



## **Energy Company Obligation (ECO3) Improving consumer protection**

### **E.ON Energy Solutions Ltd response**

**3<sup>rd</sup> December 2019**

#### **Question 1**

**Do you agree with our proposal to create three new fields in the notification template to capture an installer's TrustMark license number, lodged certificate ID and TrustMark Unique Measure Reference Number for verification purposes? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

1. Yes, E.ON agrees with this proposal.

#### **Question 2**

**Do you agree with our proposal to verify certain data fields with TrustMark's Data Warehouse? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

2. We acknowledge that Ofgem will need to verify certain data fields that have been input into the TrustMark Data Warehouse, and we agree that the data items proposed to be verified will provide sufficient assurance that the measure has been installed by a TrustMark Registered Business, is compliant with the relevant PAS requirements and that the installer is certified to the correct version of PAS.
3. We believe that it will be essential that Ofgem have robust processes in place to ensure that the common data between the ECO Register and the TrustMark Data Warehouse are reconciled and any mismatches are rectified. It is unclear at this stage which system will have the higher authority, but it should never be an Obligated Supplier's responsibility to verify or correct data in a system that they have no requirement to engage with.
4. Having said this, as an Obligated Supplier, we are constantly looking for ways to improve efficiency in our delivery, and therefore reduce administration and costs. In order to minimise the additional administration and resource requirements of processing an "error file" at some point in the future, we would like to pre-validate the proposed data fields with the Data Warehouse, before we Notify the data to Ofgem.
5. We believe that it is highly likely that there will be significant mismatches of address data due to the ECO Register (and our systems) using PAF formatted address data, whilst the Data Warehouse will use Google Maps address format. Ofgem and TrustMark will need to agree an approach to Residual Addresses that does not place any additional administrative burden



on Suppliers. We suggest that for ECO purposes, evidence of Lodgement in the Data Warehouse, is sufficient evidence to validate a Residual Address.

### Question 3

**Do you agree with our proposal on how the transition of appropriate guarantees will be carried out? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

6. In principle, E.ON agrees with the proposal to transition the Appropriate Guarantees to TrustMark's financial protection conditions.
7. We do have very real concerns about the availability of 2-year warranties for all measures from 1<sup>st</sup> January 2020, when the ECO3.1 Order comes into force.
8. A 6-month transition period is set out in the ECO3.1 Order to give industry time to develop 25-year Appropriate Guarantees for underfloor insulation and room in roof insulation measures, which will be mandatory from 1<sup>st</sup> July 2020, no such arrangement is in place for the 2-year warranties that must be issued for all measures not covered by an Appropriate Guarantee.
9. We note that the requirement for a two-year warranty is part of TrustMark's Framework Operating Requirements, and a Registered Business will not be able to Lodge a measure without issuing one. However, it is unclear whose responsibility it is to develop these warranties for completed measures after 1<sup>st</sup> January 2020, and how they will be made available to both the installers and consumers.
10. We think that the Notification by suppliers of the TrustMark Property Reference Number and Lodgement Certificate ID should be sufficient evidence for Ofgem to be satisfied that this (and all other Trustmark requirements) have been met.
11. Should these warranties not be available from 1<sup>st</sup> January 2020, Ofgem and BEIS will need to provide assurance to Suppliers that there will be a mechanism put in place that allows the supply chain to continue to deliver ECO measures. A halt in delivery early in 2020 could be disastrous for the supply chain and could dent Supplier's delivery plans to achieve their obligations.

