



27 November 2014

Ofgem's consultation on the Energy Company Obligation 2015 – 2017: consultation on specific Home Heating Cost Reduction Obligation requirements – British Gas' response

Executive summary

British Gas welcomes the opportunity to respond to Ofgem's consultation on the Energy Company Obligation (ECO) 2015 – 2017 guidance for suppliers relating to the Home Heating Cost Reduction Obligation (HHCRO). As we explain in our response to Question 1, we welcome Ofgem's proposals for verifying non-gas fuelled premises. We are very pleased that Ofgem's proposals align with existing methods of evidencing the main heating systems and the main fuel type, as this will simplify the way in which ECO is administered. While we also welcome Ofgem's decision to consult early on the HHCRO requirements, we have three concerns with the proposals:

- a) **Ofgem's guidance may not be available until late January, which will impact on our ability to help HHCRO customers in the coldest month of the year.** We ask Ofgem to publish the guidance by 1 January 2015.
- b) **Ofgem's approach to boiler warranties may be over and above the legislative requirements and the proposed process for demonstrating that the warranty has been provided to the customer is burdensome.** We believe that the scope of the boiler warranty that is required in order to be compliant with the legislative requirements should be limited to the work done by the installer. Any component of the boiler or the heating system that is assessed as working during the pre-installation survey and does not need repairing or replacing, and which later on causes the boiler or the heating system to work less efficiently or break down, should not be required to be included within the scope of the warranty. We also believe a customer declaration should be sufficient to demonstrate that the warranty has been received by the customer. We provide more detail on these matters in our response to Question 2.
- c) **Ofgem's consultation does not provide sufficient detail on how electric storage heaters and their warranties will be assessed under HHCRO.** We ask Ofgem to provide further detail on this in Ofgem's forthcoming second consultation on ECO 2015 - 2017 guidance for suppliers. In our response to Question 3 we provide suggestions for the areas that Ofgem should consider further.

Question 1

1.a. Do you agree with our proposed test to identify the main space heating system of a premises? If not, can you suggest any alternative ways of identifying the main space heating system?

We agree with the proposed test and welcome that it aligns with SAP guidelines. We are not aware of any alternative method of identifying the main space heating system at a property than the SAP guidelines.

1.b. Can you suggest any alternative ways that suppliers can demonstrate the fuel type of the main space heating system of a premises?

We agree with Ofgem's proposal for demonstrating the main fuel type of the main space heating system and welcome that it aligns with currently employed processes and methods of evidencing the main fuel type. To support the proposed method of evidencing the fuel type of the main space heating system, we ask Ofgem to develop a Boiler Checklist for non-qualifying boilers.

We are not aware of any alternative method of demonstrating the main fuel type other than the Boiler Checklist for boilers, and pre and post SAP/RdSAP assessments for insulation measures.

1.c. Do you agree that an accredited OCDEA/DEA should conduct the assessment of the fuel type of the main space heating system of the premises where a SAP or RdSAP calculation is used to demonstrate this?

We welcome that the requirement to use accredited assessors is limited to measures where pre and post SAP/RdSAP assessments are used to demonstrate the fuel type of the main heating system. We therefore believe that this requirement will only apply to insulation measures delivered under HHRCO. This is because we intend to use the Boiler Checklist for all boiler installations, and the requirement to use OCDEA/DEA accredited assessors to determine the main space heating system therefore will not apply. We believe that engineers completing the Boiler Checklist are sufficiently trained to determine the main fuel type correctly; however others should hold appropriate qualifications to reduce any scope for error.

1.d. Are there any other aspects relating to non-gas fuelled premises in ECO2 that you think we should consider?

We are not aware of any other aspects of verifying the main fuel type and the main space heating system that Ofgem should consider further.

Question 2

2.a. Do you agree with our proposal to use the boiler definition from Appendix 2 of the ECO Guidance? If not, can you suggest an alternative definition?

2.b. Do you agree with our definition of a heating system and the components a heating system comprises? If not, can you suggest an alternative definition?

Our response below addresses Questions 2.a. and 2.b, as the points we make equally apply to both questions.

Whilst we agree in principle that defining the scope of the warranty with reference to boiler and heating system components is helpful, we are concerned that this prescriptive approach would increase the scope (and therefore cost) of the warranty and its administration to over and above the legislative requirements.

We have seen many examples of boiler replacements where not all components within the proposed definition formed part of the boiler or the heating system. For example, a circulation pump may or may not form part of the boiler installation.

All heating systems are fully assessed as part of a pre-installation survey to ensure that the boiler can be installed in accordance with the manufacturer's instructions. This is a requirement of PAS 2030. Such surveys include assessment of whether any component of the heating system needs repairing or replacing in advance of the boiler installation. Where the components of the boiler or

the heating system are assessed to be working, and not needing repair or replacement to support the boiler installation, we believe that if any such component causes the boiler to function less efficiently or to break down within one year of the installation, this should not be required to be covered by the warranty. Please refer to Example 1 below.

