

Consumer Focus submission

Amendments to the Carbon Emissions Reduction Target - Consultation Proposals

March 2009

Amendments to the Carbon Emissions Reduction Target Consultation Response

Background

1. Consumer Focus is the new statutory organisation campaigning for a fair deal for consumers in England, Wales and Scotland. We are the voice of the consumer and work to secure a fair deal on their behalf. We were created through the merger of three consumer organisations – energywatch, Postwatch and the National Consumer Council (including the Welsh and Scottish Consumer Councils). The new approach allows for more joined-up consumer advocacy, with a single organisation speaking with a powerful voice and able to more readily bring cross-sector expertise to issues of concern.

1. Do you agree with the Government’s proposal to raise the CERT target by 20%?

2. Consumer Focus recognises the urgent need to improve the energy efficiency of the housing stock in order to help people reduce their fuel bills and to tackle climate change. The average SAP rating of the housing stock in England is just 48, and in Scotland and Wales this figure is lower still. There is a particularly pressing need to improve the energy efficiency of dwellings occupied by the fuel poor, which in England for example have an average SAP score of just 36¹. The severity of this is illustrated by the fact that a dwelling with a SAP of 35 or less is deemed to be a Category 1 Hazard under the Government’s own Health and Safety Rating System, and a level at which local authorities are required to take action².
3. Given the urgency of the situation we therefore support the Government’s proposal to raise the CERT target by 20% as a short-term measure but strongly believe that this is a missed opportunity to improve the equity of the scheme and to help meet GB Governments’ targets to eradicate fuel poverty by 2016. We also propose that as a general rule extra uplift for multiple measures should be introduced to encourage a one-stop approach as far as possible under the scheme.
4. Consumer Focus has reservations about the regressive way in which CERT is funded as it is not based on any kind of ability to pay. The consultation document states that ‘CERT ensures an equitable distribution of benefits through a Priority Group

¹ Raising the SAP. Tackling fuel poverty by investing in energy efficiency. Pedro Guertler, ACE and Ian Preston, CSE. Edited by William Baker, Consumer Focus. P.4

² DCLG, A Decent Home: Definition and guidance for implementation. June 2006 – Update P.19 Para 5.27

obligation'³. In practice the scheme has become less equitable in recent years as a result of the reduction of the Priority Group Obligation from 50% to 40% and the inclusion of the over 70s regardless of their income. The widening of the criteria to all over 70s has meant that many households with the worst problems are missing out as suppliers are now meeting their Priority Group Target through the over 70s. The commercially driven nature of CERT also means that those living in hard to treat homes (with solid walls and/or without mains gas), who are much more likely to be in fuel poverty, are also much less likely to have benefited from the programme. These are particular issues in both Scotland and Wales, which underlines the importance of detailed reporting of the delivery of CERT to ensure transparency across UK countries and regions. We discuss this further under questions 11 and 12.

5. We support the expansion of CERT as a short-term measure while a longer-term strategy to improve the energy efficiency of the housing stock is developed. This is particularly the case given the 'expectation' that because of the 25% carryover from Energy Efficiency Commitment (EEC) 2005-2008 that this will not result in higher costs for the consumer⁴. We would like to seek assurances that this will be the case, as anecdotal estimates from Ofgem suggest that the cost of CERT in 2009 is likely to be around £44 for the average household, an increase of an estimated £8 on last year. Such a rise would push more than 20,000 households into fuel poverty with no proposed improvement to the equity of the scheme.
6. Consumer Focus believes that GB Governments must develop a fully-costed long-term strategy for the systematic improvement of the housing stock. This is particularly the case if they are to meet both their target to eradicate fuel poverty by 2016 and to reduce carbon emissions by 26% by 2020. This will involve an overhaul of existing programmes, common minimum energy efficiency standards of Energy Performance Certificate Band B/C, a significant step change in terms of investment and fairer funding mechanisms.

2. Do you agree with the Government's proposal to increase the cap on innovative activity to 10% and retain a further 2% cap for additional micro-generation activity?

