

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 by **close of business on 23 November 2016**.

Respondent details

Organization Name:	Mineral Wool Insulation Manufacturers' Association (MIMA)
Completed By:	Sarah Kostense-Winterton, Executive Director
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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.

BEIS has proposed not to extend CSCO. This means the existing deadline for delivery of 31 March 2017 for CSCO will remain. A supplier can only count CSCO measures installed before 1 April 2017 towards its obligation.

We ask that work done on CSCO jobs which starts before 31 March 2017, but goes beyond this date (for practical reasons) should be capable of being transferred on to CERO or HHCRO from 1 April 2017, otherwise suppliers may stop CSCO work well in advance of the deadline to avoid jobs not being capable of being counted towards their obligation.

Note - we can't see any provisions/questions relating to the implementation of the solid wall minimum, or references to when this aspect will be consulted on in more detail. Please could Ofgem confirm this will be taking place in the next consultation?

Note 2 - As SAP is being consulted on at the moment, shouldn't the references to the 2012 version in fact be to the newest version that will be available next year?

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.

BEIS proposed that from 1 April 2017, that suppliers must deliver HHCR measures to members of the 'Help to Heat' group as defined in Schedule 1A to the draft legislation to amend the ECO2 Order. The benefit eligibility criteria for this group are different from that applied to members of the AWG group. Recipients of certain benefits will now be eligible without having to meet any further eligibility requirements.

On the basis that BEIS are in discussions with DWP and the Energy Saving Trust to ensure that the new criteria for the help to heat group can be data-matched through the ESAS service, we accept the proposed approach.

However, we are concerned about potentially high search costs should the ECO move to 100% AW from 2018 and acknowledge that this is why data matching solutions are being pursued. We are unclear whether the search cost assumptions in BEIS's IA assume a working data matching arrangement is up and running by April 2018. If not, and/or allowing for the possibility that the policy does not go as planned, we think it may be unwise to move to an ECO which is 100% AW/fuel poverty focused, with zero flexibility.

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.

We don't understand how the landlord will be able to declare what the EPC rating of the property is given that EPCs will not be required (if BEIS moves to deemed scores). If the idea is to base the declaration on previously obtained EPC's, how current do the EPC's need to be? If the property no longer matches the existing EPC, so a declaration cannot be made, does the landlord have to pay to get a new EPC anyway?

Ofgem may wish to note that we urged BEIS to go further to include social housing with an EPC rating

of D. The Government has a target to eradicate fuel poverty and the target for England sets an ambition that as many fuel poor homes as reasonably practicable achieve a Band C energy efficiency standard by 2030. The Hills review report from 2012 itself acknowledges that a significant proportion of fuel poor homes are those with an EPC rating of D (38% in 2009 – though this figure may now have changed).

Such a step should increase the pool of fuel poor houses that could access ECO funding without necessarily increasing delivery costs.

In addition, PWI is primarily being delivered in social housing at present, where economies of scale can be achieved. If the CERO obligation is reduced and then removed, AW would be the only obligation left. The effect would be that social housing work is then restricted to only the very worst performing properties – a small market in comparison what exists now. Barring a significant change in the market, this would significantly hamper the roll-out of PWI and mean that the large carbon saving potential there is left unrealised.

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.

Ofgem is proposing that "where multiple measures are installed in a single property, the property's improved energy efficiency performance must be considered following each installation. For example, where the first measure improves the EPC energy efficiency rating to a D or above, any subsequent installations would not be eligible under this provision. Each measure will require a separate declaration confirming that the EPC energy efficiency rating of the property remains below band D. We expect social landlords to have appropriate information available to them to make such a declaration.

We strongly disagree with this approach. Not only is the requirement for separate declarations admin-heavy, but the process militates against a whole house approach and the drive to improve homes. It would disincentive suppliers to improve properties above Band D, even when they are already in a property doing works, and even when the customer wants the work done. There needs to be some flexibility the scheme.

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.

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.

We do however note the potential for fraud - i.e. it is very easy to make the declaration. We imagine Ofgem will come down heavily on landlords who abuse the system in order to get new central heating.

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.

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.

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.

The proposal is to allow suppliers to promote HHCRO measures to households where they are listed in a declaration from a local authority. These private tenure households can only be listed where they are determined by the local authority as being either in or at risk of fuel poverty, or on a low income and vulnerable to the effects of living in a cold home.

We generally support the proposal to give LAs a role in evidencing eligibility. Our view is that it is best to allow for the greatest possible pool of fuel poor households to be treated.

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.

The BEIS consultation proposed that in the ECO transition year there will be a minimum requirement for measures other than qualifying gas boiler replacements. Suppliers will be required to meet a minimum proportion of their HHCRO through the delivery of "regular score measures" (ie measures that are not qualifying gas boiler replacements): This will be known as the "Regular Score Minimum Requirement" (RSMR). Suppliers will be required to meet a minimum proportion of their HHCRO through the delivery of "regular score measures" (ie measures that are not qualifying gas boiler replacements): This will be known as the "Regular Score Minimum Requirement" (RSMR).

