

Energy Company Obligation -

Percentage of Property Treated (POPT) Review

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30 November 2017



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Associated Documents

Ofgem Guidance

Energy Company Obligation (ECO2t) Guidance: Delivery:

https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2017-18-eco2t-guidance-delivery

Other relevant Ofgem documents

Deemed Scores Consultation Response:

https://www.ofgem.gov.uk/system/files/docs/2016/11/deemed scores consultation response 0.pdf

Percentage of Property Treated Survey:

 $\underline{https://www.ofgem.gov.uk/publications-and-updates/eco2t-survey-percentage-property-treated-popt}$

Legal powers

The Electricity and Gas (Energy Company Obligation) Order 2014:

http://www.legislation.gov.uk/uksi/2014/3219/contents/made

The Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017:

https://www.legislation.gov.uk/ukdsi/2017/9780111154175/contents

1. Executive Summary

Scheme background

- 1.1. Ofgem is the administrator for the Energy Company Obligation (ECO), a government energy efficiency scheme in Great Britain designed to help reduce carbon emissions and tackle fuel poverty. As part of our administration of the scheme, we monitor the carbon or cost savings achieved by Obligated Suppliers¹ who install measures (such as boilers and loft insulation) into domestic properties.
- 1.2. With effect from 1 April 2017, the extension period of the Energy Company Obligation (ECO) scheme known as ECO2t commenced. Under ECO2t a finite set of scores based on a few select criteria (such as property type and size) are used to calculate the cost or carbon savings for the majority of measures. These scores are known as deemed scores.
- 1.3. All deemed scores assume the measure being installed treats the entire property. Where a measure is only installed to part of a property (for example where wall insulation is only applied to one wall of a house), the score is adjusted to better reflect the cost or carbon savings that measure will achieve. In April 2017, we published guidance on how to adjust the scores using 'percentage of property treated' (POPT) in our ECO2t Guidance².

Research aims and approach

- 1.4. Since publishing our ECO2t Guidance, we have received significant feedback on how the POPT aspect of the deemed scores is working in practice.
- 1.5. Given this feedback we chose to carry out a research review in order to try and establish where the reported difficulties arose from and to consider whether there was a significant impact on the scheme which could be rectified.
- 1.6. We launched the research project on 31 August 2017, to understand how the implementation of POPT has worked in practice. We have looked to understand whether the current method for determining POPT is too complex for the supply chain and if there are issues, whether these are specific to certain measure or property types. Additionally, we have aimed to examine whether such issues are early 'teething' problems, typical of the implementation of a new scoring approach.

¹ https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/supplier-contact-details

https://www.ofgem.gov.uk/system/files/docs/2017/04/170412 eco2t guidance delivery final .pdf

- 1.7. In order to achieve these aims, we carried out three specific elements of research: analysis of Score Monitoring results (4015 monitored measures), analysis of information relating to POPT received by Ofgem (73 queries), and a public stakeholder survey³ (30 responses).
- 1.8. This document summarises the findings of these elements. We also explain where we are planning to make changes.

Research findings

- 1.9. The understanding of POPT has increased across the supply chain. We have seen a sharp decrease in the number of queries sent to Ofgem each month and the survey results for Question 12 showed that 70% of respondents thought that understanding of POPT had increased.
- 1.10. A small numbers of measures are responsible for the majority of the calculation and validation issues found with POPT. The majority of queries and Score Monitoring failures are composed of wall insulation (both cavity and external wall), room-in-roof insulation and electric storage heaters. Additionally, the survey responses indicated that stakeholders have found more difficulties with calculating POPT for insulation measures compared with heating measures.
- 1.11. Variations from a simple property shape cause the most difficulty with calculating POPT. Extensions, conservatories, porches and tile-hung areas were all highlighted as areas that caused difficulty with POPT calculations and subsequently with supply chain members validating the POPT calculated. This was shown in the query analysis and Question 5 of the survey.
- 1.12. Survey responses have shown that the typical difference found between the POPT notified and the POPT found during Score Monitoring analysis was between 10%-20% out. Similar results were found with the Score Monitoring results analysis.
- 1.13. A large amount of the time and cost associated with POPT is due to the forms which have become required by intermediaries and suppliers, and the level of validation undertaken throughout the supply chain to ensure the POPT selected is correct. Three-quarters of responses to Question 9 of the survey indicated that the time taken to validate the carbon or cost score selected had increased under ECO2t compared with the phase, ECO2 (however, this may be due to the cross section of respondents not containing the EPC assessors previously responsible for the scoring of measures).

https://www.ofgem.gov.uk/publications-and-updates/eco2t-survey-percentage-property-treated-popt

Decisions

1.14. This section summarises our research findings and our decisions we have made due to them. Summaries of our analysis can be found in Chapters 3 and 4, and summaries of the survey responses can be found in Chapters 5. A full discussion of these decisions can be found in the Conclusions Chapter (Chapter 6).

Decision 1: For measures with a date of completed installation on or after 1 February 2018, suppliers should notify POPT to the nearest 20% increment

- 1.15. Currently, we require that POPT is rounded and notified to the nearest 10% increment. We introduced this approach in order to remove the need for exact calculation, in recognition of the objectives to simplify the scoring approach in ECO2t.
- 1.16. Following this review, we now understand that a reasonable level of understanding of POPT exists throughout the supply chain and this understanding should continue to increase as the scheme progresses. However, we also now appreciate that the implementation of POPT within the supply chain has been more burdensome than we intended, with suppliers and other parties in the contractual chain requiring more validation checks than we had envisioned.
- 1.17. The current rounding increments of 10%, intended to allow the use of estimates are not providing enough tolerance for the contractual supply chain resulting in suppliers requiring precise calculations in order to determine the correct POPT. In turn, this is leading to disagreements throughout the supply chain regarding POPT, often due to small percentage differences.
- 1.18. In order to comply with our legal duties to ensure the correct calculation of scores⁴, whilst allowing for the spirit of the simplification deemed scores are intended to provide, we have chosen to require that POPT is notified to the nearest 20% increment, rather than the current 10%. These wider increments will enable greater use of estimates rather than precise calculations needing to be made, and we would be disappointed if the supply chain could not use this additional tolerance to allow estimates to be used. This should simplify the approach and address the issues raised in this review, whilst aligning with the initial intent of POPT.
- 1.19. We expect that the wider increments will absorb most common features that cannot be treated by a measure (eg small tile-hung areas for cavity wall insulation), whilst remaining narrow enough to provide a reasonable level of accuracy in the savings claimed under the scheme (eg where an entire wall is left untreated this would likely not achieving savings). Finally, we believe that this improvement could be implemented across the supply chain

 $^{^4}$ $\frac{\text{https://www.legislation.gov.uk/ukdsi/2017/9780111154175/contents}}{\text{Company Obligation) Order (ECO2 Order), article 25(2)}} \ , The Electricity and Gas (Energy Company Obligation) Order (ECO2 Order), article 25(2)$

quickly.

1.20. In order to give the supply chain the necessary time to make changes to their systems, this decision will apply to the relevant measures installed under the ECO2t scheme, with a date of completed installation on or after 1 February 2018.

