

SCOTTISHPOWER

ECO Team
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21 January 2015

Dear ECO Team,

ENERGY COMPANIES OBLIGATION 2015-2017 (ECO2): ECO2.2 CONSULTATION

We welcome the opportunity to respond to this consultation and have provided a response to the consultation questions in the attached Annex.

The key points that we wish to make in response to the proposals are outlined below:

- **Virgin Loft Insulation** - We agree that a virgin loft insulation measure should only relate to a loft where there is no existing insulation present. We agree that to claim virgin loft insulation there must have been access to the loft. We support the proposal to use a customer declaration to minimise fraud in this area but we suggest it is more appropriate for a customer declaration to be sought during the assessment stage, prior to the insulation being installed.
- **Technical Monitoring (TM)** - We agree that the quality of installation and the accuracy of scoring should be split out in terms of reporting. We agree with Ofgem's proposed reactive monitoring process and we believe the monitoring rates to be appropriate. However, we ask that the current regime of implementing a change a quarter later remains in place, as the current proposal would only provide suppliers with a few weeks to analyse and assess the TM results and potentially renegotiate contracts according to the adjusted rates. We agree that the TM agent conducting inspections should be independent but do not believe that it is possible to determine qualifications for the measure categories. The accreditation for such measures is around installation rather than assessment of installation. It is more appropriate for TM agents to have suitable industry experience that can be evidenced as part of a supplier's procurement process. However, we ask that Ofgem specifies that TM agents must be DEA qualified – or providers of DEA training. This would help decrease potential rescoring issues, particularly where assessments are lodged. In these instances, assessments should not be re-scored. 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. 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 in order to drive improvements. For TM to be a cost-effective auditing tool under ECO, it should complement these arrangements by filling in any gaps in evidence

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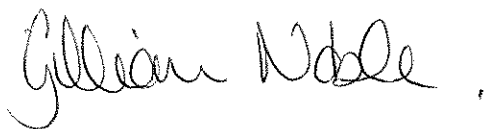
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collation, rather than duplicating efforts. As such, we welcome the opportunity to work with Ofgem in reviewing and shaping the TM questions and consider improving TM under ECO 2 as a priority.

- **Economic Repair Cost Comparison Tables** - Given the HHCRO market price for boiler replacements is significantly lower than DECC's original impact assessment, we ask that Ofgem reviews the Economic Repair Cost Comparison Tables for gas boilers in conjunction with suppliers and the wider supply chain. The Economic Repair Cost may be unnecessarily high in some instances, encouraging repairs when replacement would be cheaper.

If you would like to discuss these and/or any of the additional points contained within the Annex, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gillian Noble', followed by a small comma.

Gillian Noble
Head of Energy Services and Obligations

**ENERGY COMPANIES OBLIGATION (ECO):
ECO2.2 CONSULTATION**

SCOTTISHPOWER RESPONSE

Question 1

Pre-existing roof insulation requirements: Pre-conditions for DHS under CERO & CSCO

1a) Do you agree with our proposed requirements for pre-existing roof insulation? Please provide reasons for your answer.

Yes. We agree that any pre-existing roof insulation should meet either Building Regulations in place at the time the property was built or achieve the required U-value for the relevant roof type, as listed. This provides consistency with requirements for wall insulation measures with DHS as set out in Guidance for Suppliers (version 1.2) and clarity for all stakeholders involved in DHS projects.

1b) Do you have any further comments or suggestions relating to this policy area?

We have no further comments relating to this area.

Question 2

Cavities which cannot be insulated: Pre-conditions for DHS under CERO & CSCO

2a) 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 including a wall with a section of cavity narrower than 40mm within the reasons for assessing that the cavity wall cannot be insulated and Ofgem's reasons for doing so.

With changes and developments in insulation products and techniques, it is possible that some manufacturers and installers may claim that their products can be applied in such scenarios. However, given that products available in the market place cannot generally be applied to cavities narrower than 40mm without risk to the structural integrity of the properties, this guidance is appropriate.