#### Question 4

**Do you agree with our proposal that suppliers will be required to conduct technical monitoring and score monitoring until TrustMark are able to take full responsibility of the process? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

12. E.ON broadly agrees with this proposal, and welcome Ofgem's intention to transfer technical monitoring responsibility to TrustMark.
13. We note that there is little detail available regarding the TrustMark pilot, and we would urge both Ofgem and TrustMark to ensure that Suppliers are kept informed and updated with progress throughout. It is also unclear what Ofgem's approach would be if the pilot is not successful within the timescales set out.
14. We would like to know whether the results of the pilot will be shared with Suppliers. We would also like to understand how TrustMark are avoiding duplication with official Technical Monitoring with their trial inspections, and whether the results of these would have any impacts on Suppliers' results and whether they will count towards our TM percentage targets.
15. We would also seek clarity about what Ofgem's process will be for any measures that are still on a Pathway to Compliance at the time monitoring transfers to TrustMark.
16. Once monitoring has transferred, it is unclear where the responsibility lies for any remediation. We would argue that it should not be the responsibility of a Supplier to manage substandard workmanship once the installer is working within the TrustMark Operating Framework, irrespective of the PAS standard that they are working to and we believe that it should be responsibility of TrustMark to manage this.
17. We seek clarity as early as possible from Ofgem about how they will approach measures that have been found to have failed or where TrustMark identify a high rate of failure for a particular installer, and how this will affect Suppliers.
18. We have grave concerns around cost control of score monitoring when it is being carried out by TrustMark inspectors and the visit to the customer's property is outside of our control. Currently E.ON has rigorous processes and policies in place to ensure that our procurement and tendering activity result in the most cost-effective outcome. When this activity is outside of our control, how are Ofgem ensuring that the activity remains cost effective and is not "gold plated". There is also the question of who pays and how?
19. We need clarification as early as possible on how Ofgem's score monitoring processes will work – how soon will Ofgem receive data from TrustMark, and then how will they communicate to suppliers. Will the current Pathways to Compliance process endure?



#### Question 5

**Do you agree with our proposed approach to the administration of FTCH insulation requirements? If you disagree, please provide alternative suggestions, including any evidence, to support your response**

20. In principle, E.ON believes that insulating the fabric of the property before installing a new heating system is the right thing to do.
21. We agree that the use of a pre-installation EPC would provide sufficient assurance of the state of the walls & roof prior to the installation of any measures. We would ask that Ofgem accept the EPC's accuracy on face value having been undertaken by a qualified DEA, affiliated to an accreditation body and additionally Lodged with Landmark, and we would urge Ofgem not to compel Obligated Suppliers to carry out further accuracy checks on the accredited EPC assessment outcome.
22. An alternative to an EPC for cavity walls could be the CAV1 check which has been a requirement of PAS2030 since the 2017 update. We appreciate that this would only be a limited option for cavity wall installations carried out since installers have been working to PAS2030:2017, and there would need to be access to the data set to enable Suppliers to verify whether cavity wall insulation has been installed.
23. We think that Footnote 107 on page 100 of the draft Delivery Guidance is misleading. The ECO3 Amendment Order makes it clear that this precondition only applies to walls of cavity construction. We suggest that Paragraph 4.88 is redrafted to reflect this.
24. We also notice that in the draft Delivery Guidance for this section, there appear to be a number of minor drafting errors. We would ask that Ofgem carefully review the drafting prior to publishing their final guidance, to ensure that Suppliers are working to correct information.

#### Question 6

**Do you agree with our proposal that weather / load compensation should be a stand-alone measure type, rather than the savings being included in scores for installing gas and LPG boilers? If you disagree, please provide alternative suggestions, including any evidence, to support your response.**

25. E.ON fundamentally disagrees with this proposal in principle. The Deemed Scores were intended to simplify the administration of the scheme, and this proposal serves to create additional complexity and administration. This contradicts the ECO3 Order in that Deemed Scores should be "easy to use".
26. This is a further example of attempting to make a Deemed Score slightly more accurate. The Ofgem/BRE Deemed Scores Methodology document states that "the deemed score

calculated for each measure is unlikely to match the actual saving for a specific installation in a given dwelling but will be an average or typical saving representative for the stock”.