Example 1

The pre-installation assessment determines that the circulation pump does not need replacing or repairing prior to the installation, and within one year of the installation the condition of the circulation pump deteriorates and causes the boiler or the heating system to work less efficiently or break down. We believe that the repair or the replacement of the circulation pump is not required to be in scope of the warranty.

Only the components of the boiler installation or the heating system that have been repaired or replaced as part of the installation and cause the boiler or the heating system to function less efficiently or break down should be covered by the warranty. This approach would ensure that the warranty reflects the work done by the installer and covers any consequential damage arising from that work. Please refer to Example 2 below.

Example 2

The pre-installation assessment determines that sludge or hard water scale needs to be removed from the system. This is done prior to the boiler installation by the same person who installs the boiler or a person acting on behalf of that installer. Within one year of the installation sludge on the system causes the boiler or the heating system to work less efficiently or break down. We believe that removing sludge or hard water scale should be within the scope of the warranty.

If, however, sludge or hard water scale is removed by any other third party, and within one year of the installation sludge on the system causes the boiler or the heating system to work less efficiently or break down, we believe that removing sludge or hard water scale is not required to be within the scope of the warranty. In such circumstances, removing sludge or hard water scale should be covered by a third party warranty.

We therefore suggest that for the purpose of defining the scope of the warranty, the definition of boiler and heating system should be unique to the installation and should reflect the manufacturer's instructions. We believe that Ofgem's definition should merely be used as a guide to what a boiler or a heating system may comprise.

2.c. Do you think that there are alternative ways to demonstrate that a qualifying warranty has been provided to the occupier?

We believe that asking the customer to sign a declaration is appropriate to evidence that the customer has received a warranty free of charge. However, we believe that providing a copy of the warranty to Ofgem to demonstrate that the customer has received it is unnecessary and unduly burdensome. We are likely to be working with a handful of warranty providers, and providing the same warranty to Ofgem with each installation will lead to a lot of duplication and unnecessary administrative burden. Instead, we suggest that Ofgem should accept a customer declaration confirming that they have received or will receive the warranty. We believe that the customer has no incentive to provide misleading information about having received a warranty, and that the suggested check is proportionate to the risk.

There are a number of ways in which that declaration could be obtained. For example, it could be captured at the point of survey, or through the Declaration of Conformity. We ask Ofgem not to be prescriptive as to how the customer declaration is captured, and allow energy suppliers to choose the method that is aligned with their processes.

In the private rented sector, we believe that either the landlord or the tenant should be able to sign the customer declaration.

2.d. Are there any other aspects relating to qualifying warranties for replacement boilers in ECO2 that you think we should consider?

We are not aware of any other aspects relating to warranties for replacement boilers that Ofgem should consider further.

Question 3

3.a. Do you agree that the warranty should be for the functioning of the entire electric storage heater installed and that this can be demonstrated by a manufacturer's warranty?

We agree with Ofgem's proposals in principle. Because we do not have experience of installing electric storage heaters and are not aware of standard terms and conditions, we ask Ofgem for further clarity on:

- Ofgem's perception of unusual or unreasonable exemptions that would deem the manufacturer's warranty invalid; and
- Whether the warranty is expected to cover both installation and appliance.

We believe that the warranty for electric storage heaters should be subject to the same exclusions as the replacement boiler warranty.

3.b. If more than one electric storage heater is installed in the premises, do you agree that one warranty covering all of the replacement electric storage heaters is sufficient?

We agree with Ofgem's proposal provided that is technically possible. If that is technically possible, we would like to seek clarity on how to evidence which replacement storage heaters are covered by the warranty.

3.c. Are there any other aspects relating to warranties for replacement electric storage heaters in ECO2 that you think we should consider?

As we discuss in our response to Question 2.c, we believe that a customer declaration should be sufficient to demonstrate that the warranty has been received or will be received, and that Ofgem should not be prescriptive about the process for obtaining that declaration. We believe that providing a copy of the warranty to Ofgem to demonstrate that one has been received by the customer is unnecessary and unduly burdensome.

We ask Ofgem to consider and provide further guidance on the following areas:

- A checklist for electric storage heaters to simplify evidencing requirements;
- Identification of qualifying and non-qualifying electric storage heaters;
- Evidencing a broken down electric storage heater;
- Managing deduplication process in relation to the following scenarios:
 - o Supplier A notifies Ofgem of a replacement an electric storage heater, Supplier B notifies Ofgem of a repair of the same electric storage heater within one year of the installation
 - o Supplier A notifies Ofgem of a repair of an electric storage heater, Supplier B notifies Ofgem of a repair of the same electric storage heater within one year of the initial repair

SAP/RdSAP calculations provide for the following types of replacement storage heaters:

- Old (large volume) storage heaters
- Modern (slimline) storage heaters
- Fan storage heaters
- Integrated storage and direct-acting heater

We also ask Ofgem for further clarity on how other types of electric storage heaters can be scored under HHCRO.