

# InstaGroup response to Energy Company Obligation

## ECO2.2 Consultation

21<sup>st</sup> January 2015



### **Introduction – The InstaGroup**

The content of this document is InstaGroup's response to the recent Ofgem ECO 2.2 Consultation dated 4<sup>th</sup> December in respect of proposed changes to legislation.

The InstaGroup is a leading system designer in the insulation industry with over 30 years' experience. We provide an extensive range of cavity wall, loft, internal & external wall insulation systems and park homes insulation systems. In addition, we are also a system designer for a range of internal and external solid wall insulation systems. The InstaGroup has played an active part in promoting the wider insulation industry; as a founder member of CIGA, as well as being a founder Board member of SWIGA, and a council member of both the Association for the Conservation of Energy (ACE) and the National Insulation Association (NIA). We also have a long and proud association with National Energy Action and Energy Action Scotland.

In addition, the InstaGroup manages the Snug Network, a consortium of over 100 small and medium sized businesses who together are the UK's largest network of insulation contractors and provide genuine nationwide coverage.

The response put forward is that of the InstaGroup alone. However, we have sought input from our individual Snug Network members and their views have been taken into account.

### **(Q1) Pre-existing roof insulation for DHS under CERO & CSCO**

#### **InstaGroup Response:**

InstaGroup do not have any fundamental issues with what is being proposed and therefore agree with the suggested amendments to the ECO guidance.

### **(Q2) Cavities which cannot be insulated, pre-conditions for DHS under CERO & CSCO**

#### **InstaGroup Response:**

InstaGroup do not have any fundamental issues with what is being proposed and therefore agree with the suggested amendments to the ECO guidance.

### **(Q3) Calculating lifetime for multi-fuelled upgrades of existing DHS connections**

#### **InstaGroup Response:**

InstaGroup do not have any fundamental issues with what is being proposed and therefore agree with the suggested amendments to the ECO guidance.

### **(Q4a) Do you agree with our proposed definition of a 'broken down' Electric Storage heating system?**

#### **InstaGroup Response:**

The definition provided within the consultation document is clear and provides, in our opinion, sufficient information ensure this is not left to interpretation. This is important.

The key to implementing this change is to provide clear guidance and, if possible, any standardised document(s) to be used in order to evidence how this conclusion has been reached. This includes any specific qualification required to carry out this assessment. An example how important this can be is under qualifying gas boilers to date where the guidance did not specify the person conducting the boiler assessment was required to be gas safe registered, which is not a requirement under normal gas safe regulations and would therefore not apply to the able to pay gas boiler market place. Under PAS2030 this implies the assessor does need to be gas safe registered to conduct the boiler assessment, this is an example of contradicting information which can cause issues when conducting future audits. We would therefore urge Ofgem to provide as much detail as early as possible around this area.

**(Q4b) Do you agree with our proposal for judging that an ESH cannot be economically repaired?**

**InstaGroup Response:**

The use of a responsiveness rating for ESH is sensible as it utilises existing RdSAP guidance to decipher when a repair/replacement would apply to a qualifying ESH.

The cost comparison table is also, in our opinion the best way to deal with such instances where the responsiveness rating is above 0.2. We cannot comment on the range and thresholds being proposed due to our existing limited understanding of the costs relating to such repairs.

Any requirements around how this information should be evidenced needs to be clearly set out by Ofgem and not left to interpretation and so we would encourage the early introduction of standardised Ofgem templates for use across the industry.

**(Q4c) Do you agree the thresholds given in the ESH Economic Repair Cost Comparison table?**

**InstaGroup Response:**

As stated in our response to Q4-b we do not wish to comment on these proposed thresholds due to a limited understanding at this stage. We would however suggest for Ofgem to be clear on what this calculation should/should not include (for example supporting warranties) and how this information should be evidenced.

**(Q6a) Do you think the proposed changes to our requirements will be effective in reducing false claims of virgin loft insulation?**

**InstaGroup Response:**

InstaGroup support any proposed action which is aimed at reducing the risk of fraud, our previous responses to previous consultations (such as supplementary hard to treat cavity wall amendments which came into force in January 2014) supported a majority of these amendments.

It is however important that:

- (a) The legislative action taken is proportionate to the issue and takes into account the cost of installing this measure.
- (b) Any changes are clear from the outset to avoid any suppliers choosing not to support such measures. Such measures are one of the most cost effective measures from both a fuel levy and consumer perspective however over burdensome compliance requirements will simply lead to suppliers not supporting these under ECO.
- (c) Does not create an over complex and costly process which essentially removes such measures from the list of measures supported and installed.

The following steps being proposed we would support and in fact have already taken some steps towards implementing this:

- A declaration from both the surveyor and the customer confirming no insulation was present at the time of installation. Should this step be introduced we would urge Ofgem to issue a standard working template to avoid multiple versions being used across the industry.
- Additional technical monitoring question where customers are required to confirm no insulation was present.

These steps, alongside an EPC and photographic evidence represent a very robust process to avoid fraudulent activity taking place across the industry.

We would also point out that existing technical monitoring requirements would already identify any incorrectly scored existing loft depths due to the previous insulation being available to measure as part of the inspection. Clearly this would not cater for instances where insulation had been removed, we address this issue below as a separate issue.

