The voice of the energy industry

Energy UK response to the Ofgem consultation on Energy Company Obligation 2015-2017 (ECO2): ECO2.2

21 January 2015

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 more than £13 billion in the British economy in 2013.

Suppliers are committed to achieving and delivering the targets the 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 the Government's announcement of a restructure of ECO, suppliers made commitments to reduce customer bills[1] whilst still delivering ECO. Since the commencement of ECO, energy suppliers have worked to install 988,603 measures notified to Ofgem, 846,552 of which have been approved[2].

Energy UK strongly believes that ECO works best when it is run as efficiently and effectively as possible. In order to do this, 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.

There are two overarching points we would like to make in relation to the ECO2 guidance. Firstly, we would encourage Ofgem to consider customer experience and cost-effectiveness when suggesting new administrative requirements. Secondly, we strongly believe that ECO administration should support the existing quality and certification frameworks for energy efficiency improvements and encourage their further development. Where possible, existing certification schemes and standards should be relied upon to demonstrate compliance with Building Regulations e.g. Competent Person Schemes, PAS 2030. Those schemes operate under existing frameworks, with accreditation bodies and their own auditing regimes. They have been developed to protect consumers and safeguard against poor workmanship, and some of them, like PAS 2030 have been used to set the quality benchmark under ECO.

We believe that if there is evidence-based concern that such schemes are not fit for purpose, the Government should be addressing this with accreditation bodies and drive improvements. These schemes are used more broadly than for ECO and any shortcomings should be addressed for the benefit of all householders, not just those benefiting from ECO funding.

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

[2] Ofgem Energy Companies Obligation (ECO) Compliance Update and Quarterly Annex - January 2015

On another matter, we would like to encourage Ofgem to publish on its website the fact that duplication checks for ECO measures are being performed by suppliers and Ofgem. We feel that this will complement the scheme transparency and give additional confidence to stakeholders and consumers.

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.

Kind regards,

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Energy UK responses to individual questions

QUESTION 1

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

Yes we agree, as long as Ofgem is mindful of the evidencing burden. Suppliers agree that a check at the assessment stage should be enough.

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

We do not have any further comments.

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. Insulation products currently available in the market cannot generally be applied to cavities narrower than 40mm and no risk should be taken with compromising the structural integrity of the properties; hence this is welcome.

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. As per the consultation document, our members agree that this solution addresses technical issues which are more prevalent in buildings that are not fully insulated; such as moisture issues from increased heat loss through uninsulated walls.

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

We believe that there are a number of other scenarios where a cavity wall cannot be insulated with standard materials and techniques. Rather than Ofgem providing a full list, if a chartered surveyor or structural engineer's report states that a cavity cannot be insulated, this should be sufficient.

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

As stated in response to Question 2c, if a chartered surveyor or structural engineer's report states that a cavity cannot be insulated, this should be sufficient.

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

We do not have any further comments.

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.

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 DHS upgrades?

We would like to note that the way the options are presented in the consultation document is not mathematically correct.

We believe that Option 3 clearly disadvantages some technologies and so we feel is the least favourable. Option 4 provides a lot of flexibility, since it allows awarding lifetimes on a case by case basis, but it would be far too onerous and time consuming.

Energy UK believes that Option 1 and Option 2 are acceptable. Individual suppliers will submit their own views on which option is preferable.

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

We do not have any further comments.

QUESTION 4:

a) Do you agree with our proposed definition of a 'broken down' ESH? Please give reasons for your answer.

We agree that the proposed definition would appear to be a simple solution in cases where an ESH connected to an electric supply does not deliver heat.

However, Ofgem should acknowledge that when an ESH is not connected to an electric supply but is tested using appropriate equipment and it fails that test, it can also be considered to be broken down. In some cases an electrician will not connect the heater to a supply but might use a multi-meter to measure voltage, current or electrical resistance. These tests would allow them to determine if the thermal cut-out needed replacing or if an element needed replacing. Ofgem should clarify that the ESH does not need to be connected to an electric supply to prove it is broken down, as paragraph 4.7 suggests. We also suggest that 'and/or store' is added after 'does not deliver' within the definition in paragraph 4.6.

Some suppliers have also noted that there are some cases not covered by the definition. ESHs often have multiple elements to them. Some of those elements may have failed and some may be working. This would mean that the ESH works and is capable of delivering and/or storing heat, just not as it was designed to operate.

