

# ECO2t consultation Part 1: consultation questions

## Background

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

<https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/consultations-and-feedback>

## Notes For Completion

The consultation is open from 12 October 2016 to 23 November 2016. We have provided a template for responses to help us collate and analyse the feedback we receive. 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. **Please do not amend the format of the template.**

Where use of the template is not possible, other formats will still be accepted. Please send your responses to [eco.consultation@ofgem.gov.uk](mailto:eco.consultation@ofgem.gov.uk) by **close of business on 23 November 2016**.

## Respondent details

Organization Name:	Cenergist Limited
Completed By:	Hayley Peters
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## Scheme extension

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

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

If not, please provide reasons and any alternative suggestions.

## Help to heat group

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

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

If not, please provide reasons and any alternative suggestions.

There are known issues with benefit take up and the variability of benefit rules. Therefore we believe that alongside the specific benefits listed, there should be a general allowance for all residents living in homes that are off the mains gas grid and with an EPC rating of "E" or below. Such properties have high energy costs and these residents will need assistance.

### Social housing with an EPC energy efficiency rating of E, F or G

**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?

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

If not, please state your reasons and any alternative proposals.

**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?

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

If not, please state your reasons and any alternative proposals.

**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 Band D?

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

If not, please state your reasons and any alternative proposals.

We do not support this proposal as it will encourage "cherry picking" of measures rather than encouraging suppliers to provide a whole home solution which are necessary to providing the means by which to address fuel poverty once and for all.

Such a proposal will encourage suppliers focus on cheaper measures rather than focusing on those measures such as district / renewable heating which require ECO funding to make the measure viable to install for the social housing provider.

Under the current ECO rules for DHS, unless the home / block of flats is insulated (roof and walls) then it's at risk of failing to meet the pre conditions rules 1 and 2. Such a proposal will force the supplier to only focus on the insulation aspect and walk away from the real measure of significant benefit to the resident which is the heating upgrade.

## First time central heating

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

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

If not, please state your reasons and any alternative proposals.

We do not agree with this interpretation as it undermines large scale improvement works and creates a perverse incentive to install measures that less than the best available solution in terms of addressing fuel poverty.

It is concerning that this proposal has been included within the consultation given it was not included in the main policy document in June 2016. The criteria proposed is far too restrictive. Discussions with BEIS, OFGEM, BRE and others have shown that the number of eligible properties under this criteria would be very small with regard to and form of gas-fired systems or DHS. The English House Survey suggests that 2.97% of the private and social UK housing stock relies on room heating rather than a centralised system or electric storage heating. At same time work by NEA shows social housing to be far higher in terms of EPC ratings than the private sector, with only 60,000 properties falling into the “E-G” category. Taking these factors together with anecdotal evidence, it is likely that the number of social housing properties eligible for a gas-based solution would be no more than 10-15,000 units comprising largely of studio flats in urban areas and rural properties relying on solid fuel. The large number of fuel poor in urban areas such as London would be denied access to permanent solutions such as district heating.

Indeed because the number of properties are so small, it makes it difficult to envisage large-scale retrofit programmes such as district heating where a large take up is an essential factor for success. The second reason for concern is that this will create a perverse incentive. Typically, social properties with an EPC rating in the range of E-G are the most difficult properties and tend to have solid walls and rely on more expensive heating such as electric storage/panel heating or solid fuel. Planning constraints, building structural integrity or simple access to mains gas mean that upgrade measures are constrained and expensive.

While repairs of existing systems are the responsibility of the landlord, the replacement with a more efficient solution should be supported under ECO. The upgrade should be the most appropriate measure and not constrained to any particular technology. For example, social landlords may have installed electric storage heaters for such properties and under the proposals, this would make them ineligible for a connection to a district heating system. ECO would incentivise the installation of the other main alternative in urban areas – the air source heat pump. Yet as the table below shows, this would leave households with higher energy bills.

Works For	2-bed City Centre Flat	Typical Cost <sup>1</sup>	ECO	HHCRO	Grant	Net Cost	Typical annual running cost <sup>2</sup>
Air source heat pump		£9,000	£1,100	£7,900	£560		
Gas-fired communal/district heating		£11,000		Nil	£11,000	£320	

Notes:

1: The typical costs are based on installation programmes completed in 2015-16

2: This is based on assumed 8,000kWth demand for heating and hot water and assumes air source heat pump has COP of 2.2:1 (taken from Energy Savings Trust report Getting Warmer: A Field Trial of Heat Pumps) and electricity TCR of 15.45 pence/kWh. For DHS, the Landlord & Tenant Act required costs to reflect those incurred in supply of gas and maintenance. Based on current wholesale gas prices of c2 pence/kWh this would equate to 4 pence/kWh to the resident.

