

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:	Everwarm Group Ltd
Completed By:	Kasia Drozdowicz
Contact Details:	Kasia.drozdowicz@everwarmgroup.com

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.

If the EPC is made redundant, what guarantee do we have that correct inputs are used for calculating deemed scores? If additional monitoring is introduced, it will not reduce the cost of the measure to contractors.

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.

We strongly disagree with the proposed method. Everwarm has one of the largest and busiest ECO claims team in the UK and has been very active in the energy efficiency field since 2010. We have amassed a very significant pool of EPC data based on over 50,000 EPC's on which to base our objections.

Ultimately, using typical property archetypes would have a disastrous impact on those who need energy efficiency measures the most, by rendering many of these improvements unfeasible. Our experience to date has involved us working in a wide range of properties. Many build types are unique to the Scottish market and we feel that your archetypes do not adequately allow for them. As an example, we have encountered many large one-bedroom flats with large windows and high ceilings. Similarly, many tenants in social housing live in four-in-a-block flats and in both these cases, our data shows that floor sizes greatly exceed your stated averages. Deemed scoring would seriously impact on the ability to support buildings in multiple occupancy where a mixture of Affordable Warmth and ECO funding is required.

The pitfalls of typical property archetypes are perhaps best illustrated by the proposal to use scores for flats when dealing with maisonette flats - these two build types which account for over 30% of our aforementioned 50,000 EPCs. Maisonette flats are two stories' high therefore they are double the size of a flat. Relying on flat scores in this case would be wildly inaccurate and completely out of keeping with the current process, which has a strength in being very precise.

The status of the EPC is left unclear with this proposal. Given the critical nature of some of its content to the overall process (number of bedrooms and even actual property type being just two examples) it is difficult to see how it could be withdrawn without causing significant negative impact. In fact, we do not believe it unreasonable to suggest that an EPC-less system would be open to serious manipulation.

Everwarm have always strived to be completely honest in our ECO endeavors but we firmly believe that this does not hold true for all of the market. Without a clear method to establish the make-up of each property, undeserved funding levels could easily be obtained by falsely claiming the presence of more 'lucrative' elements therefore artificially driving up the ECO score.

We would have concerns that the preferred solution to the EPC challenge would be more technical monitoring, which we as contractor would need to bear the cost of. This, when considered alongside our overheads and funding models, would necessitate project-by-project decisions on whether it was commercially viable to lodge any ECO claims at all.

As carbon claims are a complex and demanding area, any change to the rules inevitably comes with significant increased cost to businesses like us. We have already invested tens of thousands of pounds to make sure we fully comply with the latest revisions, and are as efficient as we can be. Many new jobs have been created; our Compliance team is now 14-strong. Further change to the rules so soon would be very disappointing, particularly in a climate where we are frequently adjusting to ever decreasing rates of ECO funding. Furthermore, it would create further job instability in an industry that can ill afford it. We are sure that we are not alone in holding this belief.

The effect of the proposed changes would be immediate and have far-reaching implications for the current market. Many contractors, like ourselves, will be in the process of delivering multi-million-pound energy efficiency contracts across the country. We have already committed to our clients how far the available funding will take us and exactly how many vulnerable households in each community stand to benefit from energy efficiency improvements. The proposed changes would have a detrimental impact on programs already targeting fuel poor. Deemed scores would result in a reduction of funding available for properties desperately requiring energy efficiency measures.

Simply put, this proposal would greatly reduce the impact and coverage of existing and potential future schemes. Having to go back on our commitments would seriously undermine the strong and trusted reputation that we have worked hard to achieve since inception almost six years ago.

Finally, and perhaps most importantly, many of our customers live in areas that are in the worst 10% of performers on the Scottish Index of Multiple Deprivation where these individuals greatly rely on our fully funded energy improvements to help lift them out of fuel poverty and give them access to more affordable warmth. While this proposal will undoubtedly lead to some 'desirable' property types to work on at the top end, this will be to the detriment of others at bottom end of the scale. Asking cash-strapped households to make up any financial shortfall is simply not realistic or fair.

We would very much recommend against this proposal and feel that implementing it would be, to a very large extent, losing sight of the reason why the ECO funding stream was introduced which was to assist low-income and vulnerable households.

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.

The average boiler efficiency score used in the Deemed Scores calculation is too high (83%). Our ECO1 and ECO2 data shows that an average efficiency is 76%.

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.

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

If not, please clarify where alternative differentiation should be applied.

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.

We would suggest that by implementing the differentials that the current EPC model takes into account such as geographical areas and actual property sizes the Deemed Scoring calculations would be very different to those proposed.

