



**Consumer
Focus**
Campaigning for a fair deal

Improving the energy performance of buildings regime

December 2010

About us

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland. We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice.

We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Introduction

We welcome the Department for Energy and Climate Change (DECC) and Department for Communities and Local Government's (DCLG) examination of the energy performance of buildings (EPB) regime in the context of broader policy, particularly the Green Deal.

At the time this review was announced Consumer Focus was considering consumer research into the content, format and accessibility of Energy Performance Certificates (EPCs). We are now speaking to DECC and DCLG about appropriate focus and timing to inform the review. For this reason, this initial response is largely principles-based using lessons learnt from Consumer Focus's work on sustainable consumption and the energy sector across Great Britain. We are keen to be further involved in the detail of the content, format and accessibility of EPCs.

Our response is in two sections. In the first we respond to the questions where we can offer insights from our evidence base. The second section sets out our current understanding of how advice could be provided to consumers under the Green Deal, using the EPC as a starting point, and resultant policy recommendations.

Response to review questions

a) Content, format, accessibility and coverage of EPCs

Green claims

Effective regulation of the Green Deal must extend to the claims that providers make in relation to both the Green Deal and other energy services, and these will be closely linked to the EPC (or form of EPC used in the advice process). Regulation is necessary both to protect the consumer and to build trust in the claims made by Green Deal providers: two thirds of consumers tell us that they find it difficult to know which products are better for the environment and more than half of consumers (58 per cent) think that a lot of companies pretend to be green just to charge higher prices.

Without confidence in the truth of advice or advertising, consumers could become reluctant to take up opportunities to make their homes more energy efficient.

Our research¹ shows that Government and companies need to follow the 3Cs to give consumers confidence in their green claims:

Clarity

Consumers want claims that are easy to understand. This can be helped or hindered by

- the amount of information: less is more
- the terminology: avoid the potential for confusion
- use of ambiguous words: if not specific, consumers suspect 'greenwash'
- use of imagery: if clear it can help understanding, but if it is unclear or unconnected it confuses consumers

Credibility

Consumers want realistic, accessible and verifiable claims. They deploy four 'perceptual filters' to make rapid judgements:

- Ad specific elements: consumers dislike small text, asteriks and foot notes, but value third-party endorsements from well known and respected organisations
- Perceptions of the brand: Consumers are more likely to believe claims from an organisation where it 'makes sense'
- Ingrained habits and beliefs: consumers judge claims against their previous experience
- The wider market and social context: consumers have varying levels of confidence in how claims are regulated, affecting their view of the credibility of claims

¹ <http://consumerfocus.org.uk/g/4n7>

Comparability

Consumers want simple, meaningful and like-for-like comparisons. The relevance and usefulness of a green claim is undermined by:

- absence of meaningful comparisons
- proliferation of labelling schemes
- comparisons that are not well understood

Energy literacy

The format of EPCs needs to recognise and reflect gaps in energy literacy. Consumer Focus has recently undertaken research on energy bills to inform concurrent plans by the coalition Government to adapt the content of bills to assist sustainable and affordable choices. We will share this with DECC and DCLG in January as lessons may apply to the content and format of EPCs.

Trust

In our review of consumer confidence in energy services (to be published shortly), we found that trust in traditional opinion leaders has fallen dramatically, and consumers' sustainable choices are most likely to be influenced by films and documentaries, or by friends and family.

In relation to energy advice, we asked who consumers trust to provide them with advice on cutting the cost of energy bills and going green. Independent consumer groups are trusted by 44 per cent of consumers, followed by specialist charities or not-for-profit groups and online price comparison sites. The key issue here is that there is no single trusted channel, and a range of providers is needed to give consumers confidence in advice.

b) Effectiveness of assessments and the underlying methodology

Consumer Focus is concerned by the seeming lack of confidence among the energy efficiency profession regarding the EPC²³. We therefore support a move to make the EPC methodology transparent and the development of a responsive change management framework to facilitate continuous improvement.

We also want to see the methodology enable rather than block innovation. The policy framework needs to be able to handle exceptions (such as homes with high thermal mass) and handle new technologies or approaches, particularly if minimum standards or incentives are to be based on EPC ratings.

There are a small number of homes in the UK whose energy performance cannot be accurately recorded by SAP due to their use of thermal mass and sunspaces. For example, a house at Hockerton Housing Project was rated as EPC F when sold in 2008, with a predicted energy demand of 377kWh/m². In practice, the average use of a house of this design (based on an assessment of the energy use by five identical properties across 12 years) is 34kWh/m² (including appliances and cooking, for households with between one and five residents).