We firmly support the principle of insulation being installed prior to installing a district heating system, but this should not be at any cost, particularly where the benefits of DHS on its own can be demonstrated.

2b) 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.

Yes, we agree with including such adjoining walls as walls that cannot be insulated and with Ofgem's reasons for this. As stated in our response to Question 2a above, there should not be a requirement to fit insulation where there this could potentially have an adverse effect on the property, including increased heat loss.

2c) Are there any other scenarios where a cavity wall cannot be insulated? Please provide reasons for your answer.

Other scenarios where a cavity wall cannot be insulated may include rubble in the cavity or other structural issues, for example, the presence of metal ties in the cavity.

We understand that Ofgem is also reviewing further scenarios and that those already present in version 1.2 of the ECO Guidance will also be present in the new Guidance. While some defined reasons are welcome, there should still be flexibility within the Guidance for Ofgem to consider other reasons that may be put forward by suppliers from time to time.

As a backstop, if a chartered surveyor or structural engineer's report states that a cavity cannot be insulated, this should be sufficient.

2d) For compliance purposes, how can suppliers demonstrate that a cavity wall cannot be insulated?

The manner in which suppliers can demonstrate for compliance purposes that a cavity wall cannot be insulated, will depend on the reason. The evidence presented could range from a Chartered Surveyors/Structural Engineers Report or an area housing strategy to a technical survey and customer declaration. If, as previously suggested, district heating systems are reviewed on an individual basis, then each project will have its associated feasibility study and cost analysis and this would assist in evidencing a decision.

The occupier or landlord may also refuse to consent to the wall being insulated and a declaration could be provided to support this.

Reference should also be made to the rules published in previous Guidance documents relating to hard-to-treat cavity wall insulation measures as a basis for demonstrating that a cavity wall cannot be insulated.

Any evidence that is required to demonstrate that a cavity cannot be insulated should be clearly specified in the Ofgem Guidance for Suppliers. This is currently listed in 'Appendix 1 – Documents and data to be made available on request'.

2e) Do you have any further comments or suggestions relating to this policy area?

We have no further comments relating to this area.

Question 3

Calculating the lifetime for multi-fuel upgrades of existing DHS connections

3a) Do you agree with our preferred approach (Option 1) for calculating the lifetime for multi-fuel DHS upgrades? Please provide reasons for your answer.

We do not agree with Ofgem's preferred approach of Option 1. Our preferred approach is Option 2. We believe that this option provides a sufficient level of accuracy whilst being administratively simpler than Option 1.

Option 3 clearly disadvantages some technologies and so we feel is the least favourable. Option 4 provides the most flexibility, since it allows lifetimes to be determined on a case by case basis, but we believe this to be too onerous and time consuming.

3b) 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 upgrade?

Please see our response to Question 3a above.

3c) Do you have any further comments or suggestions relating to this policy area?

We have no further comments relating to this area.

Question 4

Qualifying electric storage heaters

4a) Do you agree with our proposed definition of a 'broken down' ESH? Please give reasons for your answer.

We believe that the proposed definition needs to be reviewed and clarified in light of the following:

- We suggest that 'and/or store' is added after 'does not deliver' within the definition in 4.6.
- In instances when the ESH is not connected to an electric supply but it is tested using appropriate equipment and it fails that test, it should also be possible for it to be defined as broken down i.e. we ask that Ofgem clarifies that it does not need to be connected to an electric supply to prove it is broken down, as 4.7 suggests.
- However, it may be possible for an ESH not to respond to a power test without it being broken down (for example where the lack of response may be due to a replacement fuse being required).
- 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 can occur with the thermal cut-out. It could be that when connected to an electric supply it does not deliver and/or store heat but it could be relatively easy to repair.
- Furthermore, when a unit contains asbestos, it may not be possible on health and safety grounds to repair it. In these instances, it may be preferable and should be allowable to replace the ESH.
- It also may be the case that where a repair would normally be undertaken, the ESH is so old that the parts are no longer available. In these instances, a replacement should be acceptable.

