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Energy Company Obligation 2015-2017 (ECO2): ECO2.2 Consultation

We welcome the opportunity to comment on Ofgem's proposals for administering some of the new legislative requirements which are due to come into effect under ECO2. As with all of Ofgem's guidance documents, it is important that the information is clear and concise, to reduce the risk of misinterpretation or error, and to ensure that Ofgem's expectations as the administrator of the Scheme are met from day one.

We also think it is important that in its role in administering ECO, Ofgem adopts and where necessary, helps develop the existing quality and certification frameworks for energy efficiency improvements in the industry. These existing frameworks have accreditation bodies with their own auditing regimes, and have been developed to protect consumers and safeguard against poor workmanship across the industry. We believe these schemes should be used to set the benchmark for ECO as they reflect accepted industry standards. If Ofgem has concerns that such schemes are not fit for purpose then we believe it should work with Government to address this and drive any necessary improvements to benefit householders. We believe this is more efficient than introducing new overarching requirements specifically for ECO which may be technically difficult to administer and audit.

In relation to the specific proposals in the consultation, we think further stakeholder engagement is required to understand the complexities of electric storage heaters (ESH). The guidance does not currently address concerns that current SAP and RdSAP software is

not capable of calculating savings for an ESH that heats just part of the property. Ofgem's definition of a broken down ESH is also of some concern and we have suggested where further clarity is needed to identify and evidence faults in our response to the consultation questions below.

In terms of gas boiler faults, we think it will be difficult for Ofgem to establish robust guidance to address every potential scenario where a boiler may not be functioning efficiently and would suggest that in order to determine if a boiler is not working, we should be able to assess it against the manufacturer's instructions.

We would suggest that to address Ofgem's concern that installations are being falsely claimed as virgin loft insulation measures, the most effective solution would be to reduce the financial incentive for the measure. There is currently a significant financial incentive for virgin loft insulation which can amount to thousands of pounds compared to the actual cost of the installation.

We have made a number of suggestions for proposed changes to the current Technical Monitoring (TM) framework. Detailed comments can be found in our response to the consultation questions below. We are concerned that imposing increased or decreased TM rates on a quarterly basis will lead to contractual issues with our partners and with TMAs, will be difficult to apply to our brokerage partners, and would be near to impossible to apply to Stage 1 and 2 TM. We would therefore prefer to maintain the current 5% baseline. We believe this is a statistically significant sample size. We also believe it would be more reflective to report TM based on the notification date of the measure rather than the installation date. This will make the reports more reflective of what was actually received by a supplier each quarter and address concerns about how the TM rules apply to measures which are under extension or part of a larger project

We would be happy to discuss the details of our response with Ofgem in order to help form any necessary changes to the guidance.

Yours sincerely

Lois Wares
Regulation

Consultation questions

Question 1

a) Do you agree with our proposed requirements for pre-existing roof insulation?

We agree but require further guidance from Ofgem on what evidence will be required to demonstrate the U-value of pre-existing roof insulation. Ofgem's guidance should specify whether the default U-value based on SAP tables should be used or the OCDEA calculation or whether either would be appropriate.

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

We have no further comments.

Question 2

a) Do you agree with our proposals that a wall with a section of cavity narrower than 40mm cannot be insulated?

We agree with this proposal. We would like to understand what Ofgem would require as evidence that a section of the cavity is narrower than 40mm.

b) Do you agree with our proposal that a wall which adjoins a wall which cannot be insulated also 'cannot be insulated'?

As above, we agree with the proposal but would like further guidance on what evidence would be required by Ofgem.

c) Are there any other scenarios where a cavity wall cannot be insulated?

We believe that if a chartered surveyor or structural engineer reports that a cavity cannot be insulated and provides the reasons for the determination, this should be accepted by Ofgem as evidence that a cavity wall cannot be insulated regardless of whether it is a reason specified in Ofgem's guidance.

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

We believe a chartered surveyor or structural engineer report should be suitable evidence that a cavity cannot be insulated.

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

Ofgem's current guidance (version 1.2) states that suppliers wishing to notify a connection to a DHS as a secondary measure should contact them prior to notification. Given the value and complexity of DHS work, we think suppliers should be allowed the opportunity to submit proposals to Ofgem before install work commences so any issues can be addressed.