Decision 2: We will publish additional guidance and clarifications

- 1.21. We have seen a large decrease in the number of queries we have received regarding POPT and responses to the survey have highlighted that there has been an increased understanding of POPT since the start of the scheme. However, this research has highlighted that some specific areas relating to POPT could do with additional clarification. Therefore, we will publish the following clarifications in the ECO2t: Delivery Guidance⁵ in the next update (which we expect will be published by the 21 December 2017):
 - a) what 100% of an electric storage heater measure is, to reflect the Frequently Asked Questions⁶ (see response to Question 6 of the survey),
 - b) what 100% of a wall insulation measure is when installed to a flat or maisonette which is adjacent to a corridor (see response to Question 13 of the survey),
 - what 100% of a park home insulation measures is (see response to Question 13 of the survey),
 - d) what constitutes a room-in-room compared to what constitutes a storey (see response to Question 3 of the survey),
 - e) we will make a small revision to our bedroom guidelines in order to help clarify how suppliers should identify the number of bedrooms in a property (see response to Question 14 of the survey).

Next steps

1.22. We recognise that the new rounding increments are likely to have a limited impact on the issues raised as part of this review if the current detailed evidence requirements and verification checks within the ECO Supply Chain remain the same. Ofgem has not implemented detailed evidence requirements and instead, we use score monitoring to ensure that the POPT claimed for a measure is a reasonable reflection of the measure installed. In

⁵ <u>https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-2017-18-eco2t-guidance-delivery</u>

⁶ https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry

order for the supply chain to realise the full benefit of the new rounding elements we expect that the evidence requirements will need to change, however this is not something we control.

1.23. We recognise that the deemed scores could be further simplified in the future whilst still ensuring that areas left untreated are not unduly rewarded. However, this is subject to the availability of relevant and robust supporting data. We are currently working with our technical contractors (BRE) to explore whether POPT could be revised or removed in a future ECO scheme. Given the potential need for additional data we may need to look to industry (through a formal call for evidence) to provide the necessary data for such a change to be possible.

2. Introduction

- 2.1. During the Carbon Emissions Reduction Target (CERT) scheme, the Community Energy Saving Programme (CESP) scheme and their predecessor schemes⁷, the energy savings from energy efficiency measures were calculated using a finite set of scores based on a few select criteria. These scores were known as deemed scores.
- 2.2. The deemed scores provided a simple system where suppliers selected the energy savings for a measure using the property archetype, number of bedrooms and the type of measure that was installed. For wall insulation measures, the supplier could claim the full relevant deemed score where the measure was installed to at least two thirds of a property.
- 2.3. Following the CERT and CESP schemes, the Department of Energy and Climate Change (DECC) introduced the Energy Company Obligation (ECO) scheme, which placed similar obligations on larger energy suppliers to deliver energy efficiency measures to domestic premises in Great Britain.
- 2.4. With the introduction of the ECO scheme, DECC moved to a bespoke scoring approach using SAP/RdSAP software for ECO1 and ECO2 installations up to 31 March 2017. This approach relied on many inputs that described the property and the installation in order to calculate bespoke savings for each particular measure. Savings were scaled based on the percentage of the measure that was installed.
- 2.5. Throughout ECO1 and ECO2 some members of the supply chain called for a return to a deemed scores approach. BEIS informed us that they intended to consult on a return to a deemed scores approach for the extension scheme for ECO2, which we have termed ECO2t. They also informed us that if implemented, Ofgem would be responsible for its development. We therefore began work on developing potential deemed scores in December 2015 to allow us the time to develop the scores as well as allowing a sufficient lead-in time for industry prior to the implementation of the change.
- 2.6. In May 2016, we consulted on our approach to deemed scores and the scores themselves. In the consultation we outlined that a deemed score for a given measure type assumes that 100% of the property has been treated by that measure.
- 2.7. As the administrator of the ECO scheme, we have to be satisfied that suppliers have correctly calculated the carbon or cost score⁸. There are instances where, due to technical factors it is not possible to treat 100% of the property with a specific measure. For example, where a house has multiple wall types so cavity wall insulation cannot be installed due to the presence of a solid wall. Where a measure is installed to less than 100% of a property, the score will

⁷ https://www.ofgem.gov.uk/environmental-programmes/eco/overview-previous-schemes

⁸ https://www.legislation.gov.uk/ukdsi/2017/9780111154175/contents, The Electricity and Gas (Energy Company Obligation) Order (ECO2 Order), article 25(2)

therefore need to be adjusted on a pro rata basis to reflect the cost or carbon savings the measure will achieve. Therefore, where a measure does not treat the entire property, the deemed score should be scaled down on a pro rata basis to reflect the portion of the property which was actually treated by the measure. We called this approach Percentage of Property Treated (POPT).

- 2.8. We consulted on our approach of using POPT and received majority support. In the interest of simplicity, some responses requested that the POPT be calculated in increments (rather than requiring exact percentages). We agreed to implement this suggestion using 10% increments.
- 2.9. We also received requests that we outline what constitutes 100% POPT for different measure types, which we provided in our Deemed Scores Consultation Response in October 2016.9 Following BEIS consultation response, in which they confirmed the move to deemed scores 10, we reflected our approach to POPT and provided additional detail on this and measure-specific examples in our draft guidance in February 2017. We expanded on this further in our final guidance published in April 2017¹¹.
- 2.10. Since publishing this guidance we have received feedback from certain parts of the energy efficiency industry on this aspect of the deemed scores and how it may work in practice. This feedback has highlighted potential concerns around:
 - a lack of understanding of POPT in the ECO supply chain and the potential for high rates of monitoring failures,
 - a lack of ability to understand the cost or carbon score for a measure prior to visiting the property resulting in installers approaching a property but then having to walk away from the measure ('walkaways'), and
 - the time taken to calculate and evidence POPT for a particular measure.
- 2.11. Due to this feedback, we agreed to undertake a research project to understand how POPT is working in practice. We started the review in August 2017, to allow sufficient ECO2t delivery to take place so we would have enough data and experience to inform a robust review, whilst still being early enough in the scheme to make changes if necessary.
- 2.12. This POPT research project aims to explore these concerns, and if difficulties are identified, to establish what they are and whether there is a significant impact on the scheme. Based on the outcomes of this research we have looked to see whether we should and could adapt the approach to further improve the efficiency of POPT for the remainder of the current phase of

⁹ https://www.ofgem.gov.uk/system/files/docs/2016/11/deemed scores consultation response 0.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586260/ECO_Help_to_Heat_Government_response_FINAL_26_Jan_17.pdf

¹¹ https://www.ofgem.gov.uk/system/files/docs/2017/04/170412 eco2t guidance delivery final .pdf

ECO.

2.13. This POPT research project is split into three elements: analysis of information relating to POPT received by Ofgem (via queries), analysis of score monitoring results, and a survey to gather direct stakeholder feedback. This review will discuss each of these three elements of the research project in turn, along with any options for improvements.

3. Analysis of Information Relating to POPT Received by Ofgem

3.1. As part of our administration of the ECO2t scheme, we have received queries from a wide range of stakeholders including consumers, installers, lead generators, managing agents, manufacturers, energy suppliers and software providers. We have carried out a review of all queries received that relate to POPT. We have looked for trends relating to volume of queries received over time and have broken the queries down according to measure type and topic.

Query breakdown over time

3.2. From 1 January 2017 to 31 August 2017, we received 1550 queries. Of these, 73 queries (5%) were related, at least in part, to POPT ('POPT queries'). As shown in Figure 1, POPT queries peaked at the start of the scheme with 16 queries in both April and May.

