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Sent by email to eco.consultations@ofgem.gov.uk

Tuesday 20 January 2015

Dear Sirs

Energy Company Obligation 2015-2017 (ECO2): ECO2.2 Consultation

Thank you for the opportunity to respond to the above consultation. Our responses are provided on the following pages.

If you would like any additional information or have any questions about our responses, please contact Mike Feely on 07921 491171.

Yours faithfully

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Head of Obligation Delivery

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Question 1

a) Do you agree with our proposed requirement for pre-existing roof insulation? Please provide reasons for your answer.

We agree with Ofgem's proposal.

b) Do you have any further comments or suggestions relating to this policy area?

We have no further comments or suggestions relating to this policy area.

Question 2

a) Do you agree with our proposal that a wall with a section of cavity narrower than 40mm cannot be insulated? Please provide reasons for your answer.

We agree with Ofgem's proposal.

b) Do you agree with our proposal that a wall which adjoins a wall which cannot be insulated also 'cannot be insulated'? Please provide reasons for your answer.

We agree with Ofgem's proposal.

c) Are there any other scenarios where a cavity wall cannot be insulated? Please provide reasons for your answer.

We are not aware of any other scenarios. Should other scenarios manifest themselves subsequent to publication of ECO 2.2 Guidance, E.ON would ask that Ofgem takes a flexible approach and considers each scenario on its own merits.

d) For compliance purposes, how can suppliers demonstrate that a cavity wall cannot be insulated?

Suppliers could demonstrate that a cavity wall cannot be insulated by providing a Chartered Surveyor's report or photographic evidence using borescope technology.

e) Do you have any further comments or suggestions relating to this policy area?

We have no further comments or suggestions relating to this policy area.

Question 3

a) Do you agree with our preferred approach (Option 1) for calculating the lifetime for multi-fuel DHS upgrades? Please provide reasons for your answer.

While we agree in principle with Ofgem's preferred approach (Option 1) for calculating the lifetime for multi-fuel DHS upgrades, we do have concerns in certain circumstances.

Most DHS installs include a back-up system, such as a large gas boiler, providing approximately 10% of the heat per annum. The precise amount of heat can vary depending on heat load requirement during the lifetime of the main generator and the weather conditions throughout the year. Option 1 uses fixed CO_2 values, which would not be appropriate in this case and would provide inaccurate results. In addition, the weighted lifetime would be inaccurate as the heat generated from the back-up generator would be maintained to meet the main generator lifetime period.

We would therefore propose that, where a heat generating technology contributes less than 25% of heat per annum, an alternative calculation is required, as detailed in our response to part b) of this question.

b) If you do not agree with Option 1, do you agree with any of the other proposed options for calculating the lifetime for multi-fuel upgrades? If not, can you propose an alternative approach for calculating the lifetime for multi-fuel DHS upgrades?

In the event that a heat generating technology contributes less than 25% of heat per annum, we support the use of Option 4. This would provide a more accurate view, as each calculation would be specific to that particular project.

c) Do you have any further comments or suggestions relating to this policy area?

We have no further comments or suggestions relating to this policy area.

Question 4

a) Do you agree with our proposed definition of a 'broken down' ESH? Please give reasons for your answer.

We agree with Ofgem's proposed definition.

b) Do you agree with our proposal for judging that an ESH cannot be economically repaired? Please give reasons for your answer.

We do not believe that an economic repair of an ESH is feasible in most cases. Parts are often not available and with older ESHs there is a risk of asbestos containing materials being present.

We believe that all ESHs which satisfy the definition 'broken down' should be replaced with new

ESHs, where a manufacturer's warranty will apply. This would remove the need for the economic repair cost comparison.

c) Do you agree with the thresholds given in the ESH Economic Repair Cost Comparison Table? Please give reasons for your answer.

As stated in our response to part b) of this question, we believe this table should be removed and all 'broken down' ESHs should be replaced rather than repaired.

d) Do you have any further comments or suggestions relating to this policy area?

We do not believe it is practicable to apportion a part of the overall LTS for a property to an individual ESH. Any apportioning method would be highly unlikely to reflect the true savings in the majority of cases.

We believe the following process should be adopted:

1. All 'broken down' ESHs should be replaced, not repaired.
2. The remaining ESHs in the property should be inspected by an appropriately qualified engineer, who should provide a certificate confirming, where applicable, that the remaining ESHs at the property are working effectively and show no signs for immediate concern (the 'Confirmation Certificate'). Any ESHs that do raise immediate concern should be replaced.
3. The engineer should collect the serial numbers for the replaced ESHs and provide them to the supplier/Ofgem.
4. The supplier should then claim the full LTS for the property.

