

The Green Deal and Energy Company Obligation consultation.

Please use the table below as a template to respond to the consultation. It will help us to record and take account of your views.

Also, please provide evidence for your answers and comments where possible.

PERSONAL DETAILS
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CHAPTER 1: Assessment
<p>Q1: Do you feel the proposed requirements on Green Deal assessors set out in the main body and at Annex A of the Code of Practice are clear and robust enough to support the Green Deal assessment?</p> <p>No (Delete as appropriate)</p> <p>Please explain:</p> <ul style="list-style-type: none"> • Currently there is little riding on the accurate assessment of a property for its EPC certificate, mainly as the housing market does not yet value energy efficiency. As a result of this and other factors, there is a wide range in cost and quality from different EPC suppliers. In particular there is a large market for 'no frills' low cost assessments. If this 'no frills' market is transposed to the Green Deal assessment market the consequences of corner cutting could be significantly more serious. • Whilst the assessment process may be similar between the current EPC and the Green Deal, there are considerably higher stakes involved in accurately producing the latter. It is

important, therefore, to ensure that additional training required for EPC assessors is thorough and emphasises the additional responsibility they hold. If the qualification is too simple, bad practices may be taken from the low cost EPC market to the Green Deal.

- We agree that Green Deal assessors operating in Scotland must be members of an approved organisation, as defined in the Energy Performance of Buildings (Scotland) Regulations 2008.
- There is considerable evidence concerning rdSAP producing perverse results.¹ This must be addressed if rdSAP is to be relied upon.

Q2: Can you think of any requirements that Green Deal assessors will need but that may not be covered by the suggested approach, combining National Occupational Standards (NOS) and Accreditation of Prior Experiential Learning (APEL)?

Your answer:

- No comment

Q3: In proposing to allow for the market to determine payment of assessors and cost of assessment, are there any further requirements we should be placing on assessors or providers in relation to (a) payment of assessors, (b) the cost of the assessment, or (c) declarations from the assessor?

Your answer:

- There are potential conflicts between the requirement for independent Green Deal assessments and the consumer's desire for an assessment with no up-front cost. A customer is free to take a Green Deal Assessment Report to any Green Deal provider (or none at all). A Green Deal provider offering 'free assessments' may feel the need to include caveats to ensure their investment is recovered. For example a provider might offer a 'free assessment' which would have to be paid for if the customer decided against taking out a Green Deal with that provider. Such arrangements could be highly damaging to the Green Deal market as a whole because:
 - Customers would be trapped by potentially unreasonable assessment charges if they chose not to go ahead with that provider
 - Customers would be compelled to choose a Green Deal provider *before* they have completed a Green Deal Assessment, at this stage they would not be well informed about the Green Deal or the potential measures suitable for their home.
 - Smaller providers may not have the liquidity to offer these kinds of offers and so would not be able to compete
 - If assessment is 'free' there will be no drive to deliver quality and there will be a race to the bottom to provide the cheapest allowable assessment
- Legislation must be put in place to outlaw any contract between a customer and a Green Deal provider before the GDAR is in their possession. Before this stage no customer is in a

¹ Consumer Focus (2012) *Filling the gaps – accuracy of Green Deal advice for cavity wall homes.* <http://www.consumerfocus.org.uk/publications/filling-the-gaps-accuracy-of-green-deal-advice-for-cavity-walled-homes>

position to choose a Green Deal provider to enter into an agreement with of any kind.

- This does not rule out the possibility of free assessments. Green Deal assessors could offer a free assessment if commission was paid by whichever Green Provider the customer subsequently chose. This is similar to how Independent Financial Advisors operate.
- A more acceptable approach might be for a cross-provider body (similar to the Green Deal Finance Company) to agree to pay all assessors a flat fee for the basic Green Deal assessment. The body could be funded by Green Deal providers in proportion to their market share. Energy suppliers would also be able to pay into this fund in return for a carbon score for each assessment funded. This approach would allow assessors to offer free basic assessments but still compete to provide additional bespoke services.
- Further consideration should be given to how Green Deal assessments covering common areas in flats and tenements will be paid for. Leaving this to the market is likely to lead to common areas not being assessed for improvements, which would be a major missed opportunity. The same applies to buildings of mixed domestic / non domestic properties, where opportunities for improvement may be missed, and consideration should also be given to the methodology to be used in the common areas in mixed properties: should SBEM or SAP be used, and who should pay?

Q4: Do you agree with our proposed approach to third party assurance and enforcing compliance for those providing Green Deal assessments?

Disagree (please delete as appropriate)

Please explain:

- The current EPC market has a number of third party certification bodies. As the consumer has no way to judge the quality of one certification body over another the only market pressure on the certification body is to reduce costs. This system was brought into existence to provide a large number of EPC assessors quickly and as a result quantity was the first priority. If this same structure and existing bodies are to be applied to Green Deal assessor certification, minimum standards will need to be tightened significantly.
- Ideally this opportunity should be taken to consolidate this confusing system that provides little benefit in terms of market competition, into a single, more easily overseen, certification body.

Q5: Should the current EPC validity period for property transactions be used for Green Deal purposes or is a shorter validity period more likely to meet the needs of the Green Deal process?

Your answer:

- ACE firmly believes that the maximum lifetime of a Green Deal Assessment should be significantly shorter than the 10 years of the current EPC.
- The information contained in an Green Deal Assessment is extremely time-sensitive. As measure prices drop and fuel prices rise new opportunities will become available to those taking out a Green Deal. It is therefore in the interest of all parties to ensure the

recommendations are as up to date as possible.

- The production of an EPC will be an important trigger point for the take-up of a Green Deal package. As the EPC assessment is to be brought into line with the first stage of the Green Deal assessment process, going the extra step to getting a full Green Deal Assessment should be a small additional expense. However, in the early years of the Green Deal, many properties coming up for sale will already have an EPC within the 10 year validity period. These homes will miss a vital trigger to getting a Green Deal assessment unless the EPC validity period is also revised.
- There are plans to make the underlying data from both Green Deal and EPC assessments publicly available. This will make the process of updating an EPC far less onerous. This is an ideal opportunity to reduce the current validity period of an EPC from 10 years to 12 months. This would bring the additional benefits of far more relevant information to those purchasing a property.
- The institution of a maximum life of one year for Green Deal Assessments and all EPCs would respond to the concerns raised above.

Q6: Do you think that this approach to identifying and assessing non-domestic buildings, based upon the requirements and tools for Energy Performance Certificates, will capture all non-domestic buildings and business sectors for which the Green Deal is relevant?

I don't know (please delete as appropriate)

Please explain:

- No comment

Q7: Are there alternatives to the simple approach to providing running cost savings in the non-domestic assessment that we should consider?

Your answer:

- No comment

CHAPTER 2: Measures, products and systems

Q8: Which measures should be added to the list of qualifying measures in Annex 1 for non-domestic properties, and what evidence is there that these measures improve the energy performance of buildings?

Your answer:

- After careful consideration, we fully concur with the recommendations made by the UK Green Building Council in response to this question, and reiterate their response here. In respect of non-domestic buildings, metering (in particular advanced and automatically read meters) is not as widespread as it might be given the age of the non-domestic stock. We would therefore recommend that in reference to non-domestic buildings, smart meters are included as a qualifying technology (or at the very least a prerequisite for funding). Other

technologies that should be considered include:

- Insulation on HVAC ducting
- Lighting – not only fittings and controls but also light sources (LEDs etc)
- Passive measures – daylight pipes to boost internal uses of daylight, reflective paint, solar shading, solar film for glazing
- Energy efficient glazing including secondary glazing
- Integrated control systems
- The full list of measures and the requirements of PAS 2030, the installation standard for the Green Deal, should be aligned with Building Regulation requirements (found within the Planning Portal’s Non-Domestic Services Compliance Guide¹⁸). Alignment of the Green Deal measures with the Building Regulations will be of particular importance due to the anticipated extension of Part L’s requirements for ‘consequential improvements’ where the following alterations are made to property:
 - building an extension
 - installing fixed building services - such as heating, ventilation and air conditioning - for the first time; and/or
 - expanding existing building services.
- Consequential improvements require that where the above works are undertaken the property owner must undertake certain energy efficiency improvements at the same time. Currently the rules only apply to property which is over 1,000 sq metres but this threshold will be removed as a result of the Energy Performance of Buildings Directive Recast. Given this change, it will be sensible to ensure that Green Deal finance is accessible to facilitate any consequential improvements that may be required under the Building Regulations.
- Where an improvement is undertaken primarily to enhance energy efficiency, the works will be covered predominantly, but not exclusively, by Part L (Conservation of Fuel and Power). Building Regulations permit defined types of work to be undertaken without the direct involvement of Building Control, although they must comply with the Regulations, where the work is undertaken by a competent person. If a Competent Persons Scheme for energy efficiency measures were created, then it would be possible for the designers of the energy efficiency works to oversee the works and to sign them off as compliant with Building Regulations in the manner of other Competent Persons Schemes. This would reduce the regulatory burden for the client, and reduce the associated workload for Building Control, by transferring responsibility for compliance to the engineer.
- Whilst we recognise DECC’s rationale for including only measures that are not readily portable as eligible under the Green Deal (so they cannot be removed from the property with a Green Deal charge attached), this means that such measures are predominantly, although not solely, fabric, plant and machinery. This means that it is likely that Green Deal assessments will offer Green Deal packages that will fall largely within the landlord’s responsibilities. This may complicate the applicability of recommended Green Deal packages following an assessment.
- Given the emphasis on improvements that fall within the landlord’s purview, further incentivisation of energy efficient retrofit of interior fittings (those that fall within the tenant’s fit out) within buildings may be required. Wider use of capital allowances and enhanced capital allowances to stimulate the installation of more efficient kit would help

- Further, ACE see the exclusion of flexible insulated lining as a product category from appendix Q and therefore for both domestic and non-domestic as an oversight.

Q9: Will the existing Appendix Q process, which will allow new measures to be added to the Green Deal assessment tools, and to the list of qualifying improvements, support innovation in the market and how could the process be improved? In particular, what support could SMEs benefit from?