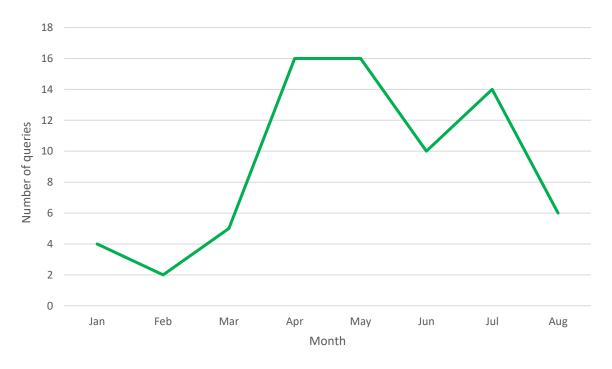


Figure 1: Number of queries received regarding POPT between 1 January 2017 and 31 August 2017

3.3. The number received peaked one month after ECO2t began and has sharply declined since with only six POPT queries received in August. The decrease in queries received may be a

direct result of the publication of further guidance¹² produced in response to the queries raised but also demonstrates that stakeholders have begun to understand POPT.

Query breakdown by measure type

3.4. The 73 queries received covered a range of different measures, topics and questions. To understand if certain measure types triggered more queries than others did, we have analysed the number of queries received by measure type as a percentage of the total POPT queries.



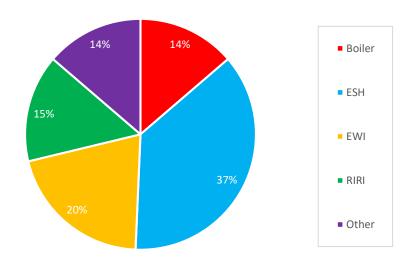


Figure 2: All queries regarding POPT broken down by measure type

3.5. The breakdown in **Figure 2** shows an approximately even split between heating measures (55%) and insulation measures (45%). However, the vast majority of POPT queries related to four measure types, electric storage heaters (ESH) at 37%, external wall insulation (EWI) at 20%, room in roof insulation (RIRI) at 15% and boiler measures at 14%. All other measures combined, including underfloor insulation, cavity wall insulation (CWI), heating controls and park homes only made up 14% of the remaining queries.

¹² https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry

Query breakdown by measure and topic

- 3.6. In order to examine reoccurring themes, we have reviewed the topic that POPT queries have covered and these broadly fit into three main categories.
- 3.7. The first topic, 'what is 100%', covers all queries where stakeholders have asked what constitutes 100% of a measure. This category covers "adequate heating" as well as questions regarding whether habitable rooms should be used instead of floor area to calculate POPT for heating measures.
- 3.8. The second topic, 'property elements' covers questions regarding whether certain elements should count towards the calculation of POPT. This covers questions about conservatories, extensions, and more specific elements such as whether window reveals count towards the heat loss wall area.
- 3.9. The third topic, 'calculation of POPT', covers queries that do not fit into either of the other two categories, for example, how POPT should be adjusted if a boiler measure does not provide hot water.

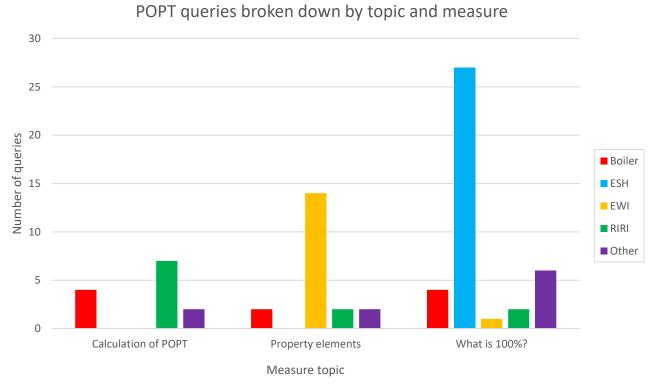


Figure 3: All Queries regarding POPT split down by measure and topic

3.10. **Figure 3** demonstrates clear themes within POPT queries received by stakeholders. All

questions regarding ESH measures related to 'what is 100% POPT'. A qualitative analysis of the queries shows that initial queries regarding ESH measures tended to focus on how many heaters needed to be replaced to claim 100% of the score, while later queries tended to ask how to determine if a property is "adequately heated" by a measure. There has been a significant drop in queries related to ESH measures since the publication of new FAQs on our website. ¹³

- 3.11. EWI measures constituted the second largest number of queries. The vast majority of these queries related to specific elements of properties, such as how conservatory walls or cladded areas of walls should affect POPT. As we have provided further guidance to the supply chain, we have seen a sharp reduction in the number of queries received related to EWI.
- 3.12. For boiler measures, most of the queries previously raised related to what constituted adequate heating in a property. This included queries asking whether areas such as basements, conservatories or utility rooms should be heated. Given that the number of queries related to boilers has dropped significantly, this indicates that the understanding in this area has grown and so we do not think that any further guidance is necessary.
- 3.13. A significant proportion of queries previously received related to RIRI. Many of these queries were regarding whether certain elements of the measure should be included in the calculation of POPT, such as party walls. We have also seen a high number of Score Monitoring (SM) failures for this measure type, as discussed in the next chapter. The ECO Reporting Working Group has published the RIRI Checklist¹⁴, which takes the user through a systematic process to calculate POPT for a RIRI measure and can be used to calculate POPT.
- 3.14. Queries received relating to other measure types are relatively low and do not indicate a widespread lack of understanding or concern.

¹⁴ https://www.ofgem.gov.uk/system/files/docs/2017/03/161205 riri checklist mar 2017 v1.pdf

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¹³ <a href="https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-instal

4. Analysis of Score Monitoring Results

Introduction

- 4.1. In addition to our query analysis, we have reviewed score monitoring data. Score monitoring Question 5 (SMQ.5) asks 'Is the notified percentage of property treated a reasonable reflection of the actual percentage of property treated when rounded to the nearest multiple of 10%?'.
- 4.2. The Association for Technical Monitoring Agents (ATMA) provided us with all their available scoring monitoring data on a range of 4015 measures installed between 1 April 2017 and 31 August 2017. This has provided an additional month's data compared with the data submitted as part of the quarterly Score monitoring process. ATMA also provided us with additional qualitative data for a random sample of 87 measures, which provides more detail on why the measure had failed, as well as the difference between the POPT notified and the POPT calculated at monitoring stage. We would like to thank ATMA for providing us with the data that allowed us to conduct this section of the review.

Analysis

4.3. **Table 1** outlines the number of inspections and the failure rate per measure type. The overall failure rate across all measure types for SMQ.5 was just over 7%. Additional data provided by ATMA showed that, where a failure had occurred, the notified POPT was an average of 20% higher than the POPT calculated by the monitoring agent (after rounding).