We ask that Ofgem reviews the currently proposed definition giving consideration to the points raised above and the various scenarios that could occur. We also ask that Ofgem specifies that completion of the ESH checklist is undertaken by a qualified electrician.

4b) Do you agree with our proposal for judging that an ESH cannot be economically repaired? Please give reasons for your answer.

We agree with the proposal, provided the instructions on proving the age of the ESH are clear and transparent. We also ask that Ofgem clarifies how DEAs should check responsiveness ratings, to ensure that there is uniformity of approach.

4c) Do you agree with the thresholds given in the ESH Economic Repair Cost Comparison Table? Please give reasons for your answer.

We do not disagree with the thresholds given but in line with our response to Question 4b above, we ask that Ofgem provide clear and transparent guidance in relation to evidencing the age of the ESH.

4d) 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 ECO scoring tools can be updated and approved beforehand.

Question 5

Qualifying boilers: Not functioning efficiently

5a) 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.

We agree that 'boiler and system sludge' and 'unstable firing' alone are insufficient reasons for a boiler to be replaced. If a boiler is replaced without system sludge being rectified, the new system would not be able to operate. Whilst 'boiler and system sludge' can be the cause of a fault, it can also be the result of a fault. This difference must be captured on the boiler checklist.

'Unstable firing' is not fault but rather a symptom of a fault. As such, we would invite Ofgem to add the option of a 'mechanical or electrical fault' in the boiler checklist with a requirement to describe what the mechanical or electrical fault is and the reason for this fault. We recommend that this be achieved through the Simplification and Standardisation Working Group where the boiler checklist can be reviewed and updated in its entirety.

5b) Do you agree that 'no boiler ignition' and 'unstable firing' should be considered separately? Please give reasons for your answers.

We agree that these should be considered separately. Where a simple repair can be made, it should not be necessary to replace a boiler. As such, further clarification is required around the fault list and when those faults listed can be classed as a repair and when as replacement.

Using these as an example, the fault list provided in the consultation (paragraph 5.8) does not make clear that if 'unstable firing' is the only fault, it is not acceptable alone as a reason to replace a boiler, although in combination with other faults could be sufficient justification for a replacement.

5c) 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 agree that the boiler fault list is suitable to identify faults with non-gas fuelled boilers. ESH on the other hand will have differing criteria. Again, further clarification is required on application of the fault list to determine whether or not the boiler can be replaced.

5d) Do you have any further comments or suggestions relating to this policy area?

Given the HHCRO market price for boiler replacements is significantly lower than DECC's original impact assessment, we ask that Ofgem reviews the Economic Repair Cost Comparison Tables for gas boilers in conjunction with suppliers and the wider supply chain. The Economic Repair Cost may be unnecessarily high in some instances, encouraging repairs when replacement would be cheaper.

Question 6

Virgin loft insulation: New requirements

6a) 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.

Any requirements that provide further clarity to the industry and supply chain and reduce the risk of mis-claiming measures are welcome and we would support any efforts to do this. We agree that a virgin loft insulation measure should only relate to a loft where there is no existing insulation present.

With regards to Ofgem's proposals:

6.5 (1) – We support this proposal. 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.

6.5 (2) – We support this proposal but suggest it is more appropriate for a customer declaration to be sought during the assessment stage, prior to the insulation being installed. The wording of the customer declaration should be picked up through the Simplification and Standardisation Working Group to ensure consistency in documentation.

6.5 (3) – We do not support this proposal. The customer who is present at the time of any post-installation inspection may not be the same as the customer who was present at the time of the installation, or they may be a tenant, and so not able to confirm that there was no insulation present before the loft insulation was installed and we do not believe introducing a requirement that this must be the same person is workable. Technical monitoring should be focused on the quality of the installation and not stray from that remit. It is also very late in the process for any fraudulent activity to be identified, which is why it is important to introduce this check 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.

6.5 (4) – We do not support this proposal. The nature of installing loft insulation is that this is high volume to short timescales so arranging pre- or mid-installation inspections will not be logistically achievable.