Your answer:

- ‘Full and proper testing and/or independent verification’ of performance is probably adequate and appropriate for products. It is not appropriate for more complex systems, consisting of numerous components, which are always installed and implemented in a more bespoke fashion (and assessed using tools more sophisticated than SBEM²). This problem applies in to particular building energy management systems (and DECC-mentioned lighting systems and integrated controls) in the non-domestic sector – which may consist of both portable and non-portable components. Such systems should be GD-financeable, but their savings cannot be tested or verified in the same generic fashion as other current Qualifying Energy Improvements.
- The ‘Appendix Q process’ does not, in and of itself, support innovation in the market. It exists only to ensure that GDF is only available for innovations which meet GD principles and standards. The process would be more *conducive* to innovation in the market, especially from SMEs, if it wasn’t constrained to updating Appendix Q on an annual basis. It would be much improved if products were added to Appendix Q as and when they pass the necessary tests. Naturally, this would necessitate continual incremental updating of SAP and SBEM. But the additional burden of doing so is likely to be small in relation to the reduced barriers to product and system innovation, market development and deployment.

Q10: What innovative ways can the government use to encourage uptake of a package of measures and could our existing proposals support this.

Your answer:

- Where a package of measures can attract ECO carbon support, the government is in a position to require package approaches where packages are applicable as it can dictate the terms of the ECO. The current proposals partially do so. The proposals are designed to ensure that any package which attracts ECO support must include a minimum of SWI. It does not ensure the converse – i.e. that other applicable measures are installed alongside SWI. Ensuring this would further encourage uptake of packages of measures, and prevent the delivery of SWI as a single measure (or system) where more potential exists.
- The proposals described in the paragraphs preceding this question contain no significant proposals for encouraging uptake of GD-financed packages outwith ECO carbon support –

² Such as those used by ESCOs such as Honeywell and Johnson Controls.

other than ensuring that a package is recommended on the EPC, and that Green Deal providers are to hand a Government leaflet to consumers explaining the benefits of packages. More stringent requirements could be placed on Green Deal Assessors and Providers, for example by disallowing the recommendation of individual measures (unless it is genuinely the only appropriate option). The guiding principle should be that consumers should always be put in a position where they would have to opt out of a package, rather than opt into one.

- There are numerous other possibilities for government to encourage the uptake of packages. Although these largely fall outside of the scope of the current consultation, there are policy areas and developments which are of huge importance to the Green Deal:
 - Chief among them is the £200m capital fund announced by the Chancellor in the autumn statement to encourage early uptake of the Green Deal. The incentive the fund can provide to consumers could very easily be structured to make packages more attractive, perhaps via a cashback arrangement. DECC should pursue this possibility with the Treasury. Future council tax or Stamp Duty linked incentives could be similarly structured to assist take-up of the Green Deal. We note the Minister of State, Greg Barker, has committed to “bring forward further measures and incentives to support it before the launch”.³
 - The explicit marketing of Green Deal packages as being eligible for this cashback arrangement could help stimulate demand and take up. The Green Deal framework provides a unique opportunity to categorise, ‘brand’ and promote a distinct set of well defined and carefully selected measures and systems as ‘specially’ eligible for the reduced rate.
 - The design of future mandatory minimum standards, building on those introduced by the Energy Act for the private-rented sector, or those introduced under sections 63 & 64 of the Climate Change (Scotland) Act 2009 could also facilitate the uptake of packages (for example by requiring the achievement of a particular EPC rating, rather than mandating individual measures). ‘Consequential improvements’, implemented for example in the next iteration of Part L of the Building Regulations, could also be designed to facilitate package uptake. Similarly, conditionality requirements for FIT or RHI eligibility can be designed to achieve this.
 - Green Deal Providers could find it attractive to use the £150 / 5% cash-back allowance to incentivise the take-up of packages. Not knowing how the allowance will be used to market the Green Deal, Government must act to ensure this is the case, and that the allowance is not ‘wasted’ on single-measure Green Deal plans.

Q11: Please provide views on the potential inclusion of hard-to-treat cavities (and potentially other measures of a similar type), and proposals for how properties might be accommodated in the ECO without excessive complication or perverse consequences.

³ Greg Barker, 18 January 2012 11.04am, comment on the Guardian *The Green Deal will be the biggest home energy programme of modern times*. Available at: <http://www.guardian.co.uk/environment/2012/jan/17/green-deal-home-energy>

Your answer:

- At the end of this year, there are likely to be around 1.7 to 2.5 million dwellings with hard (i.e. more costly) to treat cavities able to benefit from insulation in Britain. There could be at least an additional 300,000 cavity-walled properties of non-traditional construction⁴. Excluding wall insulation solutions for these properties from the list of Qualifying Energy Improvements would mean forgoing very large energy saving potential which is likely on average to be more cost-effective than insulating solid-walled properties.
- In some cases, treating these cavities will not require ECO support to meet the Golden Rule. In other cases, they would require ECO subsidy. Proven solutions exist to insulate all types of hard to treat cavity. The inclusion of these measures in the list of Qualifying Energy Improvements is essential, given the energy and carbon saving potential. What is needed in order to enable their delivery (whether under Green Deal finance alone or Green Deal with ECO subsidy) is a meaningful way of distinguishing between different types of hard to treat cavity and the specific products necessary to treat them.
- The flow chart in Appendix I presents a simple set of rules for distinguishing between different types of cavity (and the cost of insulating them) under a Green Deal assessment. Coupled with reasonably robust estimated costs for insulating each type of cavity wall, mapped out against property size, there is no reason why the inclusion of hard to treat cavities as a Qualifying Energy Improvement need complicate the ECO or the Green Deal.

Q12: We propose that the ECO Carbon Saving obligation should be achieved primarily by promoting and installing solid wall insulation. Should any other measures be supported, and how would these be defined?

Your answer:

- As a matter of principle, all insulation measures or systems which may not meet the Golden Rule without ECO support, but result in significant energy and carbon savings, should be supported. This is in line with the rationale for supporting SWI systems under the ECO. In the first instance, as discussed in the answer to Q11, this means the inclusion of measures to insulate hard to treat cavities as both Qualifying Energy Measures and measures eligible for ECO support. An approach to defining them is also put forward in the answer to Q11.
- More broadly, and in accordance with the principle set out in the preceding paragraph, the Appendix Q process should keep the measures eligible for support under the ECO Carbon Saving Obligation under continual review, in this way also addressing the issue of how measures in addition to SWI would be defined.
- As discussed in sections X, Y and Z, DECC's Impact Assessment projections of Green Deal uptake of conventional cavity wall and loft insulation fall extremely short of what is needed to meet Carbon Budgets. The projections also fall extremely short of what DECC itself have stated is necessary to meet Carbon Budgets⁵. We note that the Minister of State, Greg

⁴ ACE (2012) *Dead CERT: Framing a sustainable transition to the Green Deal and Energy Company Obligation*

⁵ http://www.decc.gov.uk/en/content/cms/tackling/carbon_plan/carbon_plan.aspx

Barker, now concedes that this Impact Assessment is “already out of date”.⁶ It would also make the bill impacts relative to carbon savings of the ECO higher than need be and leave many more households exposed to wider energy price increases. These points have been made very eloquently to the Secretary of State by the Committee on Climate Change in an open letter dated December 20 2011⁷. The CCC recommends the inclusion of the full remaining CWI and LI carbon saving potential in the ECO, in line with what is necessary to meet Carbon Budgets. Crucially according to the CCC – and we strongly agree – this would not necessitate continued subsidy as seen under CERT, nor would it crowd out the Green Deal finance market (for which CWI and LI potential are expected to be key drivers).

- A SWI minimum⁸ could be set under the Carbon Saving obligation to ensure ambitions for SWI are met. Against this backdrop, the remainder of an (increased) ECO Carbon Saving Obligation can be focused on meeting Carbon Budgets cost effectively. This will compensate for (at least initially) low Green Deal finance uptake outside of the ECO by allowing Green Deal-financed conventional cavity wall and loft insulation to be supported. Furthermore:
 - Any subsidy (to demonstrate additionality – if needed to claim carbon savings towards Obligation) for these measures could be capped (potentially to a nominal level), or constrained to providing cash-back on or subsidising the cost of independent Green Deal Assessments
 - CWI and LI carbon savings should also be bought and sold through the brokerage mechanism (at the same capped / constrained level of subsidy) to ensure that the Green Deal finance market is not crowded out, but instead is actively encouraged to grow by the ECO.
- These means by which CWI and LI could be supported under the ECO Carbon Saving obligation are discussed further and more fully in sections A, B and C.
- ACE has on a number of occasions⁹ called for Government to elaborate on how its renewable energy and energy efficiency programmes are to be aligned. Renewable energy technologies should be financeable through Green Deal Finance and the tariff payments should be included in the ‘savings’ side of the Golden Rule equation. Through this alignment, the increase in the savings produced by the (FIT or RHI) tariff payment could allow more ambitious packages (incorporating solid wall insulation in particular) to be installed under the Golden Rule requiring less ECO subsidy. In addition, in allowing the up-front cost of the renewable technology to be removed, the tariff level paid could be lowered to reflect the reduced barrier to investment.

Q13: For the ECO carbon saving obligation, we propose that any other carbon saving

⁶ Greg Barker, 18 January 2012 11.04am, comment on the Guardian *The Green Deal will be the biggest home energy programme of modern times*. Available at:

<http://www.guardian.co.uk/environment/2012/jan/17/green-deal-home-energy>

⁷ Letter from Lord Turner to Rt Hon Chris Huhne 20th December 2011, *Proposals for the Green Deal/Energy Company Obligation*.

<http://downloads.theccc.org.uk.s3.amazonaws.com/Green%20Deal/green%20deal%20letter%20-%20201211.pdf>

⁸ Encompassing the insulation measures which may not meet the Golden Rule without ECO support, as discussed in the preceding paragraphs.

⁹ Consumer Focus, (2010) *Access for All*, <http://tinyurl.com/65yrzvj>

measures should only be eligible when delivered as part of a package with solid wall insulation. Do you have any suggestions for the criteria by which eligibility within packages should be restricted, explaining why you think any such restrictions should be included?

