

ECO Stakeholder Delivery Group

29/10/2015

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Welcome to the ECO Delivery Group

The main aim of the group is to provide an interactive forum for industry and consumer representatives to share good practice, highlight delivery issues, and develop ideas to improve and simplify delivery.

Core areas

- delivery
- compliance
- quality and standards

Agenda

- Introduction
- ECO1 closedown report (Ofgem)
- ECO2 progress to date (Ofgem)
- Brokerage contract review and evaluation (DECC)
- Attendee agenda items
 - Association of Technical Monitoring Agents: update on progress
 - National Insulation Association: update on quality assurance framework
- Quality and Standards in ECO2
 - ECO2: Technical Requirements Consultation (Ofgem)
 - ‘Pathways to compliance’ update (Ofgem)
 - HHCRO audits update (Ofgem)
 - Bonfield Review (DECC)
- Transition to a future supplier obligation: summary of recent stakeholder event (DECC)
- AOB (including what people want as agenda items for the next meeting)

ECO1 Closedown report and ECO2 Progress to date

Mary Smith

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ECO1 Final Report

- Published 30th September 2015*
- Key observations:
 - All suppliers complied with their obligations
 - Cavity wall insulation was the most commonly installed measure
 - Quality and standards were of concern throughout the scheme
 - There were much higher levels of engagement with suppliers and the supply chain throughout the scheme (than seen in previous schemes)
- Timelines for final determination and completing the report appropriate (6 months from end of scheme)



* Link to report: <https://www.ofgem.gov.uk/publications-and-updates/energy-companies-obligation-eco1-final-report>

ECO1 – ECO2 Transition

- Relatively smooth transition from ECO1 to ECO2, owing to similarities between the two obligations
- Now focussed on process reviews and identifying any potential further improvements
- As a result of our learnings in ECO1, we are also better positioned to identify and address any potential areas of concern early within ECO2.

ECO2 Progress to date

- **123,309** measures were notified to the end of August of which **110,127** were approved by the end of September. *
- Loft insulation (26,469) and cavity wall insulation (42,517) measures continue to be the highest number of measures notified and approved under ECO2.



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Brokerage Contract Review

Brokerage Contract Review

- Thank you for all your feedback and comments during the brokerage contract review
- The revised Brokerage contract and Terms and Conditions were published on Friday 23rd October
- The new contract will be used in conjunction with lots sold and submitted from Auction 72 onwards (6th November 2015).
- Also, from Auction 72, operational changes being introduced are:
 - Only under delivery of a contract volume will affect Seller ratings. Seller's will not be penalised for over delivery.
 - The number of lots that can be submitted by a Seller will be reduced to 5 per auction The duration of each auction will be reduced to 2 hours. The timings will be: Carbon 9:00 - 11:00; Affordable Warmth 13:00 - 15:00.
- We will be producing a response to the consultation to summarise the changes made/not made and the reasons for these .

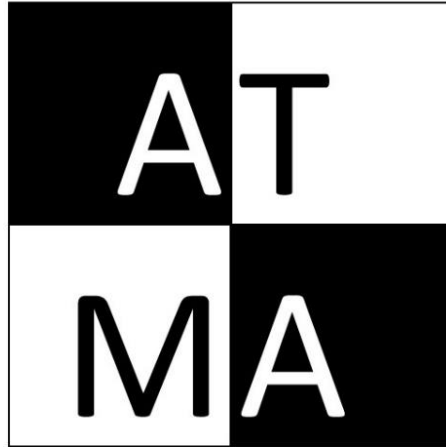
Brokerage Evaluation

- To understand the effectiveness of ECO Brokerage, we intend to evaluate how ECO has performed against its original objectives
- To conduct the review, we will be seeking views later this year of what worked well/what didn't on both the contract and operational aspects of Brokerage, including access.
- The evaluation will allow the key findings to feed into recommendations for any future model.

Attendee agenda items

1. Association of Technical Monitoring Agents: update on progress
2. National Insulation Association: update on quality assurance framework

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Association for Technical Monitoring Agents

Update on ATMA

- Updates from ECO Delivery Group meeting of the 25th June 2015.
- ATMA meeting of 2nd October 2015
- ATMA Secretariat - Association Group Management
- Approval Scheme for Technical Monitoring Inspectors
- Approval Scheme for loft installers
- Consistency of Approach to Technical Monitoring Inspections
- Ofgem's Pathways to Compliance
- The next steps



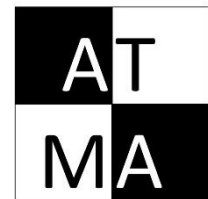
Approval Scheme for Technical Monitoring Inspectors