7. Consumer Focus supports moves to make more funds available for innovation activity if it results in additional solutions including innovative tariffs and hard measures being made available to those households with solid walls, non-standard construction or without mains gas, who would otherwise be relatively unlikely to benefit from the scheme. We do not however support this move in conjunction with the proposed changes for behaviour measures (see below) as we have concerns that unnecessary carbon savings will be lost from the programme and arguably, properly innovative

³ Amendments to the Carbon Emissions Reduction Target. Consultation Proposals. February 2009. P. 13, Para 2.5

⁴ Ibid P.6Para 8.

measures that could result in longer-term energy savings, could be missed.

8. Consumer Focus supports the retention of support for micro-generation activity at current levels, but the upcoming consultation on the introduction of feed-in tariffs and renewable heat incentive needs to review the level and timescale of this support. If the CERT programme continues to support micro-generation after the introduction of feed-in tariffs, there is a risk that incentives will surpass market needs and that carbon savings will be double-counted. Whilst we are keen to see further incentivising of decentralised heat and electricity generation from renewable sources, Consumer Focus is concerned that the cost of these policy instruments will be levied in a regressive way on consumers' bills, driving more consumers into fuel poverty.

3. Do you agree with the Government's proposal to give RTDs a predetermined carbon score in the CERT Order? Do you agree with the scores proposed?

9. Consumer Focus recognises that real time displays linked to smart meters are an essential tool in motivating households to change behaviour but we do not agree that stand alone RTDs should be given a predetermined score under CERT, particularly at the proposed level.
10. We are somewhat surprised by this proposal given the Government's u-turn on the issuing of free RTDs last year, their commitment to roll out smart meters within 10 years⁵, and the uninspiring performance of clip on displays in the Government's Energy Demand Reduction Project (EDRP) (March 2009 Report). The latter trial involves giving almost 8,500 clip-on displays to households and is arguably the best indicator of their real benefit to GB consumers.
11. Our concerns are as follows:
 - We do not support the assumption that on average households will achieve a 3.5% per year saving for 15 years and therefore think the proposed carbon scores are too high.

The EDRP trial reported that one "team found that after a year, only a quarter of the installed clip-on displays were still in active use."⁶

Consumer Focus is not aware of any evidence that electricity savings from RTDs last 15 years. As we understand it, the trials given as evidence by the consultation lasted 2.5 years.

Each of the trials cited in the consultation were opt-in studies where the householders specifically agreed to participate. They are arguably more favourably disposed towards the device.

⁵ Meeting the Energy Challenge: A White Paper on Energy. DTI. May 2007. P64. Para 2.64

⁶ Ofgem. Energy Demand Research Project. Review of progress for period April 2008 – August 2008. March 2009. Ref: 29/09. P.5. Para 3.2

While the consultation states that only those requesting a RTD will be given one, this does not stop an energy supplier from offering attractive incentives to consumers to apply for one. In practice there will be a mixture of those who use and don't use their devices.

- Given that the consultation accepts that trials have shown that many consumers do not replace batteries, and therefore may only get “a few months usage from the device” we do not think that 75% of the standard carbon score is a reasonable proposition.
- Given the Government's expectation that “within the next 10 years, all domestic energy customers will have smart meters with visual displays of real-time information” we have a real concern that RTDs will become obsolete well within the 15 years and that this will not offer good value for money for consumers.
- Consumer Focus has concerns that rather than helping the transition towards smart meters, faulty displays will undermine confidence in real time information. The level of accuracy of clip-on displays, particularly the very basic models is disputed. Industry representatives suggest that there can be up to a 50% difference between the readings supplied by different models/makes (BERR metering and billing seminar, 8/10/07). Despite suggested recent improvements in technology, the EDRP highlighted a number of practical problems with many of the devices - ‘one of the teams deploying clip on displays reported a 50% failure rate to install in credit customer homes and 25% for prepayment meter customers’; another team ‘found 4-5% of devices to be faulty’⁷.