Your answer:

- In keeping with our answers to Q11 and Q12, we propose rephrasing this to say that under the ECO Carbon Saving obligation 'any other carbon saving measures should only be eligible when delivered as part of a package with solid wall insulation, hard to treat CWI, conventional CWI and/or loft insulation'. In respect of the latter two measures, the same pre-requisites, caveats and constraints would first apply as outlined in the answers to the previous two questions. Foremost of these is the setting of an SWI minimum.
- Conversely, and in keeping with our answer to Q10, installation of SWI with ECO Carbon support should not be allowable as a single measure, but should only be delivered as part of a package. The same requirement should also apply to hard to treat CWI, conventional CWI and LI: if they contribute to and are supported by the ECO Carbon Saving obligation, they must be delivered as part of a package. In cases where a potential adopter of SWI has already undertaken all Green Deal-financeable measures and cannot bundle the measure into a package, this should not act as a barrier to receiving ECO support.

Q14: We propose that *any measure* should be allowed under the Affordable Warmth obligation, provided it allows eligible households to heat homes more affordably. If you disagree, or feel there are risks to this approach, please explain and set out any restrictions you believe should be put in place.

Your answer:

- We agree that any measure should be allowed, but not without adequate protections to prevent (to illustrate an extreme case) a mass rollout of (say) hot water tank jackets or draught excluders delivered in isolation meeting all, most or a lot of the Affordable Warmth obligation. One means of preventing this is to introduce an appropriate 'major measures minimum' contribution to the Affordable Warmth obligation, potentially encompassing insulation and heating system replacement measures. A pragmatic approach to support and incorporate the major measures minimum is to require that all appropriate measures in the referred household are installed, in the same way as under Warm Front (which the AW obligation is in effect replacing).

Q15: Do you have any suggestions for whether and how we should score, boiler repairs under the Affordable Warmth obligation, such that where repairs are more cost-effective than replacement systems, without significant impact on efficiency, these can be promoted?

Your answer:

- There is a partial rationale for the inclusion of boiler repairs as an allowable measure, it is conceivable that, in some cases, a repair achieves the same saving as a replacement boiler, or achieves a more cost-effective saving. The absence of a worked example of how DECC would compare the cost-effectiveness of a repair with that of a replacement is particularly glaring. We have further serious concerns:
 - If a broken down boiler is repaired to its previous working state, there is in practice no heat cost reduction for the household in question. If anything a heat cost reduction could only arise from a comparison with a more expensive heating solution the household would have needed to achieve the same level of comfort as before whilst the boiler was broken down. This comparison is too hypothetical and, even if it was real, too short-lived.
 - It is quite overtly an attempt to stretch the Affordable Warmth obligation funding further, given the incredibly low levels of budget allocated in the proposal in relation to current and previous programmes.
 - As such, it is inherently flawed. In few to no cases a repair going to be as lasting a heat cost reduction as a replacement. Whilst Gas Safe engineers would be required to carry out repairs, there would need to be other stringent criteria in place. For example, only relatively new and efficient boilers should be eligible for repair, and in no cases should the boiler be repaired from a broken down state, for the reason stated above.
- On balance, we would recommend that boiler repairs are not allowable under the Affordable Warmth obligation: too complex to design effectively, too difficult to administer and monitor, too woolly to evaluate and too overtly a patch and mend component of a patch and mend Affordable Warmth target.

Q16: We are proposing that any heating measures should be allowed under the Affordable Warmth obligation, including for households off the gas grid, and extra incentives should not be put in place for air or ground source heat pumps. Do you have any evidence to bring to bear on the performance of heat pumps to improve the ability of vulnerable households to heat their homes affordably?

Your answer:

- We agree that any heating measures applicable in off-grid homes should be allowed. Extra incentives for measures should not be included, but incentives for providing support to off-grid and rural homes eligible for Affordable Warmth support should be put in place. Programmes to date of consistently under-served rural and off-grid fuel poverty. The new obligation affords an opportunity to keep close tabs on what is being delivered where and ensure that rural and off-grid homes do not lose out on the chance of much-needed assistance.
- DECC will be aware of the large field trials and other studies of heat pumps' efficacy and

performance in various locations, properties and households. The simple answer is that where the right technology is installed in the appropriate type of property to high standards, with a high level of insulation, and the household is empowered to use the new heating system correctly, heat pumps can of course help vulnerable households heat their homes affordably. But only where all these criteria are met.

- There is also a wealth of policy experience in the delivery of non-gas heating measures to low income and vulnerable households, not least through Warm Front and the CERT Super Priority Group, the Energy Assistance Package in Scotland, fuel poverty programmes in largely off-gas Northern Ireland and Arbed and Nest in Wales.

Q17: To what extent can existing product lists, such as the list of Microgeneration Certification Scheme compliant products be used as the starting point for the Green Deal Products list?

Your answer:

- To the fullest extent to which the highest quality standards for all product categories can be ensured. Using existing lists and associated compliance tests will minimise administrative burden and keep barriers to entry to the Green Deal market (whether as product supplier / installer / provider) to a minimum.

Q18: Do you agree that allowing enhanced product performance to be recognised in the Green Deal financing mechanism is useful? Do you have any specific views on how this approach could be implemented?

Your answer:

- We agree, provided this is firmly restricted to Green Deal provider advice which builds on independent Green Deal Assessments. The Assessments must *not* stray from generic product savings. This underscores the importance of keeping Green Deal Assessments well and truly separated from Green Deal Providers in order to protect their independence. Somewhat separately to the question posed, we would caution that the determination of ‘in use factors’ should in fact be conceived of as a more accurate modelling of a measure’s (or product’s) performance.

CHAPTER 3: Green Deal provider and plan

Q19: Are surety bonds the most effective, efficient way to ensure customers are protected in the event a Green Deal provider becomes insolvent or has their licence revoked? What should be the minimum requirements of a Green Deal surety bond be and how much should Green Deal providers be required to insure?

I don't know (please delete as appropriate)

Please explain:

- No comment

Q20: Does our proposed approach to authorisation and oversight of Green Deal providers ensure the necessary standards of consumer protection and proportionate redress without creating barriers to entry into the market?

No

Comments:

- The Green Deal is a new and complex offering that householders and small businesses will not have encountered before. The Green Deal offering includes unfamiliar technical measures and their installation, a completely new financial mechanism and a form of billing that has not been experienced by customers before.
- The risk of mis-selling is high. The doorstep selling practices in the energy supply industry have been found to mislead customers and have only recently finally been stopped. In the microgeneration market, the introduction of the Feed in Tariff has seen some rogue salespeople targeting vulnerable households with inflated generation predictions which households are not technically knowledgeable enough to question. The introduction of the Green Deal must not enable these practices to be reintroduced and must establish a oversight framework that is sufficient to prevent these practices from the outset.
- As a highly innovative product in the market, there is great potential for misunderstanding by customers. The market research carried out by Ipsos MORI that accompanied the consultation identified that, vulnerable householders in particular, did not understand the concept of the Green Deal even when it had been explained. This unfamiliarity and low level of understanding by customers creates enormous risk of mis-selling by Green Deal Providers.
- The redress system set out in the consultation document appears adequate to deal with customer complaints but is less clear about how more proactive oversight of Green Deal Providers' practices will be carried out. The consultation document (Chapter 2) announces that products being recommended and installed as part of the Green Deal will be spot checked by the Oversight Body. There is no mention, however, of which body will undertake spot checks or mystery shopping exercises on the selling and service practices of the Green Deal Providers.
- The guidelines set out in the Code of Practice provide some good protections for householders, but these will only be effective if Green Deal Providers adhere to them fully. Householders will be unaware of the requirements of the Code of Practice, for example the types of information that is required to be provided to them, so will be unable to judge whether this Code is being delivered acceptably. Therefore, customer complaints cannot and must not be relied upon to regulate the Green Deal Provider market and identify undesirable practices.
- Government must indicate which body will be responsible for proactively assessing a sample of Green Deal Providers' and their sales people's practices each year. Government should also provide a list of all of the information that a Green Deal Provider is required to explain to prospective customers and a list of suggested questions that a Green Deal Provider should

be able to answer. It is suggested that this information be provided by the remote advice service and be given to customers during a Green Deal Assessment.

- Particularly in the early years of the Green Deal, the oversight body will need to be proactive, nimble in its actions to address breaches of the Code of Practice and deliver brutal penalties to prevent a race to the bottom in the standard of Green Deal provision. A failure in this essential period to provide high standard of service would result in a swift discrediting of the Green Deal concept, threatening this mechanisms' potential to impact on the energy efficiency market in the way that is intended.
- Particular protections must be in place to protect vulnerable customers and those at the risk of fuel poverty from being convinced to take on a finance package that may leave them in a worse financial position. Where established, no cold calling zones must be adhered to by Green Deal Providers.

Q21: How much weight should be given to the argument for placing financial responsibility for late payment with the payee?

Your answer:

- No comment

Q22: What are your views on the government's proposal of requiring Green Deal providers to offer insurance-backed warranties for the entire repayment period? Please provide evidence to support your views.

Your answer:

- It is essential that measures installed as part of a Green Deal Finance package continue to produce the expected energy savings for the duration of the finance period.
- A form of protection like insurance-backed warranties is essential to provide customers with a level of reassurance. Perhaps equally importantly, the provision of a warranty will work to promote Green Deal Providers to select good quality, proven and durable technologies. This will help maintain high standards of product choice and installation in the competitive market of the Green Deal.

Q23: What are your views on the government's proposals regarding changes to the Consumer Credit Act for Green Deal Plans?

Your answer:

- It is essential that customers have the opportunity to pay off their Green Deal early.
- As a result of the adaptations to the Consumer Credit Act proposed in the consultation document, ACE has concerns that there appears to be no requirement for consumers to be informed before they take out a Green Deal Finance arrangement what the charge for early repayment will be. It is essential that the Green Deal market is required to establish clear signals from the outset as to the penalties for early repayment. Only in this way will customers be reassured about this new financial product. The weakening of the protections

originally in the CCA do not support this.

Q24: What are your views on the Government’s proposals regarding consumer protections for those Agreements which do not fall within the scope of the CCA?

Your answer:

- No comment

CHAPTER 4: The Golden rule

Q25: Is it necessary to afford consumers additional protections and extra comfort where they take out green deal plans in excess of £10,000? If so, is the proposed protection of reducing the saving estimate appropriate and is the 5% figure the correct adjustment?

No (Please delete as appropriate)

Please explain:

- ACE agrees that Green Deal packages over £10,000 will need a greater level of protection. However, a percentage reduction in savings estimates would be a presentationally confusing manner in which to apply the protection. It would be preferable to present the full estimated savings but require a 5% ‘buffer’ between costs and savings.