If, at a later stage, a further claim is made by any supplier at the property due to one or more 'broken down' ESHs, it will be possible to check the serial numbers of the ESHs that were replaced previously to ensure there is no duplication. If the broken down ESH is not one of those previously replaced and a reasonable time has elapsed since the Confirmation Certificate was issued, a further claim should be possible and the full (ECO2 deflated) LTS could be claimed.

We believe this will ensure maximum benefit for an ESH-heated property where one or more of the occupants are in the Affordable Warmth group. All ESHs replaced will be covered by warranty, and the certified inspection of the remaining ESHs should offer protection against invalid future claims for ESHs at the property.

Question 5

a) Do you agree that 'boiler and system sludge' and 'unstable firing' alone are insufficient reasons for a boiler to be replaced? Are there any other faults which on their own are insufficient reasons for a boiler to be replaced? Please give reasons for your answers.

We believe that checking "boiler and system sludge" or "unstable firing" on the Boiler Assessment Checklist (BAC) are sufficient reasons where there is demonstrable evidence that this has resulted in the boiler becoming broken or faulty. Details of the evidence should be clearly and accurately recorded on the BAC. A random proportion of such claims should be required to be inspected on-site by an independent engineer, who must be able to confirm the validity of the claim. We believe this is the most robust method to reduce the misuse of claims for these reasons.

b) Do you agree that 'no boiler ignition' and 'unstable firing' should be considered separately? Please give reasons for your answers.

We agree that 'no boiler ignition' and 'unstable firing' should be considered separately and that, as in our response to part a) of this question, testing to establish these reasons should be undertaken and recorded, and a random sampling of a proportion of boilers where such evidence is provide should be conducted by an independent, accredited third party.

c) Do you agree that the boiler fault list is suitable to identify faults with non-gas fuelled boilers? Please give reasons for your answers.

With the exception of specific items (e.g. condition of oil tanks for oil-fuelled boilers) the boiler fault list is suitable to identify faults with non-gas fuelled boilers.

d) Do you have any further comments or suggestions relating to this policy area?

Our experience indicates that installers do not always understand the significance of the Boiler Assessment Checklist (BAC). We recommend that, pre-installation, random sampling of a proportion of properties where a BAC was required should be conducted by an independent, Gas Safe accredited third party to verify the engineer's findings as recorded on the BAC. Where there are discrepancies, the measure should not be considered eligible under the scheme.

This is the process currently adopted by E.ON, and we believe it should be carried out industry-wide to ensure compliance.

Question 6

a) Do you think the proposed changes to our requirements will be effective in reducing false claims of virgin loft insulation? Please provide reasons for your answer in relation to each change.

We fully understand and accept the need for change in respect of virgin and top-up loft insulation measures. However, the changes proposed are likely to prove difficult to implement and costly, and we do not believe they would be effective in reducing false claims to any significant extent.

The mandatory requirement proposed (requiring a supplier to demonstrate that the person recommending the loft insulation/scoring the measure gains access to the loft) would require

assessors to carry ladders with them at all times. Alternatively, additional appointments would have to be made where no access was possible at the first visit. Both solutions would add to the cost of ECO.

The optional proposals each also present difficulties.

- The first and second proposals (obtaining a declaration or confirmation from the occupier or landlord that there was no insulation in the loft prior to the measure being installed) will be impossible for occupiers who are disabled or otherwise unable to access the loft themselves. Unscrupulous installers may see this as an opportunity to encourage occupiers to take their word for the state of the loft insulation rather than check for themselves, even where they are physically capable of doing so.
- The third proposal is, in our opinion, impracticable: arranging visits to coincide with work being carried out would be very difficult and potentially costly, not to mention the risks where there are last minute changes to schedules and customer cancellations.

We are concerned, therefore, that the proposed changes may result in these types of measure no longer being offered due to being cost ineffective.

b) Do you see any difficulties in implementing these changes? Please provide reasons for your answer.

We have provided details of the difficulties we perceive in implementing these changes in our response to Question 6 a).

c) Do you have any suggestions for other controls or requirements we could introduce to reduce or prevent such false claims? Please provide reasons for your answer.

We believe the only certain way to eradicate this issue would be to remove the distinction between top up and virgin lofts and provide deemed scores based on the depth and metres squared. This would remove the commercial incentive to inflate the amount of carbon and therefore payment for these measures. We appreciate, however, that the Government has stated it will not move to deemed scores part way through a programme. Preventing false claims altogether, therefore, is unlikely to be achievable.

One additional step that Ofgem might consider would be for the customer declaration to be accompanied by a GPS date and location stamped digital photo. If it were deemed acceptable for vulnerable consumer to make their declaration based on such photographic evidence rather than by inspecting the loft themselves, this would remove one of the issues we raised in our response to part a) of this question. We recognise, however, that questions could remain about the depth of the existing insulation as this would be difficult to determine from photographic evidence.