Measure Type	Number of inspections completed	Number of inspections failed on SMQ.5	POPT failure rate
Boiler	1209	46	3.80%
Cavity wall insulation	1220	106	8.69%
Electric storage heaters	58	15	25.86%
External wall insulation	484	23	4.75%
Heating controls	332	11	3.31%
Loft insulation	364	19	5.22%
Room-in-roof- insulation	341	60	17.60%
Underfloor insulation	7	2	28.57%
Total	4015	282	7.02%

Table 1: SMQ.5 failure rate per measure type for measures inspected between 1 April 2017 and 31 August 2017

- 4.4. There was a large variation in the failure rate by measure type. Underfloor insulation (UFI) had the largest percentage failure rate at 28.57%; however, the sample size is too small to provide a statistically significant result.
- 4.5. ESH measure had the second highest failure rate with just over 25% of all monitored installations failing SMQ.5. This aligns with the query analysis that highlighted that POPT queries most frequently related to ESH measures. We received additional, qualitative data on five ESH measure failures and all five failures were due to either existing ESHs not being replaced, or an insufficient number of ESHs being installed to adequately heat the property. All five failures related to measures installed before we published additional FAQs clarifying how ESH measures should be scored in August 2017.¹⁵ Due to the additional clarification, we expect the failure for these reasons to decrease in future quarters.
- 4.6. RIRI measures had a failure rate of 17.6% on SMQ.5. We received qualitative data on 15 of the 60 failures and of those, 11 failed because POPT had not been reduced despite party or gable walls not being insulated. These failures do not appear to relate to difficulties relating to the calculation of POPT but to a lack of understanding about what 100% of a RIRI measure is despite guidance being published in July 2016.¹⁶
- 4.7. The final measure with an above average failure rate for SMQ.5 was CWI. We have received

 $^{^{15}}$ <u>https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers-and-industry/faqs-installers</u>

¹⁶ https://www.ofgem.gov.uk/publications-and-updates/room-roof-insulation-riri-measures-under-energy-company-obligation-eco

very few queries related to CWI measures. Qualitative data has provided more information on 29 of the measures that failed. Of these, 12 failures were due to POPT not being reduced where extensions had not been insulated, and eight were due to POPT not taking into account other wall types (for instance areas of the property that had solid walls rather than cavity). As with RIRI, these failures indicated a lack of consideration of POPT, rather than difficulties in calculating POPT, therefore we will not be taking any action.

5. Stakeholder Survey

Introduction

- 5.1. As well as an analysis of information held by Ofgem we sought evidence from the supply chain, initial evidence provided covered a narrow range of stakeholders or did not seek to improve POPT. Therefore, we committed to publish an open stakeholder targeted survey that we published online and held open for one month on POPT.¹⁷ This was an opportunity for a wide range of stakeholders to provide feedback on their experience of how POPT has been working in practice.
- 5.2. We asked 14 questions, with a combination of multiple-choice and free-text response options where stakeholders could provide further information. The survey included a range of questions that aimed to identify whether stakeholders are encountering problems with POPT.
- 5.3. Thirty-one stakeholders responded to our survey. One stakeholder provided their response in a separate letter and did not address the specific questions asked in the survey. Only feedback from the 30 stakeholders who provided a response directly to the survey is included in the charts in the following sections, however, we have considered all feedback even if some of the points raised are not specifically mentioned in this review. All responses have been kept confidential.

¹⁷ https://www.ofgem.gov.uk/publications-and-updates/eco2t-survey-percentage-property-treated-popt

Question 1: For what proportion of your measures has the calculated POPT created disagreements with other members of the supply chain? (For instance with the installer, a TMA, or the supplier)

Question 1.1: Please provide any additional detail for your response to Question 1 here.

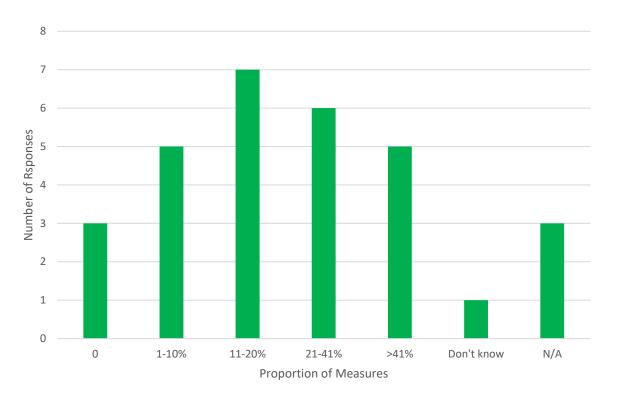


Figure 4: Breakdown of responses to Question 1

- 5.4. Thirty stakeholders responded to Question 1 and the results are shown in **Figure 4**. Many stakeholders indicated that they encountered disagreements regarding POPT with other members of the supply chain. Eighteen stakeholders (60%) indicated that POPT caused disagreements with more than 10% of their measures. Three responses indicated that the calculated POPT had created no disagreements.
- 5.5. Question 1.1 asked for additional detail and we received 23 responses and a variety of answers. Some responses provided their Score Monitoring failure rates for SMQ5 and these varied between 0% and 12%. Considering the overall score monitoring failure rate, the feedback illustrated in Figure 4 shows a disproportionately high disagreement rate however, some respondents highlighted concerns with validating scores throughout the supply chain. This may be reflecting score validation that has taken place before Score Monitoring, hence the higher disagreement rate relative to the failure rate found in Score Monitoring. Additionally, the higher disagreement rates may also be limited to the particular companies who provided a response.

5.6. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to reduce the amount of calculations necessary to select the correct level of POPT, which in turn should help to reduce the number of disagreements.

Question 2: If disagreements have occurred regarding the calculated POPT, what is the typical difference between the POPT notified to the obligated supplier/Ofgem and the POPT determined during monitoring?

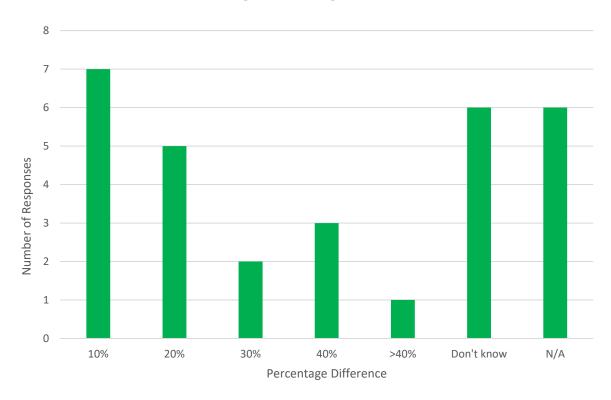


Figure 5: Breakdown of Responses to Question 2

- 5.7. Thirty stakeholders responded to Question 2 and the results are shown in **Figure 5**. Twelve responses stated that the difference between the POPT notified to the supplier/Ofgem and the POPT determined during monitoring was 10% or 20%. These figures correspond with our analysis of Score Monitoring results.
- 5.8. Four respondents stated that the difference in POPT is typically 40% or more. This suggests a lack of understanding of the principles of POPT and based on responses to later questions (see our response to Question 12), should improve over time as stakeholders gain more experience and understanding of the principles of POPT.
- 5.9. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to reduce the amount of calculations necessary to select the correct level of POPT, which in turn should help to reduce the number of disagreements regarding small percentage differences. Additionally, Decision 2 (the publication of additional guidance) should help to further reduce any subjectivity and therefore number of disagreements.

Question 3: Where disagreements have occurred regarding the calculated POPT for insulation measures, are the disagreements specific to a certain measure type? If there are multiple measure types, please select the one that causes the most disagreement.

- 3.1 If you have had any issues with POPT for any insulation measures, what caused those issues?
- 3.2 Have you had instances where disagreements have occurred due to specific property characteristics (such as cladded areas or extensions)? What caused these disagreements?

