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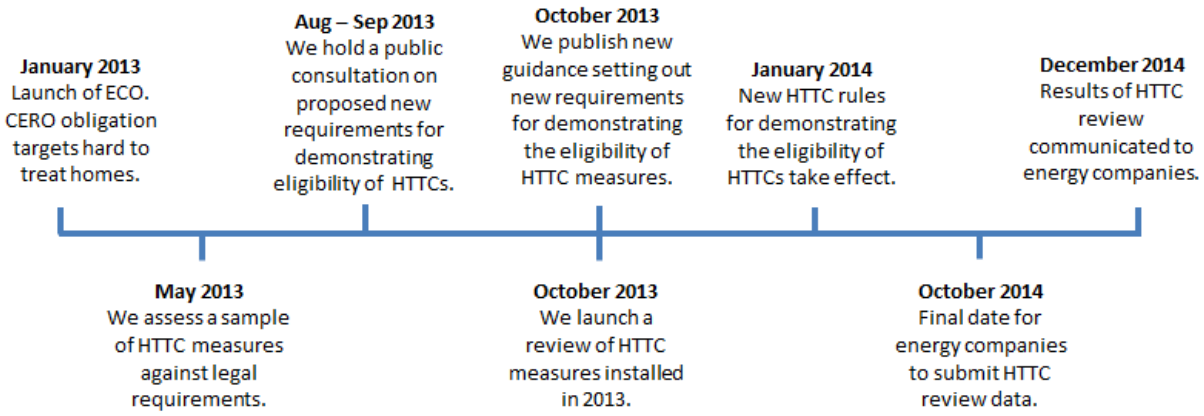
Report: Review of hard-to-treat cavity (HTTC) measures installed in 2013

This report outlines the results of our review of hard-to-treat cavity (HTTC) measures installed in 2013. In early 2013 we received anecdotal information regarding the eligibility of some HTTCs notified under ECO[1]. In May 2013 we conducted an internal assessment on a sample of notified HTTCs; this led us to have concerns that a significant number of HTTC measures had been installed to cavity walls that did not meet the statutory definition of 'hard-to-treat cavity'. Based on initial findings we suspended approval of certain HTTCs pending the outcome of a further review.

This further review entailed a document review by energy companies of three categories of HTTC: narrow cavities, cavities requiring remedial work and cavities requiring the use of non-standard materials and techniques. The review also involved independent site audits of narrow HTTCs. The review was designed to assess whether HTTCs met the requirements for the category against which they were notified. Further details of the review requirements are set out in three letters, available on our website.[2] The timeline below (Figure 1) sets out the key dates relating to HTTCs installed under ECO and this review.

Figure 1: HTTC timeline



Outcomes

Approximately 63,000 HTTC measures were assessed. The overall results are shown in Table 1. Measures passed the review where they met the requirements for the HTTC category against which they were originally notified. Measures that met the requirements of another HTTC category could be reclassified and measures that did not meet the requirements of any HTTC category failed the review.

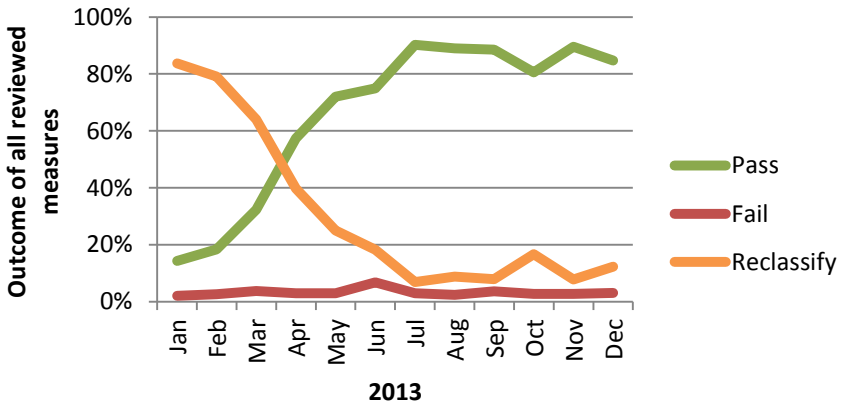
Table 1: HTTC review results

Outcome	Number of measures	Percentage of total
Pass	44,817	71%
Reclassify	16,233	26%
Fail	1,972	3%

[1] For further details on ECO see: www.ofgem.gov.uk/eco.
[2] https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-hard-treat-cavity-measures-installed-1-january-2014-letter-suppliers.