Q26: Do you agree with the approach to the Year One charge that can be used in a Green Deal Plan?

Disagree (Please delete as appropriate)

Please explain:

- ACE can see the benefits of ensuring sensible repayments in year one and limiting changes thereafter compared to a system where repayments are continually reviewed over the loan’s lifetime. However, if this approach is to be taken, the controls over subsequent changes to repayments will have to be considerably more strict than suggested in this consultation document.
- In particular the proposal for annually increasing repayments would be highly irresponsible. A consumer that chooses this option might take advantage of lower repayments but then choose to move house. He would then pass on a debt, having paid off little of the capital and an asset half way through its useful lifetime. As an example consider a £10,000 Green Deal loan being paid off over 25 years with 7% interest and an annual 2% increase in repayments. After three years the household would have paid off £98 of the £10,000 loan.

Q27: What would be the benefits of allowing Green Deal providers to vary the interest relating to a Green Deal plan in line with the most appropriate component of the fuel and light index?

Your answer:

- A Green Deal package that meets the golden rule will give households at a minimum the same annual bills as before the work is carried out. The main benefit from the work would come in the form of protection from fuel price increases. If repayments were to increase with the fuel price index this benefit would be negated and would keep the household at risk from price rises. This proposal seems to have little practical benefit to the consumer and would leave unwary households at risk from sharp salesmen offering overly complex financial products.
- ACE is deeply concerned by the apparent confusion in the thinking displayed by this consultation document. The cornerstone of financial prudence is to match assets to liabilities such that any changes in expenditure are matched pound for pound by changes in income.
- Proposals such as the fuel price linking of interest rates are clearly designed to match the liability of the Green Deal repayments to the 'asset' of the fuel cost savings. This is wrong-headed thinking of the highest order. The aim of the Green Deal should be to help match a household's fuel cost liability to their assets – wages or pension. Household income is generally fixed or inflation linked, repayments on a Green Deal loan should match this not volatility of energy markets.

Q28: Do you agree with the proposed approach to how the Green Deal charge can vary in subsequent years of a Green Deal Plan?

Disagree (please delete as appropriate)

Please explain:

- The proposal to allow larger Green Deal loans on the basis of future price rises will break the underlying principal of the golden rule. Households will have an upward step in their bills as their large repayments will be greater than savings at current fuel prices. Whilst in the long run the household may benefit from a deeper retrofit, the short-term bill rises could be financially disastrous and create negative feeling towards the Green Deal.
- As an alternative households should be offered 'open basket' Green Deal packages whereby additional measures can be added to the package at a later date if price changes and fuel price rises make the extended package meet the golden rule.
- Larger, more expensive measures may not be able to meet the golden rule on their own, combining them in a package with lower cost measures may allow the golden rule to be met. There is potential for a Green Deal 'lock-in effect' if small cost-effective packages are taken up in the early years. As an example, a household wishes to have a whole house retrofit with cost-effective small measures helping to support the larger, more expensive ones. Their neighbour is keen to have the same but cannot meet the golden rule as a previous owner has taken out a Green Deal package and only chosen the cheapest, most cost effective measures. This means that the cost-effective measures are not available to help the larger ones meet the golden rule. By allowing an 'open basket' approach, this household would be able to add the costs and savings of their new measures to the old package to create a new package that obeys the golden rule.

Q29: Is £150 or 5% of the total Green Deal package (whichever is the least amount) an appropriate limit on the amount of cash incentives which can be offered by Green Deal providers?

Your answer:

- Upfront cash offers are likely to be very popular incentives, however they amount to nothing more than small cash loans paid back over up to £25 years. Over a 25 year Green Deal households would pay £335 for the initial £150 'incentive'. These kind of upfront cash back incentives would be an ideal use of the £200m Treasury fund designed to incentivise take up of the Green Deal.
- If a loan advance is to be used as an incentive, it must be clearly explained as such and Government must act to ensure that the allowance is not 'wasted' on single-measure Green Deal plans.

Q30 : Do you agree our proposed approach to the Golden Rule principle strikes the right balance between ensuring the necessary consumer protection mechanisms are in place whilst not unduly stifling ambition and investment in the Green Deal?

Disagree (please delete as appropriate)

Please explain:

- Whilst ACE understands the need for a Green Deal market to innovate and compete we would urge caution in giving free reign to providers, particularly in the design of new financial products. The last thirty years has seen a string of high-profile scandals involving the mis-selling of financial products; personal pension plans, endowment mortgages, payment protection insurance, the list goes on.
- Green Deal finance is already a highly innovative and unprecedented product, in the current market interest rates are rarely fixed for over 5 years, let alone 25. Adding further layers of complexity with fuel index linked interest rates, increasing payment regimes and cash back incentives will only serve to confuse consumers, add risk to products, increase the cost of administration and pave the way for a new government backed mis-selling scandal.
- Finance will only be made cheap enough if investors can be guaranteed long term locked in loans. This means that households may not be able to escape from a Green Deal loan without incurring substantial penalties (see our response to Question 23. It is therefore vital that offers err on the side of caution and do not include features that consumers may regret in later years such as increasing repayments or short termist upfront cash advances.

CHAPTER 5: Delivering equitable support and tackling fuel poverty through the Green Deal and ECO

Q31: Do you agree that eligibility for Affordable Warmth measures should be restricted to households who are in receipt of the benefits and tax credits similar to the CERT Super

Priority Group and who are in private housing tenures?

See below

Please explain:

- ACE does not believe that assistance to low income and vulnerable households should be restricted to a mere 25% of total ECO activity. As the consultation document explicitly acknowledges at para. 5.1.1, the Warm Homes and Energy Conservation Act 2000 places on the Government a duty to eradicate fuel poverty in England by 2016. With the latest DECC statistics showing 5 million UK households in fuel poverty in 2009, we had hoped that this consultation would contain ambitious proposals for putting the Government back on track to meet its statutory target. This need was all the more pressing in light of the Government's decision to slash the Warm Front budget by two-thirds over the next two years and to end the programme completely in 2013.
- Prior to publication of this consultation, DECC Minister Gregory Barker MP talked on many occasions of his Department's intentions for the ECO to tackle fuel poverty on a far more ambitious scale than had been the case under CERT and Warm Front. Here is but one example: "The ECO is being designed specifically to tackle fuel poverty and hard-to-treat homes. Although it is too early to set exact numbers for the scheme ahead of our consultation on the ECO in autumn, I fully expect a far greater level of resource to be brought to bear on the fuel poor than was previously the case under the carbon emissions reduction target or Warm Front."¹⁰
- Instead the current proposals envisage only 25% of the annual £1.3 billion ECO expenditure being spent on the Affordable Warmth Target – i.e. a mere £325 million annually. At para. 11.2.10, the consultation document states that this will "provide assistance to" a minimum of 325,000 households by the end of March 2015. In the context of at least 5 million households in fuel poverty, this is a derisory number of households. In addition, it has to be remembered that "providing assistance" is not at all the same thing as removing households from fuel poverty.
- And what of Gregory Barker's assertion that with ECO a "far greater level of resource" would be brought to bear on the fuel poor than under CERT/Warm Front? Between 2008 and 2011, Warm Front expenditure totalled £1.1 billion; while expenditure on the CERT Priority Group was in the region of £1.8 billion. This amounted to nearly £1 billion of annual spend targeted on tackling fuel poverty. Far from dwarfing these historical expenditure levels, the £325 million proposed for the Affordable Warmth Target is two-thirds less. In our view, this represents the clearest possible indication that the Government has abdicated any serious attempt to meet its 2016 fuel poverty target and is therefore in breach of the Warm Homes & Energy Conservation Act. There is no way in which these proposals can be said to demonstrate an intention to do all that is "reasonably practicable" to end fuel poverty.
- For all these reasons, we believe that the overwhelming majority - 98% - of the ECO should be targeted on vulnerable and low income households, at least during the first 3-4 years.
- ACE has delivered proposals in its 'Dead CERT' report (accompanying this document) that enable carbon savings to be delivered using just 2% of the ECO, leaving the remaining 98% to be used to offset the regressive nature of the supplier obligation cost passback and to actively deliver fuel poverty alleviation.¹¹

¹⁰ House of Commons Hansard, May 19 2011, Col. 478

¹¹ ACE proposals are for 98% of the ECO funds to support SWI in social housing and low-income owner occupied and private rented sector homes, and conventional and hard-to-treat CWI also in low income households. Whereas DECC's

- We outline further in our response to Question 63 and Chapter 11 how these expenditure levels could be further enhanced by integrating the ECO and Green Deal in such a way as to ensure the most cost-effective removal of households from fuel poverty by 2016; we also propose how EU ETS and carbon floor price receipts should be spent post-2013 on energy efficiency programmes, prioritising the homes of the fuel poor and vulnerable.
- In our favoured scenario (i.e. where the overwhelming majority - 98% - of the ECO is targeted on the fuel poor), we believe that support should be given to a group that is wider than the Super Priority Group and includes social housing.
- However, if the Government decides to press ahead with its proposed 25% Affordable Warmth component, we accept that, within these very limited resources, the CERT Super Priority Group in private housing represents an appropriate target group though the exact targeting must be informed by the result of the Hills Review.

Q32: We propose seeking a voluntary agreement with ECO obligated companies as to how they commit to following up referrals. Do you have any suggestions as to what this commitment should consist of?

Your answer:

- The consultation document is right to highlight that steps should be taken to ensure referrals of potentially eligible households to energy suppliers. However, we completely disagree with the proposal that this should be limited to a self-referral system, whereby households call a remote advice service to signal their eligibility. We believe it is both wrong and preposterous to suppose that low income and vulnerable households (who in any case are generally disempowered and unaware of their rights) will use precious household finance to call a remote advice service to signal their entitlement.
- We believe that far more proactive steps need to be taken to ensure that eligible households are referred to suppliers for assistance. We therefore propose that a comprehensive network of Affordable Warmth Referral Networks be set up in all local authority areas (to be required under the reinvigorated HECA Guidance) and that energy suppliers should be required to work in partnership with these networks to make sure that assistance is targeted on appropriate households.
- Such networks already exist in a number of local authority areas, and have proved successful in directing eligible households towards both Warm Front and CERT. They are usually co-ordinated by the local authority, but sometimes by other agencies, such as primary care trusts or social services departments. Potentially eligible households are identified by front-line workers and their details are passed on to the appropriate provider.
- We further strongly believe that, rather than relying on a voluntary agreement with ECO obligated companies, there should be an obligation on suppliers to provide assistance to all

view is that such a proposal would not save sufficient carbon, in fact carbon savings can be 55% higher if just 2% of the ECO is used to ensure the delivery of CWI in able-to-pay households through the Green Deal.

