

Energy Efficiency and Social Programmes
Ofgem
10 South Colonnade,
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16 May 2018

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

Ofgem Consultation on Updating Deemed Scores for ECO3

Dear ECO Team at Ofgem E-Serve,

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

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Energy UK notes the publication of the Ofgem consultation on updating deemed scores for ECO3. Suppliers are supportive of simplifying the administration of the Energy Company Obligation (ECO) and under ECO2t the introduction of deemed scores has been a welcome step in helping to achieve this.

Energy UK will not be responding to individual questions but rather, will be making some overall comments on proposed updates to deemed scores for ECO3. We expect our members to respond individually with feedback on specific proposed scores.

Section 2: Proposed Alternative to Percentage of Property Treated

Energy UK welcomes Ofgem's proposals for an alternative to Percentage of Property Treated (POPT). The introduction of POPT came with its own set of issues and led to confusion in the supply chain. We consider that the proposals as laid out in this consultation is a step in the right direction in terms of simplifying the administration of ECO. However, we would highlight to Ofgem that it will be important that the ECO Guidance is clear on what will be required by the supply chain and Technical Monitoring Agents (TMAs) under these proposals. In particular, it is important that the guidance clearly sets out what would be expected of TMAs in the event that the score is close to 65%. Furthermore, given the uncertainty around managing POPT when it was introduced under ECO2t, we would encourage Ofgem to consider whether it might be useful to run a workshop on the new proposals for ECO3 to ensure all relevant stakeholders understand how they should be implemented for the new three-and-a-half-year scheme.

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Section 4: Updates to Room-in-Roof Insulation Scores

Energy UK has some serious concerns regarding Ofgem's proposals for updating the scores for Room-In-Roof Insulation (RIRI), in particular the calculation of the average starting U-value for RIRI measures. The calculation of this average includes properties with roofs built after 1991. We believe that these properties should be excluded from the calculation as they are not representative of the properties that are likely to receive RIRI measures. Instead, Energy UK would urge Ofgem to consider using the weighted average for pre-1966-1990 properties which would change the weighted average u-value to 1.77. This would, in our opinion show a much more realistic u-value for those premises which would be likely to be treated with RIRI.

Section 7: Invitation to Provide General Comments

Energy UK would urge Ofgem to consider introducing an uplift for smaller properties in urban areas. The way the current obligation and its scores are designed will encourage the delivery of measures to bigger properties as when you increase the size of the property, the scores rise faster than the cost of delivery. There is a risk that this skews the property mix away from smaller properties and will, therefore, have an impact on households where individuals are living in or at risk of fuel poverty. An uplift in the score for smaller properties could help to alleviate this issue and would ensure better targeting of fuel poor households in urban areas.

Energy UK would also like to note that in the last couple of years, we have seen Ofgem raise concerns regarding certain measure types due to concerns raised by various stakeholders. Ultimately, we consider that obligated suppliers should be able to rely on the relevant standards (i.e. PAS) and guidance to ensure that measures are being installed in a compliant manner.

Furthermore, any guidance produced by Ofgem on deemed scores should be clear, simple and, if necessary, straightforward to evidence for both obligated parties and the supply chain. If corrections or updates to any deemed scores are identified during the obligation, it will also be important that these amendments only impact future measures and are not applied retrospectively.

I hope you find our comments helpful. Please let me know if you have any comments or questions. We are always keen to discuss ways in which industry and government can work together to best support the interest of customers.

Yours sincerely,

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