These results are broken down by time period in Figures 2, 3 and 4, below. These figures show that, while the failure rate was consistent across the year, there was a substantial variation in the pass rate between the first and second half of the year. Measures installed between January and June 2013 achieved a pass rate of just over 50%; between July and December, 87% of measures passed the review. This shows a dramatic improvement in the accuracy of the notification of measures by suppliers from July onwards.

Figure 2: Outcome of review by month



In the first half of the year, almost 50% of these measures were notified to Ofgem against an incorrect HTTC category. We recognised that these measures were delivering carbon savings and providing benefit to consumers. Therefore, where there was documentary evidence in support of another HTTC category, we permitted energy companies to reclassify these measures once the evidence had been thoroughly reviewed. This approach ensured that measures worth approximately 370,000tCO_2 notified incorrectly under ECO, but still eligible, were not lost and therefore could contribute to energy company obligations. The volume of measures to be reclassified reduced to around 10% in the second half of the year showing improvements in the accuracy of reporting.

Figure 3: Outcome of review Jan-Jun 2013

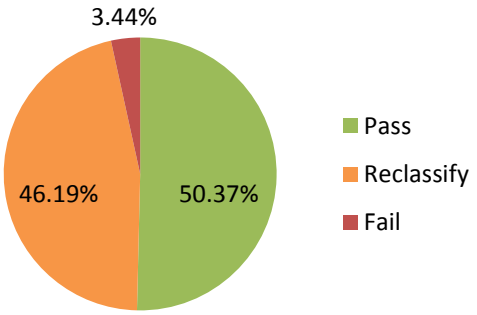


Figure 4: Outcome of review Jul-Dec 2013

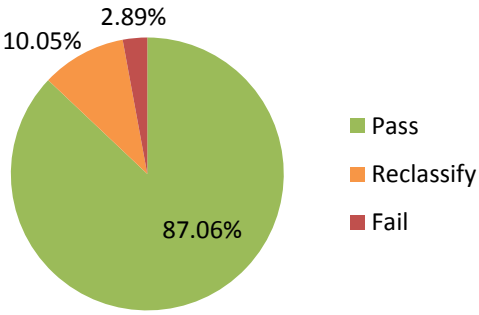
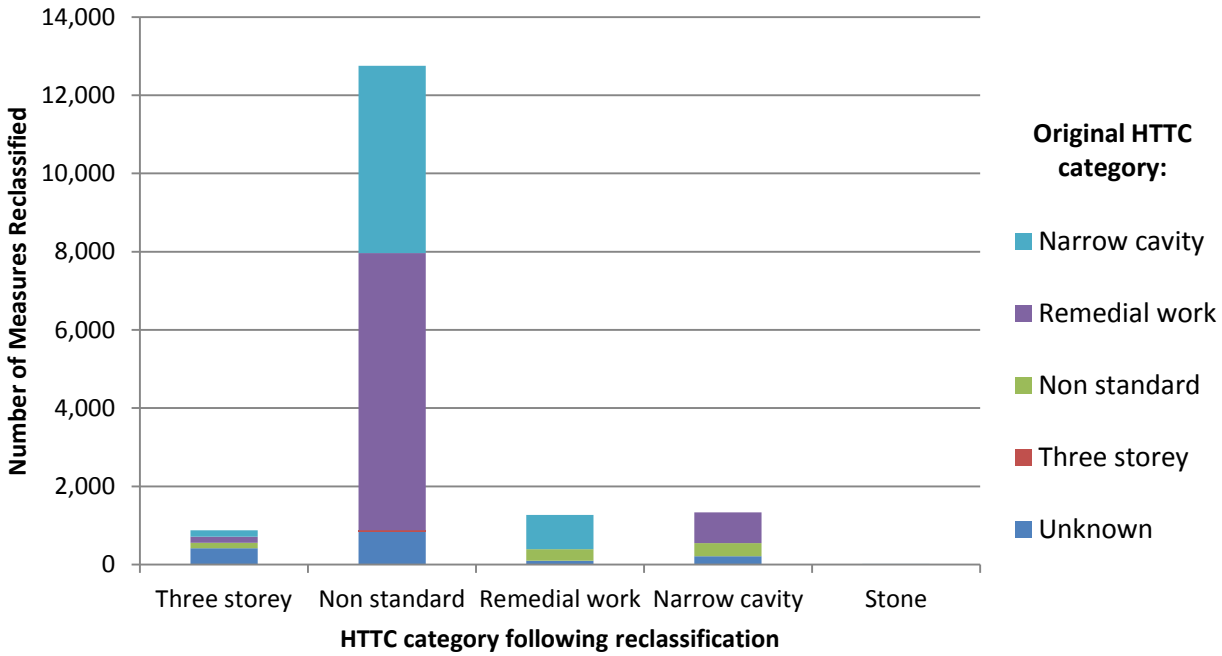