- Develop Approval Scheme for Technical Monitoring Inspectors
- Involve all stakeholders to establish the required standards and qualifications
- Liaise with Ofgem to satisfy “Suitably qualified” criteria as stated in the Guidance to Suppliers.
- This scheme will help to deliver a Consistency of Approach across technical monitoring agents.
- The development of the scheme would include input from Associate Members



Approval Scheme for Loft Installers

- This scheme could fill a void for loft installers in terms of quality assurance
- Considerable work has already been completed by EDF Energy in this area
- EDF have produced a 40 minute training video, currently being reviewed by ATMA
- An examination is to be completed and passed to gain accreditation
- We are proposing that ATMA and NIA work jointly to develop a QA framework
- The development of the scheme would include input from Associate Members



Consistency of Approach to Technical Monitoring inspections

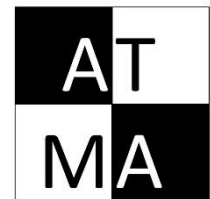
- Instigate Approval Scheme for Technical Monitoring Inspectors
- Disseminate to the Members of the Association such information that is considered to be good practice
- To initiate educational activities in technical monitoring
- To review technical areas of differentiation and interpretation at ATMA meetings
- ATMA to issue technical bulletins for specific areas of concern



ATMA – The next steps

- Finalise launch plan
- Develop Associate Member proposition pack
- Target launch January 2016

- Any queries; John Whitefield 07967 165043
- john.whitefield@llewellynsmith.co.uk





Quality and Standards Update

Neil Marshall
CEO

www.nia-uk.org



Contributing Factors

- Robustness of accreditation
- Variation in practices/standards
 - Certification Bodies
 - Guarantee Providers
 - Energy Companies
 - TMAs
- Rates paid and payment delays
- Work Profile
- New methods of supply/installation

Changes are needed to the wider policy/regulatory framework



Industry Action

- There is not an industry wide problem!
- Need to raise standards to match best performers/best practice
- Consistent approach needed:
 - Standards
 - Mandated
 - Robust audit and enforcement
 - Data sharing
- Areas under development:
 - SWI QA Framework
 - LI QA Framework (with ATMA)
 - Managing Agents Charter
- Input from key stakeholders, Bonfield Review



SWI QA Framework

- **Summary framework document completed**
 - Training and accreditation
 - Building Survey
 - System Design
 - Installation
 - Audit
 - Aftercare including specification for Guarantees
 - Enforcement
- Submit to Bonfield Review – November '15
- External Stakeholder Support Group in place

Quality and Standards in ECO2

ECO2 : Technical Requirements Consultation

‘Pathways to compliance’

Amanda Webb

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ECO2 : Technical Requirements Consultation*

To be published Friday 30 October, open for 4 weeks, comprising two parts:

1) Lifetimes for Wall Insulation without an Appropriate Guarantee

A commitment was made to consult on our approach for ECO2 measures.

This will set out our proposal for determining the lifetime to be awarded in these circumstances.

2) Technical Monitoring Re-Inspection Requirements

Following requests from industry, we are also consulting on whether some re-inspections of technical monitoring remedial works can be conducted 'remotely', rather than through site audits.

Decisions are to be published in January 2016

‘Pathways to compliance’*

Purpose

- **Transparency** – stakeholders can see how we will respond to poor performance
- **Fairness** – ensure consistent approach to poor performance
- **Time** – facilitate compliance and successful resolution of failed measures

* Link to document: https://www.ofgem.gov.uk/sites/default/files/docs/2015/10/pathways_to_compliance_-_information_for_the_eco_supply_chain.pdf

Background

- Builds on core principles of monitoring outlined and consulted on in ECO2 Guidance: Delivery
- Fits with our quarterly approach for ECO2 monitoring
- Does not introduce new requirements
- Designed to speed up resolution of issues

Key elements

- Focuses on small subsets of measures
- Accounts for small installers
- Installers considered separately in respect of each supplier

Key elements

- High concern relates to extreme cases - do not expect to see many instances
- Action relates to the previous quarters (most recent quarters) measures
- Consecutive quarter action looks forward

Actions to resolve issues

- Actions builds on some of the steps used by suppliers in ECO1
- Additional assurance checks
- Root cause analysis
- Additional monitoring
- Improvement plans
- Training

Benefits

- Allows supplier/supply chain to work to resolve issues promptly and prior to submission of TM outcomes to Ofgem
- Gives suppliers/supply chain more confidence that measures will be attributed savings
- Flexible and pragmatic

Quality and Standards in ECO2 **HHCRO Boiler Audit**

Audit being conducted via our auditor IGA

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Background

- Carried out an audit on HHCRO measures in ECO1; building on this and carrying out targeted audit in ECO2.
- Currently conducting an audit of qualifying boilers, to ensure those being claimed meet all the relevant eligibility criteria.
- We will do this by verifying that the boiler assessment checklist (BAC) has been completed correctly by the operative recommending the boiler replacement.
- IGA, our nominated auditor, will visit properties between the completion of the BAC and the actual installation of the boiler.
- In total 370 boilers will be audited across all suppliers obligated under ECO.