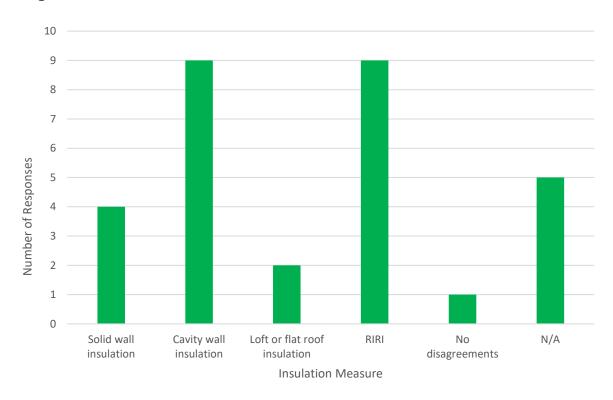


Figure 6: Breakdown of responses to Question 3

- 5.10. Thirty stakeholders responded to Question 3 and the results are shown above in **Figure 6**. Twenty-five stakeholders stated the question was applicable to them and Cavity wall insulation (CWI) and room-in-roof-insulation (RIRI) where highlighted as measures that result in the most disagreements. Only four respondents selected solid wall insulation, despite it featuring prominently in the query analysis.
- 5.11. Many respondents highlighted that the insulation measure they have had the most disagreements regarding is CWI. Many written responses regarding CWI highlighted that they disagreed with having to make, and were having difficulty with making, reductions to POPT because of areas that varied from a simple property shape, such as extensions,

conservatories and porches. This aligns with the score monitoring data we analysed, which also highlighted that stakeholders are not accounting for not insulating these areas when calculating POPT. As CWI measures make up approximately 60% of all insulation measures installed under ECO2t so far, this level of concern shown is not disproportionately high and so we do not consider that further action is necessary.

- 5.12. Nine stakeholders selected RIRI as the measure they had had the most disagreements over. RIRI measures make up less than 10% of the total insulation measures installed under ECO2t, so this is a large proportion relative to number installed. The responses regarding RIRI highlighted difficulties with making reductions to POPT where properties had multiple roofs. However, as discussed in Chapter 3 we have seen a marked reduction in the number of queries regarding calculating POPT for RIRI measures, and the RIRI Checklist¹⁸ produced by the ECO Reporting Working Group outlines in simple steps how POPT should be calculated. Additionally, some stakeholders raised difficulties with working out whether a second floor in a bungalow or flat should count as a room-in-roof or second floor.
- 5.13. **Key outcomes:** We will produce guidance outlining the difference between a room-in-roof and a storey.

¹⁸ https://www.ofgem.gov.uk/ofgem-publications/113736

Question 4: Where disagreements have occurred regarding the calculated POPT for heating measures, are the disagreements specific to a certain measure type? If there are multiple measure types, please select the one that causes the most disagreement.

- 4.1 If you have had any issues with POPT for any heating measures, what caused those issues?
- 4.2 Have you had instances where disagreements have occurred due to specific property elements (such as conservatories)? What caused these disagreements?

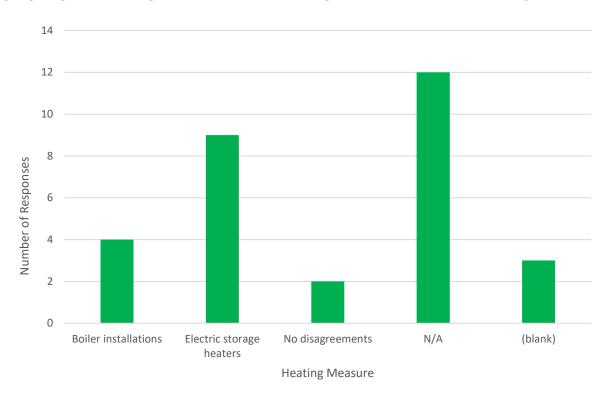


Figure 7: Breakdown of Responses to Question 4

5.14. Twenty-seven stakeholders selected an answer for Question 4 and the results are shown above in **Figure 7**. Thirteen stakeholders stated that they had experienced disagreements regarding the calculated POPT for heating measures. Nine responses highlighted ESH measures as the heating measure type that had caused the most disagreements. This aligns with both the query analysis, where we have received a large number of ESH related queries, and the score monitoring analysis, where ESH measures have had a high failure rate relative to other measure types. Responses to 4.1 and 4.2 suggest that the most common reason for disagreement over POPT for ESH measures is what constitutes 'adequate heating' of a property by an ESH measure. Similar disagreements were reported for boiler measures and some stakeholders suggested it was difficult to prove which areas were heated by drift heat

from radiators. As discussed in Chapter 3, we published Frequently Asked Questions¹⁹ clarifying how ESH measures should be scored, and given the subsequent drop in queries related to ESH measures we consider that this lack of understanding has been resolved.

- 5.15. Other responses to this question highlighted that calculating POPT for properties with areas that vary from a simple property shape, such as extensions, conservatories, garages and porches are often the cause of disagreements. This aligns with the responses to Q3, where stakeholders also stated that extensions were causing disagreements over POPT. We have discussed concerns around extensions in our response to Question 13 (paragraph 5.36).
- 5.16. **Key outcomes:** We will clarify our guidance around what constitutes 100% POPT for electric storage heater measures, to reflect the Frequently Asked Questions²⁰.

¹⁹ https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry

²⁰ https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry

Question 5: Compared with ECO2, have any insulation measures not been installed due to certain property elements (such as cladded areas or extensions) affecting POPT? Please give the percentage of measures impacted by this.

5.1 If greater than 0%, what were the property elements that caused this?

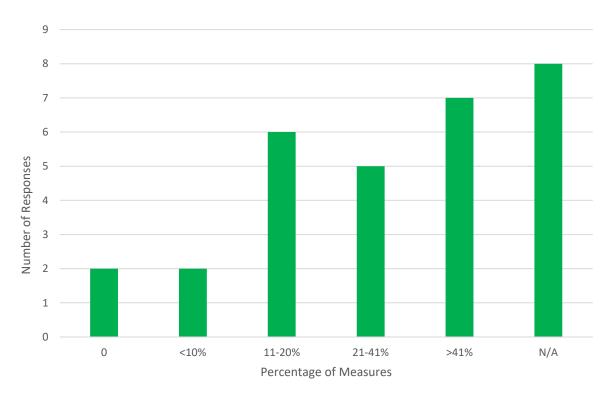


Figure 8: Breakdown of Responses to Question 5

- 5.17. Thirty stakeholders selected an answer for Question 5 and the results are shown above in **Figure 8**. Twelve (55% of those who did not select N/A) stated that more than 20% of measures had not been installed due to certain property elements resulting in a reduction in POPT.
- 5.18. Written responses to 5.1 outlined several property elements that have had a large impact on POPT. Almost 75% of stakeholders mentioned extensions. Cladded areas and porches were also included in several responses regarding wall insulation measures. Respondents also highlighted that extensions and flat roof areas complicated the calculation and evidencing requirements for RIRI and loft insulation measures, leading to walkaways. Several respondents also discussed that smaller property types were more likely to be impacted disproportionately by any deductions to POPT. This supports the findings from Questions 3 and 4, with extensions and other variants of a simple property shape properties causing large reductions to POPT. We have discussed concerns around extensions in our response to Question 13 (paragraph 5.36).

5.19. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to reduce the need to consider very small areas when selecting the correct POPT, as they will be absorbed into the wider increments.

Question 6: Compared with ECO2, have any heating measures not been installed due to certain property elements (such as conservatories) affecting POPT? Please give the percentage of measures impacted by this.