Question 3

a) **Do you agree with our preferred approach (Option 1) for calculating the lifetime for multi-fuel DHS upgrades?**

We do not agree with Ofgem's preferred approach.

b) **If you do not agree with Option 1, do you agree with any other proposed options? If not, can you propose an alternative approach?**

Our preference would be Option 2 as we believe this option is administratively simpler and allows for quicker setup of the required processes.

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

We have no further comments.

Question 4

a) **Do you agree with our proposed definition of a 'broken down' ESH?**

We have a number of concerns with this definition and believe further clarity regarding certain aspects of the definition needs to be provided in Ofgem's guidance:

- Whilst we understand the intention of the definition, there needs to be consideration for how an electrician would actually establish a storage heater is faulty. This would normally be done by using test equipment which can measure electrical resistance. By using such equipment the electrician can normally establish if the heater will deliver heat when connected to an electrical supply, without actually making a connection to a supply. In many instances it might not be convenient to connect an electrical supply to a heater, for instance in the case of a standard economy 7 installation where the supply to the heater would be de-energised during the daytime.
- A common and easily fixed fault with a storage heater is replacing a thermal cut-out. This fault would meet Ofgem's proposed definition, however we do not believe it would warrant replacing the storage heater.
- There are other additional faults where we would recommend replacing a storage heater even when it is still capable of providing heat. An example is faulty controls

on a storage heater containing asbestos, in which case we would not attempt to fix the fault and would instead replace the heater.

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

The responsiveness rating of a storage heater is key to determining if it should be repaired or replaced. We understand that this rating is calculated using SAP and that the key variables are the type of storage heater and the tariff. We would like to understand what evidence may be required by Ofgem to prove either the type of storage heater or the tariff, particularly whether this will be captured in Ofgem's ESH checklist or if other means of evidencing will be necessary.

c) Do you agree with the thresholds given in the ESH Economic Repair Cost Comparison Table?

No comments.

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

We understand both SAP and RdSAP software is not capable of calculating savings for an ESH that heats just part of the property, as most properties with an ESH will also have fan heaters, meaning both Main Heating System 1 and 2 will be used within RdSAP software, without any capability to model a 3rd, non-heated, section of a property. We require further guidance from Ofgem regarding the scoring tools available to address this issue before we can begin installing ESH.

We are concerned there could be legitimate circumstances where two obligated suppliers fund a storage heater replacement in the same property. Therefore Ofgem's guidance must be able to distinguish between duplicate measures and cases where two separate heaters are replaced in the same property.

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?

We believe there is an exception where there is a significant amount of sludge in the system (this can be evidenced if the flow temperature is coming out lower than it should and going back lower than it should – i.e. it's not delivering the heat from the boiler) and a powerflush has been unsuccessful (this can be evidenced via water test results which show high readings after a flush) or has made the problem worse (i.e. In low water content boilers you

cannot adequately powerfulsh the appliance due to small fins on the heat exchanger. The fins are so small the sludge will remain, and flushing the sludge from the system through the appliance could cause the exchanger to sludge up further). In these circumstances we believe it would be justifiable to replace the boiler and system due to lack of heat being delivered. We believe a powerflush should be fundable under the category of "boiler or heating system repair".

b) Do you agree that 'no boiler ignition' and 'unstable firing' should be considered separately?

We agree that 'no boiler ignition' and 'unstable firing' should be considered separately. The boiler ignition is electronic but something like a cracked burner could result in inconsistent firing. Therefore, we think they should be considered separately.

c) Do you agree that the boiler fault list is suitable to identify faults with non-gas fuelled boilers?

We believe the following amendments should be made to the fault list:

- The existing installation is not to standard and is not correct to Part L
- The existing boiler is no longer sufficient for the design and the potential for the building. (i.e. the boiler is not the correct size for the building)
- Inside the boiler casing are ACMs (Asbestos Containing Materials) which mean the boiler cannot be repaired

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

This is a particularly complex area and as a result we think it will be difficult for Ofgem to establish robust guidance to address every potential scenario where a boiler may not be functioning efficiently, and how this can be evidenced. Whilst Ofgem's fault list outlines what it would consider to be a fault which requires repair or replacements under ECO, we believe further work is still required to fully evaluate all potential scenarios to better align the ECO policy with current industry practise.