The proposed introduction of mid-inspections for virgin loft insulation, in our opinion, is unnecessary due to the following reasons:

- The reality is that the introduction of this step would not prevent such activity taking place as in many instances the removal of insulation could easily be undertaken prior to this inspection.
- Loft insulation is one of the quickest ECO measures to install with installers production being limited to a small window and often unpredictable and difficult to plan in with TM agents. This would result in the dropout rate of proposed inspections being very high.
- This would slow down production of what is a simple and cost effective measure
- Aligning inspection results when working with multiple energy suppliers is complex and often not possible to administer accurately. Further complexity is added due to unknown drop-out rates for these inspections which is not known prior to installation. Ofgem have allowed suppliers to use C1/C2 inspections for carbon not traded by themselves however the rules have not been made clear enough with some suppliers taking differing views.

The introduction of a customer and surveyor declaration is far more robust than mid-inspections as a deterrent for such fraudulent activity but importantly this is proportionate in respect of costs and ease to implement across the industry. Where organisations such as ourselves work with a number of suppliers aligning the inspections (especially when the dropout rate would be high) with carbon traded would undoubtedly cause an issue. The likely outcome of introducing such a requirement will be suppliers simply refusing to support virgin loft installation and this is something we have already seen in recent months. This is not good for the overall ambition of ECO and the underlying aim of helping consumers reduce carbon and energy costs.

## **(Q6b) Do you see any difficulties in implementing these changes?**

### **InstaGroup Response:**

As stated in our response to Q6-a we are not against the introduction of customer/surveyor declarations together with the introduction of changes to the TM questions. We would however point out that:

- (a) Most suppliers are already delivering CO2 towards ECO2 and it is important that any changes brought in are not retrospectively introduced to future audits.
- (b) Ofgem are encouraged to provide an industry standard template for use across the industry.

We have already stated the difficulties we envisage with the introduction of mid-inspections for virgin loft within Q6-a. We strongly believe that this change would simply mean virgin lofts were not supported due to the over-complex issues in administering this change.

## **(Q6c) Do you have any suggestions for other controls or requirements we could introduce to reduce or prevent such false claims?**

### **InstaGroup Response:**

We believe that the following measures would be more than sufficient to reduce or prevent such activity occurring under ECO2:

- EPC site notes and photo evidence (existing requirement)
- Surveyor declaration (combined with below)
- Customer declaration (combined with above)
- Addition of TM question to confirm with customer

Beyond these measures any further steps would be disproportionate to the issue and as already stated would simply remove virgin lofts from supported measures under ECO on the whole.

## **(Q7a) Do you agree it is more appropriate to assess the quality of installation and the accuracy of scoring separately?**

### **InstaGroup Response:**

We have experienced a high number of scoring failures under ECO to date which have been incorrect and over turned when closer analysis has been undertaken following the failure being notified. In our opinion this is simply down to the inadequate skill set, training and qualifications of those people being tasked with conducting these inspections. We therefore agree that changes are

needed to increase the accuracy and integrity of these results and avoid any unnecessary and time consuming failures being investigated and over turned.

The principal of splitting out these inspections at first glance makes sense given that this would allow appropriately trained organisations to focus on their area of expertise. However, we are concerned by the added layer of complexity involved in the logistics of administering essentially two set of 5% inspections which in some instances would result in customers being contracted for two separate inspections if carried out by different companies.

We believe a better way forward would be to set some clear standard around qualifications needed to conduct such inspections (for example Domestic Energy Assessor for scoring monitoring). This would open up the opportunity for organisations to provide whole house inspections covering both technical and scoring monitoring, we expect that if this was the case the market would naturally move towards demand for this and the inspection companies would make the necessary changes.

**(Q7b) Do you agree with the proposed reactive monitoring process described in paragraphs 1.45 to 1.56. Do you think these rates are appropriate?**

**InstaGroup Response:**

Our opinion is that, whilst we can see the intent of these changes, we believe this amendment will add further complexity to an already complicated ECO scheme. We believe a 5% inspection rate is fair and proportionate and there is already guidance in place to deal with high failures rates.

**(Q7c) Do you agree that technical monitoring agents should have certain qualification?**

**InstaGroup Response:**

As already outlines in our response to Q7-a we think setting some clear standards and qualifications around technical monitoring agents would be a good thing.

We would propose the following:

**Cavity Wall Insulation** – The person undertaking these inspections should, in the last 10 years, have been BBA approved to install at least one cavity wall system. From our experience many TM inspectors are ex-installers and so this would simply formalise and ensure all inspectors undertaking cavity wall inspections had a sound knowledge of cavity wall insulation.

**External / Internal Wall Insulation** – There are clearly many different systems in the market and the practicalities of this must be taken into account under the current TM regime. We would therefore suggest that any inspector undertaking EWI/IWI inspections should have been through, and passed, a basic training course for at least one BBA accredited Solid Wall measure demonstrating a basic

knowledge of these systems. Ultimately we believe that it should be the system designer who conducts such inspections and it is the system designer who has the in depth knowledge of how that system should be applied and it is felt that the current TM set up does not incorporate the detail of specific systems.

**(Q7d) Are the qualifications listed in paragraph 1.16 appropriate for score monitoring**

**InstaGroup Response:**

Yes, we believe this is the most sensible and appropriate standard to be set for score monitoring as this is aligned to the qualification of the people undertaking the EPC's used for scoring purposes.

**(Q7e) Do you agree with the proposed timescales for remedial works and re-scoring to be conducted?**

**InstaGroup Response:**

Yes, we think the proposed timescales are fair and allow organisations a reasonable amount of time to deal with such failures.