Progress

- Last week IGA completed a pilot audit, the results of which have been used to inform the main audit which is currently underway.



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Bonfield Review ECO Stakeholder Delivery Group

29 October 2015

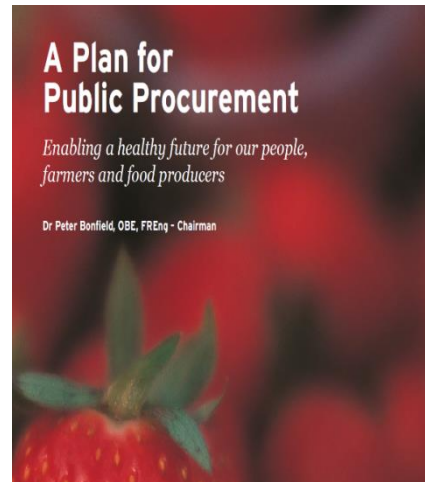


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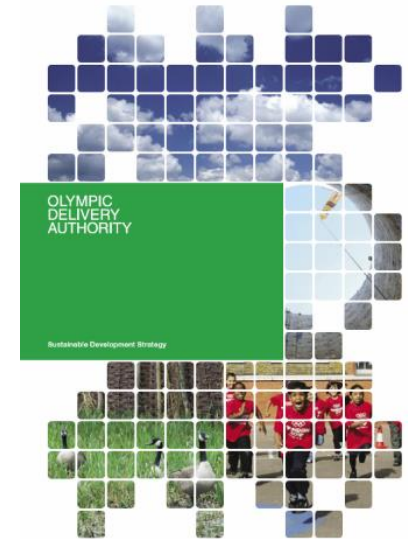
Background



**Grown
in Britain**



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- Review jointly commissioned by DECC SOS Amber Rudd and DCLG SOS Greg Clark
- Independent Review of Consumer Protection, Advice, Standards and Enforcement for existing UK Housing Energy Efficiency and Renewable Technologies
- To complete by March 2016 - but acting on emerging recommendations



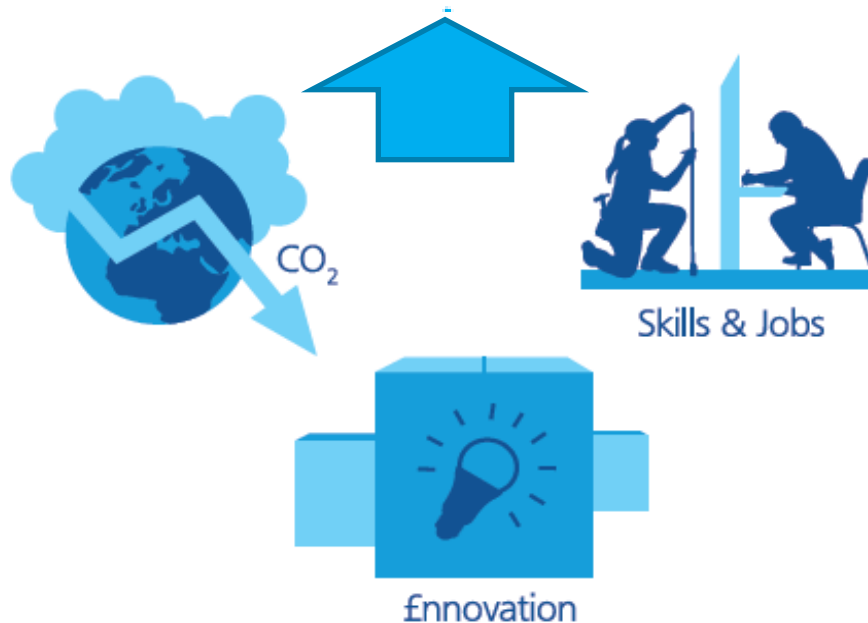
Rationale



Consumers



Protected Advised
Standards Enforcement
Trust Confidence



What Review is and is not...

