

Energy Company Obligation (ECO) Deemed Scores Consultation Questions

Background

The questions below relate to the ECO2 consultation on deemed scores which can be found on our website :

<https://www.ofgem.gov.uk/publications-and-updates/eco2-consultation-deemed-scores>

Notes For Completion

Please complete all relevant sections of the document by selecting an answer for the question and then providing reasons/evidence for your response in the box provided. The questionnaire should be completed in typeface and returned via email to eco.consultation@ofgem.gov.uk by **close of business on 8 July 2016**.

1. Respondent Details

Organisation Name:	Mineral Wool Insulation Manufacturers' Association (MIMA)
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2. Methodology

Q1. Do you agree with our selection of the key variables to use as the main inputs for calculating the deemed scores?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree Nor Disagree
- ☒ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please clarify which aspect you do not agree with and suggest an alternative, with reasoning.

Disagree. We can see that the methodology suggested by BRE is simple, and in principle deemed scores

have some advantages. However, when looking at the detail in the consultation documents we have concerns about the methodology.

In our response, we have assumed that the pros and cons of moving to deemed scores are still being weighed up by DECC (as Ofgem's consultation document states). As a result, we also set out some key concerns with a potential change of approach to ECO scoring, as well as stating our preliminary views on the scoring methodology.

In the time available we have not been able to look at every measure and every score in detail, and so intend to refine our position on the proposed methodology when responding to DECC's Help to Heat consultation which concludes on 17 August.

Our main concern is that a move to deemed scores could skew the market towards certain measures and certain types of properties which go against DECC's and the sector's whole ethos, and appear contrary to goals of the Bonfield Review. In particular, the approach appears to militate against a proper assessment of the house, and therefore risks introducing issues when measures are installed such compatibility problems between systems, thermal bridging, moisture problems etc. which would ultimately cost suppliers in the long-term. A deemed scores approach which encourages a light-touch approach to building assessment could, by extension, encourage inappropriately light-touch subsequent design and installation processes.

Preliminary views/questions on the methodology (if deemed scores were adopted):

Cumulative performance:

It is unclear how the scores account for the cumulative performance of measures. The savings delivered by a measure depend very much on what measures are already in place and in what order new measures are installed. We cannot see how the deemed score would factor this in, and as a result it would encourage the delivery of single measures, rather than multiple measures or what the property or householder actually needs. The opportunity for optimal cost and carbon savings could be lost over and over again.

Fabric first:

The method appears to go against a fabric first approach, or at the very least does not promote it. There would be no assessment to show the householder that if they do their insulation first, then the performance of any other new heating and energy generation measures installed would be improved.

Averaging out:

The process of averaging out and treating every property of a similar age and size as the same means the deciding factor for suppliers on whether to treat the property could come down to the type of heating system, rather than the thermal performance of the building and how leaky it really is. There would be enormous pressure on the deemed score system to keep up with market developments in the efficiency of heating systems and the carbon intensity of the grid for scores to be even remotely reflect true savings. People in great need of insulation, living in cold homes could be left without. Progress in tackling excess winter deaths could be hampered.

Differentiation based on lambda values:

Setting insulation scores (essentially a high and low score) based on two overly broad classes of lambda values could create all sorts of problems. The choice of insulation materials for a quality retrofit project should be based on many factors, including ease of installation, fit, appropriateness for the construction type and site context, thermal performance, acoustic performance, safety etc.

Giving a much higher ECO score, based on a seemingly arbitrary division between one group of lambda values and another is odd, potentially unfair and suggests again that a deemed scores approach is not able to reflect the real range of performance metrics. See more in Question 6.

Party Wall Insulation scores:

We are pleased to see that Party Wall Insulation has been included in the deemed score process given it is now an established ECO measure and allows a more complete whole house solution to fuel poor households. However, we are very concerned about two issues that potentially fallout from the deemed scores process that could hinder the roll out of party wall insulation to the existing housing stock – potentially leaving £465m per year in unrealised savings.

First, the change in U value being proposed has been taken from SAP 2012. This savings estimate is too low and does not reflect the field trial evidence MIMA and its members have submitted to DECC.

Across a sample of properties, the uninsulated U Value aggregated to around 0.6 W/m²K while the insulated U value aggregated was around 0.05 W/m²K. In a report for MIMA, BRE calculated the impact of the decision to go with a change in U value of only 0.5 to 0.2 W/m²K in a typical home would wipe out up to 33% of the savings attributed to party wall insulation to both properties. If party wall insulation is to benefit the fuel poor households in the Affordable Warmth segment (where IUFs are not applied), then it should be incentivised in line with the in-situ data rather than being reliant on inherited flawed assumptions built into SAP.

DECC has told us that wall u-value will be a specific question explored for SAP2016 which will be consulted on imminently and we will re-submit our evidence. However, we also need to make the case through this consultation.

