

Energy UK response to the Ofgem consultation on specific HHCRO requirements for the Energy Company Obligation 2015-2017 (ECO)

01 December 2014

Introduction

Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Suppliers are committed to achieving and delivering the targets Government has set for ECO as cost-effectively as possible while complying with Ofgem's rules and keeping customer service at the forefront of all their activities. Following Government's announcement of a restructure of ECO, suppliers made commitments to reduce customer bills¹ whilst still delivering ECO. Since the commencement of ECO, energy suppliers have worked to install over 739,000 measures² which have been approved by Ofgem.

Energy UK strongly believes that ECO works best when it is run as efficiently and effectively as possible. In order to achieve that, it is important that there is clear and specific Supplier Guidance in place. We welcome the opportunity to provide feedback and would like to thank the Ofgem team for organising industry workshops and involving market participants over and above the obligated parties. We believe that an open consultation is necessary since ECO involves a wider supply chain compared to previous obligations.

We welcome Ofgem's decision to consult in two stages for ECO2 and prioritise the publication of the Guidance in relation to the replacement boiler warranty. However, we understand that Ofgem does not expect to publish the final Guidance until mid to late January 2015. We would like to stress that the timelines for publishing Guidance later than 1 January is once again creating a complicated delivery landscape. We ask that Ofgem expedites the publication of this aspect of the Guidance so it is available by 1 January 2015, when boiler warranties must be in place for the delivery of surplus action.

We would also like to stress that there may be instances where suppliers have been installing boilers under HHCRO surplus action before the final Guidance is published. These suppliers may have developed documentation based on the legislation and the wording in DECC's response to the Future of ECO Consultation. Due to these circumstances, we would invite Ofgem to indicate that they will remain pragmatic when it comes to boiler warranties and customer declarations during this period. Whilst these documents will not contain the specific wording that will be contained in the final Guidance due to the fact they were developed prior to that being known, if they satisfy the policy

¹ <http://www.energy-uk.org.uk/publication/finish/3-factsheets-and-guides/1106-eco-changes-major-energy-suppliers.html>

² Ofgem's Energy Companies Obligation (ECO): Compliance Update (Issue No. 16) - <https://www.ofgem.gov.uk/ofgem-publications/91321/energycompaniesobligationecocomplianceupdate-november2014.pdf>

intent, we ask that Ofgem exercises a reasonable level of flexibility in the application of their final Guidance requirements which allows them to be used.

You can find our answers to the consultation questions below. We would be happy to discuss any of the points made in further detail with Ofgem or any interested party if this is considered to be beneficial.

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Energy UK responses to individual questions

Question 1:

1.a. Do you agree with our proposed test to identify the main space heating system of a premises? If not, can you suggest any alternative ways of identifying the main space heating system?

We would urge Ofgem to provide more clarity under paragraphs 1.5(a) and 1.5(b). Suppliers propose that these paragraphs are clear that the primary heating source, as defined in RdSAP, should be considered as the main heating system.

We would also like to note that the wording of paragraph 1.5(b) can be interpreted that to consider fixed room heaters as the main heating systems, these have to be the only heating source in the premises. However, this excludes premises with open fireplaces. We would invite Ofgem to clarify this in line with RdSAP rules.

1.b. Can you suggest any alternative ways that suppliers can demonstrate the fuel type of the main space heating system of a premises?

We are in agreement with Ofgem's proposal. To support the proposed method of evidencing the fuel type of the main heating system, we ask Ofgem to develop a specific Boiler Checklist for non-qualifying boilers.

1.c. Do you agree that an accredited OCDEA/DEA should conduct the assessment of the fuel type of the main space heating system of the premises where a SAP or RdSAP calculation is used to demonstrate this?

We agree.

1.d. Are there any other aspects relating to non-gas fuelled premises in ECO2 that you think we should consider?

We have no further comments.

Question 2:

2.a. Do you agree with our proposal to use the boiler definition from Appendix 2 of the ECO Guidance? If not, can you suggest an alternative definition?

We agree with the definition, however, we ask that Ofgem takes into account the fact that some boiler installations will not comprise of all of the components listed and allows for variations in line with what has been replaced. We would like a clarification to be added that "programmer/timer" means one which is integral to the boiler not a separate programmer.

2.b. Do you agree with our definition of a heating system and the components a heating system comprises? If not, can you suggest an alternative definition?

We agree with the definition of a heating system and the components of a heating system, however, we ask that Ofgem takes into account the fact that some heating system installations will not comprise of all of the components listed and allows for variations in line with what has been replaced.

2.c. Do you think that there are alternative ways to demonstrate that a qualifying warranty has been provided to the occupier?

There are several alternative ways to demonstrate that a qualifying warranty has been provided to the occupier and we would propose that Ofgem remain flexible as to the exact way that a supplier uses. For example, one way to do this would be to use the current Declaration of Conformity form. However, given the occupier could feasibly receive a warranty in the future which is effective from the date of installation in the case where a warranty is posted via mail after the installation, we ask for the option to vary the declaration wording where this is the case.

2.d. Are there any other aspects relating to qualifying warranties for replacement boilers in ECO2 that you think we should consider?

Based on our discussions with Ofgem, we understand that the warranties should only cover those parts of the system which have been repaired or replaced to ensure that the installation complies with the manufacturer's instructions. This should be in place to avoid installing a boiler without due consideration to the pre-requisites. We also understand that any other part the system, which manufacturer's instructions does not specify should be inspected, will be out of scope. It would be extremely helpful if Ofgem could make this clear in the Guidance.

The simplest solution to implement the above would be for the Guidance to stipulate that the warranty should cover all the replacement and repair work done by the installer and any consequential damage. This will cover all the system components that have been repaired or replaced to ensure that the boiler can be installed in accordance with the manufacturer's instructions.

The Guidance should also specify that the warranty should cover all those parts of the existing system which the boiler manufacturer's instructions specify should be inspected / checked or actioned as part of the boiler installation, and the requirements under Section 4 of PAS regarding design of the system. We would like to stress that some pre-installation works may be recommended by an installer but aren't required according to the manufacturer's instructions or Section 4 of PAS. We think the Guidance should be clear that the warranty should only cover possible problems caused by work required according to the manufacturer's instructions or Section 4 of PAS.

We would also like to note that the person who carried out the design work will not necessarily be the person who will be installing (as per paragraph 2.5(c)). Therefore the Guidance should clarify that the warranty must cover design and installation – regardless of who carried those out.

Question 3:

3.a. Do you agree that the warranty should be for the functioning of the entire electric storage heater installed and that this can be demonstrated by a manufacturer's warranty?

We agree.

3.b. If more than one electric storage heater is installed in the premises, do you agree that one warranty covering all of the replacement electric storage heaters is sufficient?

Yes, we agree.

This is provided that the manufacturer gives only one warranty even on occasions where more than one electric storage heater has been installed. Otherwise, the same number of warranties as electric storage heaters installed should be provided. Our preference would be for one warranty to cover all, subject to the manufacturer's approval.

3.c. Are there any other aspects relating to warranties for replacement electric storage heaters in ECO2 that you think we should consider?

We believe that the manufacturer's warranty will not cover instances of under-sizing or over-sizing an electric storage heater. We would urge Ofgem to develop an electric storage heater checklist that can be completed by the installer, declaring that the electric storage heater has been installed in accordance with manufacturer's instructions, has been sized correctly and is working. Technical monitoring can also be an effective tool in checking whether electric storage heaters have been sized appropriately.