- 27. Our analysis shows that the impact of this proposal to the accuracy of the scores for gas & LPG boilers is negligible and the additional administration required by this proposal is disproportionate to the what Ofgem hope to achieve with this proposal.
- 28. As Boiler Plus is only a requirement in England, if this proposal goes ahead, Ofgem would have to have to duplicate each relevant Deemed Score resulting in separate scores for England to those for Scotland & Wales. Again, the complexity in ensuring that the supply chain and Suppliers select the correct Deemed Scores will probably require system development and is disproportionate to the intended impact.

#### Question 7

**Do you think that a change in approach is necessary for scoring multiple measures? If so, please indicate your alternative approach, including any evidence, to support your response.**

- 29. Yes E.ON think a change in approach is necessary.
- 30. We strongly believe that the current approach to scoring multiple measures is inconsistent with the ECO3 Order and actively discourages a whole house, single project approach to home improvement, which the introduction of TrustMark into the scheme seeks to encourage.
- 31. Article 33 (3) of the ECO3 Order 2018 states that “...the Administrator must have regard to: a) SAP/RdSAP and b) the desirability of the methodology being easy to use”.
- 32. The current, and the second proposed approaches, retain a requirement to rescore the original measure with a revised heating source at some point in the future. This contravenes the conventions of SAP & RdSAP which insist that a property is modelled “as is” at the time of the assessment. They are also not “easy to use” as the additional administration, resource and associated cost with having to rescore measures at a later date is significant.
- 33. We believe that the current approach, and any proposed approach where there is a requirement to return to previously Notified measures and rescore them results in unintended consequence of actively discouraging a whole house approach by installers treating these measures as single entities without any relation to the other. These will often be passed to different Suppliers with the same pre-main heating source to maximise their revenue, and the Supplier in most cases will not be aware of the existence of the related measure.
- 34. We would prefer an approach where all measures in a “single project” are scored from a single base point. This being the original heating source that was in use at the beginning of

the project, before any measures included within the project, being applied to all the measures installed within the project. We believe that this approach is fair and equitable, is aligned the ECO3 Order, and will actively encourage the whole house approach that PAS2035 attempts to deliver.

35. This approach would require a “single project” to be tightly defined, but we believe that this is the only way that the supply chain will consider installing multiple measures in a single property and providing them to the same Supplier.

#### Question 8

**Do you agree with our proposal to split out the existing underfloor insulation score into solid underfloor insulation and suspended underfloor insulation? If you disagree, please provide alternative suggestions, including any evidence to support your response.**

36. E.ON welcome’s the proposal to split the existing score for underfloor insulation into solid floors and suspended floors. As Ofgem have previously recognised, the installation of insulation to these different floor types requires different skills sets that are unlikely to be held by a single installer.
37. However, we believe that clarity is required on the terminology as there are actually three types of insulation treatment for floors:
- a. Suspended timber floor
  - b. Suspended solid floor (eg the ceiling of an unheated cellar)
  - c. Solid Floor (insulation applied to the top surface of the floor)
38. The use of “underfloor” is only suitable for the first two types above, so we would urge Ofgem to carefully consider which actual measure type fits into which ECO measure, and to give thought to the actual measure name. The current proposal will inevitably cause confusion and could lead to incorrect measure types being Notified, which would require correction at a later date.

#### Question 9

**Do you know of any other situations where failed cavity wall insulation would need to be removed that we should be aware of that would help us to clarify the guidance? If so, set out any examples, and provide supporting evidence as required**

39. We welcome the additional guidance that Ofgem have provided in their consultation document, but it is disappointing that the clear explanation and wording of the consultation document has not been translated into the draft Delivery Guidance. We urge Ofgem to provide as much explicit guidance and clarity as possible with regard to cavity wall insulation extraction, as we know that there are unscrupulous operators in the industry that are



misleading consumers that they can have their cavity wall insulation replaced for free under ECO.

