

ECO 3 - Procurement Questions Regarding Proposed Scheme

In an attempt to answer questions raised by procurement colleagues it is felt that a brief background to the scheme and ECO process will be necessary:

Background: A company will engage with a client (either proactively or reactively). The company will survey the property to assess its efficiency and size to give a life time savings of carbon or “LTS” score e.g. 40,000 (based on built type, room sizes etc.) The company will have a contract with an energy company for a rate of grant funding per unit of LTS e.g. 14 pence per unit. i.e. £0.14 x 40,000 LTS = £5,600. This will then be the available grant available for that property. If the boiler costs £3,000 to fit with £600 costs, the company will stand to make £2,000 profit.

A company may have a contract e.g. for 0.5million of LTS for insulation per month at £0.08p. This is what they have to offer Powys in terms of contract value. However, there is no obligation for them to spend this money specifically in Powys, or work with a particular customer (they “cherry pick” the most profitable properties to work on with a high LTS and low cost of work). Energy companies may also decline payment for installations on noncompliant properties or where there are errors within the vast array of ECO compliance paperwork. One contractor was refused payment on 20 boilers by an energy company post installation, indicating significant risk for any subcontractor in the supply chain. Funding may be rejected for reasons such as a safety fail, or the name on the application form not matching the name on the title deed to the property.

In order for a grant to proceed the company concerned must request from the council a certificate to confirm the client is eligible to access grant funding. This needs to be submitted along with ECO paperwork in order to access funds (along with safety certification and proof of occupation etc.). Agents cannot work on properties ineligible under council rules and the application form is used to confirm this.

In order for the council to issue certificates we are required to publish a “statement of intent” regarding who the council considers eligible under the scheme. We restricted numbers of agents operating in Powys to reduce the administrative burden and published their details online to assist applicants with their choice of agent.

Questions: 1. Number of households assisted and installations delivered to date?

We have predicted the following installations under ECO2. Figures for ECO 3 are expected to be more focused towards insulation and less focused on boilers so it is likely to be very different. Accurate figures are not available as the council has no direct involvement with installs we are only able to accurately measure declarations issued.

Measure	Approximate Numbers	Approximate Cost	Approximate value of Works
Oil Boilers	1450	£4,000	£5,800,000
LPG Boilers	200	£3,250	£650,000
Electric Storage Heaters	60	£3,250	£195,000
Mains Gas Boilers	25	£3,000	£75,000
Cavity Wall Insulation	350	£1,500	£525,000
Loft Insulation	80	£1,000	£80,000
External Wall Insulation	15	£10,000	£150,000
Internal Wall Insulation	5	£8,000	£40,000
TOTALS	2050		£7,515,000

Current value of local spend under the scheme list of companies used?

Details of local subcontractors working on the scheme was not collected by the council. We predict <5% of installation cost only (i.e. not the sale of the boiler unit, just the fitting) for just oil and LPG boilers was performed using local contractors. However, there will have been local spend on hospitality e.g. hotel and living expenses locally or any minor things missed from a quote e.g. pipe fittings sourced locally. The majority will have been source from national companies working in multiple authorities and who can buy in large volume.

2. What services we deliver for the scheme for which we charge. How is the charge made up?

The council charge a fee of £125 plus vat for issuing certificates to cover admin costs, this procedure is fundamental to the process and key in allowing agents access to unlock Energy Company funding.

3. The value of the intended concession agreement (i.e. the assessed value of spend with householders) and term thereof?

The council does not provide any funding under the agreement, therefore value of the agreement is dependent on the available LTS contract of a specific company and willingness of the company to spend it exclusively in Powys. Following the tender we might have a collective value of 5million LTS per month that companies want to spend in Powys or 500k LTS that needs to be shared UK wide. A company can choose to actively look for work by door knocking or sit and wait for enquires. Consequently, there are too many variables to predict an accurate value.

Powys has many large and inefficient F and G EPC rated properties and some companies currently consider Powys to be a "gold mine". However this may change as rule changes on ECO 3 are less favourable for off gas properties.

4. What risks are taken by contractors/and the Council in the process?

Significant risk exists within the scheme. The council may inadvertently be vicariously liable if we have recommended/endorsed a company who cause a health & safety issue, cause damage to property, cause data theft or go bust mid work. This could also potentially be embarrassing for the council as we have little ability to rectify issues having not directly commissioned or funded works.

Subcontractors and agents carry the risk of undertaking work and not getting paid e.g. if funding is pulled or if a paperwork problem is discovered post installation, preventing grant payment.

Also smaller properties do not attract enough grant to be financially viable for free installations and a client's level of poverty does not affect grant amount. Therefore, there may be political risk to the authority as the scheme is inequitable. The council is also unable to force a company to work on a specific property, even if the property and occupant are eligible under the scheme.

There may also be shortfalls in funding due to different rates offered by different energy companies e.g. if one company has funding at 10p per unit the grant may be free, if another has funding at 7p installers will be forced to charge a fee to cover installation costs.

There is also a risk that rogues will operate within the scheme as freelance middle men, or be employed as subcontractors by legitimate 'authorised agents' under our concession agreement.

5. The current agreements/contracts we sign with Energy companies and Energy Agents

No formal written contracts exist between the authority and any agent or energy supplier as this is a national scheme and not one operated by the council.

Private agents approached the authority requesting we issue declarations necessary for them to access Energy Company funding to undertake ECO work for their clients. After checking they were sufficiently accredited and had a LTS contract (there is still money to be made by companies with no LTS contract as they can sell on data to those who do) they were placed on a publically available list of ECO agents on our website (subsequently removed). The public were able to contact agents direct to enquire about ECO grant availability. Agents were ejected from this list if they became dormant, ran out of grant or performed poorly. The list was closed after the number reached 20 agents as it became difficult to administer with such numbers and limited staffing resource.

6. The assessment process undertaken by Energy Companies on the Energy Agents

The housing service is not best placed to answer this question.

Much of the control measures and criteria required by the scheme are not set by the energy companies themselves but imposed by the regulator OFGEM for all installations. Although each energy company may have slightly different criteria and additional rules surrounding funding requirements, the energy companies are primarily concerned with delivery of numbers in order to meet their obligation targets.

Many agents do not work directly with energy companies and instead use intermediary brokers (who can split up a large contracts into more manageable ones, suiting SME's). This also minimises administration by energy companies as less contracts need to be issued. Only the larger agents work directly with energy companies.

The criteria relating to installations imposes the need for various accreditations such as PAS2030, Green Deal Accreditation and industry accreditation (such as Blue Flame). There are various other OFGEM rules such as qualifying boilers, methods of works, photo evidence, survey data, proof of ownership, proof of occupation, proof of bill payer, installation procedures etc....