Accuracy is further undermined by the reliance on consumers to input tariff information to the devices themselves - we suspect many consumers will find it difficult to input this data themselves.

- Consumer Focus is concerned that this proposal will detract resources from other measures, especially those for hard to treat homes available under CERT. This is particularly concerning as the study quoted as evidence supporting RTDs does not identify real time displays as one of the measures that offer ‘significant additional savings for CERT’⁸. It also specifically states “Views on the role out of clip-on real time displays as an interim solution to provide better feedback on consumption are mixed.”⁹
- The Impact Assessment states “CERT is designed to address market barriers to cost-effective energy efficiency and carbon reduction measures in the household sector.”

⁷ Ofgem. Energy Demand Research Project. Review of progress for period April 2008 – August 2008. March 2009. Ref: 29/09. P.5. Para 3.2

⁸ www.defra.gov.uk/environment/climatechange/uk/energyservices/documents/decc-save-energy-implications.pdf, P.20

⁹ Ibid., P.20 Footnote 15

Consumer Focus remains unconvinced that real time displays meet this criteria.

12. If the Government insists on implementing this proposal, Consumer Focus would like to see the following safeguards put in place:

1. The supplier should have a duty to replace the device and provide additional batteries without being credited for additional savings.
2. A requirement to monitor usage and the impact of the display on energy consumption. Without this there is no assurance that the device will be used for more than a week before it is put in a drawer. E.g. a follow up visit to the customer's home each year to ensure the meter is still fitted, functioning, and being used. This could be combined with a meter reading to minimise costs.
3. A requirement that RTDs can only be installed alongside at least two measures under CERT.
4. RTDs should only be installed if it is possible to provide face to face tailored energy efficiency advice with consumers told what to do and how the device can help them. As the report quoted as evidence in the consultation states "the impact [of real time information] may only last for a short period of time or be uncertain if it is not interpreted... in a way the energy user relates to"¹⁰.
5. The carbon scores for RTDs should be reduced to reflect likely annual carbon savings rather than notional annual savings.
6. The devices should be installed and set up by the provider (including inputting tariff prices) not sent via the post.
7. The clip on displays must be compatible with smart meters to ensure as little waste as possible from 'stranded assets' when smart meters are rolled out.
8. There must be a stringent accuracy standard for displays.
9. Given our scepticism about the value of RTDs we do not think that there should be a link between the degree of sophistication of the real time display and the notional carbon savings attributed to them.
10. The proposed cap on uplifts for innovation measures should be amended to become a cap on the overall carbon savings that can be claimed from the installation of these measures. In this way the number of RTDs would never exceed 10% of the overall CERT target.

¹⁰ www.defra.gov.uk/environment/climatechange/uk/energyservices/documents/decc-save-energy-implications.pdf, P.29, Para 2.2.2

4. Do you agree with the proposal to give home energy advice a fixed score under CERT, and do you agree with the score proposed?

13. Consumer Focus fully recognises the value of tailored face to face in- home energy efficiency advice as a way to help householders reduce their energy consumption. However, we are cautious about giving advice a fixed score under CERT for the following reasons:

- There is little evidence to support the proposed annual gas and electricity savings (2 per cent and 1 per cent respectively) from a single face to face visit, or the fact that such savings will be maintained for 7.5 years.
- There is already the opportunity to deploy behavioural measures within CERT, either through the demonstration route, as an innovation measure, or as a standard measure if a saving can be demonstrated. The current approach ensures a certain quality of advice.
- We are concerned about the unintended consequences of this proposal e.g. door to door sales staff offering unsolicited energy efficiency advice alongside other supplier services such as tariff sales. We therefore think this should be banned.
- The effectiveness of energy efficiency advice is largely dependent on the quality of advice provided, the follow up support, and how much the information is tailored to meet the needs of the individual.

