

# 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](mailto:eco.consultation@ofgem.gov.uk) by **close of business on 8 July 2016**.

## 1. Respondent Details

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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

We disagree with the methodology due to potential flaws relating to key variables outputs creating inaccuracies, property and fuel categorisation being primitive and no differentiation on property age. These present great cause of concern for GDC's networks especially at a time of increasing fuel poverty and rising winter deaths. There is no correlation with the new regulations imposed on private landlords. The UK has some of the oldest, energy inefficient private rented properties in Europe. The selection of key variables is not conducive to their improvement, carbon reduction and lowering energy bills for tenants.

Every Home Matters has put consumer protection at the heart of its review and was tasked to draw together evidence of weaknesses in the existing framework of standards and propose how it can be made more robust for consumers. The selection of key variables will seriously impact on consumer protection, for example, by putting a pre-war private rented 2-bedroom terrace house in the same category as a much newer and more energy efficient 2-bed terrace house. This is not about consumer protection and we feel it hard to see that the key variables will support and complement other UK's energy policies.

The lack of key variables such as age, wall construction and loft insulation in the specification for deemed scores would be a major setback. Using the current approach of an EPC as the basis for the score makes much more sense. Under ECO, the larger, older, solid wall properties with poor loft insulation are valuable to installers for energy efficiency installations, due to low energy efficiency rating which result in higher cost scores. Currently, installers' incomes are dependent on the cost score which incentivises them to find such properties. This approach better addresses fuel poverty because low income households are more likely to live in them.

Under the proposed scheme, there will be no incentive for installers to find old draughty properties as the the cost score will be the same irrespective of a property's key features. This means that installers are more likely to identify newer properties which are easier for installations. We feel that boiler upgrades will not be targeted at the poorest performing properties where residents are in the greatest fuel poverty. These properties are more complex and make installations of modern heating systems difficult and more time consuming to install.

In agreement with NES, cost scores for qualifying boiler installations would be much lower than for ECO 2. Properties in the pre 1900s age band will see an average drop in cost scores of circa 40% should deemed scores be used instead of EPCs. The assumed thermal performance for walls and roofs within deemed scores has shown to be significantly better than the thermal performance of these elements for the properties in NES's sample of properties taken from ECO 2 submissions. They state that more than a quarter of qualifying properties for boiler upgrades in their ECO 2 sample were built before the 1900's. ECO scores for qualifying boilers in solid wall properties would reduce by over a third, on average. We also agree with their view that without a corresponding increase in the rate paid to installers, two thirds of the properties submitted under current ECO would no longer be considered economically viable due to the cost of installing a boiler.

### 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

We are aware that property dimensions in EPCs are open to fraud by falsely creating dimensions to enhance life time savings. However, better standards and policing of the problem is by far the healthier alternative than removing the need for measurements and dimensions under the proposed scheme. From 1 January 2016, all property measurements undertaken or commissioned by RICS professionals have to comply with their Property Measurement Professional Statement, a single property measurement standard. This ensures that properties are measured in a consistent way, creating a more transparent marketplace, greater public trust, stronger investor confidence, and increased market stability. With this significant step forward in enhancing accuracy in the built environment, deemed scores and the lack of key variables is not consistent with continuous improvement and is a leap backwards.

There is also a lack of definition in terms of what constitutes a habitable room. Leaving this to individual interpretation will clearly be problematic and again open to fraudulent claims. This potentially will leave the consumer vulnerable to a range of negativities from poor workmanship to incorrect installation types.

### 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

We strongly disagree with this approach for the following reasons:

- It will lead to major inaccuracies by not taking into account the different types of heating.
- Open to interpretation of what constitutes a primary heating source.
- No account for the age of the heating system.

Primary heating sources and their identification is a specialist area. There are of course common types of domestic heating and hot water systems, but they may have different characteristics such as indirect and direct boiler system, unvented systems, thermal stores, stored hot water and cold water heated on demand, single point water heaters and multi-point water heaters. DEAs are experienced and qualified professionals who are most suited to make these distinctions.

**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

15% of people in the UK that are not connected to the gas grid are usually in older properties with poor efficiency and have expensive forms of heating, such as bulk LPG or heating oil. These make the cost of heating the home twice that of someone with a mains gas supply. Deemed scores are far too simplistic to account for the diverse range of heating systems, particularly those that unevenly heat a property, and in the case of larger properties, some rooms may need additional electric or calor gas heating, and the hot water will require another heating system such as an immersion tank.

Another anomaly is that modern storage heaters tend to be a more cost effective means of heating than an electric boiler, because of the cheaper night rate electricity that these heaters utilise. How is this accounted for in deemed scoring?

Occupiers need to be given the best advice on the options available especially when not connected to the gas grid. Only an DEA or GDA can provide a bespoke assessment of a property which leads to what is exactly right for the both the property and its occupants.

## 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

It makes sense to develop a methodology for all the measure types delivered under ECO 2 up to May 2016. However, it would make greater sense to develop a methodology for eligible ECO 2 measure types irrespective if they have been claimed under ECO as yet. The case against deemed scores for district heating connections being complex and highly variable in their nature and size, and to use the current approach of producing bespoke scores using SAP or RdSAP is correct, and mirrors how we feel for all types of measures, all types of properties and all their variables.

**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

Of course there needs to be differentiation within some measure types for the very reasons cited in the case of solid wall and cavity wall. However, we reiterate that property characteristics are much too complex for the deemed score approach as it focuses on levels of performance rather than recognising the performance of individual products.

We do not believe that measures should be claimed independently of each other. This will affect quality standards under the PAS 2030 on the integration of measures. It is cost effective and much more efficient for a number of measures to be installed at the same time discouraging those installers who want to target the easy to install measures only. This does not sit neatly with a whole house approach.

**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.

As in Answer to Q6 above.

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

The current approach using EPCs should be streamlined, better policed to avoid inaccuracies and fraud, and better training for new entrants to ensure quality. We do not support deemed scores and see no benefit from further guidance.

## 6. Scores

**Q9.** Do you agree with the deemed scores produced?

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

We believe that the current approach to RdSAP or SAP should be refined and simplified in order to better assess the performance of a property. Ofgem is encouraged to look at the lessons learnt so far on the pros and cons for adapting the current system to ECO post-2017. Deemed scores should be calculated using the national standard model, SAP giving confidence that the set of savings are representative and provide a level of consistency with national fuel poverty targets and current ECO scores. It is important to calculate a final score for notification to the same multiplication factors currently applied in ECO.

**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

This approach is open to too much interpretation, will result in a number of inconsistencies and relies on the premise that installers will make reliable judgements. Inaccuracies will lead to confusion by the consumer, and create a loop hole for fraudsters to take advantage of funding.

## 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

It is our view that a new methodology is not required. Industry and consumers are now more aligned with the EPC function. Amendments to make the scheme more effective is all that is needed and will be much quicker and easier to implement from April 2017.

## 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

A qualified DEA is a fit for purpose professional to identify a deemed score for a measure with an EPC. We disagree that a DEA is not required, they are *very much* required. They need to be engaged to produce EPCs from which the details for deemed scores are drawn. Otherwise this chain of information under deemed scores lacks accountability and involves no professionals, and will begin a new stampede of cowboys that the involvement of DEAs has been keeping at bay. More importantly, DEAs offer energy savings advice and energy use behaviours over and beyond that required. Taking them out of the equation will lead to more confusion, less energy efficiency, and lower energy bills not being sustained.