer, where the measure is referred to in PAS. Whilst it is acknowledged that PAS does not expressly evidence compliance with Building Regulations, to achieve PAS accreditation for cavity wall insulation for example, an installer must carry British Board of Agreement (BBA) accreditation to install that particular measure. BBA then provide reassurances by assessing manufacturers' products, systems and procedures to ensure they are fit for purpose, therefore confirming Building Regulations' compliance.

For measures such as solid wall insulation, part of the existing guarantee is to submit the BBA certificate for the building warrant, which in turn confirms compliance with Building Regulations. For boiler installs, this needs to be registered with Gas Safe. If installers are members of CIGA's self-certification scheme, Building Regulations have to be complied with – this relates to a majority of cavity wall insulation installers.

Whilst npower are not in favour and Ofgem believe there is a gap in the Supplier Guidance in demonstrating compliance with Building Regulations, we acknowledge that this proposal may assist in approving quality. Of the three proposed forms of evidence to demonstrate compliance, the building regulations compliance certificate issued by a Competent Person Scheme (CPS) is the only favoured option and the most cost-effective way of evidencing.

Whilst this is a preferred option and less costly there is no such scheme in Scotland, and our investigations have led to certain areas geographical not being available

The other proposed options by Ofgem will have an impact on ECO delivery, is a costly exercise and will impact on consumer energy bills, and the practicalities of obtaining the certificate within the one month notification period makes these options unachievable. This will also put an undue burden on building control, and the industry is not ready for these types of inspections.

If Ofgem does decide to introduce this additional level of compliance, energy suppliers would request that Ofgem look at these changes within Eco 2.

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

We do not feel this is an appropriate method demonstrating compliance

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.

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 disagree with introducing the Building Regulation compliance requirements, any introduction should not take place until the next ECO obligation of. ECO 2.

ECO 2 would be the most appropriate time as any such changes would have an impact on supply chain.

Question 4

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

We would very much welcome further guidance in relation to the requirement for a minimum boiler warranty to cover parts & labour for HHCRO installations. The requirements were laid out in DECC's response to the recent ECO consultation. The principal concerns being raised is the fact that DECC's response states that the warranty would need to provide "for the rectification of all problems which effect the functioning of the boiler or the heating system is serves".

Because our activity mostly relates to the replacement of boilers there are concerns that we will be required to offer a warranty for the entirety of the system. A specific concern raise for example would be; npower fitted a combination boiler to an existing gravity system - commissioned at time of install and compliant with all Manufacturers Installations Specification and Benchmark. No leaks found on existing pipe work\radiators. After 3 months a pipe submerged in the concrete floor develops a leak. Would we need to provide a warranty to cover for this eventuality? We would be grateful for some detailed guidance on the requirements to provide minimum warranties at your earliest convenience.

Suppliers have recently received draft guidance note on AWG documentation & subsequently responded to this separately. Referring to the data protection act in order to justify the reasons for energy suppliers to hold and retain data and to ensure no contravening of DPA, we urge Ofgem to supports the DWP Data Matching link as there are industry concerns on the holding of this data.

We have found the Standardisation & Simplification process has been extremely useful and would welcome this as a way forward to continue to evaluate the guidance.

We will continue in the meantime to ensure measures on a voluntary submitted to Ofgem on a monthly basis from April 2014 and thank you for your support whilst we await the legislation to be in force.