² RICS and DCLG, *Energy Efficiency and Value Project*. March 2010

³ Existing Homes Alliance, *Green Deal Communications: advice to DECC*, presentation to DECC: September 2010

f) Use of EPC data to support initiatives to reduce carbon emissions

Consumer Focus has recently published a report⁴ on the application of minimum standards to the private rental sector. It considers existing regulation of the sector and Government proposals to improve regulation. It makes the case for strengthening the Government's proposals by introducing minimum energy efficiency standards which are gradually improved over time. This should be part of a wider strategy to improve standards in all housing sectors. The Government should help private landlords meet the minimum standards by increasing the Landlords Energy Saving Allowance and facilitate other support. The report also provides evidence on the measures required, and the costs associated with introducing minimum standards.

Consumer Focus recognises the need for more openness with housing stock data, not least to address the worst quality housing, but this comes with a health warning. Consumer Focus funded research found that consumers do not trust the private sector's use of personal information and want the ability to opt in and out of targeted marketing. We also know that a minority of consumers are willing for data on the energy efficiency of their home to be shared with local or central Government⁵.

A public energy efficiency database is required to manage and track improvements to the housing stock but access to data must be regulated according to need in order to protect consumers' interests and limit inappropriate use of data:

- The A-G rating of individual properties should be in the public domain alongside house price information – at the point of marketing. House prices are made public as part of the house sale process and its presence in the public domain will help consumers consider the value of the rating in the property purchase process
- The EPC and underlying SAP/RDSAP data belongs to the property owner, who must be free to share the data with providers of their choice and opt in to targeted marketing
- Local authorities, and their contracted providers, must have access to data in specified areas to enable the targeting of programmes to support vulnerable households, including the regulation of the private rental sector
- Central Government must be able to track and report on the progress of energy efficiency programmes
- Other parties must have access to area-level, anonymised data to enable relevant and appropriate marketing

However, the sharing of data at the organisational level is only half the story. DECC has talked of the Green Deal as a 'market-led, consumer-driven' approach to delivering energy efficiency. Without a greater focus on what drives consumers, policies may fall short of the market's needs.

Consumer Focus uses a theoretical framework known as the 4Es to assess how to help people make sustainable choices⁶. Behaviour change is catalysed by a combination of measures that exemplify best practice and encourage, enable and engage the consumer.

⁴ Consumer Focus (2010) *A private Green Deal*, <http://consumerfocus.org.uk/g/4nc>

⁵ Consumer Focus (2009) *Green Expectations*, <http://consumerfocus.org.uk/g/4n2>, p4

⁶ Sustainable Consumption Roundtable (2006) *I will if you will*, <http://bit.ly/BmDDN>

The 4Es are summarised here with reference to implications for the EPB review, particularly the EPC as part of the Green Deal and in its original function to inform the property market.

Need	Implication
<p>Enable – provide people with education, skills and information, and make sustainable choices easier with accessible alternatives and suitable infrastructure</p>	<ul style="list-style-type: none"> • Consumers need access to clear, credible and comparable information⁷. This needs to be provided information at the point of marketing to have most effect. • Labelling <p>We advise against changes to the A-G label, and we support the presentation of only one graph. Lessons can be applied from EU energy labelling for appliances.</p> <p>The EU energy label has been in place for over 15 years and is a success story for consumers and the environment. However, the triologue discussions among the Council, European Parliament and Commission on the revision of the EU energy labelling framework directive lost sight of the value of the closed A-G scale on which it was based and have opened the scale to additional categories above A.</p> <p>The message buy ‘A’ has been key to helping consumers buy more energy efficient household appliances⁸. The closed scale (ie strict limitation in available classes) provides the clearest mechanism to identify and compare the efficiency of products on offer. By contrast, research⁹ shows that introducing additional classes above ‘A’ diminishes the impact of the label in purchasing decisions: consumers are more willing to pay higher premiums for the highest classes of the ‘closed’ A-G scale than for the highest classes of categories above ‘A’ (ie A+ and A++).</p> <p>Similarly, an open, expanding scale (including variables such as changing colour bands, most products classified as ‘A’ or above and empty categories below) is likely to switch consumers off¹⁰.</p> <ul style="list-style-type: none"> • Accuracy <ul style="list-style-type: none"> • EPCs must be up-to-date when provided to current or prospective home-owners and tenants

⁷ <http://consumerfocus.org.uk/g/4n7>

⁸ 2008 survey of 7,000 respondents in 7 Member States conducted for DEFRA, Consumer Focus, ANEC, BEUC and the UK Energy Savings Trust; in some countries, awareness of the A-G was 95 per cent; almost 100 per cent identified A as the most efficient class. See also the August 2009 consumer survey on the new format European Energy label for televisions carried out by the University of St Gallen, and September 2009 Which? online omnibus survey in Great Britain

⁹ University of St Gallen consumer survey on the new format European Energy label for TVs, August 2009