The RSMR will be 77% of a supplier's phase 3 HHCRO. Insulation can count towards the regular score minimum.

We strongly support this step. BEIS's intention is to support measures which can make a long-term and lasting difference to the energy costs of householders, such as insulation and first-time central heating, is very welcome. If boilers with minor faults are being replaced, then the energy savings would be zero. Even if these replace electric heaters, in many cases, such heaters would be used for a short period until the main boiler is fixed. Again, virtually no energy or carbon would be saved as a result.

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.

The draft legislation to amend the ECO2 Order proposes that from 1 April 2017 the IUF for PCWI will be reduced from 35% to 15%. This reflects research that was gathered from an independent review of this measure which demonstrated that this is a more accurate IUF.

The relevant IUF for PCWI will be determined by the date of completed installation. If the date of completed installation of a PCWI measure is before 1 April 2017 then the 35% IUF should be applied. If the date of completed installation is 01 April 2017 or later, the 15% IUF should be applied. We strongly agree, but could not see any reference to this change to the IUF in the guidance document. Is this an omission? We note the change has been made in the new draft ECO order.

In addition, PCWI will be recognised as its own measure type in the legislation and will be eligible to support a secondary measure. PCWI will not have to meet the requirement that 50% of the exterior-facing walls are insulated to support a secondary measure. We support this approach. HOWEVER, ON PAGE 39 OF THE GUIDANCE, RATHER THAN INCLUDE IT AS A FOOTNOTE (footnote 47), IT SHOULD BE ADDED IN THE BRACKET NEXT TO "WALL INSULATION" AS MEASURE IN ITS OWN RIGHT. This is to avoid any confusion amongst suppliers and ensure they don't accidentally use the CWI IUF.

We also think the new para added on PCWI on page 37 of the guidance could be clearer i.e. add the words in capitals: "PARTY WALL CAVITY INSULATION IS A PRIMARY MEASURE. A party cavity wall insulation (PCWI) measure installed on or after 1 April 2017 can support a secondary measure that was installed either six months before or six months after the date of installation of the PCWI."

Lastly, we notice in the draft ECO order that the definition of phase 3 PCWI states that the adjoining property has to be occupied. We wonder whether this logic works for a party wall installation - it means one homeowner would be penalised if adjoining home is unoccupied. There is a greater need for insulation in this circumstance as next door will likely represent an unheated space speeding up heat loss from the heated home. Consents would still be needed, but landlords may wish to do works during void periods.

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.

Changes following the introduction of deemed scores means that there will only be two loft scores available:

- i. pre-existing insulation between 0 and 100mm, and
- ii. pre-existing insulation greater than 100mm.

The requirements relating to the declaration will not be retained. The loft score for 0-100mm of pre-existing insulation would require the occupant to confirm the depth of pre-existing insulation, rather than the absence of any.

For loft insulation to be claimed as virgin loft insulation, the PAS pre-installation survey should record the level of pre-existing insulation. We agree.

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.

Pre-installation checks are an important part of quality assurance.

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.

Post-installation monitoring will ask the technical monitoring agent to check for any evidence of pre-existing insulation and, if any is present, if it matches that recorded on the PAS pre-installation survey. We agree, but it may be difficult to achieve in practice. For this reason, a greater number of pre-installation checks could be made.

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.

No - the burden of proof is the wrong way around. It places an additional burden on the vast majority of suppliers who will be improving occupied properties. The notification form should simply allow the supply to confirm the property was "erected" prior to 1 April 2017. If, during score/technical monitoring, the supplier is found not have complied, then the sanctions should be tough.

in general, retrofitting the existing stock should be the priority for the ECO. However, there may be circumstances where something has gone wrong during the construction process of new affordable housing, for example. A measure might have been missed. If the property is outside the warranty period, then ECO measures could provide a sensible way of bringing the property up to standard, provided the other criteria are met of course. It might therefore be sensible for Ofgem to have some form of process to allow this.

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.

We do not think this is necessary given the small number of new build homes being built (and potentially inappropriately using ECO funding) compared to the massive number of existing homes needing to be retrofitted, including those not currently occupied.

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.

We agree with the principle that ECO funding should not be used to comply with building regulation requirements which would apply during the construction of the extension.

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.

No - See Q17.

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.

This sounds like a useful reduction in administration.

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.

Yes, provided trading does not create a monopoly in the market. If, for example, the "big 6" were able to trade with each other (presumably in circumstances where they saw some commercial advantage) and a small number of suppliers were left to discharge the ECO obligations, then the actual supply of measures could be restricted to pockets of the country.

We would also welcome assurances that trading is to facilitate cost-effective delivery, and will not reduce the number of measures installed/installations carried out.

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.

But see Q24.

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.

We agree that trading should take place early in the ECO period.

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.

The draft legislation to amend the ECO2 Order proposes that from 1 April 2017 measures that are referred to in PAS must be installed by a PAS-certified installer. This means that Ofgem will no longer accept alternative methods of demonstrating compliance with the PAS.

We agree, however it is vital then for the PAS to cover the whole sector - i.e. for the provisions to be created by organisations representing the entire supply chain.