Our proposals would ensure delivery of CWI in line with the Carbon Plan ambition that 'all cavity walls and lofts in homes, where practicable, are expected to be insulated by 2020'. All CWI delivered through the Green Deal (even by non-suppliers) would contribute to the ECO target, with other objectives ring-fenced to ensure that at least 500,000 installations occurred each year without compromising equity and hard-to-treat objectives. This approach would see more than twice the proportion of ECO monies spent in the homes that need it most, it saves 55% more carbon over the period, and sees 80% of the solid wall insulation numbers delivered under the DECC scenario, installed at an ambitious rate of 140,000 a year. It does this at a lower cost to bill payers than the DECC scenario.

eligible households referred to them. Furthermore, we believe that this assistance should consist of the installation of all cost-effective measures as a minimum, as is already the case with the Scottish Energy Assistance Package and the Welsh NEST scheme. Without a firm obligation for suppliers to act on referrals and a minimum level of assistance required, the resources invested in the referral mechanism risk being wasted.

Q33: Do you have any evidence or views to put forward on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, are or are not likely to be distributed equitably to all income groups? If so do you think regulatory intervention is necessary to ensure a more equitable pattern of delivery and, in particular, do you have any comments on the likely effectiveness of setting a 'distributional safeguard' as a means of achieving this?

Your answer:

- As already stated, ACE believes that the overwhelming majority - 98% - of the ECO should be targeted on low income and vulnerable households and social housing tenants. If this approach is adopted, then the distributional safeguard should address specific sub-groups, for example households in rural areas, off-grid consumers and private sector households.
- However, if, despite our recommendation, the Government persists with its current proposal that all households should be eligible for support under the carbon saving element of the ECO, then we believe that a much more robust distributional safeguard will be required. This should include a minimum proportion to be allocated into a priority group (not less than 75%) and within this priority group a minimum to be delivered to those low income households with solid walled homes in the **private** sector. This last group is least likely to naturally receive ECO subsidy or Green Deal offerings so must be provided with a specific allocation.
- As ACE's recent research for Consumer Focus¹² on the delivery of solid wall insulation revealed, although social housing has been the favoured delivery route for solid wall insulation through CERT and CESP to date, we cannot expect that this will continue in the same vein at much higher levels of delivery. Pressures on social housing provider and local authority budgets has meant that matched funding is much harder to access for housing stock controllers. The contribution to these projects from energy suppliers will therefore need to be higher making these projects far less attractive.
- If left to market forces, energy suppliers will wish to install solid wall insulation as cost-effectively as possible, or in line with the interests of growing their own Green Deal Provider businesses and therefore do so disproportionately in the homes of the able-to-pay.
- Government must take ownership of the Green Deal and introduce the "further measures and incentives" to drive demand promised by Greg Barker¹³, not leaving to ECO subsidy the entire responsibility of driving take up. As part of this, the role of the Green Investment Bank must be further elaborated.
- Finally, as regards regional distribution, we would wish to see much better data collection and monitoring under the ECO than has been the case under EEC and CERT. While the

¹² 'Scaling the solid wall' [http://www.ukace.org/publications/ACE%20Research%20\(2011-11\)%20-%20Scaling%20the%20solid%20wall%20full%20report](http://www.ukace.org/publications/ACE%20Research%20(2011-11)%20-%20Scaling%20the%20solid%20wall%20full%20report)

¹³ Greg Barker, 18 January 2012 11.04am, comment on the Guardian *The Green Deal will be the biggest home energy programme of modern times*. Available at: <http://www.guardian.co.uk/environment/2012/jan/17/green-deal-home-energy>

consultation cites that a DECC evaluation of delivery under CERT has shown fairly even geographical distribution, this does not accord with anecdotal evidence from CERT and CESP that has clearly indicated that rural areas have traditionally been under-served by these programmes, as energy suppliers have found it easier and cheaper to focus their efforts on consumers in high-density urban areas.

CHAPTER 6: Consent, disclosure and acknowledgement

Q34: Do you think the framework for consent for the Green Deal charge and measures provides effective protection for the parties involved.

No

Your answer:

- ACE has concerns at proposals in the consultation document that no requirement is to be placed on any professional body involved in the sale or renting of homes to deliver information on the presence of a Green Deal Charge to the new occupier.
- This is of particular concern in relation to the private rented sector. This sector houses high numbers of vulnerable individuals and families. The Ipsos MORI research presented as part of this consultation confirms that the concept of the Green Deal was difficult and even impossible to understand even when explained by a independent researcher who understood it.
- Rented homes usually change tenancies swiftly, with frequently no more than one viewing taking place. It is recognised that the shorter validity period of the EPC of one year will help to ensure that measures installed through a Green Deal are still in place for the subsequent tenant as it will be almost impossible for them to check this. However, it is not in the interest of either the landlord or the landlord's estate agent to pass on the information to the tenant about the Green Deal as it may be offputting.
- Therefore there is a high risk that the clear presentation of the Green Deal will be overlooked in this transaction. In addition, as the Green Deal concept has proved hard for some vulnerable householders to grasp (Ipsos MORI) and, as many households at the lower end of the rental market find it very difficult to negotiate with their landlords, it is unrealistic to expect a tenant who has not been alerted adequately to the presence of the charge to take their complaint to the relevant ombudsmen.
- Placing an obligation, supported by adequate monitoring and penalties on estate agents would go some way to protect vulnerable tenants and provide recourse that does not rely on vulnerable tenants making complaints.
- A framework is also needed within which consent cannot be unreasonably withheld by - for example, where a small number of tenants in a block of flats can stop the refurbishment of the whole block. The Tenements (Scotland) Act 2004 (as amended) allows the installation of insulation in a block of flats or tenement where the majority of owners in that block agree to it, and removes the right of single owners to veto this improvement. This may set a useful precedent. We understand that the Scottish Government are also considering extending this power to include other energy saving measures, and extending the power to local authorities to require energy saving upgrades in tenements and blocks of flats. This is something the UK Government may also wish to consider.

Q35: What is the best way to draw the future bill payer's attention to the acknowledgement wording?

Your answer:

- The acknowledgement of the GD Charge clause in a rental contract must be identified separately from the rest of the contract with a separate signature required to confirm that it has been read and understood. A note should also be included to indicate that if the presence of the Green Deal plan and its implications for the householder is not understood, explanation should be sought from the estate agent or remote advice service.

Q36: What will property professions need to do to assist with the effective discharge of the disclosure and acknowledgement obligations? If property professionals assume a duty to discharge these obligations on behalf of property owners, should they face the same consequences as the owners, where they fail to do so?

Your answer:

- It seems that at a minimum, those working on behalf of the purchaser would need to be required to make the relevant checks in relation to the Green Deal on purchase of a property. As the onus has been placed on the purchaser to check that the measures installed under the Green Deal are still in place and working adequately, the professionals working on their behalf should be required to do this.
- As familiarity with energy efficiency technologies is very low amongst the population and some technologies are very hard to identify when in place, it is unreasonable to expect a home buyer to be able to ascertain that Green Deal measures are still in place and working. Therefore, a check of the measures listed on the EPC must become part of the standard building survey. As Green Deal will not be rolled out across the whole stock at the same time it is unreasonable to expect home buyers to quickly become accustomed to requesting a specific check of Green Deal measures as part of their standard survey.
- If the presence of a Green Deal charge on the property is not picked up as standard through the land charge search this could also be very damaging for the Green Deal market. Therefore the notifications outlined in the consultation document are essential to make the presence of a charge universally alerted through the normal conveyancing procedure.
- Recent experience with the roll out of Energy Performance Certificates has raised concerns that EPCs have not been used as expected at the appropriate time in the sale of homes. The framework for alerting a potential purchaser to the presence of the Green Deal charge relies almost entirely on the EPC. Given the recent experience, it cannot be assumed that estate agents will universally deliver the EPC in line with the new requirements without some encouragement and enforcement. Further, the estate agent will need to be able to identify the presence of the Green Deal charge on the EPC, alert a homebuyer to it and answer the inevitable questions about the charge or direct the questions to the remote advice service.
- To enable estate agents to deliver this role adequately training will be essential to raise the profile of the EPC within the industry and to enable agents to explain what the EPC is and what the Green Deal is. It is unclear how this training will be prioritised if estate agents are not charged with the disclosure of the Green Deal.
- If agents working on behalf of both the purchaser and the seller/letter are charged with the

relevant duties they should face the consequences set out where they fail to do so.

Q37: Are there any other situations in which disclosure and acknowledgment should be required which might fall outside the proposed framework?

Your answer:

- No comment

Q38: Do you think 30 days after receiving the first electricity bill is an appropriate time limit within which someone can dispute disclosure of the Green Deal?

Your answer:

- 30 days is not an appropriately long time frame, ACE calls for 60 days to be allowed for a dispute to be raised.

Q39: Do you agree with the Government's approach to allowing Green Deal providers to require early repayment in certain circumstances?

Your answer:

- No comment

CONSENT CALL FOR EVIDENCE

How significant do you think consent barriers might be for uptake of the Green Deal in the domestic property sector?

Your answer:

How significant do you think consent barriers might be for uptake of the Green Deal in the non-domestic property sector?

Your answer:

Is there any relevant evidence from past or current retrofit schemes, or improvement/maintenance works suggesting that consent may be a problem under the Green Deal?

Your answer:

Are you able to propose any practical solutions to potential consent barriers, particularly drawing on voluntary and non-regulatory mechanisms?

Your answer:

Chapter 7: Installation

Q40: Are there any government backed and accredited scheme standards which operate at present (in addition to the Microgeneration Certification Scheme and Gas Safe), that could be considered as meeting the new Green Deal standard already?