¹⁰ eg a 2007 consumer survey, *Warning: Too much information can harm*, prepared in collaboration between the UK Better Regulation Executive and Consumer Focus demonstrated that consumers reject information that is presented in a complex and unappealing format

Need	Implication
	<ul style="list-style-type: none"> • Take into account more factors, such as aspect and access to roofs for renewables and sources of financial support such as FITs, RHI and the ECO • Provide consumers with a free service to appeal ratings to give consumers confidence, to improve the quality of the dataset and inform the tool's development, and to enable monitoring and protection against unintended consequences of regulation. • Include measures such as a significant improvement in air-tightness or the impact of thermal mass • Use actual u values where known, not assumed values. This becomes possible if accredited installers are required to update the EPC database as part of their Green Deal accreditation • Disclosure <ul style="list-style-type: none"> • How will consumers understand the value of the Green Deal if all they see is a charge? • Define disclosure process where ongoing charges are attached to energy bill, rent or service charges • Is the EPC the right mechanism for written disclosure of the Green Deal charge, if not – what is? • How will consumers access redress in the case of non-disclosure? • Fuel and technology that is easy to use <ul style="list-style-type: none"> • Consider ability of householder to handle different fuel types as more emerge as a result of the renewable heat incentive, and how the related effort is portrayed in the EPC • More broadly, designers of renewable heating systems must minimise the maintenance burden on the property-owner/resident • Homes that are cheaper to run <ul style="list-style-type: none"> • Consumers understand cash not carbon – how can the running costs and potential savings be better communicated through the EPC
<p>Encourage – Government can encourage and, where necessary, enforce, behaviour (eg through price signals, peer pressure, league tables, funding, or regulation)</p>	<p>The EPC rating could provide a basis for</p> <ul style="list-style-type: none"> • A price signal to the property market through differential stamp duty and/or council tax, or a rebate where energy efficiency measures are undertaken • Regulation of existing homes, including the setting of minimum standards

Need	Implication
<p>Engage – strategies will work best if individuals are involved at an early stage. Remote messages from the Government are often not the best way to do this; face-to face contact is often considered more appropriate</p>	<ul style="list-style-type: none"> • At present the EPB regime prevents face-to-face engagement in energy efficiency advice by the DEAs. Consumer Focus is alert to the risks of allowing advisers to also sell services, but we also recognise that consumers may drop out of the process if there is a gap in the consumer journey. This gap needs to be bridged, and is likely to require robust and enforced regulations against mis-selling • Adapt the EPC process used by DEAs, estate agents, surveyors to enable consumer engagement
<p>Exemplify – Government needs to lead by example in demonstrating the importance of sustainable development, and encourage early adopters: people learn from the example set by others – from friends, family and neighbours</p>	<p>Recognisable' examples:</p> <ul style="list-style-type: none"> • Support networks of exemplar homes and encourage them to use the EPC as part of tours. If they are not using the EPC (or the underlying methodology), the reasons for this need to be identified and addressed. • Consider producing case studies for the most common house types as part of the online database, in line with behavioural theories of the benefits of peer-to-peer comparison. • Encourage media to use the EPC as a tool to measure house improvements (eg DIY SOS)

In our upcoming report on consumer confidence in energy services we set out the importance of the fifth E: the event. Consumers will only change behaviour at a time that's right for them. This is likely to be a time when they are uncertain about options, and therefore open to change, have the opportunity to make those changes, and to do so cost-effectively. This is why we believe house moves are such an important trigger point for sustainable choices, yet the EPC is either not seen by buyers/prospective tenants, or is found confusing or irrelevant when is seen.

Follow up

This section makes reference to a number of upcoming reports and research projects. We are now discussing the potential for EPC-specific consumer research with DECC and DCLG and will also be able to share the following in early January:

- Consumer confidence in the energy services sector
- Access for All: scenario analysis of the technical potential for the Green Deal
- Consumer views of energy bills

Green Deal: advice

This section sets out Consumer Focus’s initial understanding of the advice process and content that is required to advise consumers who are considering taking up the Green Deal. By ‘advice’, we mean the process that provides consumers with costed recommendations for energy services.

In summary, the advice needs to incorporate a combination of modelled and actual energy use; and it needs to provide recommendations that are clear, credible and comparable, and that are relevant to the household in situ. Early consideration must be given to data requirements, to ensure consumers’ privacy is protected while accurate estimates are provided with minimum hassle; and to provide for the development of an accurate understanding of the quality of the British housing stock and report on progress against carbon budgets.

This has been developed following discussions with retailers, DECC, energy efficiency industry, and environmental groups. As the detail of the Green Deal and its financial mechanism is still emerging, our views are subject to change.

Assumptions

The aim of the Green Deal is to deliver the carbon savings necessary from the property sector in order to meet the nation’s carbon budgets. The measures will support concurrent public policy objectives for energy security and the elimination of fuel poverty. The process must minimise disruption and safeguard consumers from any financial, health or safety risks.