Another common fault is a fault with the thermal cut-out. It could be that when connected to an electric supply, the ESH does not deliver and/or store heat but it could be relatively easy to repair. This case would also not be covered by the proposed definition.

Suppliers are also reporting that when a unit contains asbestos, they may not be able to repair it as it would not be possible on health and safety grounds to remove the exterior cover. In these instances, it may be preferable to replace the ESH.

Finally, it may be the case that where normally one would undertake a repair, the ESH is so old that the parts are no longer available. In these instances, a replacement should be acceptable.

Ofgem should review the currently proposed definition and gives consideration to these examples.

We would also like to stress the importance of this work being undertaken by a qualified electrician, who should be required to complete the ESH checklist.

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

We would agree, provided the instructions on proving the age of the ESH are clear and transparent. Ofgem should clarify how DEAs would be able to check responsiveness ratings, to ensure that there is uniformity in approach.

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

Suppliers do not disagree with the thresholds given but are not certain how it would be possible to know how old an ESH is going to be. In line with our response to Question 4b above, Ofgem should provide clear and transparent guidance in relation to evidencing the age of the ESH.

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

In the event that only one or two of the ESHs in a property are replaced or repaired, we ask that Ofgem clarifies how this would be scored for the purposes of ECO. If this is to be scored using bespoke ECO scoring tools we ask that Ofgem provides clear Guidance as soon as possible before 1st April 2015 to ensure all existing ECO scoring tools can be updated and approved beforehand.

QUESTION 5:
a) Do you agree that 'boiler and system sludge' and 'unstable firing' alone are insufficient reasons 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.
b) Do you agree that 'no boiler ignition' and 'unstable firing' should be considered separately? Please give reasons for your answers.
Energy UK agrees that 'no boiler ignition' and 'unstable firing' alone are insufficient reasons for a boiler to be replaced. Both 'unstable firing' and 'no boiler ignition' are not faults but rather symptoms of a fault. As such, Ofgem should replace these in the boiler checklist with 'mechanical or electrical fault', adding a requirement to describe what the mechanical or electrical fault is and the reason for this fault. We recommend that this can be achieved through the Simplification and Standardised Working Group where the boiler checklist can be reviewed and updated in its entirety.

Energy suppliers will submit their own views on 'boiler and system sludge'.

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.
We do not believe that the boiler fault list is suitable to identify faults with ESH. We believe that a new fault list will have to be developed for ESH.

d) Do you have any further comments or suggestions relating to this policy area?
Suppliers would like to have the option to exhibit a fault according to the instructions of a boiler's manufacturer. Our members report that some boilers have certain features which could fail but are not part of the boiler checklist since the list cannot contain everything and heating technicians will normally assess a boiler's condition against parameters that have been set by the manufacturer. Ofgem should accept those faults, if they can be clearly evidenced with the use of a manufacturer's instruction leaflet.

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.
b) Do you see any difficulties in implementing these changes? Please provide reasons for your answer.
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.
We believe that the current scoring of virgin loft insulation gives an incentive for potential fraud and we would invite Ofgem to consider how the incentive can be removed, lowered or neutralised.

With regards to Ofgem's proposals, firstly, in relation to paragraph 6.5 (1), we agree that to claim virgin loft insulation there must have been access to the loft i.e. if the assessor has stated they had no access to the loft, virgin loft should not be an option.

In relation to paragraph 6.5 (2), a customer declaration during the assessment stage would be an acceptable way for the customer to verify that there is not pre-existing loft insulation. The wording of the customer declaration should be picked up through the Simplification and Standardised Working Group to ensure consistency in documentation.

We do not support paragraphs 6.5 (3) or 6.5 (4). The Technical Monitoring (TM) process checks the technical quality of the installation and it does not involve questions which are directed at the customer and so we do not believe that a customer declaration at this stage is appropriate. It is also very late in the process for any fraudulent activity to be identified, which is why it is important to introduce this question during the assessment process. However, an acceptable question during the TM stage would be for the TM agent to check if the loft has pre-existing insulation underneath the new insulation.

In relation to paragraph 6.5 (4), the nature of loft installations is such that pre- and mid-installation checks are impractical and disproportionately expensive.

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 a supplier could demonstrate these risks?
Health and safety risks might include vermin or insect infestation, woodworm being present or asbestos being discovered. In those cases we believe that the loft should be claimed as a virgin loft, since the pre-existing loft insulation is taken out for a health & safety reason. However, in that case we would encourage rigorous evidencing. Proof that the insulation is no longer effective should be provided.