Another suggestion would be to extend the current de-duplication mechanism to utilise data already available to Ofgem from previous obligations. This would act as a deterrent for incorrect or false claims for virgin lofts.

d) Where existing insulation is removed because it is posing health and safety risks and new installation installed, should the measure be claimed as virgin or top-up loft insulation? Can you provide examples of health and safety risks that would require insulation to be removed and how a supplier could demonstrate these risks?

The following are examples of when existing loft insulation needs to be removed for health, safety or environmental reasons:

- contamination with asbestos
- damaged insulation, for example caused by works to soffits and/or fasciae or roof leakages
- flora and fauna growing in the insulation

A supplier could demonstrate these risks by means of photographic evidence of the hazard in situ or, where this would not be conclusive, documentary evidence from a reliable source (chartered surveyor, for example).

Where existing insulation is removed for these reasons, the measure should be claimed as virgin loft. We recommend that Ofgem introduce a category/identification for this, for example 'virgin loft H&S', so as to distinguish between the original virgin loft claimed and one that has been re-insulated due to health and safety issues.

Question 7

a) Do you agree it is more appropriate to assess quality of installation and the accuracy of scores separately?

While we agree that it is more appropriate to separately assess quality of installation and accuracy of scores, we believe both types of monitoring should be carried out by the same individual at the same time. Separation could double the costs associated with technical monitoring; it would also be likely to increase the number of visits to a customer's property, which feedback indicates is not well received by customers.

Further, we believe there is a danger that, in requiring the activities to be carried out separately, it would be more difficult to detect fraudulent activity. Being able to see the scoring results and installation quality results together allows the TM inspector to build a fuller, more rounded picture of the ECO measure installed, which should make it easier for them to spot if fraudulent activity may have taken place.

b) Do you agree with the proposed reactive monitoring process described in paragraphs 1.45 to 1.56 of Appendix 1? Do you think the monitoring rates are appropriate?

We do not believe that reducing the technical monitoring rate to 1% would provide a statistically significant sample size.

We also believe there is a risk that reducing the rate to 1% could result in 'cherry picking' of TM results

in order to attain and retain such a reduced level.

We believe there should be an improvement and increase in the level of monitoring activity undertaken by the accreditation bodies, e.g. PAS2030, Gas Safe, CIGA and SWIGA. Without such improvement, we would not be comfortable with a reduction in technical monitoring rates.

c) Do you agree that technical monitoring agents should have certain qualifications as explained in paragraph 1.15 of Appendix 1? Can you suggest which qualifications are most appropriate for different categories of measure?

Whilst it may be desirable for a TM agent to have all the qualifications an installer might be expected to have, we believe it is an unrealistic objective. Potentially a TM agent may be expected to monitor up to 13 different measure types; having qualifications for all of these would be exceptional. The cost of training staff to the required standards for all measures would be considerable, not to mention the time it would take. In the meantime, it would be impractical to arrange for up to 13 different qualified TMs to visit a premises at the same date and time, resulting in multiple visits for householders and a poor overall experience. In addition, suppliers would be incurring additional costs.

We believe that the TM agents currently appointed by E.ON have the relevant experience and appropriate training to meet the requirements under ECO effectively and therefore there is no need to impose additional requirements for them to hold specific qualifications.

d) Are the qualifications listed in paragraph 1.16 of Appendix 1 appropriate for score monitoring agents? Are there any other qualifications that you would suggest?

We do not believe there is any need for score monitoring agents to be qualified as detailed in paragraph 1.16. We have seen no discernable difference in the rate of scoring failures between those technical monitoring inspectors with DEA qualifications and those without.

In order to improve the rate of scoring failures, we recommend that Ofgem undertakes properly conducted research to ascertain the root causes: we would be willing to fully support this type of study.

Should Ofgem decide to adopt the proposal to require monitoring agents to be qualified, we would suggest that profession competence in respect of oil boilers can be provided by OFTEC, the trade association working on behalf of the oil heating and cooking industry in the UK.

e) Do you agree with the proposed timescales for remedial works and re-scoring to be conducted outlined in paragraphs 1.58 and 1.59 of Appendix 1?

In principle we agree with the proposed timescales. However, we believe there should be a deferral process to allow for additional time in the event of a dispute.

We propose the introduction of a tolerance for scores to reduce the amount of additional administration caused where re-scoring is minimal. In addition, we believe that scores based on lodged assessments should not require re-scoring, as the relevant accrediting body, the software provider and Landmark have all confirmed they carry out a level of monitoring to ensure integrity.

f) Do you have any further comments or suggestions relating to this policy area?

We have no further comments or suggestions relating to this policy area.