

ECO Consultation
Ofgem
9 Millbank
London
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Energy Companies Obligation 2015-2017 (ECO2): ECO2.2 Consultation

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.

We are pleased to respond to Ofgem's consultation on the remaining aspects of ECO2 that were not covered in the previous ECO 2.1 consultation.

EDF Energy agrees with many of the proposals made by Ofgem in their consultation document. However, there are some aspects which we believe Ofgem needs to reconsider, or provide further clarification.

In particular, we recommend that where a supplier breaches the failure threshold for monitoring then any additional monitoring is targeted at the contractors who caused the high failure rate, rather than a blanket increase across all installers. This would be a more efficient use of monitoring resource and ensure that those installers that are performing poorly are placed under more scrutiny.

We also do not agree with the need to carry out monitoring of the accuracy of scores. Suppliers should not be expected to police an industry where participants have their own certification bodies to which they are accountable. We encourage Ofgem and DECC to raise any concerns with certification bodies they have about the practices of accredited members. Any poor practices have implications far wider than ECO and also impact on schemes such as Green Deal, therefore broader solutions are required.

EDF Energy agrees with Ofgem that further action to reduce the opportunity for fraudulent virgin loft insulation claims should take place and supports Ofgem's efforts to tackle fraud. However, some of the proposals in the consultation document, such as mid inspection technical monitoring, are unworkable. We support the proposals to not allow "no access to the loft" as a valid reason for claiming virgin loft and in conjunction with a customer declaration stating that, to their knowledge, no existing loft insulation was present, this should reduce the number of potential false claims.

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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 black ink, appearing to read "Robin Melvin".

Robin Melvin
Head of Low Carbon Product Design

Attachment

Energy Companies Obligation (ECO): ECO2.2 Consultation

EDF Energy's response to your questions

Question 1.

- a) Do you agree with our proposed requirements for pre-existing roof insulation? Please provide reasons for your answer**

EDF Energy agrees with Ofgem's proposed requirements for pre-existing roof insulation. This is a sensible approach as long as the evidencing requirements are not onerous.

- b) Do you have any further comments or suggestions relating to this policy area?**

EDF Energy has no further comments or suggestions.

Question 2.

- a) Do you agree with our proposal that a wall with a section of cavity narrower than 40mm cannot be insulated? Please provide reasons for your answer.**

We agree with Ofgem's proposal that a section of cavity narrower than 40mm cannot be insulated for the purposes of satisfying the district heating system upgrade pre-conditions. Sub 40mm cavities are very difficult to insulate evenly in retrofit properties.

- b) Do you agree with our proposal that a wall which adjoins a wall which cannot be insulated also "cannot be insulated"? Please provide reasons for your answer.**

We agree with Ofgem's proposal that a wall which adjoins a wall which cannot be insulated also cannot be insulated. This is because only insulating part of a property can cause issues of increased heat loss and damp on un-insulated walls.

- c) Are there any other scenarios where a cavity wall cannot be insulated? Please provide reasons for your answer.**

There will be other reasons as to why a cavity wall cannot be insulated, such as rubble in the cavity. Ofgem should not draw up an exhaustive list and should rely on a suitably qualified professional, such as a Chartered Surveyor, to determine whether a cavity can or cannot be insulated. As per current practice suppliers should approach Ofgem before commencing a District Heating project to discuss the viability of each scheme.

- d) For compliance purposes, how can suppliers demonstrate that a cavity wall cannot be insulated?**

EDF Energy believes that suppliers could demonstrate that a cavity wall cannot be insulated by evidencing a Chartered Surveyor report. This would be consistent with previous hard to treat cavity scenarios in ECO.

- e) Do you have any further comments or suggestions relating to this policy area?**

EDF Energy has no further comments or suggestions.

Question 3.

- a) Do you agree with our preferred approach (option 1) for calculating the lifetime for multi-fuel DHS upgrades? Please provide reasons for your answer.**

EDF Energy agrees with Ofgem's preferred approach for calculating the lifetime for multi-fuel DHS upgrades. It is the most mathematically valid approach to calculating the lifetime for multi-fuel DHS upgrades. Although we would point out that the calculations used in the example provided in the consultation document are incorrect as agreed by another supplier with Ofgem on 13 January 2015. It is logical to base the lifetime on the expected carbon savings because that is how the ECO targets are set for CERO and CSCO where DHS measures are eligible.