- Domestic not non-domestic



- Existing houses not new build

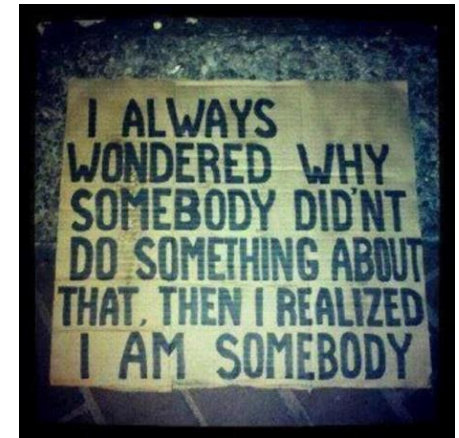


- Forward looking – not judicial but learning lessons from the past



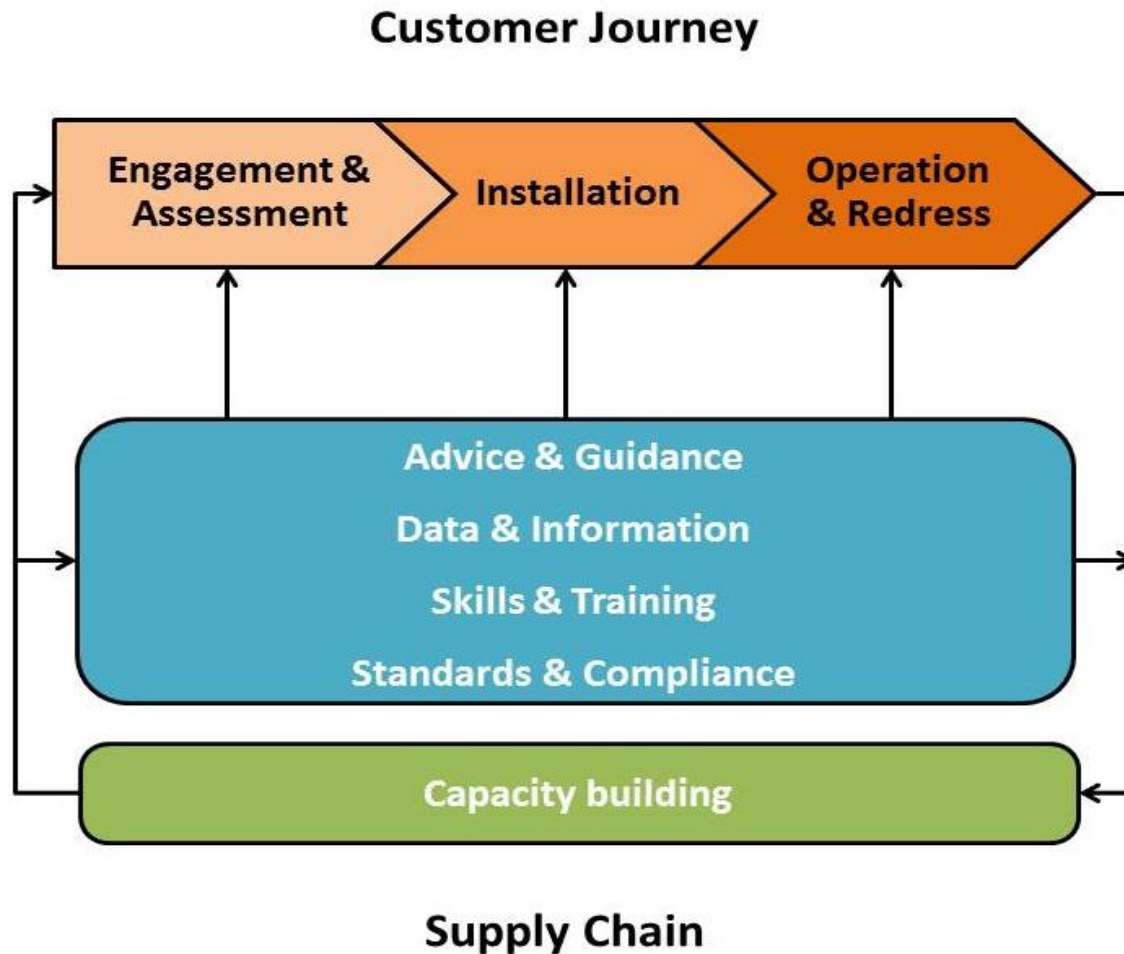
Our culture and approach

- What's the problem?
- What's the cause?
- Draw on existing good practice
- What can I/we do?
- How does that connect with others?
- Connect!
- Learn by doing - build momentum!
- Create an action and outcome oriented 'movement'
- Enduring and sustainable outcomes





Methodology



How to get involved

- Give us your ideas please
- What's good, bad and what to do about it
- BonfieldReview@decc.gsi.gov.uk

Thank you!





