

## Sustainable Energy Association Energy Company Obligation (ECO3)

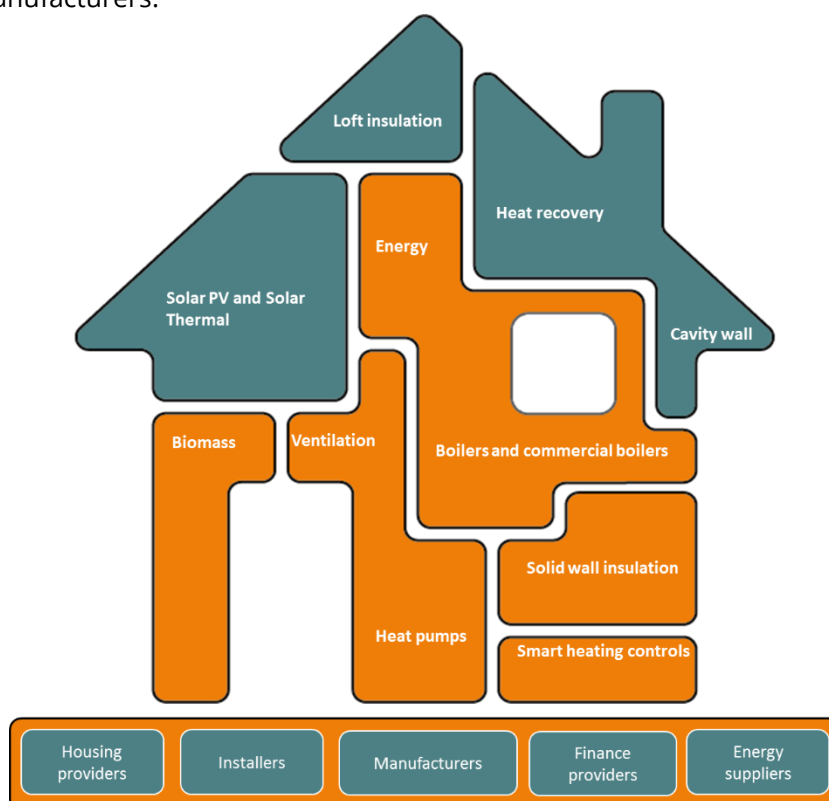
**Submission Deadline: 20<sup>th</sup> August 2018**

**Response submitted by: Sustainable Energy Association**

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### About the Sustainable Energy Association

The Sustainable Energy Association is a member based industry body. We are technology agnostic, taking a whole house and whole heating system approach, which does not favour one technology over another but rather focuses on the right solution. We promote holistic approaches to developing heat policy 'wrap then heat' in line with our wide-ranging membership which covers housing providers, personal finance providers and energy efficiency and low carbon heating technology manufacturers.



**1. Do you agree with our administration of carry-over? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes, we supported the ability for suppliers to carry over surplus savings to count towards ECO3 delivery. We would highlight that carry over for CERO delivery at 20% is a significant amount for a future programme that is focussed on vulnerable customers. However, the proposal that suppliers will need to notify Ofgem with the equivalent lifetime cost saving will ensure that the benefits are accounted for appropriately.

The timescales for final determination and application to credit a surplus action are reasonable. Any timelines associated with carry over need to be made available to suppliers as early as possible to enable them to prepare their notification and complete the template ahead of the final application date. Providing insight into assumed rates of carry over as part of the ECO progress reports would be useful to give the industry an understanding of expected delivery.

It is important that the same definitions are used if carry over is allowed. We therefore support the proposal for carry over to be counted towards minimums so long as the measures meet the ECO3 definitions and adhere to any restrictions that will be brought in as part of ECO3. In regard to the rural minimum, we would stress the need to publish these datasets as soon as possible to allow suppliers to plan and avoid a hiatus in delivery.

Importantly, there is a need to provide certainty to the market. If there is a significant delay between the end of ECO2t and the Order being introduced, there may be a risk to suppliers delivering during this period. Assurances that rules, minimums and eligibility criteria will not be changed will be needed. It is recommended that open letters or similar public assurances should be considered to provide this certainty and to avoid a hiatus in delivery. We acknowledge that the aim is for the debates to be held as soon as possible, however this risk of delay is a concern. After the 1<sup>st</sup> October, industry will need assurances if they are to carry out any works in relation to ECO.

If there is a gap between the end of ECO2t and the introduction of ECO3, Ofgem will need to be prepared for a potential influx of notifications. If delays in acknowledgements are expected, industry should be informed of these and Ofgem should ensure that the resource is available to cope with this potential increased workload.

