

Ofgem  
9 Millbank  
London  
Greater London  
SW1P 3GE

22 September 2014

Dear Sir/Madam,

**Re: ECO: Consultation on revisions to the guidance for suppliers**

Please see overleaf Sustain's response to the consultation on revisions to the guidance for suppliers. If there are any queries arising please do not hesitate to seek further clarification.

Yours Faithfully,



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## 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?

Yes

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

With the addition of the six new CERO primary measures we are comfortable with this requirement.

### 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

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

With the addition of the six new CERO primary measures we are comfortable with this requirement.

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

### General Comments

We are both surprised and disappointed by the inclusion of 7. C)ii) within draft statutory instrument (The Electricity and Gas (Energy Companies Obligation) (Amendment) (No. 2) Order 2014) to amend article 13. Prior to the Autumn Statement ECO has seen significant activity in the delivery of district heating measures both in CSCO areas as standalone measures, and alongside external wall insulation measures as a secondary measure under CERO. Prior to the announcement there remained many more projects under development which are now on hold as a result of the changes to ECO and up to 5-fold reduction in funding support available.

In line with the Governments Heat Network strategy, with the right support there remains a great opportunity for the development of low carbon district heating systems in residential dwellings. However, in our experience the biggest opportunity and progress to date was the installation of measures into multi-storey buildings with a significant proportion installed to high-rise blocks. In many cases these blocks are of hard-to-treat or system build construction and cannot be insulated using cavity wall insulation but would require external wall insulation requiring significant scaffold costs and technical details in addition to the higher cost of EWI over HTTC measures. In these

instances the installation of a modern high-performance district heating scheme in place of electric storage heaters or old-inefficient communal boilers is the most cost-effective way to reduce carbon emissions and resident's energy bills in what now remain some of the poorest housing conditions.

In introducing an insulation pre-requisite for both walls and roof at these properties the potential to deliver cost-effective improvements for these residents is lost by placing an unrealistic requirement to install external wall insulation measures. DECC themselves recognise this barrier to the development of district heating schemes under ECO, this has only worsened with the collapse in support of solid wall insulation measures brought about by the recent changes to ECO.

We do not recognise the suggestion of potential support for district heating measures under the affordable warmth sub-obligation for these projects due to the reduced levels of funding brought about by the over-delivery of replacements for 'broken boilers' and the inevitable mix of residents and eligibility status within multi-storey buildings.

In summary, in many cases we consider the pre-requisite to install SWI to multi-storey buildings inappropriate on grounds of cost. This compares markedly with the requirements for all other solid-wall properties where the installation of loft insulation alone at a cost as low as £300 would satisfy the pre-requisites but the walls of a high-rise HTTC flat which already perform better than these solid-walled equivalents would require a spend in excess of £10,000 to satisfy the pre-requisite whilst attracting significantly less ECO funding due to their existing comparative performance.

We consider it essential that an economic test be introduced at the earliest opportunity, perhaps a simple payback calculation based on the total cost of the wall insulation measure against the fuel bill or carbon savings calculated under rdSAP.

We fully support the move to bring ECO in line with rules on RHI where only basic insulation measures are required.

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?

The suggested list of reasons for judging why any of the roof-space or exterior-facing wall area cannot be insulated provides a good indication of those which would be considered acceptable. However, it is inevitable that over the coming months and years specific project related examples will arise where further discussion will be required. In these instance it is vital that a clear avenue for discussion is open with Ofgem for those developing projects and Sustain welcome the commitment to liaise directly with such organisations with approval by obligated parties.

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

As per our comments above we consider cost to be a significant barrier to installing external wall insulation and satisfying the pre-requisite for exterior-facing walls to be insulated. Furthermore, in some instances residents, freeholders, surveyors or building managers hold significant concerns over the suitability of their buildings for improved insulation due to the impact of increased condensation or impact on the building fabrics structure or integrity. Genuine concerns such as these should be recognised and considered a suitable reason why a building cannot be insulated.

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

We would suggest a simple declaration co-signed by the building owner/occupier and a PAS 2030 installer following a pre-survey for measure suitability.

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

In instances where roof-space has been insulated under the time-frames of previous supplier obligations then insulation will have been installed to a satisfactory level. The additional benefit of improving this further to today's building regulations standards would be minimal. We would therefore propose a similar de-minimis level to that given previously ( $0.68\text{W/m}^2\text{K}$ ).

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

We would suggest a simple declaration co-signed by the building owner/occupier and a PAS 2030 installer following a pre-survey for measure suitability.

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

As mentioned above, example additional factors include cost and concerns over the suitability of buildings for increased insulation.

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?

Yes

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

Yes

### 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.

Whilst inevitably increasing administration efforts further we are comfortable in providing confirmation of building regulations compliance for certain measures such as cavity wall insulation or external wall insulation measures as there is an existing requirement under Part L for installers to notify and seek approval for these measures. This is most commonly carried out through self-certification under a competent person scheme with evidence of application already gathered in case of audit. We would be very concerned if certification rather than application evidence be required at the time of measure notification due to the restrictive timings of this and approval outside of our control. However, such evidence could be gathered in case of audit.

In instances where building regulations standards are required by the ECO order but where building regulations notification is not required we would be very concerned by a requirement to demonstrate building regulations compliance through the three proposed routes. The primary example of this would be loft insulation where the roof covering is not being renewed.

We consider it wholly impractical to gain building control sign-off by a local authority or approved inspector for such measures due to the increased costs, additional burden and potential impact on reporting measures within the required timescales.

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

As above, the only practical way to demonstrate compliance would be through providing details of application to a self-certification scheme (where available) and gathering certification evidence in case of audit.

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.

Whilst Sustain maintain a very high technical monitoring pass-rate, like Ofgem we too have received anecdotal evidence of poor quality measure installations under ECO. We therefore recognise the will to introduce additional requirements to be put in place to improve the quality of installations. However, we are very concerned about the additional burden of the proposed compliance regime, particularly with the suggestion that the new requirements be introduced retrospectively.

Sustain believes that the existing PAS 2030 accreditation is the most appropriate mechanism for maintaining the quality of installation of energy efficiency measures under ECO. This covers both management systems and measure specific competencies. Maintenance of the accreditation requires office audits and site surveillance. If it is recognised that the existing mechanism for approval of, and continued accreditation of, PAS 2030 is not robust enough then we would suggest that changes need to be made in their processes through the UKAS accreditation of PAS 2030 accreditation bodies. The introduction of a parallel scheme attempting to manage quality would simply increase administration requirements whilst not addressing the underlying installation quality issues.

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.

In order to avoid the excessive administration effort and problems that an industry-wide retrospective request would inevitably bring we would suggest that version 1.2 of the guidance be introduced shortly after its publication but prior to the next ECO obligation period. Our suggestion would be the beginning of the month following its publication providing this is prior to the 15<sup>th</sup> of the month otherwise the following month. We would expect that further changes to the guidance will be required for the next ECO obligation period and would encourage these to be published at the earliest opportunity, at least 3 months in advance. This has particular bearing on the development of district heating schemes as the obligation period (2015-2017) as this period remains short for delivery of larger schemes.

#### 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).

Sustain welcomed the opportunity to attend the Ofgem workshop on proposed district heating guidance changes and valued the opportunity to discuss suggestions and concerns with Ofgem and other stakeholders and hope that similar events can be held in future.