QUESTION 7:
a) Do you agree it is more appropriate to assess quality of installation and the accuracy of scores separately?
We agree that the quality of installation and the accuracy of scoring should be split out in terms of reporting. Ofgem should clarify that the assessment for both quality of installation and scoring can be done at the same time, using the same TM agent and the same sample if preferred by the supplier, provided the TM agent is appropriately qualified.

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?
We agree with Ofgem's monitoring rates. However, we believe that the changes in monitoring levels should occur by contracted partner and not by supplier. Energy UK strongly believes that the energy efficiency market should continue developing processes and accreditation for all market players, by allowing them a more efficient level of TM.

With regards to timelines, suppliers would request that the current regime of implementing a change a quarter later to remain in place. The proposal by Ofgem for the increased or reduced TM rate taking effect from the quarter following the submission deadline would only provide suppliers with two weeks to analyse and asses the TM results and potentially renegotiate contracts according to the adjusted monitoring rates.

Finally, Ofgem should add clarity in the public domain on what constitutes a fail and how the rates are calculated – to give more information to stakeholders and customers.

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 measure?
d) Are the qualifications listed in paragraph 1.16 of Appendix 1 appropriate for score monitoring agents? Are there any other qualifications that you would suggest?
One of the challenges met most frequently by suppliers is that TM agents check the scoring calculations and disagree with the DEA who is independently accredited. Ofgem should require TM agents to be DEA qualified – or providers of DEA training. This will ensure that both TM agents and DEAs follow the same rules when scoring and checking the scoring of a property. This would help decrease potential rescoring issues.

We would like to note that it is not possible for TM agents to be registered with Gas Safe, as mentioned in the consultation. Energy suppliers have their own due diligence processes when it comes to appointing TM agents. These processes can be checked by Ofgem as part of their audit, instead of Ofgem publishing a list of qualifications.

Energy UK would also make the point that we don't believe suppliers should be made to police an industry, in DEAs and OCDEAs, which already have their own accreditation bodies which individuals are held accountable to. Therefore we believe that 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.

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?
We agree with the proposed timescales; however there will be occasions when remedial works will be delayed through no fault of the obligated party or the installer. In those cases, we would like Ofgem to provide a route for extension and reporting.

Ofgem should clarify whether “remedial works” means completion and re-inspection within the timeline or only completion.

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

We believe that where possible, existing certification schemes and standards should be relied upon to demonstrate compliance with Building Regulations e.g. Competent Person Schemes, PAS 2030.

Those schemes operate under existing frameworks, with accreditation bodies and their own auditing regimes. They have been developed to protect consumers and safeguard against poor workmanship, and some of them, like PAS 2030, set the quality benchmark under ECO. We believe that if there is concern that such schemes are not fit for purpose, and there is evidence of that, the Government should be addressing this with accreditation bodies to drive improvements. These schemes are used more broadly than for ECO, and any shortcomings should be addressed for the benefit of all householders, not just those benefiting from ECO funding.

For technical monitoring to be a cost-effective auditing tool under ECO, it should complement these arrangements by filling in any gaps in evidence collation, rather than duplicating efforts. Therefore, we believe where there are existing forms of evidencing installation quality through existing certification schemes and standards, technical monitoring should not be required unless there is a good reason to monitor a specific aspect of the installation. The installation of solid wall insulation on high rise blocks of flats is a very good example of where technical monitoring is unlikely to add any value. This is because in addition to a building control inspection at the end, which assesses the quality of installation and compliance with standards, there are weekly design inspections during the installation process by product manufacturers. These inspections are designed to ensure that the measure is installed as specified in accordance with the project plan and to the manufacturer’s specification.

Energy UK welcomes the opportunity to work with Ofgem in reviewing and shaping the TM questions and consider improving TM under ECO 2 as a priority. Suppliers request a copy of the new TM questions and reporting template for ECO 2 as soon as possible, to ensure that they can set up their processes accordingly.

Ofgem should also provide guidance on non-access issues as this will ensure a consistent approach for remedial works and re-scoring.

With regards to specific comments to this consultation document:

- Appendix 1, par.1.60, suppliers understand that this deals with past measures only. We would like Ofgem to confirm this.
- Appendix 1, par.1.18, we note that this does not mention pre-checks, whereas on page 24 of the consultation document pre-checks are mentioned. We would like Ofgem to clarify.