**2. Do you agree with our administration of early delivery? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

The outlined approach is reasonable. We would stress the need to provide certainty to suppliers and the supply chain and emphasise the importance of introducing the draft Order as soon as possible.

**3. Do you agree with our proposal that child benefit should only be used as evidence of eligibility where it is the only available route to eligibility? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

We supported the proposal to extend the eligibility to households in receipt of child benefit and we agree that an income threshold should be introduced to ensure that those on low income are supported.

We would emphasise the need to provide a clear role for suppliers from an administrative point of view. Clear expectations on evidence requirements in terms of audit would be welcomed to ensure compliance. In addition, the consequences of a false declaration need to be made clear to installers and suppliers to ensure that they understand the risks. The process of identifying eligible households needs to be straight forward and asking for personal data can be a barrier for delivery. As with LA Flex declarations, suppliers should be held responsible for an individual falsely declaring eligibility. Moreover,

It would be useful for a standardised template to be developed to capture all the necessary information. Similarly, guidance material in regard to all eligibility criteria should be developed to help suppliers and installers understand what evidence they should be collecting for example photos of relevant documents for reference.

**4. Do you have any suggestions for verifiable means of evidencing household income & Child Benefit, or other means of evidencing the new Ministry of Defence benefits? If you have a suggestion, please provide evidence to support your response.**

We would like to see data match being introduced to make verification easier for suppliers and the supply chain, however we appreciate that this may take some time to develop. It is important to understand where the responsibility sits in regard to recording and evidencing household income.

**5. Do you agree with our administration of the new PRS rules? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes, we agree with the process proposed. We agree that suppliers will need to provide evidence of a property's initial EPC rating.

EPCs have a 10 year lifespan and this can mean that they are out of date even if they are 'valid'. They could be out of date due to changes to SAP or because a measure has been installed since the EPC was produced. We therefore think it is important that customers and Local Authorities are asked to sign a declaration to confirm no improvements have been made to the property since the EPC was conducted and therefore providing assurance the EPC rating is accurate.

To ensure that households have access to the most up to date information about their property and to increase the salience of EPCs amongst consumer we would like to see them updated more regularly to take into account any changes to the property. Moreover, updating the EPC will help to confirm that the measure proposed is the most appropriate measure for the property and identify others that could be installed at the same time. It may encourage a whole house approach to be taken. Whilst we understand that this is not within the remit of Ofgem, it is something that should be considered in the context of any home improvements.

Confirmation of tenure is also welcomed to reduce the risk of gaming. Again, it is important for suppliers and the supply chain to understand how this process will be audited.

**6. Do you agree with our proposal that where measures that provide equivalent savings to solid wall insulation are installed, all relevant measures would need to be installed within a six-month period to count towards the SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes, we agree, although it should be considered whether a provision needs to be provided for large scale projects where there could be over six months between the first and last installed measure.

Where multiple measures exceed the solid wall insulation equivalent score and one of those measures needs to be put on hold, this should not impact the remaining measures if they are still equal to or exceed the required score.

**7. Do you agree with the other elements of our administration of SWMR? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

We agree that the relevant deemed score should be if solid wall insulation was installed to the entire property. We welcome the additional fields being added to the ECO notification template to make it easier for suppliers to notify Ofgem of measures. We agree with the proposals that if measures do not exceed the solid wall score then the measures will not count towards the SWMR.

We also welcome the proposal that fossil fuel heating systems will not be included in this minimum. Whilst we support BEIS encouraging multiple measures and whole house approaches, we strongly believe that addressing the building fabric first should be a priority where cost effective. The proposal to allow combinations of measures to deliver the same bill saving outcomes as SWI should only be allowed if the property cannot cost effectively be improved with SWI. We think that it is unlikely that combinations of measures will provide the same lifetime bill savings as solid wall cost effectively.

**8. Do you agree with our proposal that transferring in-fill measures would not be possible until all connected measures are approved? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

It is important that the administration process for in-fill measures does not cause significant delays and limit the risk of errors.

A proposed approach was discussed at the Ofgem workshop. Unfortunately, we are unable to provide comments on this as we received the detail around the approach early on 20<sup>th</sup> August and this did not provide enough time to consult our members in full.

**9. Do you agree with the other elements of our administration of in-fill for SWI and DHS? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes however, whilst we agree with the six month window, we would advise that some flexibility is given for large projects which may exceed these timescales yet deliver significant benefits.