Your answer:

- We broadly concur with Option 3 on page 261 of the accompanying Draft Impact Assessment: to ensure compliance with Green Deal standards by delivering Green Deal accreditation through existing certification bodies – certainly as a starting point to build on and develop Green Deal standards into the future as new products, systems and markets develop. This has the advantage of balancing the need to (potentially) scale up installer capacity quickly keeping new administrative burdens down, and ensuring that well-established certification bodies underpin new Green Deal quality standards. There are most certainly more scheme standards which could be considered as meeting the new Green Deal standard already. The Draft Impact Assessment contains a fairly comprehensive list (Table 54) of (mostly large) certification bodies and trade associations to assess in this regard.
- However, it is clear that current industry and certification capacity across a range of products, systems and skills will need to evolve alongside the Green Deal / ECO and the market transformation the framework is to bring about. Whilst there is a need to scale up quickly to meet policy objectives, to avoid a re-run of Australian experiences which have the potential to undermine the entire framework, the primary emphasis must be on quality of oversight, accreditation and certification.

Q41: It is not yet clear what the accreditation requirements for GD/ECO will be and how they will impact on incumbent firms in the market. Further work is being carried out to understand and quantify the nature of the impact of these, particularly for those firms that are micro-businesses. We welcome views from incumbent CERT installers on what the potential implications of changes to accreditation would be.

Your answer:

- By ensuring that changes evolve from existing arrangements rather than from a clean slate, negative implications can be kept to a minimum (subject to the thrust of our response to Question 40). The better the quality of the Green Deal can be assured, the greater the chances of the Green Deal becoming a lasting success with consumers. Changes to existing arrangements which facilitate this outcome will ultimately come to be readily accepted by incumbents and new entrants.

Chapter 8: Payment collection

Q42: Do you agree with our proposed debt thresholds? If not, please suggest alternative thresholds with appropriate supporting evidence.

Agree/Disagree/ I don't know (please delete as appropriate)

Please explain:

- No comment

Q43: Do you believe that electricity suppliers as well as Green Deal providers should have the right to prevent customers from taking out a Green Deal finance arrangement if these thresholds are exceeded? Please give reasons for your answer

Yes/No/I don't know (please delete as appropriate)

Please explain:

- No comment

Request for views on Green Deal information on electricity bill

- ACE does not support the proposed plans for presenting Green Deal information on electricity bills. There is no mention of the electricity bill containing details of the expected savings that the Green Deal is expected to provide to the customer. This is vital information to be present if the Green Deal charge is to be viewed as a helpful money saving investment rather than a costly hindrance.
- We do not feel that an annual energy statement, often ignored by customers as it has less priority than billing information, is sufficient.
- For transparency it is important that the remaining Green Deal period and outstanding balance are included upon the annual statement. Alongside the outstanding balance could be a calculation on likely financial savings to the expiry of the charge, to again remind that the investment is saving the households money.
- ACE disputes the logic presented across pages 163-165 of the consultation on why the Green Deal charge should fall solely on the electricity bill. The consultation acknowledges the importance of customers seeing the link between the Green Deal costs and savings on their bills, yet refuses to allow the vast majority of households, whose heating and hot water is provided by gas, to do just that. In a world of smart meters, the cost of offering a choice of fuel bill is nugatory.
- Allowing the customer to choose which bill the GD charge falls upon has several advantages: clear transparency between costs and savings necessary to ensure the reputation of Green Deal, and rewards in terms of lower unit costs for those companies whose billing systems are set up efficiently to allow this. We feel the evidence from the water industry is meaningless: that is a monopoly industry, whereas competition between energy suppliers should ensure that companies minimise costs passed on to customers.
- We are especially concerned with the line of argument adopted in paragraph 9 of Chapter 8. It suggests that moving the charge off the gas bill is perceived to be better for vulnerable customers in winter months; in fact the same amount is paid in the winter but on a different

bill. The inference is that consumers will be hoodwinked by the charge falling elsewhere - precisely the lack of transparency that paragraph 6 argues against, and that will undermine trust in the Green Deal.

Q44: Do you think additional infrastructure is required to facilitate payment remittance?

Your answer:

- We have concerns over the *pari passu* approach to splitting payments between the energy costs and the Green Deal charge whilst the process for resolving disputes between energy suppliers and their customers is so lengthy. The proposals will mean that a customer cannot choose to hold back money from their energy supplier in the event of a dispute, whilst continuing to pay their Green Deal provider. This could trigger a dispute with the latter, despite a valid grievance with the former.
- DECC must ensure that (a) there is a mechanism whereby customers engaged in a dispute with their supplier are not punished by Green Deal providers if the dispute and the *pari passu* approach means they run into arrears, and (b) suppliers speed up the process of customer dispute resolution and that Ofgem takes action to ensure this happens.

Q45: Do you agree with the proposed 72 hour period for the transfer of payments? If not, please suggest an alternative with appropriate supporting evidence.

Agree/Disagree/ I don't know (please delete as appropriate)

Please explain:

- No comment

Q46: During this 72 hour period, should the electricity supplier maintain an account balance at least equal to the total value of Green Deal payments being held?

Your answer:

- No comment

Q47: Do you have an alternative suggestion for reducing the burden on smaller suppliers that would not lead to a potential reduction in the number of electricity suppliers available to Green Deal customers?

Your answer:

- No comment

Q48: Do you agree with the proposed threshold for the smaller supplier opt in? If not, please suggest an alternative threshold with appropriate supporting evidence.

Agree (please delete as appropriate)

Please explain:

Q49: Do you agree with the proposed level of the annual administration fee? If not, please give reasons for your answer and, if relevant, provide additional evidence of likely cost impacts.

Agree/Disagree/I don't know (please delete as appropriate)

Please explain:

- No comment

Q50: Do you agree with retaining the existing £200 arrears limit (including Green Deal repayment arrears) for prepayment customers with a Green Deal plan? If not, please suggest an alternative limit with appropriate supporting evidence.

Agree/Disagree/I don't know (please delete as appropriate)

Please explain:

- No comment

Request for views on Reporting on difference in charges

- ACE would support moves for DECC to include a provision in licences to ensure the supply terms do not discriminate between customers with a Green Deal plan and those without. Offering a reduced tariff to those taking up the Green Deal would discriminate against low-income households who will find taking up the scheme more difficult. Equally, suppliers must not require customers with a Green Deal charge to pay a higher tariff to deal with the administration, since this would undermine the scheme's ability to attract customers.

Chapter 9: Delivering Green Deal and ECO

Q51: Do you agree that stipulating strict regulatory quotas for partnering with specific types/numbers of third party delivery agents might be unduly burdensome, and the development of a brokerage model may be a more effective means of achieving the desired outcome?

Agree (please delete as appropriate)

Please explain:

- ACE agrees that stipulating specific quotas or targets for types of partnership working might not be the best method of directing energy suppliers to deliver the ECO subsidy effectively with a range of partners including Green Deal Providers.
- A form of brokerage model has long been called for. If designed and operated effectively this could be an important market changing mechanism

Q52: Do you agree that it is desirable that energy suppliers should have to fulfil some or all of the (carbon) obligation by spending money promoting measures through those organisations who are able to provide the most cost effective delivery options?

Agree (please delete as appropriate)

Please explain:

- A form of brokerage model has long been called for. If designed and operated effectively this could be an important market changing mechanism.
- Under the Government proposal for heavy subsidy for measures under the Carbon part of the ECO, the consultation document outlines that Government expects most packages to be delivered using a combination of both ECO funding and Green Deal Finance. Within this model it is therefore essential that the all-important carbon subsidy element is available to all Providers on an equitable basis, based on the cost-effectiveness of the carbon they can offer.
- In order for the Green Deal market to deliver the range of products, service levels and offerings necessary to serve the broad market intended, it will need to be made up of a range of Providers. Energy efficiency measures for the home have not proven to be high on householders' investment priority lists. The success of the Green Deal relies on the ability of the Providers to package and make attractive the offers, as there is at present no regulatory push or incentive being provided by Government. It is essential that a broad range of participants can play a part and a brokerage mechanism could provide the key.
- It must also be recognised that the Big 6 energy suppliers, as a result of their own conduct, do not have a trusted role in the market. If delivery of the Green Deal is restricted to, or dominated by, these companies the mechanism risks being very unattractive to householders.
- As the Big 6 develop their own Green Deal Provider arms, their interests begin to be split between delivering the ECO cost effectively for the protection of their existing energy supply business and the provision of appealing subsidies to householders in order to gain market share for their Green Deal business. This new commercial situation threatens to undermine the cost effective delivery of the ECO that is relied upon to control the level of cost passed back onto energy bills. For this reason alone it is essential that the ECO subsidy is delivered on a more competitive basis than at present.
- ACE feels there is an important role for a form of brokerage mechanism in delivering under its central proposal that the overwhelming majority of the ECO is dedicated to delivering measures targeted on those in fuel poverty. A brokerage mechanism could enable local authority schemes, other area based or referral schemes to attract support. Through this

mechanism, schemes can compete on equal and known terms rather than, as has been the case under CESP, require lengthy negotiations with energy suppliers with no certainty of success.

- Clearly under this form of brokerage mechanism, cost effectiveness in the same sense as it is meant under current proposals could not be the deciding factor for the support of schemes. The relative benefits of providing support to schemes would need to be assessed using a more subtle analysis of the benefits. Cost effectiveness alone would favour schemes helping only those in certain cheap to treat house types (who have had more access to assistance in the past) and those who might be able to contribute to the costs of measures, so perhaps not those deepest in fuel poverty and most in need.

Q53: Do you agree that we should seek a firm commitment from the ECO suppliers that they will use brokerage for a defined and significant percentage (e.g. 50%) of their obligation? If so, what level do you consider this should be?

Agree (please delete as appropriate)

Please explain:

- ACE agrees that a significant proportion of the obligation on suppliers should be directed through the brokerage mechanism, and mandated to do so. A high volume of activity is absolutely essential to create enough liquidity to bring prices down and effectively delivery cost effective solutions.
- A significant proportion of the obligation needs to be made available through the brokerage mechanism to provide enough certainty and value to entice new entrants into the Green Deal market, particularly smaller entities. Access to the subsidy available through the ECO will be essential to a Green Deal Provider's business model.
- If, as under this consultation proposal, the brokerage mechanism is designed just to deliver the carbon part of the ECO (without a distributional safeguard), the aim is purely to deliver carbon savings most cost effectively. And, if, as is also presented, this new mechanism will select and support only the most cost effective carbon savings, then surely 100% of the ECO should be delivered in this way. It is impossible to argue for delivery outside of the brokerage mechanism if the mechanism is designed to deliver in the most cost effective way. Support for any other than the most cost effective delivery would not be in the interests of the purpose of the ECO and certainly not in the interests of the energy customers paying for the scheme through their bills.
- The consultation cites a need for energy companies to form relationships and 'shared brands' with those delivering the ECO as a reason for restricting the scope of the brokerage mechanism. We cannot see any reason why both objectives cannot be achieved by a 100% brokerage mechanism. Energy companies (in partnership or otherwise) deliver carbon savings at lowest possible cost, in return they receive Carbon points. These points can then be sold into the market to cover some or all of the carbon points they purchase in order to meet their obligation. Non-cost effective partnership working would, in this way, be avoided.
- Therefore, within the confines of the consultation proposals ACE would call for **100%** of the ECO to be channelled through the brokerage mechanism, with energy suppliers and their partners having equal access on a cost effectiveness basis to all other delivery agents.

