



E.ON response to Ofgem's ECO 3 consultation

20th August 2018

Question 1

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

1. Yes, so long as any measures that are subject to caps can be allocated against the equivalent cap in ECO3 and that any uplifts applied are retained in the new scheme.

Question 2

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

2. We welcome that early delivery measures will not be subject to an interim scoring regime and ECO3 deemed scores will be applied. Due to the inherent risk in that the Order has not yet been made, it is our belief that only the lowest risk measures will be delivered during this period (for example, cavity wall insulation and loft insulation). We also welcome Ofgem's offer of providing a voluntary service to screen measures before official Notification is possible. This will allow both Ofgem and suppliers to test the redeveloped ECO Register.

Question 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.

3. Yes, we agree with this proposal.

Question 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.

4. Any use of a self-declaration as evidence is open to abuse and fraud, and Ofgem have acknowledged this by stating that they will audit suppliers on these documents to ensure that they are accurate. It is not clear how either suppliers or Ofgem will ever know whether or not a self-declaration has been completed accurately.

5. Given these concerns we would need some assurance as to what Ofgem consider "accurate" to be, and would prefer that Ofgem agree that any declaration that we receive from our supply chain will be accepted as evidence with no further evidential requirements placed on the supplier. For an audit Ofgem could then contact the customers directly to verify the accuracy of the self-declaration, without the need for any information from the supplier. Without this assurance, it is likely that suppliers would need to introduce administratively burdensome processes to provide themselves with assurance which will have associated costs.
6. Due to the unverifiable nature of a self-declaration, E.ON would not have confidence in the results of any audit carried out by Ofgem, and believe that there should be no repercussions regarding the validity of the measure.
7. We also have concerns that this will present risks to suppliers, and therefore the supply chain both in managing fraudulent funding requests and in managing the potential loss of measures, and the commercial impact on the cost of delivering the obligation.
8. Clarity will also be required from Ofgem on how suppliers can verify income for cases where the income of the householder fluctuates throughout the year, for example if they are on a zero hours contract for their employment.
9. The Relevant Third Party declaration adds no value, and will not provide any assurance that the householder has completed the self-declaration accurately, and is as open to fraudulent practice as the main declaration. Therefore, we believe that this should be removed from any self-declaration document that is developed.

Question 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.

10. Yes. Energy customers should not be expected to finance measures required in a private rented property to bring the property to the minimum standards as required by the new PRS MEES regulations.
11. We note however that the requirement to provide the property's initial EPC RRN for every private rented tenure property will add a considerable amount of administrative burden to these measures, and will therefore increase the cost of delivering PRS measures within ECO3.

Question 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.

12. Yes, we agree with this proposal, a six-month period should be sufficient to carry out the necessary works to achieve the combined savings equivalent to SWI.

Question 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.

13. Yes, we agree with this proposal.

Question 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.

14. Yes. From an administrative perspective, this is the most sensible approach.

Question 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.

15. Yes, we agree with these proposals.

Question 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.

16. Yes, we broadly agree with this approach.

17. We do not see any benefit in attempting to combine the current Boiler Assessment Checklist and the Electric Storage Heater Assessment Checklist. It has been a challenge to educate the supply chain on how to complete the existing documents correctly during the previous ECOs, and they are now used to the current documents. Combining these will cause confusion and will run the risk of suppliers rejecting completed checklists to be corrected, which will lead to delays in the installation of the measures.
18. For district heating, using the existing repair tables from the Boiler Assessment Checklist will be acceptable if it is the actual heat interface unit that is not working and not producing heat (although there would be additional questions needed like fuel distribution for biomass DHS). However, if the problem is that the DHS system is not distributing heat, then the repair tables as they stand would not be sufficient.
19. Further detailed investigations into for instance: flow and return pipe size, adequate pumping, correct installation, degradation of the system over time, leakages and sludge would all need to be considered, which could then impact on the financial viability of delivering the measure.

Question 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.

20. Yes, we agree with this proposal.

Question 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.

21. We are aware of a small number of other heating systems such as warm air systems, but these are very rare, and we don't believe it would be worthwhile for Ofgem to develop a definition for inefficient where there are only a few systems. A better approach would be to develop a definition on a case by case basis if suppliers do find these rare systems.
22. Where the householder is relying on temporary room heaters, single point gas heaters or open fires, a definition would not be required as these would qualify for First Time Central Heating.

Question 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.

23. As with the proposal to introduce a self-declaration to verify Child Benefit income (see question 4), it is difficult to know how either suppliers or Ofgem can ever know whether a self-declaration has been completed accurately, and therefore we disagree with this proposal.
24. The use of the words “to the best of my knowledge” is ambiguous, and it is unclear what the consequences on a supplier would be if it is later found that a property has previously had a central heating system, as all that the owner has declared is that there was none present “to the best of their knowledge”. They can simply state that they did not know, but the supplier would have already funded the installation of the heating system within the property.

Question 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 have combined the answer to this question within question 15

Question 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.

Answer to both 14 & 15

25. We welcome that Ofgem and BEIS will be publishing additional guidance on the application process for both innovation uplift and demonstration actions. We urge both organisations to ensure that this guidance is published as soon as is practically possible in order to maximise the potential for innovation within ECO3.,
26. Any published guidance should be very detailed and prescriptive so that it is clear what information will need to be submitted, and in how much detail. This will ensure that resource time spent, both by Obligated Suppliers and Ofgem will be used productively. We would also urge Ofgem to ensure any guidance is as specific as possible in terms of the technical and key performance requirements, so that developers can be certain of what is expected from their proposed innovation measures before engaging with suppliers.
27. The application process should not be lengthy and drawn out, and ideally Ofgem will commit to service level agreements in order to ensure that each stage is processed within a

reasonable timeframe. To this end, we welcome that Ofgem have stated that they will learn the lessons from CERT in terms of a timely application process.

