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Sent by email to: eco.consultation@ofgem.gov.uk

ECO2 Transition Consultation Part One

Dear Amanda,

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's ECO2 transition consultation part one. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Consultation questions

Q1. Do you agree with our proposed administrative approach and guidance relating to our final determination of CSCO?

Yes, we agree.

Q2. Do you agree with our proposed approach to evidencing help to heat eligibility?

While Energy UK agrees with the proposed approach to evidencing help to heat eligibility, following discussions with DWP and EST, we would like to highlight some concerns around the availability of the EST-DWP data-matching service during the transition, in particular whether DWP will be able to evidence universal credit claimants and income thresholds for households with more than three children. Without a fully-functioning data matching-service, obligated suppliers have significant

concerns about the customer journey, and the additional information that would need to be collected from customers to evidence their eligibility. We consider it is critical that a fully-functioning DWP data-matching service is available for all obligated suppliers and their supply chains from the first day of the extension scheme.

Q3. Do you agree with our proposal to use a declaration signed by a social landlord to evidence that the EPC energy efficiency rating reflects the current characteristics of the property?

While we broadly agree with Ofgem's proposal, we would like to highlight the importance of using a single social landlord declaration template for all declarations being sought from social landlords. In that regard, we look forward to seeing the template currently being developed by the ECO Reporting Working Group (ERWG). In addition, it is crucial that suppliers only have to evidence having received the declaration to satisfy any audit requirement and suppliers are not responsible for proving any declaration is itself correct.

Q4. Do you agree with our proposal to evidence that premises are being let below market rate using a declaration signed by a social landlord?

Please see our response to question 3.

Q5. Do you agree that where multiple measures are installed in a single property, a further declaration should be signed by the social landlord after each installation to confirm the energy efficiency rating remains below D?

Energy UK agrees that where multiple measures are installed in a single property, a further declaration should be signed by the social landlord after each installation to confirm the energy efficiency rating remains below D.

We however encourage Ofgem to consider how multiple measures in a single property claimed by different suppliers will be dealt with if measures rely on the same pre-install EPC and declaration, but suppliers are unaware of other measures being claimed in the property.

We would also welcome further clarification from Ofgem that when multiple measures are installed at a single property, and when the energy efficiency rating is below D before installation of each measure, the installation of the final measure is permitted even if following its installation, the energy efficiency rating may have risen to D or above.

Q6. Do you agree with our interpretation of “at no point prior”?

We disagree. We consider “at no point prior” too broad a definition, and it would be difficult for a landlord to confirm or evidence it. We encourage Ofgem to include a statement such as “to the best of the landlord’s knowledge” as this would remove any ambiguity.

In addition, we’d like to point out that sections 4.79-4.80 of the draft guidance incorrectly define insulation as a first time central heating system and ask that Ofgem removes this in the final guidance document.

Q7. Do you agree with our proposal to evidence that a central heating system or an electric storage heater was not present prior to installation of a central heating system or DHS using a declaration signed by a social landlord?

Yes, we agree.

Q8. Do you agree with the primary heating sources we have listed as eligible for first time central heating measures?

We disagree with the primary heating sources listed as eligible for first time central heating measures as we consider that insulation should not be included in the list, as highlighted in our response to question 6. We also encourage Ofgem to clarify that under 2.41 ‘solid fuel room heaters’ are the

intended heating source and not 'solid fossil room heaters', since this would incorporate open fire and log burners, which are currently missing from the list and should be included.

Q9. Do you agree with the heating measure types we have listed as eligible for evidencing first time central heating measures.

We disagree as electric storage heater is missing from the list, and should be included if the premises never had a central heating system or an electric storage heater before installation of the ECO measure. Including electric storage heater would support DECC's strategy for decarbonising heat¹ which recognises the crucial role electric heating will play in heating UK homes in the future. This message was supported by Policy Exchange's recent report 'Too Hot to Handle'² which predicts that by 2021 electric heating will have lower carbon emissions than gas heating, simply as a result of the reducing carbon emission factor from the UK's generation mix.

Q10. Do you agree with the proposed approach for administering local authority declarations for HHCRO eligibility?

We agree, however, suppliers should not be held responsible in cases where a local authority is found to have incorrectly been issuing declarations which have already led to measures delivered and notified by suppliers.

Q11. Do you agree with the list of measures in Table 4 that we propose should not count towards the RSMR?

Yes, we agree.

Q12. Do you agree with our proposal to distinguish between the different in-use factors for PCWI based on the date of installation?

Yes we agree, but we would welcome further clarification from Ofgem on whether a supplier is able to claim 50% or less of a measure delivered in cases where one neighbour in a mid-terrace house for example disagrees with having the insulation installed. To ensure there is no confusion around claims for PCWI, Ofgem needs to ensure that guidance is clear and not open to interpretation by the supply chain.