Q54: Do you have any further comments on the detailed design of a brokerage, or any alternative mechanism that ensures the most cost effective delivery?

Your answer:

- No comment

Chapter 10: Consumer protection

Q55: Do you agree the Energy Ombudsman should have a role in helping customers secure redress in the Green Deal? If yes, what further powers will the Energy Ombudsman need to investigate compliance by Green Deal Providers and householders? If no, please explain why not.

Yes (please delete as appropriate)

Please explain:

- What appears to be missing from the consumer protection framework outlined in the consultation document is the proactive oversight of spot checks and mystery shopping exercises outlined in our response to Question 20. This role is not one that sits within the usual role of an ombudsman; so ACE calls for further elaboration of the role of the Oversight Body or other body in this regard.
- What is also missing from the oversight framework is the process of monitoring and feedback of the energy savings actually achieved from Green Deal Packages (see also Question 61). It will be important in the early years of the Green Deal to establish, for the purposes of adjustment and development of the assessment calculation methodology, whether assessments are consistently over or under-estimating savings made by households. It is also beyond the role of the ombudsmen to carry out this task. Once again the role and powers of the Oversight Body or another body need to be further elaborated in this area.

Chapter 11: Setting the ECO and target metrics

Q56: Do you agree that targets of 0.52 million tonnes of CO₂ per year saved, and £3.4 billion reduction in notional lifetime costs of heating by March 2015 represents the correct balance between ensuring high levels of delivery and minimising costs that could potentially be passed through to consumers?

Disagree (please delete as appropriate)

Please explain:

- This chapter covers the overall level of ambition for the ECO. As stated in our response to Question 31, this level of ambition is far too low to address its stated aims of tackling fuel

poverty effectively. Much less to deliver Government's statutory duty to eradicate fuel poverty by 2016. The ECO, as stated in the Impact Assessment, is expected to remove between 350,000 and 550,000 households from fuel poverty in 2022. There are currently estimated to be about 5 million households in the UK in fuel poverty. The two figures are in stark contrast – the scale of the problem is 5 million households to be removed from fuel poverty in the next four years, and yet the solution being presented will achieve only 7% of that in the next 10 years. Following the termination of the Warm Front scheme, the Affordable Warmth element of the ECO will be the primary scheme for addressing fuel poverty in England, and yet it will fall laughably short of achieving the 2016 target.

- We are extremely disappointed therefore that the Affordable Warmth element of the ECO is only proposed to represent 25% of total ECO effort. We call for the overwhelming majority - 98% - of the ECO to be targeted on vulnerable and low income households. This proportion would go much further towards addressing the enormity of the problem. However a budget of £1.3bn/year (the total for ECO) will still not be enough to achieve fuel poverty eradication. Due to the regressive form of cost recovery of a supplier obligation, ACE is not calling for the size of the ECO to be increased as this would only serve to worsen fuel poverty. However more funding is clearly needed to address the problem and meet Government's statutory obligation. The logical conclusion is therefore to call for a publicly funded scheme designed to eradicate fuel poverty. As mentioned below, we advocate that the Government make use of the revenue from the carbon floor price and the auctioning of EU Emissions Trading Scheme permits to fund such a scheme.
- We note that the impact assessment estimates that the Affordable Warmth target will '**provide assistance to a minimum of 325,000 households by 2015**'. 'Providing assistance' to households is not the same as removing them from fuel poverty. Therefore ACE calls for the Affordable Warmth scheme to be designed in such a way as to encourage whole-house packages which have the benefit over single measures of increasing the likelihood of successfully removing households from fuel poverty.
- Introducing one measure will not always be sufficient to lift a household out of fuel poverty, yet under the current scheme energy companies will have no incentive to install multiple measures in one home because the marginal cost-effectiveness of installing additional measures will decrease every time the efficiency of the property is improved. For example, a new efficient heating system installed in an uninsulated house will accrue greater savings in lifetime heating costs than if that same house had already received full cavity wall and loft insulation. As such, under the current system the energy company would find it easier to meet their AW target by installing individual measures in different households than through whole-house packages. Going further the current system would allow for the delivery of very high numbers of very low cost low impact measures like hot water tank jackets which is not in line with the objective of the scheme - to tackle fuel poverty. By offering whole-house packages, it is more likely that households can be removed from fuel poverty completely.
- As further outlined under Question 63, to enable the whole house approach to be taken, households receiving help through AW should benefit from a Green Deal Assessment in the same way as Carbon Target beneficiaries.
- ACE is adamant that the ECO should not be split with 25% for the Affordable Warmth and 75% for Carbon Saving. Due to the limited funds available the overwhelming majority - 98% - of the ECO should be directed at removing low-income and vulnerable households from fuel poverty.
- Furthermore, it is important to address how the money can be used most effectively. Whilst we are calling for the overwhelming majority of the ECO to be spent on fuel poverty reduction, if the Government chooses to go ahead with a Carbon Saving element then it is important to consider how to achieve the most carbon reduction with the available funds.

ACE has delivered proposals in its 'Dead CERT' report (accompanying this document) that enable carbon savings to be delivered using just 2% of the ECO, leaving the remaining 98% to be used to offset the regressive nature of the supplier obligation cost recovery mechanism and to actively deliver fuel poverty alleviation (further expanded in our response to Question 31).

Q57: Do you agree with the estimated costing of this scale of ECO at £1.3bn p.a. as set out in the Impact Assessment? Do you have additional evidence on the costs and benefits of the proposed targets for consideration in further analysis?

Your answer:

- As mentioned in paragraph 7 in Chapter 11, all consumers will end up paying for the ECO through their bills, and yet only some will benefit from the scheme. Those who receive the measures last will have been paying for the scheme for the longest time (and will have been paying for all previous schemes since EESoP). The households that benefit last will have been paying for ECO for over 9 years before receiving any improvements to their homes which might offset the extra costs. Of course other households will contribute to the costs but receive no benefit. For this reason it is vitally important that scheme is overwhelmingly focused on low-income and vulnerable groups especially in the first few years.
- ACE is pleased that there will be reporting from energy companies on their progress towards their targets. We would however prefer these to be more frequent than annual. This will allow for adjustments to the scheme over time. However, in order to instil confidence in the industry and avoid uncertainty, it is important that any adjustments to the scheme are kept as few as possible.
- Any reporting from energy companies should also be required in terms of the tonnes of CO₂ saved and reduction in notional lifetime heating costs by nation and region of Great Britain.

Q58: The division of the overall ECO between energy companies could be based on share of customer accounts, or sales volume. Do you have a preference as to which metric should be preferred, taking into account possible impacts on distributional equity? Please provide evidence for your views.

Your answer:

- ACE is disappointed that, despite a wealth of evidence, Government does not intend to improve the equity of the ECO by splitting the obligation between suppliers based on the volume of energy they sell. As mentioned in paragraph 33 of Chapter 11, it is more progressive if costs are recovered on a consumption basis (per kWh) rather than a per household basis, and such an arrangement is more likely if the size of their obligation is in proportion to their sales.
- Such an adjustment will not overcome the regressive nature of recovering costs from energy

consumers vs programmes funded by taxation, as illustrated in the ACE Research report for Eaga CT¹⁴. However, some 85% of low-income households would benefit from a consumption based approach to collection rather than charging per household.

- ACE also would urge Government to adjust the way the Warm Home Discount scheme is obligated upon suppliers, and ensure that this too is divided based on sales volume.
- A small percentage of low-income, high energy users would be adversely affected by this approach. To redress this effect, the ECO should target some support at vulnerable consumers with high levels of energy consumption.
- Regardless of how DECC decide to share the obligation between suppliers, the lack of transparency over the way suppliers pass these costs on to their customers makes it difficult to assess the equity of the scheme. Suppliers could be (and evidence suggests suppliers are¹⁵) funding the scheme in a very regressive way. ACE feels that more must be done to ensure that energy companies cannot force low-income households to pay disproportionately for the ECO, and calls on Government to make it mandatory for energy companies to report on how the costs of the scheme are recovered.

Q59: We propose that savings calculated through the SAP-based Green Deal Assessment methodology be used as the basis for ECO targets and scoring. Can you envisage any undesirable or inadvertent effects, that this approach might result in? If so, please provide details and evidence

Your answer:

- ACE believes that using SAP-based Green Deal methodology is the best approach for measuring savings within the ECO. It is important that the same methodology is used in households which are receiving assistance through both the Green Deal and the ECO.
- For many years ACE has argued that properties must be fuel poverty-proofed. This means that, regardless of how much energy use one particular family chooses to consume, we must be sure that properties would be affordable to heat for any future residents. With this in mind we agree with using standard occupancy patterns, rather than current occupancy, for assessing lifetime energy bill savings. This concept of fuel poverty-proofing also plays into our demands that households should receive whole-house packages under the Affordable Warmth element of the ECO.
- We restate that any methodology used must include a climate element to ensure that the carbon and fuel bill savings in the colder parts of GB are fully recognised. We note and welcome the Government's intention to introduce this into SAP but because of the vital importance of this issue, have restated this requirement here.

Q60: Should targets and scores for the Carbon Obligation and/or the Affordable Warmth Obligation be expressed on the basis of the annualised savings of measures or the lifetime savings?

¹⁴ ACE Research (2010) [Costs of the ECO: The impact on low income households](#). Eaga Charitable Trust

¹⁵ For example: http://www.savethechildren.org.uk/en/docs/UK_Poverty_Rip_Off_Brief.pdf

YOUR ANSWER:

BOTH

Chapter 12: Green Deal monitoring and evaluation and ECO administration

Q61: Is there other information the Government should collect in order to enable effective monitoring, evaluation and reporting on the performance of the Green Deal and ECO?