40. We do not believe that it should be the responsibility of Suppliers to work with industry to define a suitably qualified independent professional. This should be prescribed by Ofgem, and we believe that only a Chartered Surveyor with relevant qualifications or a Structural Engineer would meet this requirement.
41. There are two other situations where cavity wall insulation should be removed that we are aware of:
- a. Where there is an infestation in the insulation that is causing a risk to the occupier's health
  - b. Where the material used in the previous installation is inappropriate for that property, for example a property with a high flood risk.

#### **Question 10**

**Do you know of any heat sources which would fall within the 'Gas room heaters' pre main heat source category which are not fuelled by mains gas? If you do, please provide evidence to support your response.**

42. E.ON are not aware of any other heat sources that would fall into this category.

#### **Question 11**

**Do you know of any other categories of HMO that we should be aware of that would help us to clarify the guidance? If so, set out any examples, and provide supporting evidence as required**

43. We welcome that additional clarity and guidance on HMOs. We are not aware of any other categories that guidance could be clarified for.

#### **Question 12**

**Do you agree with our proposal to rename the measure categories and to move the measure types "Cavity Wall – External Insulation" and "Cavity Wall – Internal Insulation" into the measure category "Cavity Walls"? If you disagree please provide alternative suggestions, including any evidence, to support your response.**

44. Yes, we agree with this proposal.

### Question 13

**Do agree that the approach of introducing a separate and transparent behavioural usage factor would be an effective way of recognising that systems might be turned off or removed? If you disagree please provide alternative suggestions, including any evidence, to support your response.**

- 45. No, we do not agree.
- 46. Again, this is a further example of attempting to make a Deemed Score, slightly more accurate. Whilst we recognise that this will be applied primarily to Innovation measures, it is still contrary to the ECO Order which references that the Scores “must have regard to SAP/RdSAP and be easy to use”. We believe that this proposal meets neither of these requirements.
- 47. Neither SAP or RdSAP take occupancy behaviour into account, and the administrative burden and cost to implement this is disproportional to the problem that Ofgem are trying to solve.

### Question 14

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

- 48. We would like additional guidance and clarity on how chalets & holiday homes/second homes should be treated under the scheme. These often meet the Domestic Premises requirement and could be occupied by a member of the Help to Heat Group. More explicit guidance on when these are/are not eligible would be welcome.
- 49. We would also welcome any further guidance that Ofgem can provide in relation to the replacement of broken boilers, particularly as a distress call, under the requirements of PAS2035. In these instances, it is not always appropriate to assess what other measures are relevant for the property when the occupier has no heating or hot water, and replacing the boilers is an urgent need.

### Question 15

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

- 50. We have very serious concerns about the impact on the delivery of ECO3 and the readiness of the supply chain with regard to the transition to the 2019 PASs. Whilst we have been engaged in the development and welcome any improvement in standards, we believe that





the step change and the associated additional costs will inevitably result in many operators leaving the ECO supply chain.

51. There is a very real possibility that the requirements of the 2019 standards will shrink the ECO supply chain so much that it puts supplier's ability to achieve their obligations at grave risk.
52. We also believe that many installers will put off being certified to the updated standards for as long as possible in order to avoid having to sink the significant costs that will be incurred.
53. Whilst the 20% uplift on Deemed Scores might cover the additional costs of the installation process, it in no way compensates for the costs associated with upskilling elements of the supply chain with the required qualifications.
54. We would urge Ofgem to monitor closely the impacts that the introduction of PAS2035 has on Suppliers' progress towards their Obligations and engage with BEIS at the earliest opportunity if it looks like there is a risk that Suppliers will fail to meet their targets.
55. We welcome the additional clarity on for example HMOs and cavity wall insulation extraction, but it is disappointing that there are still several examples of proposals that, if adopted would place a significantly increased administrative burden on Suppliers with associated resource requirements and added costs.

#### **Question 16**

**Did you use our response tool? If not, please could you outline the reasons for not using the tool?**

56. No. The response tool does not fit with E.ON's approach to consultation responses.