We welcome the proposal that the criteria should include face to face advice in the home and the production of some kind of written report. But what mechanisms will be in place to monitor the quality of advice and the impact on behaviour and energy consumption? Ofgem's existing compliance procedure is built around hard measures, and the Energy Saving Trust's Voluntary Code of Practice has no monitoring or enforcement mechanism built into it.

- There are already a number of agencies providing energy efficiency advice, most notably the Energy Saving Trust (EST). Allowing energy suppliers to offer advice of this sort could arguably serve to further confuse consumers.
- Under the Supply Licence Conditions (SLC 31.2/31.3) energy companies already have an obligation to provide energy efficiency advice and signposting to funding by telephone or via the web. Whilst we welcome the recommendation that a CERT score is only justified if it goes beyond this, Ofgem should focus on improving energy companies' compliance with this existing provision and the quality of advice currently on offer before expanding their role.

- How will the Government prevent six different suppliers from offering the same householder energy efficiency advice – will all be able to claim carbon credits for their activities?

14. If energy advice is to be provided within CERT in this way Consumer Focus recommends:

- The advice should not be provided by suppliers but via a truly independent organisation/individual. Studies show that information provided by energy suppliers is more likely to be distrusted by consumers and this could have implications for behavioural change. Indeed the Ofgem Consumer First Panel, The Future Consumer report (March 2009) concluded “There is a real lack of trust in energy companies to provide consumers with reliable information that will help them reduce their bills¹¹”
- Behavioural advice should only be given alongside the installation of at least two other measures under CERT.
- We fully support proposals to encourage follow-up contact with the householder. Effective monitoring and quality assurance controls should also be included. E.g. A follow up visit to the customer’s home should be required to ensure the advice is still being acted upon and independent spot checks made to monitor the quality of advice for every year advice is accruing a carbon score etc.
- Ring-fencing to ensure that the provision of behavioural advice never exceeds a given percentage of the overall CERT target.
- Whilst we recognise that the effectiveness of real time information is maximised when provided with behavioural advice, we do not support the provision of a higher score for the two measures delivered together. Instead advice should be a minimum requisite to be provided alongside RTDs where no other measures can be installed.

5. Do you agree with the proposal that the DEA qualification should form the basis for provision of CERT advice? If not, please state your reasons and suggest alternatives?

15. Consumer Focus does not believe that the DEA qualification alone is sufficient. As we understand it, the role of the Domestic Energy Assessor is to assess dwellings using specific software rather than to provide tailored face to face advice and behavioural support. The advice given as part of the Energy Performance Certificates tends to be generic e.g. turn your lights off when not needed, if you turn your thermostat down by 1 degree etc. In the case of the provision of advice to vulnerable consumers, there is arguably a further skills set and knowledge required that would be best provided from within the existing cohort of trusted providers such as local authorities or the Citizen’s Advice Bureau.

¹¹ Ofgem Consumer First Panel. ‘The Future Consumer’. Opinion Leader. March 2009. P.17

16. However, we would urge DECC to investigate the possibility of providing an Energy Performance Certificate (EPC) or some kind of energy audit which reports back its findings to the Home Energy Efficiency Database. It seems a wasted opportunity to go through the expense of a home visit and not to maximise the potential of this as much as possible.
17. We would urge DECC to investigate the training and qualifications offered by National Energy Action (NEA), which are already recognised in the EST's Code of Practice for Energy Advisors. NEA offer training in a single qualification which covers the provision of face to face home energy advice including behaviour. Government would do well not to develop additional unnecessary qualifications and training programmes should they already exist.

6. Do you agree with the principle of encouraging loft top ups even though these incentives represent a loss of carbon to CERT as a whole?

18. Yes. We recognise that there is a diminishing return with increasing levels of insulation, with 75% of the potential savings coming from the first 50 mm. That said, GB governments will need to insulate all homes as fully as possible if it is to reach their target to reduce carbon emissions by 80% by 2050 and eradicate fuel poverty by 2016. GB governments should take this opportunity to set a common minimum insulation standard for all energy efficiency schemes of 275-300mm, including the Decent Homes Standard which in some circumstances sets 50 mm of loft insulation as an acceptable level of thermal efficiency.

