



Department
of Energy &
Climate Change

Government response to the discussion paper on converting SAP/RdSAP 2012 CO₂e to SAP/RdSAP 2009 CO₂ emissions

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Executive summary

Introduction and overview

This document is the Government response to the discussion paper “Energy Company Obligation (ECO): Using a conversion factor to convert SAP/RdSAP 2012 CO₂e emissions to SAP/RdSAP 2009 CO₂ emissions”. The purpose of the proposed conversion factors is to ensure obligated energy companies can report the carbon dioxide savings of the measures installed once the updated version of RdSAP is launched later this year.

The current ECO Order refers to SAP 2009 (version 9.90) and RdSAP 2009 (version 9.91) for ECO scoring calculations. A latest version of SAP (SAP 2012, version 9.92) has already been published and implemented in England and Wales, and RdSAP 2012 is likely to be published by end of 2014. We consulted in July 2013¹ on amending the ECO Order to refer to the most up-to-date versions of the Government’s Standard Assessment Procedure (SAP) and Reduced Data Standard Assessment Procedure (RdSAP). This proposal was widely supported. The discussion paper included details on how the proposal should be implemented in practice.

While in SAP/RdSAP 2009 emission factors only included carbon dioxide (CO₂), the new versions of SAP/RdSAP calculate emissions in terms of carbon equivalent (CO₂e), which incorporate upstream emissions, as well as the global warming effect of CO₂ and other greenhouse gases (CH₄ and N₂O). As ECO sets CERO and CSCO targets in tonnes of CO₂, the CO₂e savings will need to be converted into CO₂ savings so suppliers can continue to use SAP/RdSAP to calculate scores for ECO’s CO₂ targets. In addition to removing the contribution of other greenhouse gases, the conversion factor also removes the contribution of upstream CO₂ emissions. This is to ensure that the basis on which the ECO CO₂ targets were originally set is not changed as a consequence of the SAP/RdSAP switchover.

1 “Energy Company Obligation (ECO): Updates to the Electricity and Gas (Energy Companies Obligation) Order 2012; Consultation document”:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/225040/ECOConDocFINAL.pdf

The paper sought views on:

- Whether the use of the proposed weighted conversion factor would lead to impacts on costs and/or planned delivery patterns for energy suppliers;
- Whether respondents preferred a conversion factor based on a weighted average of all main fuel types or a conversion factor based on mains gas only;
- Whether to allow in the legislation flexibility for energy suppliers to use either SAP/RdSAP 2009 or SAP RdSAP 2012 for a specific period of time;
- Whether the conversion factor should be used in the ECO Order 2015-2017, and
- Whether Government should keep the conversion factor under review and consider further changes, as appropriate.

Key policy decisions

Based on the responses received and our analysis of both options, Government will adopt the conversion factor of 0.925, detailed under Option 1, as a weighted average conversion factor. The conversion factor will be provided for in an amendment to the current ECO Order and in the ECO Order 2015-17. Government will keep this conversion factor under periodic review.

The legislation will provide that either SAP/RdSAP 2009 or SAP/RdSAP 2012 may be used to calculate scores until the end of the current ECO period on 31st March 2015. Thereafter, SAP/RdSAP 2012 must be used. Of course, in practice, once the industry-wide switchover to SAP/RdSAP 2012 occurs later this year, it may be the case that only the newer version will be commonly available for conducting SAP/RdSAP assessments of properties.

Process used to seek stakeholder views

DECC has engaged with key ECO stakeholders, including Ofgem, Energy Companies, BRE, SAP/RdSAP accreditation bodies, and ECO scoring tool providers, and also invited stakeholder views on introducing a conversion factor to convert SAP/RdSAP 2012 CO₂e emissions into CO₂ emissions. Discussions on the issues were also had with stakeholders in both individual and collective meetings. Written responses to the discussion paper were required to be submitted by 03 September 2014. We received nine written responses, of which six responses were from obligated energy companies, two from non-governmental organisations and one from Ofgem.

We would like to thank all respondents who submitted a written response (and who provided feedback via other means). We have now carefully considered all the views expressed. This document sets out the Government's position on the five questions posed within the paper.

Summary of Responses

The majority of respondents confirmed that neither of the options was likely to have a significant impact on their costs or pattern of ECO delivery. Seven out of nine respondents preferred Option 1 on the grounds that it is a weighted average conversion factor based on a cumulative average of all main fuel types historically delivered under the CERO and CSCO obligations. There was a mixed response to the proposition of allowing the use of either version of SAP/RdSAP for a specific period of time. Some respondents welcomed the idea of having some flexibility, but others were concerned about the confusion in the supply chain around which version to use. Others argued there should be a fixed date for the switch to the new versions of SAP/RdSAP in April 2015. Overall, respondents agreed that the conversion factor should be added to the ECO Order 2015-17, although some respondents stated that a conversion factor for each fuel type rather than a weighted average conversion factor would be more appropriate. Respondents generally agreed that the conversion factors should be kept under review. However, they asked that reviews were kept to a minimum and requested certainty over trigger points.

