

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:	Utilita Energy Ltd
Completed By:	Laura O'Connor
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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

Utilita broadly agrees with Ofgem's selection of key variables selected to be used as the main input. Utilita feels that location and age should be considered in the measurements for accuracy purposes. Location can have a large impact on the property due to weather conditions and exposure. Installations in turn create different savings that would not be able to be taken into account whilst using deemed scores, this would mean that the business would suffer a short fall and in turn have to spend more resources in procuring extra measures.

If deemed scoring could take into account the region that the property is situated by using and averaging current scores generate from different locations, this would provide better accuracy in calculating carbon and cost savings. This would alleviate some of the risks that Utilita believe to be associated. If up to date and inclusive data was used and the deemed scores updated accordingly, Utilita would agree that the deemed scores represent various properties more accurately.

The age of the property also impacts the calculations as older structures are much more variable compared to more modern properties.

On this basis, Utilita while we would not oppose a move to deemed scoring in principle, this amendment should only be made where the methodology is sufficiently granular. At present, we believe that using only the three core variables will oversimplify to point that the approach loses value. If core variables for location and property age are added as suggested, we would support a deemed scoring approach...

Age bandings that Utilita would recommend to Ofgem are as follows:

<50 years old
50-100
100-150
150-200
>200

We also consider that age bandings are important for carbon savings to be identified. Removing all bandings would risk relevant carbon savings not being accounted for. However, as noted above, the age bandings should not be over-generalized as buildings in each age banding may have a high number of differences between them, We therefore believe that using a number of bandings at a reasonably granular level and averaging within those would provide a reasonable proxy. Taking a banded approach mitigates some of the risk of error and inaccuracy without introducing unacceptable levels of complexity.

Utilita also believes that EPC's generated thus far in ECO2 should be taken into account, and would agree with the selection of key variables used if Ofgem were able to conduct more robust and accurate checks, and include core variables for location and age.

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

Utilita broadly agrees with the method used in developing typical property archetypes. We propose that the archetypes should be recalculated using data from existing EPC's used to date within the ECO Scheme rather than from the English Housing Survey 2013.

The EHS 2013 is now somewhat outdated and does not represent accurate measurements. As the ECO scheme data may offer more up to date information, we believe it would be better to use that. In addition, Scottish and Welsh data should be included. This point is linked in with Utilita's location suggestion in Q1.

If updated data is used to generate the deemed scoring together with the additional core variables noted in question 1, the accuracy of the proposed deemed scores would be much improved, which we would support. The approach of using newer data and ECO EPC's would greatly reduce the errors made, and obviate the need to use bespoke measurements.

We therefore agree that removing property dimensions would lower the risk of error, but only if up to date data is used to calculate the deemed scores. We further propose that the data should be reconsidered annually to ensure the most up to date available are used to calculate the deemed scores. This will also lead to improved accuracy over time.

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

Utilita agrees with this approach. Utilita would suggest that if there is a Primary heating source that is not accounted for, that Ofgem should be responsible for updating this as soon as possible to ensure the supplier/supply chain is not caused any detriment in submitting the completed measure.

We also suggest that the data should be reviewed annually to ensure any new Primary sources are added in a timely manner.

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

Utilita agrees that Ofgem have appropriately accounted for all heating systems and has no further comment.

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

Utilita agrees that all main measure types are included within deemed scores and has no further comment.

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

Utilita broadly agrees with Ofgem's proposals. However, as stated above Utilita is concerned about the level of accuracy post-installation from using averages, where the deemed scores are based on variables which are not granular enough.

We believe that as a supplier, we are at risk of suffering a significant shortfall in carbon savings and lifetime savings if these proposals are implemented as proposed, without the recommendations above. This should be a concern for all suppliers, but it is likely to affect smaller suppliers more as they will have a less diversified portfolio.

The operational costs for Utilita will remain the same, or may even increase due to increased levels of work procuring extra measures if there is a shortfall from using averaged data.

Utilita believes that failure to reflect locational or premise aging aspects is likely to either understate the benefits achieved. It may also to potentially perverse incentives on suppliers to seek to install

measures where the benefits are likely to be more accurately reflected by the deemed scoring, rather than older, more far flung properties, which might benefit more but achieve lower scores due to deeming.

As above, Utilita suggests that data from the ECO EPC's are used to create deemed scores as well as up to date housing market data.

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.

Utilita does not suggest any further differentiation.

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

Utilita does not feel that there are any areas that require further guidance.

However, under a deemed scoring methodology, it will be essential to document in advance how the methodology will be reviewed, how frequently, and what process and timeline will be used where modifications are required.

Participants will need time to consider any future proposed changes and to update their processes accordingly.

6. Scores

Q9. Do you agree with the deemed scores produced?

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

Utilita broadly disagrees with the deemed scores produced. Utilita feel that the scores are too inaccurate to account for carbon savings made. Utilita would support deemed scoring if adjustments were made in regards to souring the data to produce the deemed scores.

Utilita also feels that using deemed scores may not encourage innovation amongst installers, or the incentive to use highly efficient measures, where sufficient credit would not accrue for the effort included.

Utilita would like to raise concerns over the assumed score for boiler efficiency being set at 83% before the measure is installed, to increase by 5% after installation. Utilita does not agree that the level set is fair in cases of boilers that

are inefficient (e.g. 67%) being replaced with highly efficient boilers (e.g. 89%). There is a concern that installers will avoid these measure as they will lose out on profit.

Utilita is also concerned that because of this, prices will increase, which will eventually level out that deemed scoring is not a cost effective method.

Therefore, there is a concern that customers who are in need of energy efficient measures will suffer from further disadvantage where installers may choose not to fit measures as it will not be cost effective for them.

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

Utilita agree that it would be useful to provide deemed scores as lifetime savings and have no further comment.

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

Utilita agrees that the proposal to use 'percentage of property treated' to identify whether 100% of a score should be claimed and have no further comment.

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

Utilita agrees with Ofgem's proposed approach for applying a new score from April 2017.

Utilita would like to raise concerns over the point specified in 4.7 of the consultation document. Utilita feels that this could be open to interpretation. Utilita feels that installers may say that they will be installing a certain measure and then decide otherwise. This would then cause problems during monitoring. Utilita would like reassurance that installers will be given guidance on the correct scoring to use and how to notify the supplier of any changes.

This ties in with Section 10 – suppliers being required to notify Ofgem of deemed score savings. Utilita feels that this could become an issue and more information is required for the industry to understand the process correctly.

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

Utilita agrees that Ofgem should determine whether or not to accept an application on a case by case basis and have no further comment.

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

Utilita broadly agrees that a DEA is not required. However Utilita have concerns regarding the qualifications, experience and understanding of the Technical Monitoring agent if the responsibility fell on them to check the installation.

Utilita would suggest that technical monitoring agents have some experience with verifying inputs, similar to DEA's. Utilita would feel more comfortable if some form of validation method was used to vet technical monitoring agents, or if the agent held relevant qualifications relating to DEA, BREEAM domestic refurbishment or proven knowledge of SAP/RdSAP. Utilita feels that this would reduce the risk of a TM agent leaving questions blank and performing the monitoring more thoroughly.