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

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 strongly disagree with the Deemed Scoring proposal. Our management team have extensive long term experience in the industry dating back to the initial Standards of Performance programs instigated over 20 years ago. This knowledge combined with our database of over 50,000 detailed EPCs convinces us that Deemed Scoring would be severely detrimental to a fuel poverty program. All of our EPCs have been conducted by highly skilled, highly experienced Elmhurst and NHER approved surveyors, making their data extremely credible.

There are many reasons why we believe the proposed scoring system is unfit for purpose:

1. All the deemed scores are much lower than the scores produced in both ECO1 and ECO2. Insulation measures on average will witness a 44% and 51% drop, for cavity wall and external wall insulation respectively.
2. Analysis of the data of 7,415 cavities that we completed in gas-heated properties under ECO, would result in a massive drop of 73% in a 2-bed gas-heated flat if Deemed Scoring was introduced as proposed. It is not an exaggeration to say that this would completely take away the chances of many vulnerable people living in these property types receiving cavity insulation. For this measure to be remotely viable, contractors would be forced to request high contributions from people who already spend more than 10% of their household income on energy. Given ECO is meant to help lift some of the poorest in society out of fuel poverty, this seems counter-intuitive at best.
3. In the case of Solid Wall Insulation the deemed scores are on average 51% lower than scores we have calculated for 2,455 Solid Wall Installations completed in gas-heated properties built between 1965 and 1975. The biggest difference in scores can again be observed in a 2 bed gas heated flat with an 80% reduction in ECO funding. Solid Wall Insulation already being a very expensive measure, will become far less viable where smaller properties form part of the contract. There are a large numbers of vulnerable people living in properties of solid wall construction.
4. Deemed scores will result in 'cherry picking' and imbalance in the surveyor market. Additionally, some of the neediest parts of the market are likely to be overlooked. Experienced surveyors may only choose to target the most lucrative, high-scoring properties. This may push survey prices to an unhealthy high level as there will simply not be enough high scoring measures to go around (leading to very high commission rates).
5. The scores have not given fair consideration to those properties and individuals in the Scottish market. They are heavily based on English housing stock, which can vary greatly from the types of properties we have come across in our works the length and breadth of Scotland. We have insulated hundreds of non-traditional properties and have serious concerns that the rigid, inflexible nature of the proposed system would cast doubt on the continuation of this practice.
6. Weather is far worse in Scotland than the rest of the UK with no proposed uplift to suitably account for this variance. As an example of the dangers of failing to work this in, we recently completed a 600-property gas heating project with the Highland Council, in the extreme north of the country. Homes were all off-grid and in an area where winters last longer and summers never reach the same high temperature as the south of the country. Our measures have made a massive difference to people in these communities as they are in desperate need of more affordable warmth. The property types would score very poorly in the proposed new scoring system and following on, these sorts of projects may no longer commercially viable.
7. No ECO1 and ECO2 data was taken into consideration. All surveyors and contractors collected and supplied utility companies with comprehensive information about properties, measures and occupiers, however, none of this information was used in the eventual deemed scores calculation. This would at best be a wasted opportunity or at

worst a serious oversight. We strongly believe that deemed scores must be based exclusively on ECO1 and ECO2 data, to truly reflect the savings which will be achieved in the next few years of the obligation.

Having carefully considered the proposal as a whole, we can only perceive one benefit. This being potentially reduced costs for Utility companies and Ofgem as they will no longer be required to carry out labour-intensive score verification procedures. However, Everwarm believe this to be incredibly short sighted; we've explained in detail in our responses above. The dangers of fraud and malpractice that such a flawed system would encourage, and how excessive payments on false representations could become commonplace in the absence of an EPC/monitoring. In stark contrast, companies that have done their best to comply with the latest rules will suffer, and our considerable investments to work effectively and in harmony with the Utilities will have been in vain.

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

Only if deemed scoring truly reflected the more accurate scores as produced under ECO 1 and ECO 2

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.

We think % bands should be introduced: <25%, 25-50%, 50-75%, 75-100%.

There are however concerns regarding calculating the % installed, as we do not know whether it would be % of available wall area or existing wall area. Also, how are we going to make sure that claimed % is correct if EPCs are redundant and no calculations are done before the installation? If additional monitoring is introduced, it will not reduce the cost of the measure to contractors.

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.

We agree, however, there is a concern that Utility companies will stop installing any measures until April 2017, as they will be able to purchase cheaper measures after this date. The introduction of deemed scoring must truly reflect the more accurate scores as produced under ECO 1 and ECO 2

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.