- b) If you do not agree with Option 1, do you agree with any of the other proposed options for calculating the lifetime for multi-fuel upgrades? If not, can you propose an alternative approach for calculating the lifetime for multi-fuel upgrades?**

EDF Energy agrees with Option 1.

- c) Do you have any further comments or suggestions relating to this policy area?**

EDF Energy has no further comments or suggestions.

Question 4.

- a) Do you agree with our proposal definition of a "broken down" ESH? Please give reasons for your answer.**

EDF Energy partially agrees with Ofgem's definition of a "broken down" electric storage heater.

The test to establish whether a night storage heater is functioning or not is not feasible in normal working hours, if the heater is connected to an off-peak supply, e.g. Economy 7. This will be the situation in the majority of cases. It is not normally possible to energise the off-peak supply outside of the set hours.

This means that in the vast majority of cases, the heater would need to be disconnected from its local isolation switch or fused spur, and the element(s) / integral charge control and thermostat tested for continuity and resistance with an appropriate test instrument by a competent person. The only exception to this would be for a partially functioning heater, e.g. where a proportion of the heater case is cooler than the hot section or cold (indicative of an element failure in an appliance with two or more separate heater elements).

For this reason, Ofgem needs to consider that an electric storage heater that is only partially functioning should be considered as eligible for repair or replacement as a qualifying electric storage heater.

There are also a number of possible indirect causes for a heater not to function, including the following:

- A defective circuit breaker or fuse in the off-peak consumer unit controlling the heater circuit
- A damaged or faulty circuit cable serving the heater
- A defective local isolator switch or fused spur serving the suspect heater
- A faulty Economy 7 or E10 time-switch/ radio tele-switch. Difficult to establish if there is only one heater in the installation and no direct off-peak hot water service. However, if there are multiple heaters, if all are not working this could indicate a time-switch problem, if only one is not working and the others are functional, then this would eliminate the possibility.

These would need to be investigated/ tested to validate whether or not the heater is at fault.

EDF Energy also propose that where an ESH is not functioning efficiently and is known to have asbestos present in the equipment then these ESHs should be eligible for replacement rather than repair, for health and safety reasons.

b) Do you agree with our proposal for judging that an ESH cannot be economically repaired? Please give reasons for your answer.

EDF Energy agrees with Ofgem's proposal for judging that an ESH cannot be economically repaired. It is important to recognise that ESHs with a low responsive rating should be replaced rather than repaired. We request that Ofgem provides a definition for evidencing the age of an ESH.

c) Do you agree with the thresholds given in the ESH Economic Repair Cost Comparison Table? Please give reasons for your answer

EDF Energy believes that there are industry experts, such as manufacturers of ESHs, that are better positioned to respond to this question. It is pleasing to note that Ofgem has already consulted with some of these organisations to determine the values in this table.

- d) Do you have any further comments or suggestions relating to this policy area?**

There may be instances where not all ESHs in a property can be replaced. Therefore, EDF Energy requests that Ofgem issue guidance on how these instances should be scored.

Question 5.

- a) Do you agree that “boiler and system sludge” and “unstable firing” alone are insufficient reason for a boiler to be replaced? Are there any other faults which on their own are insufficient reasons for a boiler to be replaced? Please give reasons for your answers.**

We agree that “unstable firing” alone is an insufficient reason to replace a boiler. However, “boiler and system sludge” could be a reason for replacing the boiler as it can lead to corrosion of the heat exchange which is difficult to ascertain on inspection. Ofgem could consider that “boiler and system sludge” is a valid reason for replacement if a power-flush still results in the boiler not operating efficiently or it is deemed by the engineer that because of sludge, the boiler and system is likely to have been damaged and shortened its expected life.

- b) Do you agree that “no boiler ignition” and “unstable firing” should be considered separately? Please give reasons for your answers.**

EDF Energy agrees that “no boiler ignition” and “unstable firing” should be considered separately for the reasons defined in Ofgem’s consultation document.

- c) Do you agree that the boiler fault list is suitable to identify faults with non-gas fuelled boilers? Please give reasons for your answers.**

EDF Energy agrees that the boiler fault list is suitable to identify faults with the non-gas fuelled boilers. However, electric storage heaters will require their own fault list which Ofgem should provide in the published ECO2 Guidance.

- d) Do you have any further comments or suggestions relating to this policy area?**

EDF Energy would highlight that “no boiler ignition” and “unstable firing” will always be due to a mechanical or electrical failure. Therefore, we request that Ofgem replace both the aforementioned reasons with a fault named “mechanical or electrical failure”. It would then be a decision for the engineer on site to determine whether or not the boiler should be repaired or replaced (using the cost tables on the boiler checklist).