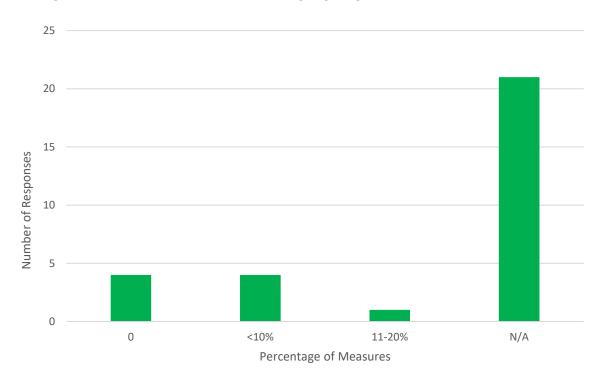


Figure 9: Breakdown of Responses to Question 6

- 5.20. Thirty stakeholders responded to Question 6. Twenty-one stakeholders stated that the question was not applicable to them. The results are shown above in **Figure 9**. Four respondents stated that certain property elements had not affected POPT and therefore not impacted the installation of heating measures. On the other hand, five stakeholders expressed that they had not installed measures due to certain property elements having an impact on POPT. Overall, this suggests that specific property elements do not cause measures to not be installed due to the impact on POPT. Some responses suggested that there is still a level of misunderstanding regarding whether conservatories need heating, and whether all electric storage heaters (or other heat emitters) needed to be replaced to claim 100% POPT.
- 5.21. **Key outcomes:** We will produce additional guidance around what constitutes 100% POPT for electric storage heater measures.

Question 7: Has POPT impacted the level of time and cost required to identify a suitable property in which to begin the ECO process (for instance deciding to undertake a deemed score survey)? If so, what is the impact and how does it compare to ECO2?

7.1 If there is an impact, what do you think caused this?

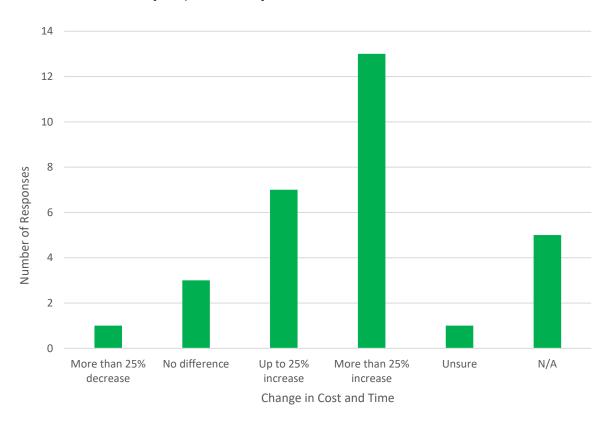


Figure 10: Breakdown of responses to Question 7

- 5.22. All 30 stakeholders provided a response to Question 7 and the results are shown above in Figure 10. Six stakeholders stated that this question was not applicable to them or they were unsure. One stakeholder suggested there had been a decrease in the time taken, whilst 20 stakeholders stated they had seen an increase in time and cost required to identify a suitable property because of POPT.
- 5.23. Responses to 7.1 raised a wide range of different reasons for this. The main two reasons were that the deemed scores survey was more subjective than a SAP/RdSAP assessment and hence took longer to complete and also, that moving away from Domestic Energy Assessors (DEAs) meant that the people carrying out the surveys were not as well trained. Many stakeholders also raised issues with the time taken to validate the deemed scores inputs which is discussed in more detail in our response to Question 9.

5.24. **Key outcomes:** Decision 1, as discussed in Chapter 6, should help to reduce the need for complex calculations and therefore the time taken to select the correct POPT for a measure. In turn, we expect that this will help to reduce the level of time and cost required to identify a property in which to install an ECO measure.

Question 8: How does the cost and time required to complete one deemed scores survey (DSSY) on site compare to the EPC/EPR calculation requirements under ECO2 (including supporting evidence)?

8.1 If there is a difference, what specific area(s) of the survey do you think caused this?

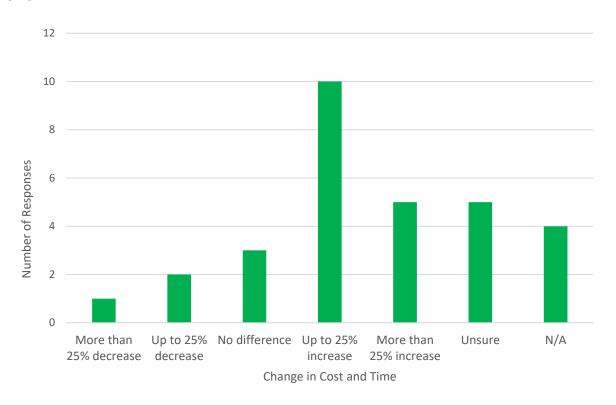


Figure 11: Breakdown of responses to Question 8

- 5.25. All 30 stakeholders responded to Question 8 and the responses are shown in **Figure 11**. Three stakeholders suggested that there had been a decrease in the time taking to undertake a scoring survey in ECO2t compared with ECO2; however, 15 respondents said the DSSY took longer to complete than a SAP/RdSAP assessment.
- 5.26. Responses to 8.1 stated that the reasons for the increased resource requirements related to the level of detailed measurements required within the Deemed Scores Survey²¹ (DSSY) and the associated documentation and evidence required by suppliers compared to the requirements associated with a SAP/RdSAP assessment. One response highlighted that in

²¹ https://www.ofgem.gov.uk/publications-and-updates/eco-reporting-working-group-eco2t-standardised-templates

- some cases the time and costs were higher because a SAP/RdSAP assessment was required in order to meet social housing eligibility criteria alongside a DSSY. However, two stakeholders stated that not using Domestic Energy Assessors (DEAs) had saved time.
- 5.27. It is unclear from the responses received whether the additional time spent calculating and evidencing POPT is due to a shift in resource from DEAs to installers, or whether the time taken has increased across the supply chain as a whole.
- 5.28. **Key outcomes:** Considering the key outcome of the review (Decision 1, Chapter 6), we will discuss possible revisions to the current DSSY with the ECO Reporting Working Group in light of the change in approach to POPT going forward.

Question 9: How does the cost and time required to validate and check the deemed scores inputs compare to EPCs under ECO2? Please consider the impacts across the supply chain.

9.1 If there is a difference, what caused this?

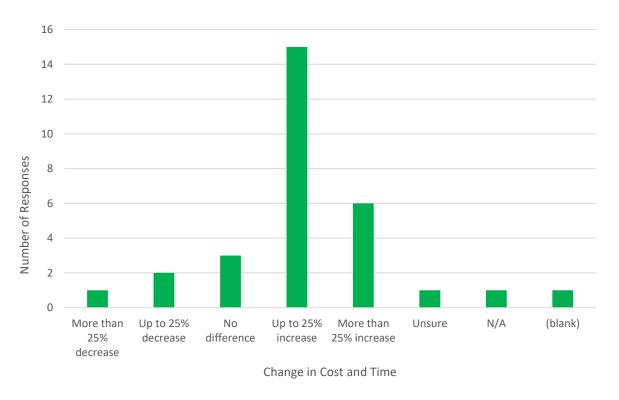


Figure 12: Breakdown of responses to Question 9

- 5.29. Twenty-nine stakeholders responded to Question 9 and the results are shown in **Figure 12**. Three responses stated that there had been a decrease but 21 responses (72%) stated that there had been an increase in the time taken to validate the deemed scores inputs when compared to SAP/RdSAP inputs. These responses reflect the responses to Question 8 which highlights that the increase in evidencing requirements for POPT has associated implications on the time taken for validation of the deemed score input.
- 5.30. Twenty-four stakeholders responded to Question 9.1. Many of the respondents who thought that validation of deemed score inputs took more time when compared with that for a SAP/RdSAP assessment, referenced the reason for this being due to POPT and the associated detail and evidence requirements which are then validated. Respondents cited evidencing requirements that involve multiple forms, floor plans, diagrams and photographs. Some respondents stated that the number of photographs taken to evidence POPT had increased substantially compared to ECO2, although photographs are a requirement set by suppliers as opposed to Ofgem. Two responses did however state that the time taken to validate the deemed scores input had reduced as there were fewer inputs to validate when compared to a

SAP/RdSAP assessment.