Your answer:

- ACE welcomes that fact that DECC will be requiring energy suppliers to report on the costs of delivering the ECO. As a Government driven programme it is unacceptable that to date we have not had access to the costs of delivery of earlier schemes in order to enable a realistic cost benefit analysis to be undertaken.
- However, the transparency of costs is only part of what is essential to inject transparency and accountability into the scheme. ACE calls for Government to require energy suppliers to reveal how they collect these costs from their customers. Only by inclusion of this information can the impact assessments duly carried out for each scheme phase be taken seriously.
- ACE is pleased that Government has committed to produce annual public reports on the progress of the Green Deal and ECO. This will be important, not only for assessments of the schemes achievements in carbon reduction and heating cost reduction, but also for feeding back into the design of the programme. If the annual reports show that certain groups of households are being consistently under-represented then this information must be fed back in to the design of the ECO to ensure that all household types are benefiting equitably. However ACE would guard against making *radical* changes to the programme each year because this will create uncertainty within the industry, and lead to mistrust of the scheme by the public.
- Broadly speaking the information shown in Table [X] is appropriate for monitoring the effects of the scheme.
- In addition to this information, ACE feel strongly that monitoring should be carried out to establish, particularly in the early years of Green Deal and ECO, whether the predicted savings have been made. Under the Green Deal, has the Golden Rule been met in reality? Have households been able to meet the repayments through the savings that were made on their energy bill, or have they ended up paying more than they were before the scheme? As mentioned in Question 55, this information is essential, particularly in the early years of the Green Deal, to enable adjustments to be made swiftly to protect both householder and Green Deal Providers. If certain packages consistently fail to meet the Golden Rule, then the calculations for predicting energy bill savings would need to be adjusted. Equally, if the Golden Rule was being met with large margins under other packages, the assessment calculation might need to be adjusted to allow more ambitious packages.
- It is of course essential that there is transparency around for what purpose the collected information will be used. While it is important that information is used to improve the scheme, it is also important that households are aware of how their details will be used, and to who they will be available.
- Reporting on the Green Deal and ECO should also be on the basis of the Nations and Regions of Great Britain. Providing this information to the devolved administrations is not sufficient:

it must be published.

Q62: Should DECC be responsible for administering the ECO, with technical functions outsourced to the private sector, or should Ofgem administer the scheme? Please provide evidence to support your views

Your answer:

- On balance, ACE believes that Ofgem should be responsible for administering the scheme.
- ACE is concerned that if DECC takes on direct administration, this administration will come under pressure from the changing political climate. The ten year ECO needs to be able to be administered independent of changes in Government or political priorities.
- Ofgem has the benefit of being an independent regulator. It also has the benefit of experience, having overseen all previous supplier obligations in the past few years. However, concerns have been expressed recently that Ofgem is not delivering its regulatory role in a nimble or proactive enough fashion. Ofgem has been criticised over the length of time it took to pick up on and prevent the over delivery of light bulbs under CERT and on the length of time it has taken to verify and sign off CESP schemes. Ofgem must take a stronger and more agile approach to regulation of this industry and not be bent by the interests of those it is regulating.
- ACE believes that it would be a foolish false-economy to allow the private sector to bid for the opportunity to administer the scheme. ACE believes that on balance Ofgem will be able to manage the administration more cost-effectively than a combination of DECC and the private sector.

General comments

Q63: In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?

Comparable Green Deal quotes

- Although not covered in the consultation, ACE feels it is important that in order for customers to be able to compare potentially complex Green Deal quotes (as required for packages of a value over £10,000), some level of required uniformity of presentation must be dictated. Quotes from Green Deal Providers may vary significantly in terms of what the quote includes and doesn't include (eg the level of making good works, arrangements with warranty extensions etc). This may make it impossible for a customer to weigh up the different offers. A mechanism to enable comparison must therefore be provided, perhaps in the form of a standard cover sheet or summary sheet or a standardised basic quote format.

Assessment for Affordable Warmth measures

- The potential exclusion of affordable warmth qualifying households from the requirement to have a full Green Deal assessment is a short-sighted policy.
- Whilst a fuel poor household may not be able to take out a full Green Deal package due to current constraints on government subsidy, the plan for the improvement of the home is

still an essential tool to enable the householder to investigate further options.

- Great effort is being expended in designing reports, training assessors and building centralised data systems around Green Deal and ECO delivery. It would be a wasted opportunity not to utilise all this investment to collect data on the full housing stock. The data collected in the process of producing Green Deal assessments will be extremely valuable in setting future policy, if low income housing is not included in the data it will be far less useful.

ACE's integrated ECO/GD proposal

- Without simply increasing the size of the ECO pot (as this would be regressive), one way of making the money go further is by integrating the ECO and Green Deal in such a way as to ensure the most cost-effective removal of households from fuel poverty by 2016. By allowing (or mandating) energy companies to make full or partial Green Deal repayments on behalf of fuel poor customers over, say, a 25 year period, energy companies would be able to:
 - avoid having to find the large upfront capital sums needed to fund the installation of measures in fuel poor households;
 - deliver more measures more quickly to these households;
 - recoup the capital costs over a far longer period of time, thereby reducing the regressive nature of the ECO;
 - count such repayments towards their Eco Carbon Saving target.¹⁶
- Under ECO as currently envisaged, the full amount spent by energy suppliers in each year (£1.3 billion) will likewise be recouped in bills each year. So a £1.3bn annual obligation over the 4 years to 2016 would allow £5.6 billion capital investment, with an impact on bills of £1.3 billion per year. However, if that annual sum of £1.3 billion were used to allow households within the target group to access the green deal, then it could be used to meet the full repayments on a capital sum of £18.33bn (at interest rate of 5% over 25 years) to be spent in the initial programme period of 4 years.
- Alternatively the same £5.6bn capital sum could be raised at an annual cost of only £370.5 per year over 25 years – reducing the costs passed on through bills by 25%. Spreading the costs therefore allows for (a) a greater capital investment without increasing the impact on fuel poverty and/or (b) a reduction in costs passed on through bills. This front loading of capital would support assistance to large numbers of eligible households in the early years, creating a mechanism whereby the 2016 fuel poverty eradication target could be met, and creating greater cumulative carbon savings through early action.
- Furthermore, as mentioned above, we are calling on the Government to use the revenues from the EU Emissions Trading Scheme and the carbon floor price post 2013 to provide additional spending on energy efficiency programmes, prioritising the homes of the fuel poor and vulnerable. From 2013, when the carbon floor price kicks in and EU ETS permits start to be auctioned, we estimate that extra revenues of over £2bn per annum will be raised, rising to £4 billion per annum by 2020. We believe that these sums must be used to make our homes super energy-efficient, driving down fuel bills, creating thousands of jobs and supporting our economic recovery.

¹⁶ ACE (2010) A Fair Green Deal: The first paper in a series identifying options for the future of fuel poverty policy

Additionality and the devolved nations

- ACE agrees that the ECO should retain a single set of rules throughout Great Britain, as set out in section 9.4. To vary the rules between nations would add unnecessary complexity to what will already be a complicated system.
- However, we believe it would be massively short-sighted, and indeed pernicious, of DECC to design a system that did not allow additionality in the form of match-funding from local authorities, devolved nations and others. Schemes such as UHIS and EAP in Scotland and Arbed in Wales are leading the way in delivering significant carbon saving and fuel poverty alleviation at minimal cost and should not be put at risk by the arrogance of DECC.
- We therefore call on DECC to explicitly ensure that the design of ECO allows such schemes to continue. Specifically, that will require the following:
 - Flexibility to allow Scotland and Wales to continue with their programmes
 - Ensuring any affordable warmth element fits with Scottish and Welsh programmes
 - Removing the requirement for individual consent in flats and tenements, which would be a barrier to large scale social sector programme delivery
 - Ensuring the 'additionality' rule allows match-funding from local authorities and devolved nations.

Additionality and future regulations

- As well as the issue of additionality and the devolved nations noted above, it is also essential that the additionality rules around ECO are sufficiently flexible to allow the introduction of more onerous energy efficiency regulations than those introduced under chapter 2 of the Energy Act 2011: for example as proposed by the Scottish Government under sections 63 and 64 of the Climate Change (Scotland) Act.
- Specifically, we would propose that ECO subsidy can be applied if any regulation is approved by Parliament but *not yet in force*, but once the regulation *comes into force* any ECO subsidy can no longer be used. This distinction is important, since it will allow regulations to be introduced far in advance of the date of their coming into force, which will give maximum planning time to landlords, building owners and the energy efficiency industry.

Framing a sustainable transition to the green deal and ECO

- The ACE Research Team is today publishing its report on the implications of the transition from CERT to Green Deal and the new Energy Company Obligation after 2012 - to coincide with the deadline to the Government's Green Deal consultation.
- The 'Dead CERT' project's focus is on the main contributors to the Carbon Emissions Reduction Target: cavity wall and loft insulation. Its aim is to understand the implications of the move from CERT to Green Deal and ECO for the markets for these measures, and to make recommendations to support a well-managed transition which ensures carbon budgets, fuel poverty targets, and the wider ambitions for the Green Deal can be met.
- The report's findings, summarised here, inform the relevant parts of ACE's response to the Green Deal and Energy Company Obligation consultation. Dead CERT concludes that current proposals for the Green Deal and ECO framework do not match the framework's status as flagship Government policy, the aspiration for this Government to be the 'greenest ever', and the desire for the Green Deal to be 'the biggest home energy improvement programme of modern times'. In fact, current proposals pose serious risks to Government objectives and the energy efficiency industry.
- The full report demonstrates that an outcome which falls short of these aspirations is entirely unnecessary and easily avoided. For individual households, low cost insulation measures such as cavity wall and loft insulation can help make ambitious and capital

intensive whole house packages meet the Golden Rule set for the Green Deal. In much the same way, fully tapping the considerable potential for these measures will enable the wider ambitions – for the Green Deal and ECO framework, carbon and fuel poverty targets, jobs and green economy objectives – to be met across the British housing stock without compromising the philosophy underpinning the Government’s proposals.

Appendix 1: Logic of defining cavity walls (along with numbers for each category) using the EHS 2009