6b) Do you see any difficulties in implementing these changes? Please provide reasons for your answer.

See response to Question 6a above.

6c) 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.

The current scoring of virgin loft insulation provides a significant incentive which could encourage potential fraud and we would invite Ofgem to consider how the incentive can be removed, lowered or neutralised through changes to the scoring where Ofgem has the remit to make such changes, e.g. through changes to the measure lifetime.

6d) 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 and supplier could demonstrate these risks?

Health and safety risks might include vermin or insect infestation, woodworm being present or asbestos being discovered. However, as this would be difficult to evidence, we believe that the current Ofgem policy of claiming this as top-up loft insulation is sufficient.

Question 7

Technical monitoring process: Revisions

7a) 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. We ask that Ofgem clarifies however 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.

7b) 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 area appropriate?

We agree with Ofgem's proposed reactive monitoring process and we believe the monitoring rates to be appropriate. However, we ask 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 directly following the submission deadline would only provide suppliers with a few weeks to analyse and asses the TM results and potentially renegotiate contracts according to the adjusted monitoring rates and potentially for only one aspect of the process, i.e. scoring or installation.

7c) 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?

We agree that the TM agent conducting inspections should be independent from the parties listed in paragraph 1.13, but do not believe that it is possible to determine qualifications for the measure categories listed in Table 1 of paragraph 1.15.

The accreditation for such measures is around installation rather than assessment of installation. It is more appropriate for technical monitoring agents to have suitable industry experience that can be evidenced as part of a supplier's procurement process.

However, we ask that Ofgem specifies that TM agents must 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, particularly where assessments are lodged. In these instances, assessments should not need to be re-scored.

In terms of boiler measures, we would like to note that it is not practical for TM agents to be registered with Gas Safe. The cost of obtaining Gas Safe accreditation for technical monitoring inspectors would be prohibitive and indications from TM agencies are that it would be excessive given the level of questions asked.

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. Experience can be equally if not more important than qualifications in many cases.

7d) 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?

See our response to Question 7a-c above.

7e) 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 note within paragraph 1.58 that the three month timeline is referring to measures being remediated or re-scored within three months of the last day of the month during which the fail was discovered, or just being re-mediated or re-scored to that timeline and therefore assume that this does not include where applicable a re-inspection. However, this timeline should start from when the supplier received notification of the failed inspection, not when it was discovered by the TM inspector. This also applies with regard to paragraph 1.59.

7f) 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 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.
- For TM 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. As such, we welcome the opportunity to work with Ofgem in reviewing and shaping the TM questions and consider improving TM under ECO 2 as a priority.

- Within paragraph 1.5 under the monitoring requirement we recognise that the reporting timeline has been extended to the end of the second month following a quarter. However, this refers to all measures installed during the previous quarter – currently the report is based on the date measures are notified as opposed to the date measures are installed. We ask that the date of notification is retained so as not to introduce further administrative burden, cost and complexity to the process.
- Paragraph 1.8 states that where the number of measures of a particular type or installed by a particular installer is less than 100, monitoring should be conducted on at least one measure of each type and installed by each installer. This is positive, but only workable if taken across the whole programme, not on a quarterly basis.
- Under “How is monitoring conducted?”, paragraph 1.18 refers to the monitoring rate being split between mid- and post-installation inspections. We assume therefore that there will no longer be any requirement for any pre-installation inspections on any measure types. We ask that Ofgem clarifies this point in their guidance.
- “The ‘monitoring reports” paragraph 1.22 states that the templates will contain the required information on the monitoring carried out in the previous quarter, rather than the monitoring on the previous quarter’s work – the latter is the basis for current reporting and we would not want this to change. The same comment also applies to paragraph 1.24.
- It should be added to “Re-scoring score monitoring fails” – paragraph 1.33b – that additional documentary evidence provided by the installer as well as the original assessor can also be used to verify inputs. This could apply for example to providing the correct boiler index number.

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