5.31. **Key outcomes:** As discussed in paragraph 5.28, we will discuss possible revisions to the current deemed scores survey and associate documentation with the ECO Reporting Working Group.

Question 10: Across the supply chain, how does the level of resource required to rescore or overturn measures under ECO2t compare to the level of resource required under ECO2? Please answer with reference to supply chain compliance checks and score monitoring.

- 5.32. Twenty-three stakeholders responded to this question. Of these, six suggested that the time taken to rescore or overturn a measure had decreased and 14 suggested that the time taken had increased. The remaining three stakeholders suggested that either there had been no change in the time taken or that it was too early to tell whether there had been a change.
- 5.33. Several stakeholders, who stated that there has been a decrease in the resource required to rescore or overturn measures, said that this was due to the ease of selecting a new deemed score, as opposed to having complete another SAP/RdSAP assessment.
- 5.34. However, the majority of stakeholders suggested that there has been an increase in resource. To support this, they referred to issues raised earlier in this survey, such as having to gather additional evidence to justify the existing deemed score or to support a new deemed score.
- 5.35. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to make it easier to select the correctly rounded increment of POPT for a measure and reduce the level of evidence required. In turn, this should reduce the level of resource required to rescore or overturn a measure.

Question 11: How does the cost and time required to calculate POPT exceed other ECO requirements such as calculating POMI and compliance with PAS2030:2017?

- 5.36. Twenty-two stakeholders responded to this question. Sixteen stakeholders suggested that the cost and time required to calculate POPT exceeds other ECO requirements and three suggested that there was no change.
- 5.37. Some stakeholders stated that POPT was not any more time consuming than other ECO2t requirements. However, the majority of responses stated that the cost and time associated with POPT exceeds other ECO2t requirements. Some stakeholders suggested that processing and checking the DSSY increases costs, with one stakeholder suggesting that the time required to complete the deemed score survey and related evidence could take over an hour and another suggested that POPT increased the cost and time taken to complete a measure by 40%. However, the majority of responses also stated that the introduction of PAS 2030: 2017 had introduced many new requirements and was taking longer and costing more than the previous version had.
- 5.38. We asked this question in order to gauge whether other new requirements, such as PAS 2030:2017, may have caused some of the increased evidencing requirements and material calculations as opposed to POPT. Some responses provided for this question have suggested that POPT may have increased the cost and time taken to complete a measure independently of other scheme requirements.
- 5.39. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to reduce the need for intricate calculations and therefore reduce the cost and time associated with POPT. PAS is outside of Ofgem's remit but any concerns around the requirements of PAS should be raised with the British Standards Institution²².

²² https://www.bsigroup.com/en-GB/contact-us/

Question 12: Has there been an improved understanding of POPT in the supply chain since it was first introduced?

Question 12.1 If there is a difference in the level of understanding, what do you think caused this difference?

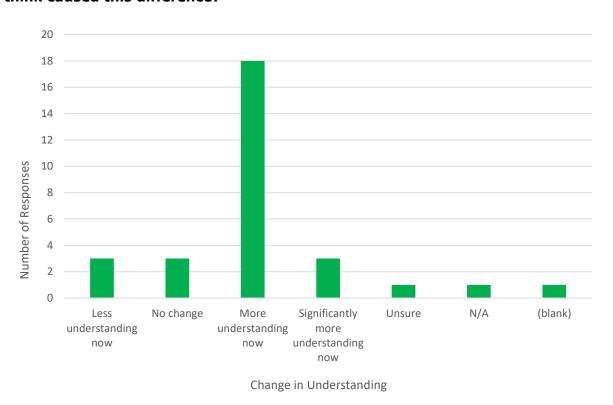


Figure 13: Breakdown of responses to Question 12

- 5.40. Thirty stakeholders responded to Question 12 and their responses are shown above in **Figure 13**. The majority of stakeholders stated that there had been an increased level of understanding since POPT was introduced.
- 5.41. Twenty-six stakeholders responded to Question 12.1. Many responses highlighted that with any new scheme there will be a learning process and that understanding would continue to improve over time. Ten responses suggested that the improvement was due to installers gaining experience or training, and six responses included references to information sharing between supply chain members and with Ofgem. The responses to this question align with our query analysis, where we have found a steady drop in queries related to POPT since the start of ECO2t.
- 5.42. Eleven stakeholders explained that while understanding had improved they were still finding difficulties with POPT in some capacity, such as taking measurements and collating the required evidence, as discussed in previous questions.

5.43. **Key outcomes:** As discussed in Chapter 6, Decision 1 should help to reduce the need for complex calculations that rely on specific measurements. In turn, this should reduce the evidence required. We will also publish additional guidance (see Chapter 6) which should help to further improve the understanding of POPT.

Question 13: Do you have any suggestions for how specific elements of POPT could be improved?

- 5.44. Twenty-eight stakeholders responded to this question. Five stakeholders suggested that we remove POPT and instead apply an average reduction to the deemed scores dependant on the average POPT for each measure type. The savings for a measure would therefore be the same regardless of how a property had been treated with a particular measure. Four stakeholders suggested that Ofgem should apply the method used in the CERT scheme²³ whereby the full score for wall measures could be claimed as long at least two-thirds of the wall area was treated.
- 5.45. While we recognise that there would be some benefits to these approaches in terms of simplicity, we do not have the data necessary to generate average scores, nor was any data put forward as part of this review. Considering the length of time remaining for ECO2t and the length of time it would take to gather the data necessary, consult and produce new deemed scores, we do not believe these options are viable. In relation to the 'CERT style approach', as some measurements would still be required to prove that the minimum two-thirds condition had been met, we do not believe that the concerns expressed over POPT would be resolved and additional mechanisms would need to be put in place for situations where the minimum condition could not be met. For these reasons, we do not currently support the suggestions put forward in 5.44.
- 5.46. Three stakeholders suggested that extensions should not have to be considered as part of POPT calculations. Extensions are included in the English Housing Survey data on which the deemed scores property archetypes are based and hence, they are already included in the scores. This means we could not remove extensions from the calculations without recalculating all of the deemed scores, something that is not feasible or reasonable given the time left in ECO2t.
- 5.47. Three stakeholders suggested that we amend the increment system for POPT to one that uses larger increments. The current system uses 10% increments and suggestions have been put forward to widen the band to 20% or 25% increments. This suggestion could alleviate many of the concerns raised in this review around the calculation and evidencing of POPT. Please see our full discussion of this in Chapter 6.
- 5.48. In addition to how the calculation of POPT could be improved, five stakeholders suggested that we should continue to put out more guidance, and some suggested that real world examples would further increase understanding of POPT. One stakeholder suggested that calculating POPT for flats and maisonettes with walls adjacent to corridors is a particular area that is causing confusion and we will provide more guidance on this. In line with recommendations made, we will also update the guidance to clarify the calculation of POPT

²³ https://www.ofgem.gov.uk/environmental-programmes/eco/overview-previous-schemes

for park home insulation measures.