7. Are the proposed uplifts sufficient to provide an incentive for suppliers to promote loft top ups to the priority group and others?

19. Consumer Focus' believes that the uplifts proposed for top ups in the Priority Group will not be sufficient to encourage additional work despite the relatively few delivery constraints. It is expected that an uplift of around 200-300% would be necessary to make professionally installed top ups as attractive as virgin lofts.

8. Are there other ways within CERT in which we could achieve this outcome?

20. Consumer Focus suggests that an additional uplift should be offered when loft top-ups are installed alongside other measures. This would be practical given the costs incurred in finding half insulated lofts, processing applicants and visiting a home, not to mention the carbon costs of transport.

9. Do you agree with the inclusion of DIY loft insulation and the level of uplift proposed?

10. Should the total uplift offered for loft insulation in this way be capped to limit potential carbon losses? At what level should any cap be set?

21. DIY insulation is already being sold at a very low price and has a good uptake. Householders arguably need no further incentive to take this up, particularly if it detracts funding from other measures which consumers are more reluctant to install. We therefore propose no change.
22. Consumer Focus is also concerned about double counting of carbon savings. Retail insulation prices are reportedly so low that many tradespeople now buy directly from retail outlets rather than traditional builders' merchants and suppliers. This insulation is then frequently installed professionally, counting for carbon credits a second time. With this in mind, it may be more appropriate to reduce VAT on DIY insulation as an incentive for consumers rather than risk the double counting of savings in this way.
23. Issues have also been raised regarding the quality of DIY insulation. Stakeholders at the Cert + Consultation day expressed concerns that poorly installed DIY insulation results in problems with ventilation and insulation which fails to maximise energy savings.

11. Do you agree with the Government's proposal to seek additional information on the delivery of measures under CERT?

12. Do you have views on how best to achieve this objective?

24. Yes. Consumer Focus fully supports the Government's desire to see more comprehensive reporting on the delivery of CERT and improvements to the transparency of the scheme. Good information and effective monitoring are crucial to ensuring the equity, efficiency and cost-effectiveness of the CERT programme. In addition to the points already mentioned, we have the following comments:

CFLs

25. We share DECC's concerns regarding the large numbers of unsolicited compact fluorescent lamps (CFLs) that have been delivered to households, especially in the Priority Group. Approximately 83% of the CFLs delivered in Quarter 3 2008 were delivered via direct (free or mail order) schemes with the remainder by retail. In the first nine months of the CERT programme (April to December 2008) 120, 665,853 CFLs were reportedly distributed with little understanding of how many of these have actually been installed and are actively contributing to carbon savings. This is particularly significantly as officially 30% of the carbon savings from CERT, including the EEC2 carryover are assumed to have come from lighting¹². Better accountability for these measures is urgently needed.

¹² Ofgem. Carbon Emissions Reduction Target. Update. Issue 3/February 2009.

26. Consumer Focus also recommends that Government should require suppliers to distribute the highest quality CFLs capable of dimming and producing a high rendering index. We are concerned that the CFLs that have been distributed are old fashioned and of poor quality. They are therefore damaging the public perception of low energy lighting and deterring people from using them more widely.

Fuel Poverty

27. The consultation states that the amended CERT obligation will “continue to contribute effectively to our fuel poverty objectives and affordability generally” yet there is no official mechanism in place to monitor to what extent CERT contributes towards alleviating fuel poverty. CERT is only measured in terms of carbon savings and this is inappropriate given its stated social objectives. We urge the Government to carry out an accurate assessment of the impact of CERT on fuel poverty.