We believe that in order to determine if a boiler is not working effectively, it should be able to be assessed against the manufacturer's instructions. Some boilers have certain features which could fail but are not part of the boiler checklist. Suppliers should be able evidence a fault to Ofgem using the manufacturer's instructions.

The MI values and the actual live values from the boiler assessment should be recorded on the boiler assessment checklist a long with the method used to measure the boiler's output.

This will provide clarity about the fault and validates the recommendation to either repair or replace the boiler.

Question 6

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

We believe one of the most effective ways to reduce false claims of virgin loft insulation will be to reduce the financial incentive for the measure itself. The level of this reduction should be such that typical customers can still expect to receive free loft insulation. This could be achieved by either:

- Reducing the annual score for virgin loft insulation on the basis that there is a high risk of false claims associated with the full score which is therefore inaccurate (this could be done by RdSAP calculations assuming 60mm of existing loft insulation even for virgin lofts), or
- Reducing the lifetime of virgin loft insulation. This is on the basis that it is not reasonable to assume a bare loft would remain uninsulated for the next 40 years.

b) Do you see any difficulties in implementing these changes?

A pre-install EPC would be sufficient evidence that the person recommending the measure was able to access the loft, if as well as stating there was loft access; the EPC also specifies the amount of loft insulation present.

From experience we know that pre- and mid-installation checks are impractical and disproportionately expensive. We also believe that this wouldn't protect against insulation being removed by either the customer or installer before the installation takes place.

We believe 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, however there will be instances where a customer is unable to confirm this, when for example, they are unable to access the loft due to age or infirmity or they have recently moved into the property and are not aware if there is any.

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

See response to Q6(a).

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?

We do not think Ofgem should accept any instances where measures can be claimed as virgin loft insulation due to existing insulation being removed. This would create a scenario which could be open to abuse, would be very difficult to police, and lead to potential fraud. Furthermore, if the supply chain claims that there are many instances where existing loft insulation should be removed, this would then call into question the current 40 year lifetime which is awarded to ECO loft insulation.

In addition, regardless of whether existing loft insulation was required to be removed due to health and safety reasons, it is still providing some form of cost or carbon savings and therefore the score of adding new insulation should be reflective of that. The current policy of claiming the savings as top-up loft insulation is sufficient.

Question 7

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

We do not agree. The current method of assessing technical, safety and scoring at the same time allows for a random sample. Introducing a separate audit introduces a number of issues. Firstly, properties that are assessed purely for scoring will no longer have a technical assessment and potential issues such as safety may be overlooked. This applies in reverse, in that mis-scored properties will not be identified.

We agree that the quality of installation and the accuracy of scoring should be split out in terms of reporting, but not in terms of the actual inspection and therefore our preference would be to continue monitoring for scoring and installation failures in one visit.

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 do not see any value in reducing or increasing a supplier or installer rate and would like to understand Ofgem's rationale for this proposal. Increasing rates as a penalty or lowering rates as a reward for reduced fail rates will lead to contractual issues with both partners and TMAs and as the TM rates are linked to the supplier and not the installer this would mean that some installers would be unfairly penalised. The TMA will be unable to establish what resources to employ for the obligation on a quarter by quarter basis as low failure rates will mean a reduced work load. If in the following quarter the supplier achieves a higher fail rate, there may simply not be enough TMA availability to deliver this. Higher failure rates will

ensure an increased work load and may lead to a TMA shortage, particularly if all obligations achieve a higher failure.

In order to ensure an impartial TMA response, 5% as the base line for the obligations and installers therein seems practical.

Linking failure rates to monitoring rates may discourage brokerage. A bi-lateral contract relationship can span the whole of the obligation and we are able to work with our partners to attempt reduction of fails whereas most brokerage contracts are of lesser terms. A brokerage contract that spans two quarters with a high failure rate could negatively affect the Suppliers failure rate leading to an increase in the monitoring rate. The increased rate of monitoring would achieve little as the installer causing the issue is no longer submitting measures.

If the proposal to increase TM rates was to come into effect then we would request assurance that an increased TM rate would not need to be applied until the quarter following the quarter we are informed of the increase by Ofgem. For example, if we submit TM with the equivalent failure rate for Q1 one month after the quarter ends (i.e. end of month one in Q2) and then are not informed of the increased TM requirement until later in Q2 then practically the increased TM rate could only take effect from Q3 and not from mid-way through Q2.