Second, the default assumptions built into the deemed scoring methodology for party wall insulation will either be 0.25 W/m²K higher or lower than they otherwise should be if DEAs enter 'unknown' u value for the party wall. When this occurs a default assumption of 0.25 w/m²K is made. This will either be 0.25 W/m²K higher than it should be (if the property party wall is solid) or 0.25 W/m²K lower than it otherwise should be (if the party wall has a cavity to roof level). If the property is cavity walled and does have a party wall cavity to roof, it is almost certainly uninsulated given the practice of insulating them has only recently come in to part L of the building regulations. A methodology also exists to check. The effect on the SAP rating would be 2 to 3 points higher or lower than it should be. We believe, however if no evidence the party wall cavity has been filled exists, the default assumption within the scoring methodology should be a party wall U value of 0.6 and absolutely not 0.25.

We believe that DECC has updated the new SAP spec to ensure party wall insulation can be a 'recommended measure' on the Energy Performance Certificate as of April 2017, and reduced the IUF to 15% (as originally intended), which MIMA welcomes.

Solid wall insulation scores:

Some of the "after" U values given for insulation measures would not meet Building Regulations. Presumably this is not intentional? For example for solid wall insulation, it is understood that the scoring bands are provided as a device to derive deemed scores rather than to reflect actual, delivered performance but nonetheless it is confusing and seemingly at odds with established system performance to allocate a 0.35W/m²K U-value scoring band to 100mm thick solid wall insulation. Retrofit SWI solid wall insulation providing a U-value of 0.35 would not comply with Building Regulations. The assigned U-value for 100mm SWI should therefore be 0.3W/m²K (commonly used 100mm thick SWI systems will typically provide a U-value of between 0.25-0.3W/m²K).

In Use Factors:

Given that deemed scores are averages of averages it is unclear how In Use Factors would relate to them. In many cases the averages are already likely to mean that the energy and carbon savings for properties are underestimated. Further reducing an underestimate by the IUF, which are themselves crude estimates (albeit based on expert opinion, and research in some cases) moves the sector even further from understanding real performance. In our view, the goal should be to continue to at least try to continue to calculate energy and carbon savings as accurately as we can, and not essentially guess.

Carbon Emission Factors:

The deemed scores proposed are based on the carbon emission factors from SAP 2012 which are out of date. This could lead to measures being installed which increase carbon emissions e.g. as the carbon intensity of the grid improves, replacing electric heating systems with other measures would give lower savings than this approach suggests.

Heating controls:

The assumption that the “golden three” heating controls will be always be installed is unrealistic.

General concerns about a move to deemed scores:

Deemed scores would be a broad-brush estimation of the energy and carbon savings from that type of property. For many less usual, or quirky, properties an installer will be unable to claim the full-calculated carbon savings that RdSAP would demonstrate.

The approach might have worked for CERT and CESP, but may no longer be appropriate for a policy which is trying to deliver multiple goals, including tackling fuel poverty and meeting quantified carbon budgets, and in a market where many of the properties we need to treat are no longer straightforward, standard house types. We need to be able to measure progress at a national level against our best estimate of savings.

We acknowledge there are issues with RdSAP, but rather than throw out an approach which at least tries to estimate the performance of the whole house, it may be better to work on improving the assessment processes. There is an opportunity to do that post Brexit (indeed DCLG are consulting now – see the last question).

3. Property Archetypes

Q2. Do you agree with the method used in developing typical property archetypes in order to remove the need for measuring property dimensions?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree Nor Disagree
- ☒ Disagree
- ☐ Strongly Disagree

☐ Don't Know

If not, please clarify which aspect you do not agree with and suggest an alternative, with reasoning.

Disagree. See answer for Question 1.

4. Primary Heating Sources

Q3. Do you agree with the approach to accounting for all primary heating sources present in the housing stock?

- ☐ Strongly Agree
- ☐ Agree
- ☒ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please explain your reasoning and evidence your preferred approach.

Q4. Do you agree that we have appropriately accounted for heating systems present in the housing stock either as an input for the deemed scores or in Table 1?

- ☐ Strongly Agree
- ☐ Agree
- ☒ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please clarify which additional heating systems you believe need to be accounted for.

5. Measure Types

Q5. Do you agree that the deemed scores include all main measure types?

- ☐ Strongly Agree
- ☒ Agree
- ☐ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please clarify which additional measure type you expect will be installed.

Yes, the main measures do seem to be included.

Q6. Do you agree with our proposals for differentiating within measure types?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

Strongly disagree.

We disagree with using the lambda banding linked to cavity wall products. Given the array of cavity wall insulation products in the market and their respective lambda values, setting such an arbitrary 'cut-off' point for the lower band would drive the market to a narrow range of product types to the exclusion of others which offer the same benefit in terms of CO2 savings. Enhancing the carbon for products based on the lambda value given, alone, could potentially constrain 70% of the markets installation capacity.