Detailed reporting

28. More detailed reporting of measures resulting from all GB wide energy efficiency programmes is essential if improvements to the entire housing stock are to be achieved. Consumer Focus believes that energy suppliers should provide more timely data. The time gap between the installation of the measure and its reporting to HEED should not exceed one year.
29. Consumer Focus is pressing for more information on which measures have been installed on which types of homes and for what householders. As well as a breakdown by measure type, household type and property type (e.g. loft insulation in terrace homes of low income households over 70 years old) it would also be useful to have the data supplied by super output area and therefore ward, constituency, local authority, region and importantly by nation.
30. In addition to this, it would also be useful to compare the distribution of measures according to population density and fuel type used, including those without mains gas. People living in villages, hamlets and more remote areas, as well as those off the mains gas are much more likely to be in fuel poverty than those in urban areas, market towns or with access to mains gas yet anecdotal evidence suggests they are much less likely to have benefited from a grant available from any kind of energy efficiency programme.
31. In this way the equity of the scheme can be improved and new programmes and initiatives more effectively targeted to fill the gaps. This data should be widely available in a format that is easily communicated to stakeholders. Ideally it would be publicly available via the Office of National Statistics, subject to data protection requirements in a format similar to the treatment of census data. This would also enable comparison and reporting against additional indicators. A more detailed dataset may be necessary for industry and the regulator, searchable by postcode, measure and property type.

32. Consumer Focus would like EST and Consumer Direct to review their data capture to enable reporting on the consumer experience of energy efficiency at similar levels of granularity. Most vital is an agreed reporting method on CO2 impact even if publication of reports would take a little longer. E.g. CERT funding apparently uses different calculations from RdSAP and this needs to be unified.
33. There needs to be common reporting between suppliers in order to enable, as far as practicable, comparisons to be made. We see no problem in a voluntary approach in the first instance but DECC should move swiftly to enforce this kind of reporting should suppliers not provide data in the required common format within a twelve month period.

Transparency for consumers

34. Consumer Focus believes that funding of CERT should be more transparent. Government and politicians should stop implying that the scheme is either funded by the Treasury or by energy companies. It should be clear that it is ultimately consumers that pay for this scheme. DECC should oblige suppliers to inform households through their bills or annual energy statements of the indicative amount that they are contributing each year to the programme.

The Longer Term Context

35. Consumer Focus supports the proposal to guarantee carry-over for all excess CERT measures into this CERT period beyond March 2011 with at least their current carbon score. However, it is important that this does not distort subsequent activities, and should only be applied to hard measures. This proposal alludes to problems associated with the stop-start nature of CERT. Consumer Focus has concerns that CERT fails to provide the certainty and consistency of demand needed by the energy efficiency industry for long-term planning.
36. As mentioned, in the long-term Consumer Focus believes that GB Governments must systematically roll out energy efficiency measures across the whole housing stock, taking a whole-house, whole-street, approach. This will involve an overhaul of existing programmes including CERT, the introduction of common minimum energy efficiency standards, a significant step change in terms of investment and fairer funding mechanisms. In the short term however, in addition to the recommendations mentioned we also urge DECC to address anomalies in the application of the scheme, for example:
- CERT funding is currently restricted to homes where the entire house has cavity walls that can be insulated yet some homes have a mix of solid walls and cavity walls. CERT support should be available to sub-sections of homes in these circumstances
 - Draught proofing is not available to consumers who already have some double glazing. This is penalizing those who have sought to make some improvements. This is not the right message to send to consumers.

37. Lastly, we understand the decision to continue with a measures based CERT obligation until December 2012. From April 2010 CERT will need to take account of the introduction of feed in tariffs and the Renewable Heat Incentive (with the latter proposed for introduction by April 2011). A short overlap is understandable, both for administrative and incentivising reasons, but the schemes' design needs to avoid unnecessary costs being added on to consumers' bills. Such an overlap should be limited to April 2011, when the full renewable energy tariff scheme will be in place. The relationship between schemes should be explored further in the upcoming consultation on renewable energy tariffs, not least to provide clarity on the cumulative impact on consumers' bills, the impact on fuel poverty targets, and to visibly consider other less regressive funding methods.

Ends