**10. Do you agree that we should continue to use the same criteria for determining if a heating system is broken as we currently use (as detailed in paragraph 6.15)? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes. We agree that the definition should not be altered at this stage to ensure consistency.

For boilers this is "when connected to electric and fuel suppliers, it does not respond appropriately to any demand for heat as required by the central heating or domestic hot water system". For electric storage heaters this is "when connected to an electric supply, it does not store heat or does not deliver any heat. We agree that the definitions used for boilers can be transferred to district heating on the same fuel.

Combining the boiler assessment checklist and the electric storage heater assessment checklist would be welcomed.

**11. Do you agree with our proposal to continue to use the definitions and tables in the boiler assessment checklist and electric storage heater checklist to determine if broken heating systems can be economically repaired? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes.

**12. Do you know of any heating systems (other than boilers or electric storage heaters) for which we would need to develop a definition for inefficient? If you do, please provide evidence to support your response.**

Due to the short timescales for this consultation, our members have not been able to consider all the potential scenarios. However, we agree with the proposal for suppliers to contact Ofgem directly to discuss when they wish to upgrade a heating system other than a boiler or electric storage heater. In regard to the definitions, we do not foresee any difficulties but if any issues arise for suppliers, we would urge them to contact Ofgem to discuss these and for Ofgem to be open to changes if needed.

**13. Do you agree with our proposal to use a declaration to evidence first time central heating? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes, we agree that a declaration should be used, however it needs amending to recognise the proposed change to expand the eligibility for FTCH to include premises that are, or have previously been, heated by electric storage heaters. All of the heaters in the premises must be broken or inefficient (SAP responsiveness rating of 0.2 or less). We propose breaking the declaration into two parts as shown below.

Ofgem Proposed text:

"I, the owner of the premises, declare that to the best of my knowledge, at no point prior to the installation of the first time central heating measure did the premises have a central heating system (including renewable central heating), district heating connection, or working, efficient electric storage heaters."

SEA proposed change:

"I, the owner of the premises, declare that to the best of my knowledge, at no point prior to the installation of the first time central heating measure did the premises have a central heating system (including renewable central heating) or district heating connection."

OR

"I, the owner of the premises, declare that to the best of my knowledge, prior to the installation of the first time central heating measure the premises was heated by electric storage heaters which are all either broken or inefficient (has a manufactured responsiveness of 0.2 or less when assessed against SAP)."

**14. Do you have any suggestions for our administration of demonstration actions? If you do, please provide further information, including any evidence, to support your response.**

We agree that the application form for demonstration actions should include:

- how the measure is expected to achieve cost savings;
- the arrangements for monitoring whether the measure achieves cost savings;
- how the participant will assess the effectiveness of the measure at achieving cost savings;
- the number of domestic premises at which the participant intends to promote the installation of the measure;
- the arrangements for ensuring the safety of the measure, for repairing or removing faulty measures and for preventing or remedying any adverse impacts caused by the measure on the domestic premises at which it is installed;
- the estimated cost in pounds sterling to be incurred by the participant in respect of the matters described above;
- confirmation that the action does not include:
  - the installation of equipment for the generation of heat wholly or partly from oil; or
  - the installation of equipment for the generation of heat wholly from a non-renewable source.
- how the action is different from existing measures, for example due to one or more of the following:
  - the production method;
  - the installation method;
  - the materials used;
  - the technology used;
  - the expected costs of promoting the measure.

We also agree that demonstration actions must be technology readiness level 8 or 9.

We note that the panel will be expected to sit every three months to assess applications. Ahead of the first round of assessments, there will need to be more detailed guidance from both BEIS and Ofgem. The panel should be brought together as soon as possible to feed into the development of the application forms and application process. The panel should consist of BEIS representatives, Ofgem representatives, Industry experts and academia.

In regard to the feedback from the application process, we would like to see feedback anonymised and made publicly available to allow other applicants to learn from the process and avoid similar mistakes. Given the commercially sensitive nature of the applications, we appreciate that not all information will be made available but some high level characteristics of applications may be helpful. If a solution is rejected, it is likely that similar measures may also apply in the future. To avoid industry and suppliers investing time and money in applying, it would be useful for this information to be made available. We propose that rejections should be listed with 'measure types' listed rather than specific company or product details. Innovators of similar products should then be able to approach Ofgem and the Panel to discuss whether their measure will be automatically rejected prior to engaging with suppliers. It may be the case that their product overcomes some of the barriers or addresses concerns raised by the panel so may be successful. But it is important that Ofgem provide some insight into technologies or installation practices that will not be eligible to avoid wasting time and investment.