28. The composition of the review panel needs to include a broad range of expertise and be relevant to the innovation being assessed. It is also important that the assessment and decision making process is transparent and unambiguous. It should be explicitly clear to suppliers how and why Ofgem have reached a decision. Additionally, a straightforward appeals process should be developed, so that an application that has been rejected can be re-assessed if the supplier disagrees with the decision.
29. We would also welcome the opportunity to discuss any innovation proposals with Ofgem during the application process, so we would encourage Ofgem to incorporate this option within the application process.

Question 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.

30. It needs to be made clear how Ofgem will evaluate in-situ monitoring, and what the “in-situ performance targets” are and how they have been developed. Also, it is not clear how Ofgem will take into account the effects of natural variability due to behaviour, occupancy, change of circumstances, holiday or vacancy, weather, equipment issues etc when assessing the performance of these measures. Ofgem will also need to provide clarity on how the issue of comfort will be addressed. To measure the impact of this properly, the temperature both inside and outside of the property will need to be measured concurrently, which will add a considerable cost to the delivery of these measures.
31. It is also important that any technical experts employed to help Ofgem evaluate the results of in-situ monitoring must be independent of both the manufacturer, the supplier and Ofgem.

Question 17

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

32. Yes, we agree with this proposal.

Question 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.

33. Installers are already required to do this but we're aware that many measures are not reported and are therefore not included in any monitoring and audit regime by the certification bodies. This is a further example of suppliers policing the certification industry and therefore we do not agree with this proposal. Ofgem (via BEIS) should instead put pressure on UKAS to ensure that its accredited scheme providers are compelling their members to report their own measures.
34. It is difficult to fully understand the implications and consequences of this proposal by Ofgem to mandate the reporting of measures by Obligated Suppliers.
35. Clarity would need to be provided on the process and consequences for instances where measures notified to certification bodies fail any subsequent audit by the certification body, both in terms of the measure we have Notified to Ofgem, and our ability to work with installers that we have contracts with.
36. It is unclear what protection there could be for suppliers for any future claims due to measures that have been installed in ECO incorrectly.
37. E.ON fundamentally agrees with the principle that installed measures should be reported to the certification bodies, to allow for the appropriate PAS 2030:2017 regime to be followed, but we believe that this is the responsibility of installers under PAS 2031, and not Obligated Suppliers. Obligated Suppliers should only have to evidence that the installer is PAS 2030 certified to install the specific measure. Many measures installed will be required to be notified for Building Regulations and therefore the responsibility sits with the installer to complete this notification in tandem with the requirements of their certification body.
38. It is not right that suppliers are effectively policing the certification industry to ensure adherence to PAS. If the certification bodies made sure that installers were reporting all of their measures, there would be a significant reduction in administration and costs for suppliers as there would be no need to check these elements in as much detail during a Technical Monitoring visit, making each visit shorter and therefore more inspections could be carried out each day.



39. Paragraph sent separately as confidential.

Question 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.

40. Yes, we agree with this proposal.

Question 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.

41. Yes, we agree with this proposal.

Question 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.

42. E.ON broadly agrees with the proposal to change the definition of "domestic premises" to remove certain mainly commercial enterprises. Where we disagree is with the removal of care homes.

43. Whilst care homes are commercially run, they do not pay commercial rates. The tenants hold a permanent tenancy agreement, they are the tenant's home and permanent place of residence, and their address is included on the Electoral Register. All of the other property types being removed are usually only occupied on a temporary or short term basis.

44. We therefore believe that care homes should remain in the definition of a "domestic premises" for ECO3.

Question 22

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

- 45. It would be useful to have additional guidance on what constitutes 100% of a measure for the more quirky and low volume measures. For example: for underfloor insulation, is there a requirement to insulate any upper floors in order to claim 100% of the measure? Providing this guidance before any measures are installed in volume will help to avoid confusion in the supply chain and a repeat of the issues that we have seen with room in roof insulation during ECO2.
- 46. If Ofgem introduce a self declaration to verify the child benefit income threshold, then very clear guidance from Ofgem on how the income threshold can be verified whilst mitigating the risks highlighted in our response to question 4, will be required.
- 47. E.ON would also ask that clear guidance is provided on how to determine the correct starting U-value for solid wall insulation in order to select the correct deemed score now that the house age band, wall construction type and geographical location variables have been removed from the deemed score tables for ECO3.

Question 23

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

- 48. The introduction of more uplifts and sub-targets, makes ECO3 even more complex than previous schemes, which has a knock on effect on the costs of developing our systems to manage the scheme. Ofgem should ensure that it's final guidance does not introduce even more complexity by introducing additional evidential requirements that are not really necessary (for example, the Relevant Third Party declaration for child benefit validation), as requirements such as these contribute to the costs of developing systems.
- 49. E.ON welcomes the opportunity to collaborate with Ofgem in order to develop guidance that provides clarity and helps to simplify the scheme which would therefore reduce the costs of delivering the scheme.

Question 24

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

- 50. E.ON has not used the online response tool.