Question 6.

- a) Do you think the proposed changes to our requirements will be effective in reducing false claims of virgin loft insulation? Please provide reasons for your answer in relation to each change.**

EDF Energy agrees that some of Ofgem’s proposals will reduce false claims for virgin loft insulation. For example, if by requiring evidence that the assessor has had access to the

loft means not permitting “no access” answers in the RdSAP assessment which defaults to no existing insulation.

We also agree that requesting that a customer sign to confirm that there was no existing insulation before work took place would reduce, but not eliminate, the number of false claims.

We do not agree that pre or mid installation inspection would have the effect Ofgem desire. This type of monitoring is reliant upon the installer to arrange. Therefore, any installer that is likely to be submitting false claims will not be inviting pre or mid inspections to those measures. Or if they are there is no way to be certain when, or if, any loft insulation had been removed prior to installing the new insulation. In addition, pre or mid installation inspections for loft insulation are logistically difficult to co-ordinate because of the short time it takes to carry out the installation of these measures.

b) Do you see any difficulties in implementing these changes? Please provide reasons for your answer.

As described above, implementing pre or mid install technical monitoring is logistically challenging and may not make a difference. It will also add unnecessary cost to the programme.

c) Do you have any suggestions for other controls or requirements we could introduce to reduce or prevent such false claims? Please provide reasons for your answer.

Having an additional technical monitoring question specifically for virgin loft insulation asking if there was any existing insulation will provide a disincentive to installers if they know some properties will be inspected to verify how much existing insulation was present. This would be preferable to a technical monitoring agent asking the customer if they had any loft insulation before work was carried out. Technical monitoring should be for technical issues that can be verified by sight by an inspector only.

The ultimate way to reduce the opportunity for fraud in virgin lofts is to reduce the incentive by effectively reducing the score available for a virgin loft when compared to other loft top up measures. We encourage Ofgem to explore their proposals for eliminating fraud first and give these time to take effect before considering this option.

d) Where existing insulation is removed because it is posing health and safety risks and new insulation installed, should the measure be claimed as virgin or top-up loft insulation? Can you provide examples of health and safety risks that would require insulation to be removed and how could a supplier demonstrate these risks?

Ofgem should confirm with Building Regulations whether the removal of existing loft insulation obliges the insulation to be replaced to the current required level. We believe there is scope for interpretation either way. If the requirement of the Building Regulations is that insulation has to be replaced to required levels then the removal of loft insulation for health and safety reasons is not an eligible ECO measure. If the Building Regulations do not mandate the replacement of insulation to the required level then this should be treated as a top up measure. In this instance, the difference between existing and

installed insulation is used to generate the score for the measure. The only exception that would be where it can be evidenced that the existing loft insulation was no longer delivering the expected energy savings; due to the health and safety risks present then this should be classed as virgin loft. This would remove the incentive for fraudulent creation of health and safety reasons for creating a virgin loft scenario.

Question 7.

a) Do you agree it is more appropriate to assess quality of installation and the accuracy of scores separately?

EDF Energy agrees that the quality of installation and the accuracy of scores should be treated separately in terms of reporting. However, we believe that the inspection of both should still be conducted at the same time provided that the inspector is suitably skilled to assess both. Otherwise suppliers could be inspecting two lots of 5% of measures, thereby doubling the cost of inspection on suppliers for at least the first two quarters before any reactive changes to inspection rates come into force.

EDF Energy would also highlight that we do not believe suppliers should police the assessment industry, which already has its own accreditation bodies to which individuals are accountable. Therefore, the accuracy of scoring should not be subject to monitoring by suppliers if a measure is scored using an EPC which is by definition completed by a DEA/OCDEA.

Ofgem has asked suppliers to investigate the scores of measures outside of a tolerance level they have determined. Out of all the measures that EDF Energy had notified to Ofgem at the time of the last investigation less than 0.5% of these had to be rescored.

If Ofgem has a tolerance for the scoring of measures and are going to continue to ask suppliers to investigate those outside of those tolerances, then separate scoring monitoring should not be required. We recommend that Ofgem continue to carry out this activity to ensure that scores outside of upper and lower tolerances are investigated and that scoring monitoring is removed.

b) Do you agree with the proposed reactive monitoring process described in paragraphs 1.45 to 1.56 of Appendix 1? Do you think the monitoring rates are appropriate?