**15. Do you have any suggestions for our administration of innovation measures? If you do, please provide further information, including any evidence, to support your response.**

We agree that the application should include:

- how the measure is significantly different from measures previously installed under ECO or predecessor energy efficiency schemes;
- a description of the characteristics of the measure;
- reasons why the current deemed scores are unsuitable for the measure;
- evidence of how the measure is:
  - an improvement on the measures that would otherwise be promoted by the participant; or
  - an improvement on the measures promoted by licence-holders to meet their obligations under previous energy efficiency schemes; and
- confirmation that the measure is not:
  - a district heating connection;
  - the installation of equipment for the generation of heat wholly or partly from oil; or
  - the installation of equipment for the generation of heat wholly from a non-renewable source.

**16. Do you have any suggestions for our administration of in-situ monitoring? If you do, please provide further information, including any evidence, to support your response.**

There is a performance gap and using in situ monitoring may help to encourage higher quality installations and thus deliver additional energy savings. This route could encourage innovation in terms of product mix and installation practices.

We agree that suppliers will need to submit an application that sets out:

- the measures they plan to install and monitor;
- the monitoring equipment that they plan to install;
- the numbers of each of the above;
- the methodology that will be used to monitor the performance;
- how the monitoring arrangements will improve the knowledge base of the savings achieved by the measure.

The application form to be used for in-situ performance should be published as soon as possible to allow the supply chain to deliver innovative solutions to monitoring measures. BEIS is due to launch the Smart Meter Enabled Thermal Efficiency Ratings (SMETER) Innovation Competition shortly which will run until January 2021. The measures and solutions developed as part of this competition could prove useful as part of the in-situ monitoring element of ECO. The competition supports BEIS' Clean Growth Strategy commitment to 'explore measuring actual building performance using data from smart meters'. The recent supplier day highlighted that the technologies supported by the competition could help to promote more innovation through the new innovation strand of ECO and more accurate savings calculations. This should be considered as part of the in-situ monitoring of measures.

We support the use of a panel to assess applications. The panel should draw on a wide range of expertise.



The in-situ performance targets should be agreed in advance of the scheme and widely disseminated to ensure that the supply chain is aware of these figures. We support the number of monitoring measures installed being published.

It is important to understand what Ofgem and BEIS wish to monitor. Detailed guidance in regard to in-situ monitoring will be needed.

Fuel poor households are likely to be underheating their home prior to works being carried out and this could impact the savings seen in reality compared to modelled savings. For example, due to comfort take, a household may in reality see an increase in their energy bills as they are able to afford to heat their home. This should not be seen as a negative as consumer wellbeing is improved. There is therefore a risk that suppliers going down the in situ performance route may not see the energy bill savings expected as a result of comfort take so this will need to be incorporated into the analysis. We recommend that a benchmark will need to be considered as part of the in situ monitoring. A benchmark using modelled performance pre-works could be used as a comparison to show savings in that situation assuming the occupants were heating the property to a given temperature. The modelling could then be compared pre and post works against actual in situ data. This may help to understand the energy saving and provide energy companies with an incentive to treat underheated homes.

The timeframes associated with monitoring a property prior to installation may be a barrier to uptake. Consumers are likely to want measures immediately rather than being monitored for a period of time prior to installation. The use of smart meter data and weather data could help to reduce this timeframe.

**17. Do you agree with our administration of the uplift? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

Yes. We agree with the proposal for suppliers to demonstrate the energy efficiency rating of the property by providing the report reference number.

We welcome the development of deemed scores with the uplift included for ease of use.

**18. Do you agree with our proposal that measures installed in accordance with PAS 2030: 2017 Edition 1 must be notified to an organisation (such as a certification body) accredited to EN 45011 or EN ISO/IEC 17065:2012? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

We agree that from 1 October 2018 installers will need to be certified to and install measures in accordance with PAS 2030: 2017 Edition 1. We support the continued collection of the installer's PAS 2030 certification number as part of measure notification.

We seek clarification in regard to the statement 'To demonstrate that measures have been installed in accordance with PAS 2030: 2017 Edition 1 they must be notified to an organisation (such as a certification body)'. We would like to understand how installers will notify measures to a certification body and how this will be administered.