Detailed overview of responses and the Government's response

Question 1: Will the use of the proposed weighted conversion factor lead to impacts on costs and/or planned delivery patterns for energy suppliers? If so, could you specify what impacts it could have? In particular, could it change delivery patterns to off gas grid properties?

Overall, respondents considered that both proposed options would have minimal impacts on costs and delivery patterns. Generally it was felt that it was unlikely that companies would change their delivery as a result of the conversion factor. There was however some concern over the impacts on off-gas grid properties, as a result of lower carbon emission scores which would make these properties less attractive to treat. However, respondents overall agreed that in practice this would only have a minimal impact on delivery to these properties. Overall, off-gas grid delivery still remains more attractive, as emission factors under SAP/RdSAP for off-grid properties remain higher than gas fuelled properties. It is also worth noting that the change does not affect Affordable Warmth, the part of ECO aimed at low income and vulnerable households, in which we are introducing an uplift from April 2015 to incentivise delivery in non-gas properties ("non-gas" includes those which are technically connected to the gas grid but whose main space heating fuel is not mains gas). Government remains committed to ensuring off-gas grid properties are not disincentivised, therefore we will keep the delivery of energy efficiency measures to these properties under review.

Question 2: What is your preferred Option? If you do not agree with the proposed Options, what other option do you think should be considered and why?

The majority of respondents expressed a preference for Option 1, as it is, everything else being equal, likely to be cost neutral if the future delivery mix by fuel is in line with the historic average industry delivery. Overall, however, respondents commented that the impacts on delivery should be minimal under both Option 1 and 2. While it was noted that not all energy companies deliver in line with the industry average, Option 1 was considered by respondents likely to have lesser impacts on delivery and costs than Option 2, and also have the lowest negative impact on off-gas scores.

An alternative, more accurate approach, using separate conversion factors for each fuel was preferred by several respondents. However, this approach cannot be accommodated within the current RdSAP/SAP methodologies as SAP and RdSAP do not provide a breakdown of emissions on fuel-by-fuel basis, therefore it is not possible to apply a fuel-specific conversion factor to results from RdSAP and SAP. In addition, a couple of respondents suggested moving away from SAP and RdSAP and returning to a system of "deemed scoring" for measures used under the previous Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) obligations. Government noted these views and will continue discussions with stakeholders on the merits of reverting to "deemed scoring", but will not adopt this suggestion at this point in time.

In light of responses, Government will adopt the conversion factor of 0.925 proposed in Option 1 in the current ECO Order and in the ECO Order 2015-2017.

Question 3: Do you agree with the proposed approach, which enables energy suppliers to use either SAP/RdSAP 2009 or SAP/RdSAP 2012 for a specific period of time?

There was some concern among respondents that companies may be able to use both versions at the same time, thus creating confusion in the supply chain and companies being able to use the SAP/RdSAP version that benefited them the most. However, once the new version of RdSAP is launched, the old version will no longer be available to use on approved RdSAP software. We therefore expect that suppliers and Ofgem will find it more convenient to use the new version once the IT launch takes place. ECO software tools will still be able to read assessments carried out under the old versions of RdSAP, however, hence enabling the rescoring of measures and ensuring the compatibility of assessments carried out before the switchover. Old versions of SAP will be publicly available on the following website:

<http://www.bre.co.uk/sap2009/page.jsp?id=1642>.

Some respondents expressed a preference for the new versions of SAP/RdSAP (and therefore also the conversion factor) to apply from April 2015, once the new obligation period begins. However, this is not practicable, as we expect the IT switchover to take place before that date. Whilst there may be some flexibility around the date of the switchover, the launch of the new version of RdSAP will not be postponed significantly as there are several policies which require a new version of RdSAP. DECC and DCLG have been working with BRE and accreditation bodies to a planned date for launch of the new software on the 2nd of November. However, providing in legislation that both versions of SAP/RdSAP may be used until 31st March 2015 mitigates the risk of any slight delay to that launch. Accordingly, the amendment to the current ECO Order will simply provide that both versions can be used until the end of the obligation period (ie end of March 2015). In Scotland, energy companies will be able to score using SAP 2009, as a switchover to SAP 2012 is not expected in the foreseeable future. In the 2015-2017 ECO Order, only the new versions of SAP and RdSAP will be provided for in England and Wales, while in Scotland the use of SAP 2009 will be permitted.

There were a few queries from respondents on how the transition will affect the scoring. We have addressed these in Annex 1.

Question 4: Do you agree that the proposed conversion factor should be used in the ECO Order 2015-2017?

Responses to this question were mixed, with some respondents agreeing to the proposal to provide for the conversion factor in the ECO 2015-2017 legislation, others reiterating their preference for a fuel-by-fuel conversion factor or for a switchover in April 2015. One respondent suggested the targets for 2015-2017 should be set in CO₂e. However, Government considers that converting the CO₂ targets into CO₂e would rely on similar calculations and assumptions that led to the proposed weighted conversion factor, with similar results (or the potential of creating winners and losers in the same way). In addition, a CO₂e target would require a conversion of scores for all measures carried over from previous obligation periods, which

would introduce administrative complexity for Ofgem and suppliers. As a result, Government has decided that the proposed conversion factor of 0.925 will be provided for in the ECO Order 2015-2017.

