

Dear Claire,

Thank you for providing us with an opportunity to comment on your proposals regarding ECO2 Technical Requirements. Please find below our responses to the consultation questions.

This response is not considered to be confidential so we would not consider this restricted under the Freedom of Information Act 2000. In addition, we would ask that any quotes taken from our response are used in the context in which they are intended and we would be happy to advise if the context is not clear.

About Us

GDGC are one of the providers of insurance backed guarantees under the OFGEM ECO2 Quality Assurance Frameworks. We provide a comprehensive insurance product to support many of the ECO2 measures including wall insulation.

Consultation Responses

1. Do you agree that the default lifetime for wall insulation measures without an appropriate guarantee is 0 years?

Yes. In our view it is important to ensure appropriate consumer protection that all ECO2 measures should be supported by an appropriate guarantee. There should be an active incentive to provide such guarantees and, therefore, the 0 years default lifetime provides that incentive.

2. Where there is alternative assurance available in support of the lifetime, do you agree that we should determine the lifetime through a case-by-case assessment of the evidence, up to a maximum of the standard lifetime for that measure type?

No. We do not believe that alternative assurance ought to be available and is, in our view, an industry get-out-clause from providing proper insurance backed protection for consumers. The clear framework provided by the appropriate guarantee QA framework should be the required standard and there should not be alternative ways around those requirements. Your consultation paper does not set out what the parameters for assessment would be on a case-by-case basis, but we would suggest that they need to be set at a level that is more onerous than using an appropriate guarantee.

3. Do you consider that an alternative approach would be more appropriate in determining the lifetime for wall insulation without an appropriate guarantee?

No. In our view, the current framework for appropriate guarantees is the right framework but it is not being effectively enforced by OFGEM. Having alternate procedures reduces consumer confidence. We believe that the guarantee industry is now sufficiently well established to be able to provide assurance that an appropriate guarantee will be available for any ECO2 measure including hard-to-treat properties and even new technologies, like Partition Cavity Wall Insulation. Of course, the premiums will reflect the risks, but even the highest premiums for the riskiest treatments are less than £100 so hardly a disincentive in themselves. Most guarantees are now available for less than £25 – a significantly reduced level to when they were first introduced.

4. *Do you agree that in some circumstances, remote re-inspections are appropriate?*

Yes.

5. *Do you agree that it may be possible to remotely re-inspect the technical monitoring failure types we suggest in Appendix 1?*

This is outside of our area of expertise.

6.1 *Do you agree that technical monitoring fails can only be re-inspected remotely in cases where the technical monitoring agent has deemed it possible during their original inspection?*

This is outside of our area of expertise.

6.2 *Do you agree that remote re-inspections must be conducted using photographs taken before and after remedial works, and that original photographs must be taken by the monitoring agent during their original inspection?*

Yes. In addition, these photographs ought to be available for audit under the QA Framework auditing requirements.

6.3 *Do you agree that the photographs need to be GPS-location stamped?*

Yes. We do not consider that, with today's technology, this should be considered an additional burden.

6.4 *Do you agree that the technical monitoring agent should be able to request additional evidence to assist with the remote re-inspection? If so, please provide examples of suitable evidence?*

Yes. There should not be a limit on this, but we would expect on occasions for the monitoring agent to want assurance of supply of products and materials (such as invoices from originating suppliers). This may be considered particularly important if monitoring agents suspect that the materials used are counterfeit or sub-standard brand copies of authorised materials.

6.5 *Do you agree that the remote re-inspection should be conducted by the same agent who conducted the original site audit?*

Whilst we agree that this is desirable, we would not consider that it is essential. There may be occasions where it might not be possible, for instance if the original agent is retired/deceased or no longer trading in that function.

6.6 *Do you agree that the technical monitoring agent must conduct a site audit if there is any doubt in the evidence assessed during the remote re-inspection?*

The term 'any doubt' is too broad. We would like to see some set parameters for this. We can see occasions where a non-conformance is identified by the remote re-inspection where going to visit the site isn't going to reveal anything new about that non-conformance. For instance, if on the paperwork and remote re-inspection it is identified that the wrong material has been used which is accepted by the installer, going to the site to confirm this isn't going to add any value to the process. The remedial works can be instructed without an on-site re-inspection.

6.7 *Do you think that monitoring agents should monitor a minimum percentage of re-inspections on site? If so, what is an appropriate percentage?*

Yes. 5% would be appropriate unless any systemic failings are identified, in which case it should be initially doubled to 10% and raised to 20% in the event of serious and ongoing systemic failings being identified.

6.8 Please provide any further suggestions for processes that may increase the accuracy of remote re-inspections, or enhance consumer protections.

We have a number of general observations about the proposals and we take the opportunity to raise them here.

It is not clear to us who will be responsible for commissioning re-inspection of ECO2 installations, particularly where the installer has ceased to trade. It is not clear who would be responsible for paying for the re-inspections, again particularly if the installer has ceased to trade. It is worth noting that the insurance cover for appropriate guarantees does not include for any ongoing inspection or monitoring requirements if the installer ceases to trade, merely for any failure of the product/installation under the terms of its guarantee.

If OFGEM are considering placing the burden of re-inspection or monitoring after an installer has ceased to trade upon the insurer, we would reject this responsibility. As an insurance provider, we do not possess the information, customer relationship, expertise or contacts to undertake this function.

Even if a means can be found to commission re-inspection or ongoing monitoring of installations after an installer has ceased to trade, we are concerned at how we would quantify and undertake appropriate risk analysis of faults being discovered after the event. This could, in our view, be exposure to significant risks that did not form part of the original insurance assessment of risk.

It would seem to us to be difficult to categorise 'failures' discovered on re-inspection on one pass/fail decision without assessment as to whether or not the failure was serious or minor and, therefore, the consequences of that. For instance, a technical failure might be identified but that installation was actually performing to expectation.

Enhancing Consumer Protection

We believe that OFGEM should mandate the production of comparable failure rates for insurers approved under the scheme. This will enable consumers to compare and contrast the insurance services available. We believe that it should be made clear whether or not the appropriate guarantees are actually insurance backed as we note some of them are not. In addition, we feel that the claim rejection rates ought to be published. This is because we are aware of claim rejection by other insurers for matters such as 'householder responsible for failure due to excess moisture caused by them drying clothes on radiators in the house'. That, to us, is an unacceptable reason for refusing a claim.

We would like to see much clearer standards for insurance products in this field and we would urge OFGEM to work with us and the Financial Conduct Authority to set out such appropriate standards.

7. Please estimate the time that could be saved by these proposals?

We will leave this response to those submitted by the installers and technical monitoring agents.

That concludes our response. Please feel free to make contact with me if you require any additional information.

Best Regards

Tony

Tony Allen

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