**19. Do you agree with our proposal that, where a supplier does not wish to register a DHS project with Heat Trust, they must arrange an audit by a third party and the result of the audit must confirm that the arrangements are equivalent to the requirements under Heat Trust? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**



Yes, it is important to ensure that consumers receive adequate protection and suppliers should be required to demonstrate that appropriate steps have been taken to deliver this. The Heat Trust Code of Practice should be used to provide guidance for suppliers operating in this field. We agree that if the Heat Trust Code of Practice is not used then an audit should be used to confirm that the network adheres to equivalent requirements.

We would like to see simple but effective regulation and Government support to ensure that consumer protection is delivered across the energy sector. This will ensure that not just those receiving support via ECO are protected but that all consumers receive adequate consumer protection. The CMA has made some recommendations for future regulation on heat networks and while the timescales are uncertain for the Government response, Ofgem should allow flexibility to incorporate any changes for ECO3 delivery that may be required as a result.

**20. Do you agree with our administration of the new definition of 'cost saving'? Please provide further information, including any evidence, to support your response.**

Yes,

The definition of cost savings has been changed meaning that electricity savings can count towards a supplier's obligation, providing the measure delivers space heating savings. These savings exclude any electricity generated for the purpose of heating to avoid double counting. We agree with the proposal to use SAP to calculate this saving.

As scoring methodologies are developed these should be made available to allow others to use them and promote the installation of products that produce both heat and electricity.

We agree that if a supplier wishes to install a measure other than solar, they will need to contact Ofgem directly. Domestic small scale combined heat and power (CHP) plants may also deliver electricity savings, we would recommend Ofgem look into how the savings associated with CHPs could be recognised. Innovative solutions such as Fuel Cell CHPs should also be considered.

**21. Do you agree with our revised interpretation of 'domestic premises'? If you disagree, please provide evidence that the premises outlined in paragraph 9.18 should be treated as domestic premises.**

We agree that hostels, guest houses, hotels and student halls of residence should not be included in the definition of 'domestic premises'.

However, we would recommend that the proposal to exclude care homes is reconsidered. The term care home as defined in the Care Standards Act 200, covers a wide range of establishments all of which offer accommodation and care<sup>1</sup>. Care homes offer domestic accommodation for vulnerable people who need additional support.

<sup>1</sup> <https://www.magonlinelibrary.com/doi/full/10.12968/nrec.2017.19.5.288>

Care homes within the meaning of the Care Standards Act 2000 are treated as a multiple property/single dwelling for both residents' and staff accommodation and are be banded accordingly.<sup>2</sup> Some are used primarily for the purposes of convalescence and treatment with the intention that occupants will eventually leave to live elsewhere. However, residential care homes are very often the permanent place of residence for occupants, it is their registered mailing and correspondence address and listed as their place of residence on the electoral register. Some care homes may also offer staff accommodation where their main residence is elsewhere, but they will only stay for a short period.

Tenants are issued with occupancy agreements which governs the relationship between the landlord and the tenant and sets out the various rights and responsibilities. Such agreements are in place where the establishment is a care home.<sup>3</sup> Long-term residents in care homes hold permanent tenancies for their self-contained dwellings and receive care in addition to their accommodation. Care and accommodation may not be provided by the same company or individual.

It is important here to note that as per the Local and Government Finance Act 1988 'a building or self-contained part of a building is domestic property if it is used wholly for the purposes of living accommodation. We would argue therefore that dwellings within a care home where residents hold permanent tenancies should be considered a 'domestic premises' under ECO3.

The cost associated with heating care homes is significant and these costs are likely to be passed onto tenants. The biggest single cost to all care homes after staff is energy. Government recognition and support through ECO3 will encourage care homes to invest in their facilities and reduce energy costs, thus improving resident comfort and well-being and lowering costs for some of the most vulnerable in society.

**22. Are there any areas where you think further guidance would be useful?**

Further guidance around the innovation routes would be useful.

**23. Do you have any further comments on our proposed administration for ECO3?**

No

**24. Did you use our online response tool? If you used our online response tool, do you have any feedback?**

N/A

The online submission tool did not allow images and references to be added. We feel that it is important to allow respondents to submit a range of evidence types and the online response tool does not enable this.

<sup>2</sup> <https://www.valuationtribunal.gov.uk/wp-content/uploads/2016/01/council-tax-guidance-manual.pdf>

<sup>3</sup> [https://www.cqc.org.uk/sites/default/files/20151023\\_provider\\_guidance-housing\\_with\\_care.pdf](https://www.cqc.org.uk/sites/default/files/20151023_provider_guidance-housing_with_care.pdf)