As the table shows, there is a strong incentive for social landlords to install the air source heat pump in terms of making best use of available capital. For any given amount, the presence of ECO HHCRO funding allows many more homes to be assisted.

However it means that residents are left with higher running costs than if a gas-fired communal/district heating installation was provided. The actual difference is likely to be higher as the nature of operation of an air-source heat pump means that it is not recommended for buildings with low-levels of insulation.

Such a proposal will effectively remove district heating (including renewable district heating) from ECO altogether, as private only district heating schemes are rare as they require the support and integration of social housing providers and their properties to make the project viable.

The Government's strategy is to focus on the fuel poor. Yet as we have tried to set out, this proposal is at odds with this strategy as social landlords are dis-incentivised from installing the lowest running cost energy efficient solution for such properties. Therefore, denying those in fuel poverty with a viable and sustainable solution to their heating costs.

**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?

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

If not, please state your reasons and any alternative proposals.

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

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

If not, please identify which primary heating sources you think should be included/excluded.

We do not agree with this proposal.

Current proposals state that central heating measures in the social sector are only eligible if the following heat sources are present:

- Electric Room heaters
- Gas room Heaters, or
- Solid fossil fuel heater.

The number of social properties that will meet these criteria is low and a large quantity of social housing with alternative, common, and expensive primary heat sources such as Electric Storage Heaters will not be able to benefit. Therefore, in order to effectively tackle fuel poverty it would be more beneficial to expand eligibility to include other prior heating measures including electric storage heaters.

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

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



If not, please identify which heating measure types you think should be included/excluded.

We do not agree with this proposal. #

The list of measures offers a wide range of heating measures that should be offered and supported by HHCRO to the social housing sector. However, these should not be offered only as part of a first time connection rather the remit should be expanded to include heating upgrades to the measures on this proposed list to social housing in order to tackle fuel poverty across the UK.

## Flexible eligibility

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

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

If not, please state your reasons and any alternative proposals.

We agree with this proposal.

For major measures such as EWI and or district heating, it is important to support all households in the building rather than only a proportion. This is not possible for EWI and leads to inefficient systems for district heating. However, flexible eligibility cannot be restricted to only supporting those properties where the property at no point prior to connection had a working central heating system or was heated by an electric storage heater making them, under current proposals, ineligible to be connected to a district heating measure.

## Regular score minimum requirement

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

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

If not, please identify which measure you think should be included/excluded.

## Party cavity wall insulation

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

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

If not, please state your reasons and any alternative proposals.

## Evidencing pre-existing loft insulation

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

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

If not, please state your reasons and any alternative proposals.

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

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

If not, please state your reasons and any alternative proposals.

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

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

If not, please state your reasons and any alternative proposals.

## Evidencing non-gas fuelled premises

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

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

If not, please state your reasons and any alternative proposals.

## New build definition

**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?

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

If not, please state your reasons and any alternative proposals.

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

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

If not, please state your reasons and any alternative proposals.

There are many examples of vacant blocks of flats (vacant for periods in excess of 3 years) where upgrade works including the installation of ECO eligible measures are necessary to bring the block of flats back into use for domestic occupation. Due to the period of vacancy, landlords may struggle to supply prior evidence of domestic occupation. We suggest that in these scenarios, the landlord be asked to confirm planned occupation upon completion of works, be permitted as acceptable evidence.



**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?

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

If not, please state your reasons and any alternative proposals.

**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?

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

If not, please state your reasons and any alternative proposals.

Automatic extensions for 5% of measures

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

☐ Strongly Agree

☐ Agree

☒ Neither Agree Nor Disagree

☐ Disagree

☐ Strongly Disagree

☐ Don't Know

If not, please state your reasons and any alternative proposals.

**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?

☐ Strongly Agree

☐ Agree

☒ Neither Agree Nor Disagree

☐ Disagree

☐ Strongly Disagree

☐ Don't Know

If not, please state your reasons and any alternative proposals.

**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?

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

If not, please state your reasons and any alternative proposals.

## Trading obligations

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

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

If not, please state your reasons and any alternative proposals.

**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?

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

If not, please state your reasons and any alternative proposals.

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

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

If not, please state your reasons and any alternative proposals.

## PAS

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

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

If not, please state your reasons and any alternative proposals.