Question 5: Do you agree that Government should keep the conversion factor under review and consider further changes, as appropriate?

Overall, respondents agreed that Government should review the conversion factor. They requested that Government provided certainty about trigger points. Government intends to keep to a minimum the number of changes to the conversion factor – for example, if it becomes clear that the current factor is leading to undesirable outcomes or if changes to emission factors in SAP and RdSAP warrant such a revision.

Annex 1: Questions raised by stakeholders in response to the discussion paper

Respondents to the discussion paper on SAP/RdSAP 2012 raised several questions on the process and its impacts on the ECO scoring calculations.

1) Why DECC preferred a weighted conversion factor and not specific conversion factors for each fuel type?

There is often more than one fuel, for example a main heating system and a secondary heater using a different fuel. SAP reports the total annual emission figure taking account of the emission factors of each fuel involved. There is no information with which to determine whether more than one fuel is involved and if so to break this total into its constituent parts. For example if the score is 10 tonnes we cannot tell whether that is all from one fuel, 9 from one fuel and 1 from another, or 8 and 2, etc. Therefore it is not possible to apply a fuel-specific conversion factor to results from RdSAP and SAP. This would require a change to the SAP and RdSAP software specifications.

2) Have assessors/installers/energy companies/software providers been engaged in the switch over process and are they all aware of the changes?

DECC and Ofgem are closely working with the BRE and RdSAP accreditation bodies on the changes in RdSAP through the Green Deal Technical Steering Group (GD TSG). We are also interacting with the suppliers on this matter. DECC does not interact directly with assessors or installers, however the matter will be discussed in the ECO steering group. RdSAP accreditation bodies are responsible for communicating with their member assessors about changes in SAP and RdSAP. As we understand, most accreditation bodies have already issued news bulletins and training schedules for their members highlighting the changes in RdSAP.

3) Can the switchover date be delayed? If so, by how long?

The Green Deal Technical Steering Group plan shows all the ECO tools being developed, and validated before the planned go-live date currently expected to be on the 2nd of November. DECC and DCLG are monitoring progress and are regularly receiving updates from software providers on progress. A stock-take meeting is expected on the 8th of October, whereby the TSG will review readiness and consider whether the 2nd of November is achievable. The TSG will discuss, and assess the current position of the project, considering any current issue(s). This will feed into the decision as to whether the release should be delayed or continue for a release on the 2nd of November. DCLG and DECC both have stakes in the release of the RdSAP, therefore a careful assessment will be made on the nature of the issues and the impacts of the delay on all the policies involved in the switchover.

4) Can the ECO targets be changed into CO₂e targets?

Converting the CO₂ targets into CO₂e would rely on similar calculations and assumptions that led to the proposed weighted conversion factor, with similar results (or the potential of creating winners and losers in a similar way). A CO₂e target would require a conversion of scores for all measures carried over from previous obligation periods, which would introduce administrative complexity for Ofgem and suppliers. Carbon scores calculated using SAP 2009 in Scotland would also require a conversion factor if the carbon targets were changed into CO₂e. Government therefore decided not to pursue this option.

5) Will assessors/energy companies be able to use the old version of SAP/RdSAP after the RdSAP switchover?

Previous versions of SAP remain available to use, therefore assessors and energy companies will be able to use the previous version of SAP up until the end of the flexibility period, if needed. However we do not expect previous versions of RdSAP will be publicly available once the new version is released. Energy companies should contact their ECO tool providers for further information. ECO software providers are updating their tools, which should be able to read and convert XML files from the previous versions of RdSAP into the new version.

6) The majority of ECO measures savings are calculated using ECO tools. What are we doing to ensure that ECO tools are ready for switch over to RdSAP 2012 in time?

At present, best efforts are being made to encourage software providers to align the release of the ECO tools along with the RdSAP 2012. However, it will be possible to manually do scoring calculations using RdSAP 9.92 tools and apply the conversion factor if necessary.

7) Why is SAP 2009 allowed to be used in Scotland after March 2015, unlike in England and Wales?

The SAP 2012 version for Scotland is not yet released. Therefore, energy companies will have to continue using SAP 2009 or calculate savings in RdSAP 2012 for measures installed in Scotland. The scores may look slightly different for measures in Scotland scored using SAP 2009 and RdSAP 2012, but this difference is largely due to the changes in the SAP methodology. The SAP 2009 score will not require a conversion factor, but scores from RdSAP 2012 will be multiplied by a conversion factor.

8) Will RdSAP 2012 for Scotland be released on the same date with other countries?

According to the plan by DECC, Landmark and BRE, RdSAP 2012 will be released on the same date for all countries, including England, Wales, Scotland and Northern Ireland.

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