EDF Energy supports Ofgem re-defining failure thresholds (of 20% and 25% for quality and scoring respectively) as well as defining what the impacts of breaching these thresholds will be for two consecutive quarters. We are also pleased that suppliers will be rewarded for good performance if failures rates drop below 5% for either scoring or quality, with a reduced inspection rate.

Where a supplier breaches the defined failure thresholds we propose that Ofgem looks into which installers/contractors have taken the supplier over the threshold and instruct the supplier to increase the rate of inspections on those providers specifically. By asking a supplier to double its inspection rate across all its contractors (even with the minimum installer rate of 6% at the 10% inspection rate level) this would result in unnecessary inspections of those contractors who have performed well. We recommend that where a supplier is going to continue to work with contractors that are over the relevant threshold then these measures should be subject to an increased inspection rate rather than an

increase in the supplier's overall inspection rate. The supplier should be required to continue to inspect its better performing contractors at the 5% level, to ensure that any drop in performance can still be identified.

It would be beneficial if Ofgem could aggregate an installer's performance based on the monitoring submissions of all suppliers. This would ensure that a supplier is made aware of all the quality performance issues of their installers, and act on this.

EDF Energy also requests that Ofgem wait for a quarter after assessing a supplier's monitoring before determining what the level of inspection should be for subsequent quarters. Determining an inspection rate for the next quarter, following two consecutive months of good or bad performance, does not leave long enough for a supplier to make the necessary amendments to their monitoring contracts and plans.

c) Do you agree that technical monitoring agents should have certain qualifications as explained in paragraph 1.15 of Appendix 1? Can you suggest which qualifications are most appropriate for different categories of measures?

We are aware that some technical monitoring providers are looking to introduce an accreditation scheme for participants in technical monitoring which we would support and encourage Ofgem to play a part in to give themselves comfort that monitoring agents are suitably skilled. We do recognise that this would not be something that would likely be in place for the start of the next phase of ECO but that once it was available we would be happy to ensure that our technical monitoring providers held this accreditation

In the meantime, we do not think that Ofgem should be looking to prescribe that technical monitoring agents should have certain qualifications. For example, there is no accreditation currently in place for installers or surveyors of loft insulation. The Gas Safe qualification mentioned in Ofgem's consultation document is suitable for those installing measures not, inspecting. We recommend that suppliers conduct their own due diligence checks when appointing technical monitoring agents and that these could be subject to audit by Ofgem if required as per previous obligations. Items in the checks could include training records and toolbox talks provided by the monitoring agents.

We recognise that SAP scoring elements are new to energy efficiency obligations and as such our response to question 7d reflects the need for scoring monitoring agents to be DEA (or equivalent) accredited if monitoring of scoring continues to be required.

d) Are the qualifications listed in paragraph 1.16 of Appendix 1 appropriate for score monitoring agents? Are there other qualifications you would suggest?

As previously mentioned, EDF Energy does not believe that suppliers should be responsible for score monitoring. However, if Ofgem is minded to continue with scoring monitoring then we agree with Ofgem's suggestion that an inspector should be a qualified DEA or OCDEA or in Scotland or be a member of an Approved organisation.

e) Do you agree with the proposed timescales for remedial works and re-scoring to be conducted outlined in paragraphs 1.58 and 1.59 of Appendix 1?

EDF Energy agrees that measures should be remedied or rescored within three months of the last day of the month of the fault being discovered. This is long enough for Ofgem to revoke their decision to approve the measure. We recommend that extenuating circumstances should be allowed at Ofgem's discretion for a supplier to have longer than three months to remedy if a supplier can evidence the reasons why. This would allow suppliers to ensure that measures are rectified quickly by their contractors and that customers are not left with defective works for a long period of time.

We ask Ofgem to clarify whether "remediated" means 'rectified' or 'rectified and re-inspected' to prove remediation in the case of quality failures.

f) Do you have any further comments or suggestions relating to this policy area?

EDF Energy is currently undertaking C2 inspections for measures that Ofgem does not prescribe mandatory because we believe that there is often greater value in mid inspections while installers are on site when compared to post install inspection. We ask that where a supplier is carrying out voluntary C2 inspections that these could be included in a supplier's monitoring results provided they agree question sets with Ofgem.

EDF Energy requests clarity on paragraph 1.60 of Appendix 1 that it only relates to past failures and not future ones too in the same subset of measures.

EDF Energy
January 2015