Key Outcomes: For measures installed from 1 February 2018, suppliers should notify POPT to the nearest 20% increment (please see our full discussion in Chapter 6). We will also provide clarification on what 100% of a wall insulation measure is when installed to a flat or maisonette which is adjacent to a corridor and on what 100% of a park home insulation measures is.

Survey Analysis - Response to Question 14

Question 14: Are there any other specific changes in ECO2t that have increased the level of resource required to calculate or validate the score of a measure compared to ECO2? If so, please explain what they are and provide recommendations for how you think they could be improved.

- 5.49. Nineteen stakeholders responded to this question and covered a wide range of different topics. Some respondents repeated views covered by previous questions but some stakeholders raised concerns about the increased resource burden associated with the latest version of PAS (PAS 2030: 2017). PAS is outside of Ofgem's remit but any concerns around the requirements of PAS should be raised with the British Standards Institution²⁴. Additionally, one stakeholder cited the identification of bedroom numbers in a property as a potential issue with the deemed scores approach.
- 5.50. **Key outcomes:** We will make a small revision to our bedroom guidelines in order to help clarify how the supply chain should identify the number of bedrooms in a property.

²⁴ https://www.bsigroup.com/en-GB/contact-us/

6. Conclusion

Decision 1: For measures with a date of completed installation on or after 1 February 2018, suppliers should notify POPT to the nearest 20% increment

- 6.1. Following this review, we now understand that a reasonable level of understanding of POPT exists throughout the supply chain, and this understanding should continue to increase as the scheme progresses. However, we also now appreciate that the implementation of POPT within the supply chain has been more burdensome than we intended, with considerably more detailed validation checks throughout the supply chain than we had envisioned. A large amount of the time and cost associated with POPT is due to the forms which have become required by intermediaries and suppliers, and the level of validation undertaken throughout the supply chain to ensure the POPT selected is correct.
- 6.2. We use Score Monitoring to ensure that the POPT notified for a particular measure is a reasonable reflection of the measure that has been installed. However, through this research project we now understand that due to compliance mechanisms within the ECO supply chain, installers are being asked to take precise measurements and calculate an exact POPT. Checks are then conducted at multiple levels of the supply chain, sometimes with different approaches to what is and is not acceptable. This was not how POPT was intended to be implemented but we recognise that this has made it more complex and burdensome for parts of the ECO supply chain.
- 6.3. Whilst our original intent with introducing 10% increments for POPT was that the installer could select the POPT increment that was a reasonable reflection of the measure installed, we recognise that the supply chain has taken a risk averse approach to this mechanism and has instead introduced requirements to calculate and evidence the exact POPT for each measure. Allowing 10% rounding increments does not seem to have allowed have helped this.
- 6.4. During the survey some stakeholders suggested that having either 20% or 25% increments may assist with enabling estimates to be used to calculate POPT, as well as reducing the number of score monitoring failures where small elements of measures have been missed out from the POPT calculations.
- 6.5. In choosing to move to a wider level of confidence for POPT we have looked at what would be an appropriate balance between our administration meeting the legislative requirements and the simplification we have identified is needed. We have concluded that a move to 20% increments would therefore be appropriate in order to give the supply chain time to change their processes we have decided that this should apply to all measures with a date of completed installation on or after 1 February 2018.
- 6.6. This will mean that where the nearest increment involves rounding down, suppliers may claim

a lower POPT than they would claim under the current approach. For example, if a measure treated just under half of a property the POPT claimed would be 40% rather than 50% that would be claimed under the current approach. Similarly, if a measure treated just over half a property, the POPT claimed would be 60% rather than 50% that would be claimed under the current approach. Considering the number of respondents who suggested applying an average POPT within the deemed scores so that one score would be claimed regardless of how much of the property is treated, we assume that the supply chain are accepting that there will be winners and losers under a new scoring mechanism.

- 6.7. Wider rounding increments should also simplify the approach and address some of the issues raised in this review, whilst continuing to align with the initial intent of POPT. The wider increments would absorb most common features that cannot be treated by a measure (eg tile-hung areas and chimney breasts for wall insulation measures), whilst remaining narrow to provide some level of accuracy in the savings claimed under the scheme (eg whole untreated walls would likely not achieve savings). With this change in approach, we expect that compliance mechanisms in the ECO supply chain can reduce some of the detailed evidencing requirements. We would also expect that the Score Monitoring failure rate would be lower under this new approach.
- 6.8. We expect that this improvement could be implemented relatively quickly and it is only dependent on an update to the ECO Guidance and updates to the DSSY. In order to give the supply chain the necessary time to make changes to their systems, this decision will apply to the relevant measures installed under the ECO2t scheme from 1 February 2018. Therefore, for any measures with a date of completed installation on or after the 1 February 2018, suppliers should notify POPT to the nearest 20% increment. We have decided on this date following engagement with the ECO Reporting Working Group²⁵ who have agreed that this is sufficient time to make the necessary changes to their systems.
- 6.9. The new rounding increments will only have a limited impact on the issues raised as part of this review if the current detailed evidence requirements and verification checks within the ECO Supply Chain remain the same.
- 6.10. Ofgem has not implemented detailed evidence requirements and instead, we use score monitoring to ensure that the POPT claimed for a measure is a reasonable reflection of the measure installed. In order for the supply chain to realise the full benefit of the new rounding elements we expect that the evidence requirements will need to change. However, this is not something we control or mandate.
- 6.11. We recognise that the deemed scores could be further simplified in the future whilst still ensuring that areas left untreated are not unduly rewarded. However, this is subject to the availability of relevant and robust supporting data. We are currently working with our technical contractors (BRE) to explore whether POPT could be revised or removed in a future

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²⁵ https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/eco-forums-and-working-groups/eco-reporting-working-group

ECO scheme. Given the potential need for additional data we may need to look to industry (through a formal call for evidence) to provide the necessary data for such a change to be possible.

Decision 2: We will publish new guidance and clarifications

- 6.12. We have seen a large decrease in the number of queries we have received regarding POPT (see Chapter 3). Additionally, responses to Question 12 of the survey (see paragraph 5.40) has highlighted that there has been an increased understanding of POPT since we introduced it. However, this research has highlighted that some areas relating to POPT could do with additional clarification. Therefore, we will publish the following clarifications in the ECO2t: Delivery Guidance²⁶ in the next update (which we expect will be published by the 21 December 2017):
 - a) what 100% of an electric storage heater measure is, to reflect the Frequently Asked Questions²⁷ (see response to Question 6 of the survey),
 - b) what 100% of a wall insulation measure is when installed to a flat or maisonette which is adjacent to a corridor (see response to Question 13 of the survey),
 - c) what 100% of a park home insulation measures is (see response to Question 13 of the survey),
 - d) what constitutes a room-in-room compared to what constitutes a storey (see response to Question 3 of the survey),
 - e) we will make a small revision to our bedroom guidelines in order to help clarify how suppliers should identify the number of bedrooms in a property (see response to Question 14 of the survey).

 $[\]frac{26}{\text{https://www.ofgem.gov.uk/publications-and-updates/energy-company-obligation-} 2017-18-eco2t-guidance-delivery}$

https://www.ofgem.gov.uk/environmental-programmes/eco/installers-and-industry/faqs-installers-and-industry