Figure 5, below, shows the breakdown of measures which were reclassified as a result of this review. It shows that the majority of reclassifications were to the category of 'HTTCs requiring non-standard materials and techniques'.

Figure 5: Reclassified measures from the 2013 review



Implications

The 3% failure rate equates to approximately 44,000tCO_2. Although the overall failure rate was 3%, variations were seen across energy companies. The majority of these savings were rejected following the HTTC review. However, in a number of cases, the measures were eligible under other ECO obligations. Suppliers either re-elected measures as standard cavity wall insulation to another ECO obligation or reclassified them as standard solid wall insulation measures where the measures installed were either external or internal wall insulation solutions.

In addition to the failure rate shown above, notified savings for narrow HTTCs will be reduced by approximately 61,000tCO_2 as a result of extrapolation[3] of the narrow site audit failure rate. In total, (when failed measures are included), the savings attributed to all HTTC measures will be reduced by approximately 105,000tCO_2 following the HTTC review. This is the equivalent of 0.75% of energy companies' combined obligations under the Carbon Emissions Reduction Obligation, the largest of the ECO obligations.

Steps taken

The HTTC review was designed to be fair to energy companies, the supply chain and consumers, whilst ensuring that the legislative requirements were met. We took a number of steps to ensure that energy companies had the opportunity to demonstrate the eligibility of the measures against ECO requirements. These included:

[3] For more information on extrapolation, see our letter outlining the HTTC extrapolation process: https://www.ofgem.gov.uk/ofgem-publications/93831/letteroutlininghttcextrapolationprocess-pdf.

- Where the chartered surveyor HTTC report did not demonstrate that the minimum requirements were met, energy companies were given an opportunity to obtain additional documentation from the original chartered surveyor to demonstrate that these measures were compliant.
- We accepted chartered surveyor reports which contained a valid reason supporting their recommendation but no further details were provided.
- For narrow HTTCs, we gave energy companies the flexibility to include any documentation showing the cavity width in the review. Where two or more documents contained conflicting cavity widths, we accepted the measure as narrow where at least one document showed it to be less than 50mm wide. This was in recognition of the valid reasons why certain documents may show the maximum cavity width rather than the narrowest width (eg the pre-installation survey required under PAS 2030 for all wall insulation measures).
- We emphasised to all energy companies our expectation that all available evidence be considered as part of the document review, even if held within the supply chain.
- We encouraged energy companies to ensure the methodologies for their narrow site audits contained provision for three drill holes per elevation, in order to give a fair opportunity to identify a narrow point, while still minimising the impact for consumers.
- We communicated to energy companies our expectation that auditors would have access to the original site sketches provided by installers to show the narrow point(s) on the wall(s).
- We accepted a measure as passing the site audit where a single point less than 50mm was identified per premises (rather than per elevation).
- We applied a 5mm tolerance to all site audit measurements to take account of potential measurement error.
- We applied a 15mm tolerance to the widest cavity measurement per elevation in cases where the original site sketch was not used by the auditor. This was to take account of the natural variation in a cavity width based on British Standards.
- Any measures which failed the review went through the standard ECO measures rejection process.

Conclusion

The HTTC review was designed to assess the eligibility of notified measures. Whilst ensuring a robust and thorough review, it was also designed with safeguards built in to limit the impact on industry and consumers. The review not only identified measures that were ineligible as HTTCs but also measures that had been incorrectly classified.

The improvement in results over the course of 2013 suggests that early action by Ofgem to assess the problem and to introduce additional rules for demonstrating the eligibility of HTTC measures improved compliance. We introduced additional requirements[4] for HTTCs installed from 1 January 2014, which gave us further confidence in the accuracy of HTTCs installed from this date.

[4] https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco-supplementary-guidance-hard-treat-cavity-wall-insulation.