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Potential Future Supplier Obligation and how to transition towards it

Initial steer and feedback so far

Welcome

- ECO currently due to end in March 2017
- Strong direction from the Secretary of State for Energy and Climate Change
 - Long term coherent affordable policy framework
 - Affordability - keep energy bills as low as possible
 - Support low-cost measures on energy efficiency, with the goal of insulating a million more homes over the next five years (Conservative manifesto)
 - **Focus available resources on those who need it most**
- Recognise the need for a smooth and well planned transition
- Considering extending existing regulations for one year to transition to a new fuel poverty focussed obligation in 2018
- Everything is subject to Ministerial decisions which will reflect a number of factors, including the outcome of the Government's Spending Review (which will conclude on 25 November 2015) and the Bonfield Review.



The focus of future support

Legal definition of fuel poverty across all of Great Britain:

*“A person is to be regarded as living “in fuel poverty” if he is a member of a household living on a **lower income** in a home which cannot be kept warm at **reasonable cost**.”*



Who are we trying to help?

Formal indicators of fuel poverty vary across Great Britain:

Scotland and Wales use variations of the '10%' indicator



Required Energy costs

Household income

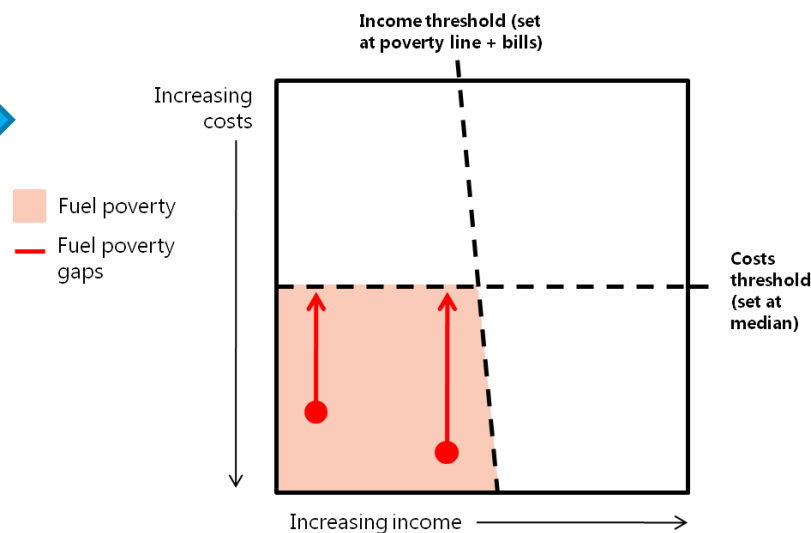
> 10%

England uses the 'low income, high costs' indicator



In practically targeting the fuel poor, regardless of definition, there's a common interest in identifying households who:

- Are on a **low income**
- Live in **energy inefficient properties**





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Characteristics to potentially target

Who?

Households that are on low incomes

Which dwelling characteristics?

The least efficient homes, characterised by homes that are:

- Not connected to the mains gas network, particularly rural
- Older properties
- Old, inefficient heating systems or no central heating at all
- Have not been retrofitted with insulation and other energy saving measures

Possible re-focus in future

- Move away from gas boiler replacements, while still tackling the most inefficient boilers
- Continuing to deliver cavity wall and loft insulation, but also recognise the important role of solid wall insulation
- Greater focus on renewable heat for those without mains gas
- More first time central heating systems



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Summary of key findings from October Workshop

Key messages from stakeholders

- Improve data – match better central data to help identify fuel poor households
- Move to deemed scores from 2017 onwards (trade off between simplicity and tech differentiation?)
- Incorporate innovation option?
- Keep the 1-month reporting rule but:
 - allow a blanket one month extension (where reasonable efforts have been made)?
 - Remove admin oversight exception?
 - Administrator to review extension request > 1-month?
- Remove GDARs. There was no consensus on whether we should:
 - require EPCs,
 - remove the requirement entirely; or
 - introduce an alternative (self-assessments?).

Other themes raised

- Balance between transitioning to meet new objectives versus continuity.
- How much CSCO/CERO to have in a transition compared to delivery to fuel poor.
- Introducing new measures, new eligibility, and impacts on demand and technical potential
- Introduce minimums: SWI / non-gas / rural ?
- Recyclable loan?
- Seek some level of customer contribution in ATP part?
- Flexible edges for fuel poor eligibility?

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Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.