Additionally, if these proposals were to take effect and apply to both bi-lateral and brokerage installers then we need assurance that Ofgem and DECC will work together to ensure that the brokerage contract is clear in stating that any changes in required TM rates will be effective without the need for contractual change.

c) Do you agree that TMAs 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 believe it should be a requirement for TMAs to be DEA trained. 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.

BBA is currently working with the industry to develop an accreditation body for TMAs. We believe this will address any concerns regarding the technical ability of TMAs acting in the market.

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?

We agree that the qualifications are appropriate. For the purposes of scoring checks, we believe a DEA qualification is necessary.

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

We believe that the three month timescale should be applied from the date the TM results are received and accepted by the supplier, otherwise there will be a burden to receive and process results from the actual day of inspection when the fail was first identified by the TM.

We would like to understand whether Ofgem's reference to 'remediated' includes a positive outcome from a re-inspection. Re-inspection can take many weeks from the point a supplier is informed by an installer the failure has been remediated. This needs to be made clearer in the guidance. If re-inspection is required then the proposed timescale should be increased.

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

We believe it would be more reflective to report TM based on the notification date, considering that installations can take longer than planned and monitoring the timelines can become more challenging. This will make the reports more reflective of what was actually received by a supplier each quarter and address concerns about how the TM rules apply to measures which are under extension or part of a larger project.

In order to evidence a TMA's independence we would like to understand whether a declaration from a TMA confirming that they are independent from those listed in 1.13 would be sufficient under audit.

We believe there is scope to remove the requirement for Stage 1 TM. If the purpose of this stage of TM is to check pre-installation surveys then this can be completed as an evidence requirement. It can be done as an evidence check in the same way as a boiler checklist is currently with suppliers. This would address the practical issue that an obligated supplier has no control or ownership of the measure until an installer submits the measure to them for notification purposes, by which time the measure is complete, making both Stage 1 and Stage 2 TM very difficult.

In order to alleviate some of the practical issues surrounding Stage 1 and Stage 2 TM, we believe reportable staged TM should only exist for notified measures. Allowing an obligated supplier to submit TM results for measures that do not get notified is problematic. We also think that if the stage TM requirements were applied to the installer rather than the

obligated supplier it would be easier for each installer to manage the level of TM they are required to submit over the lifetime of their contract.

If they are to remain, we think it would be useful if Ofgem were to provide a list of approved TMAs for installers to contract with for the purposes of commissioning Stage 1 and Stage 2 TM to assist with this process.

Ofgem and DECC should work together to ensure that the brokerage contract requires brokerage installers to appoint a TMA for Stage 2 TM. In ECO1 obligated supplier's stages monitoring targets became challenging as the brokerage contract did not oblige installers to commission for staged TM. As above, we also think it would be beneficial if Ofgem were to provide a list of approved TMAs for these installers to choose from.

In terms of managing the responses to fails, we believe these should be dealt with on a fail by fail basis rather than by visit fails, as this will enable the obligated supplier and Ofgem to have a clear view on the remediation process. Additionally, when Ofgem provides fail statistics back to the supplier or publishes TM results, it would be beneficial if the data used to determine these results is also made available. This would allow a rapid response to allow updates after false fails and overturns are applied to results and present a truer picture of TM results.

For TM scoring questions it would be useful if Ofgem could clearly define a list of tolerances. Currently OFGEM have provided a "non-exhaustive" list of tolerances around false fails. To enable suppliers and TMAs to provide a level reporting playing field a more comprehensive list could be provided.

Some specific comments regarding the draft guidance:

Paragraph 1.25 – We can only be happy with this statement once we have seen the list of TM questions. Based on the last set of TM questions, this statement is not correct. (i.e. if a PAS project plan document was not available during stage 2 TM, that doesn't mean the installation hasn't been completed to standard or that the score for the measure is incorrect.

Paragraph 1.57 – We are concerned about the implications of this paragraph. If a supplier meets all of its TM rates for all measure types with exception to one measure type which doesn't quite achieve the rate in that quarter, this statement implies that Ofgem would have the right to revoke all of the measures installed in that quarter.