This is a hugely important point. The deemed scores as currently specified would lead to massive unintended market distortion.

Q7. Are there any measure types where you think that further differentiation is warranted? If so, please clarify which measure type could benefit from further differentiation and suggest an approach.

See Question 6.

Q8. Are there any areas where you could benefit from further guidance in using deemed scores?

Has DECC or Ofgem attempted to calculate the cost of changing to a deemed scoring systems given that energy suppliers and the supply chain already have processes in place to deliver under the current system utilising EPCs? This may be in DECC's Help to Heat Impact Assessment, which we now need to review in detail.

6. Scores

Q9. Do you agree with the deemed scores produced?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree Nor Disagree
- ☒ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please clarify which particular score(s) that you believe do not accurately reflect the savings for a measure.

Disagree. See Question 1.

Also DECC's Help to Heat Impact assessment states that *"we have heard that installers would typically be uncertain of the commercial value of a measure until the assessment had been completed – making it difficult to make a standard offer to all households in a particular area, and meaning that sometimes an installer would decide not to proceed with a measure once the assessment had been carried out. This reduces the cost effectiveness of the scheme and could be potentially frustrating for householders."*

We are not sure how this situation would be much improved by the use of deemed scores – the supplier would still need to know the age and size of property and the type of heating system, plus what measures the house already has installed. Is it proposed that suppliers would find this information out before approaching a potential customer using pre-existing data sets? Even if this is the case, when visiting the property to follow-up on the lead the true position would still need to be checked and the customer could still end up disappointed if the data and the reality do not match?

Q10. Do you agree that it would be useful to also provide the deemed scores as lifetime savings (i.e. after applying all relevant multiplication factors), to make the relative value of each measure easier to identify?

- ☐ Strongly Agree
- ☒ Agree
- ☐ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree

☐ Don't Know

7. Percentage of property treated

Q11. Do you agree with the proposal to use 'percentage of property treated' to identify whether 100% of a score should be claimed?

- ☐ Strongly Agree
- ☐ Agree
- ☒ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please explain your reasoning.

8. New Scores

Q12. Do you agree with our proposed approach for applying for a new score from April 2017?

- ☐ Strongly Agree
- ☒ Agree
- ☐ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please explain your reasoning, which specific parts of the process you do not agree with and inform us of your preferred approach.

Although we have concerns about any move to deemed scores, if such a system were adopted, then there should certainly be a clear, efficient process for adding new measures. MIMA believes Ofgem/DECC should set out clear requirements in advance on what type of evidence is needed to avoid innovation being hampered and huge costs incurred if R&D is conducted, only to then find out it has not produced the type of evidence Ofgem needs. Specifically, evidence from deep, investigative field trials should be given particular prominence as this best reflects the real, in situ performance.

Q13. Do you agree that we should determine whether or not to accept an application, and specifically what is a 'significant' improvement in score, on a case-by-case basis?

- ☐ Strongly Agree
- ☒ Agree
- ☐ Neither Agree Nor Disagree
- ☐ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

9. Score Monitoring

Q14. Do you agree that a DEA is not required to check inputs used when identifying a deemed score for a measure?

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree Nor Disagree
- ☒ Disagree
- ☐ Strongly Disagree
- ☐ Don't Know

If not, please clarify why you do not agree and provide an alternative approach with your reasoning.

The approach essentially removes the need for EPCs to be produced. Without an EPC, it appears more difficult to gauge the success of the ECO programme itself or its contribution to supporting government fuel poverty targets such as improving as many homes as "reasonably practical" to an EPC rating of E or above by 2020. EPC ratings are also needed to access other schemes such as the FiTs, the RHI and needed to demonstrate compliance with minimum energy efficiency standards in the private rented sector.

Additionally, EPCs (or something similar) are important in raising consumer awareness and encouraging households to carry out further improvements, either at the same time as the ECO-funded measures or in the future.

EPCs will still need to be produced by the industry in certain circumstances, such as when selling a property or getting a PV installation. It could be odd and confusing for consumers to have two approaches, and it is arguably confusing for the supply chain to have to work within two systems.

DECC's Help to Heat consultation document (dated 29 June 2016) states "*there have been some concerns regarding the accuracy of the information collected during property assessment, which has undermined confidence in the savings being awarded in some instances.*" However, Ofgem and DECC will be aware that DCLG is currently consulting on measures to improve the accuracy of the production of EPCs and to stamp out fraud (which MIMA has responded to, supporting the proposals). We suggest it would also be easy for the wrong deemed score to be selected inadvertently, meaning the scores still need to be checked. This clearly has a cost implication.