Q13. Do you agree that a PAS pre-installation survey can be used to record the depth of any pre-existing loft insulation?

While we understand Ofgem's intent, we have concerns about using the existing PAS pre-installation survey as there would be no formal mechanism to tackle abuse. We recommend adapting the current survey through the ECO Reporting Working Group, and making it an Ofgem-mandated form instead.

More broadly, Energy UK considers there is a general need for certification bodies to take more responsibility for quality. Suppliers should not have to police other industries. To achieve this, a more robust framework is needed, and we would recommend that concrete steps are taken, such as rewarding quality installers (for example by reducing the monitoring rate to 1%), being able to revoke accreditation in cases where non-compliance is found, and moving the requirement on installers to report all installations to certification bodies from the Green Deal CoP to PAS 2030. As highlighted by Energy UK in its response to the ECO Help to Heat consultation,³ it is important BEIS carefully considers the findings of the Bonfield Review and ensures that the wider insulation industry's accreditation regime guarantees appropriate customer protection and advice, regardless of how measures are funded.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48574/4805-future-heating-strategic-framework.pdf

² https://policyexchange.org.uk/wp-content/uploads/2016/11/PEXJ4810_Too_hot_to_handle_09_16-V2-WEB.pdf

³ <http://www.energy-uk.org.uk/publication.html?task=file.download&id=5866>

Q14. Do you agree that 3% of technical monitoring for loft insulation measures should take place pre-installation?

We disagree. We consider it will be challenging in practice, especially when such measures are quick to install. We also have concerns about what value the 3% technical monitoring would bring considering that installers would be able to decide which measures they bring forward for inspection.

Q15. Do you agree that the depth of any pre-existing loft insulation can be checked post-installation during a technical monitoring inspection?

Yes we agree, but there will be some exceptions to this rule such as boarded lofts.

Q16. Do you agree that the PAS pre-installation survey can be used to evidence the main heating system fuel type for the premises?

Yes but we would also like to highlight the importance of the Bonfield Review (see response to question 13).

Q17. Do you agree with our proposal to evidence occupancy for all ECO measures as an alternative to demonstrating that premises receiving ECO measures are not new build?

Yes, we agree.

Q18. Where premises are unoccupied, do you agree with our proposal to evidence previous occupancy?

Yes, we agree.

Q19. Where a measure is delivered exclusively to a new build extension, do you agree with our proposal to evidence that the extension was completed before installation using building control sign off?

Yes, we agree.

Q20. Where there is no evidence of occupancy prior to installation, do you agree with our proposals for evidencing that premises were erected before 1 April 2017?

Yes, we agree.

Q21. Do you agree that the first 5% of late measures notified to us for a particular month, without an extension request, should be processed automatically?

Yes, we agree.

Q22. Where the automatic 5% allowance is exceeded within a single month's notifications, do you agree that a supplier should be given an opportunity to determine which measures it wants to include in the automatic 5% and which it will submit an extension request for?

Yes, we agree.

Q23. Where a supplier does not indicate to us which measures it wants to include in the automatic 5% within 10 days, do you agree that we should select which measures will be automatically processed?

Yes, we agree.

Q24. Do you agree with our proposal that where a supplier trades between its own licenses, it must trade to the license with the biggest original obligation?

Yes, we agree.

Q25. Do you agree with our proposals for trading between different suppliers, that:

- a. trades must be to the receiving supplier's licence with the biggest original obligation
- b. an application must include the annual turnover of the licence that would be taking on additional obligations, and
- c. where a supplier is taking on an amount greater than its original phase 3 ECO2 obligation, do you agree with our proposed evidence requirements to demonstrate that the supplier can deliver the additional obligation?

We urge Ofgem to take a case by case approach to ensure this proposal does not undermine the competitive market. Flexibility will be key to ensure new entrants for instance do not struggle to meet these requirements.

Q26. Do you agree with our proposed timescales for processing trading applications?

Yes, we agree in principle but would like more clarity about what additional information would be needed. We also have concerns that the proposed timescales could be too long for a twelve-month transition scheme. We consider it would be more reasonable for Ofgem to have five working days to request additional information, and ten working days from receiving the information to take a decision.

Q27. Do you agree with us collecting an installer's PAS certification number as part of notification.

Yes, we agree.

I hope you find our comments helpful. Please let me know if you have any questions, I would welcome the opportunity to discuss any of the points made in further detail. If this is of interest, please contact me on 02077472964 or at Alexandra.Belias@energy-uk.org.uk.

Yours sincerely,

Alexandra Belias
Policy Manager, Energy UK