

ECO Consultation

OFGEM

9 Millbank

London

SW1P 3GE

11/11/2014

Dear Sirs,

I write to you on behalf of Warranty Services Limited (WSL), already a keen stakeholder in the ECO initiative, who has been instrumental in providing insurance protection to 46500 households. WSL is listed by OFGEM as a provider of 25 year guarantees in respect of wall insulation; and additionally, has a substantial book of boiler insurance business in the Green Deal sector. Accordingly, WSL would wish to bring its expertise in this sector to the issue of boiler warranties under ECO.

OFGEM's consultation dated 17<sup>th</sup> October 2014 is of interest to WSL; particularly those questions which relate to the warranty proposals. The points WSL makes in reply to the consultation are in respect of boilers particularly (Question 2), but are equally applicable to storage heaters (Question 3).

**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?
- 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?
- 2.c. Do you think that there are alternative ways to demonstrate that a qualifying warranty has been provided to the occupier?
- 2.d. Are there any other aspects relating to qualifying warranties for replacement boilers in ECO2 that you think we should consider?

**2.A. DEFINITION OF BOILER**

In the interests of certainty: WSL is of the view that the definition of "boiler" be retained in its present form. In this regard, WSL is in agreement with OFGEM.

**2.B. DEFINITION OF HEATING SYSTEM**

WSL would deem OFGEM's proposed definition of "heating system" to be reasonable. In this regard, WSL is in agreement with OFGEM.

## 2.C. & 2.D. QUALIFYING WARRANTIES

WSL does not see the proposed provisions made in respect of qualifying warranties for boiler replacements as being sufficiently strong enough to ensure robust consumer protection. The present proposals in respect of boiler replacements are internally inconsistent with the provisions made within ECO across other worktypes such as wall insulation. Moreover, the proposal is externally inconsistent with the approach taken in other Government-driven initiatives such as the Green Deal.

Firstly: As with the existing appropriate guarantee criteria for wall insulation<sup>1</sup> warranties provided in respect of boiler replacements should not simply consist of a mere promise to rectify defects; but rather, should also include a mechanism for ensuring that funds will be available to honour the guarantee. In WSL's view, this level of assurance should, crucially, include circumstances where the installation company providing the warranty has ceased trading and is unable to honour the guarantee.

Secondly: If we look outside of ECO and at the guarantee requirements within Green Deal in respect of boilers<sup>2</sup> we can see that the guarantee requirements are far more robust than those of the present proposals. Green Deal requires that Green Deal providers must provide a 5 year guarantee and –in addition to this- purchase an insurance policy to ensure that customers have recourse to the guarantee in the event that Green Deal provider ceases to trade.

What WSL can agree on, in terms of OFGEM's proposal, is that the warranty should be provided at no cost whatsoever to the end customer. The installing contractor should bear the entire cost of both the guarantee itself and the costs of putting a mechanism in place for ensuring that funds are available to ensure that the guarantee can be honoured even in the event of the installing contractor ceasing to trade. In lieu of such a mechanism, customers will naturally turn to OFGEM for alternative forms of recourse through OFGEM itself. This is naturally undesirable.

It is WSL's belief that the most cost-effective mechanism for ensuring that guarantees are honoured is to mandate that all installers of replacement boilers purchase an insurance backed guarantee. There are many providers of insurance backed guarantees on the market and many of them are already listed on OFGEM's website as providers of appropriate guarantees<sup>3</sup>. An insurance backed guarantee is an insurance policy in favour of the end-beneficiary of the works; the purpose of the insurance backed guarantee is to honour the installing contractor's warranty in the event that the contractor ceases to trade and is –as a consequence- unable to honour the terms of that warranty. Insurance backed guarantees have already proved to be successful within the realms of wall insulation, with contractors being happy to bear the small cost of the insurance to ensure both their compliance with the ECO rules, and peace of mind for their customers.

To conclude, the approach taken by OFGEM, in the proposal, is inconsistent with the balance of the ECO initiative, inconsistent with other areas of public policy and, most importantly, falls short in delivering the type of robust protection now expected by the British public.

Yours faithfully,



Alastair Wilson Bsc (Hons) MRICS ICIOB  
Managing Director

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<sup>1</sup> Energy Companies Obligation (ECO): Guidance for Suppliers (Version 1.1a) 8.20

<sup>2</sup> Green Deal Code of Practice (Version 4) Paragraphs 110-121

<sup>3</sup> <https://www.ofgem.gov.uk/ofgem-publications/59018/ecoappropriateguaranteesv1.20.pdf>