The Green Deal encompasses the Green Deal finance mechanism for cost-effective measures¹¹ (referred to in this document as the core Green Deal); the supplier obligation for fuel poor households and hard to treat properties; and a wider advice and accreditation service for energy services including water efficiency and microgeneration.

The consumer journey can be summarised as follows:



- **Trigger:** the event or process that results in the consumer seeking advice
- **Advice:** a survey of a property’s energy performance and the residents’ behaviour, resulting in recommendations for improving the energy performance of the home and financing options, including Green Deal finance

¹¹ Consumer Focus is concerned by the potential for a limited product range to restrict innovation and the development of demand that is necessary to drive economies of scale in the supply chain for market entrants.

- **Financing:** Once a firm quote has been received, the consumer determines how they fund the works, with fuel poor households and owners of hard to treat homes able to access support from the new supplier obligation
- **Installation:** the works are delivered by accredited installers, using accredited products, with supporting processes to handle complaints and redress
- **Billing:** the charge is applied to the property's energy bill on completion of the works

The Green Deal process will be open to competition at each stage in the consumer journey in order to drive innovation and lower costs:

- All Green Deal providers will be able to access the additional financial support that the new suppliers' obligation will provide for people in fuel poverty or in hard to treat homes, working to agreed protocols on the proportion of spending on different consumer groups and on limiting spend within annual limits
- Advice provision may be a service provided by Green Deal providers, or it may be provided by independent, accredited parties. Advice providers may use a combination of technical surveyors (DEA or similar) and more highly-qualified Green Deal advisers (HEA or similar), with the latter advising on the Green Deal process and behaviour change
- Providers will determine whether there is an upfront charge for advice provision, or whether that is recouped through the cost of works
- Consumers will be able to use surveys undertaken by one provider to seek quotes from a range of Green Deal providers
- Consumers will be able to use their own choice of finance to install energy saving measures that are accredited under the Green Deal
- Green Deal providers will not be limited to High Street retailers. Schemes will emerge to enable provision by local authorities, the building trade and new market entrants

The Government will want to learn about the quality of the existing housing stock, and track improvements that are made as part of the Green Deal or through the wider energy efficiency market.

Governance must be both simple and effective if it is to protect consumers' interests while enabling the development of a new market and the delivery of public policy targets.

Governance of the Green Deal will make efficient use of existing arrangements, draw extensively on industry expertise, and aim to protect consumers' interests while providing a firm foundation for a new marketplace.

Stakeholder needs

The following table summarises the different needs of the three principle participants in the Green Deal advice process: the property owner, the Green Deal provider, and the Government.

Property owner	Green Deal provider	Government
<p>Need will differ by property owner, including</p> <ul style="list-style-type: none"> • cut energy bills • improve comfort • cut carbon • attract or retain tenants <p>With measures dependent on property type, location and aspect</p> <p>No risk to house value</p> <p>Minimal cost and hassle</p> <p>Clear, credible and comparable claims¹²</p> <p>Personal safety and protection of personal information</p> <p>No surprises</p> <ul style="list-style-type: none"> • Cost • Maintenance 	<p>Commercial:</p> <p>Able to develop a proposition attractive to consumers</p> <p>Simple regulation and messaging</p> <p>Compete on core competencies, and avoid duplication of cost and effort elsewhere</p> <p>Ability to align Green Deal product with consumer segments</p> <p>Access to skilled and scalable workforce</p> <p>Including the triple bottom line:</p> <ul style="list-style-type: none"> • Deliver ongoing carbon and cost savings for consumers • Creation of green jobs 	<p>Carbon targets: cut emissions from homes by 29% on 2008 levels by 2020</p>

The initial headline is the multiplicity of consumer segments, dependent on personal values and attitudes, and on the property type. There is a need for flexibility to enable different providers to appeal to different consumer needs, but there is the risk that properties will not be equally attractive to Green Deal providers. The Government needs to monitor rollout, and use backstop powers where necessary to ensure there is access for all.

Green Deal services need to be built on a firm foundation of measurement tools and management information that allows providers to focus on their core competencies while allowing Government to report and evaluate on accessibility and on progress against carbon budgets.

Consumer Focus therefore wants management information needs built into the development of the advice service:

- Build accurate record of quality of existing housing stock
- Track progress against carbon budgets
- Assign responsibility for carbon savings to avoid duplicate counting, eg through both an energy company and the final Green Deal Provider claiming savings from work funded by the new supplier obligation

¹² Consumer Focus, 2009, Green Expectations, <http://consumerfocus.org.uk/g/4n7>

Measurement tools

The following table summarises the actions that are likely to form the advice process for the Green Deal, with reference to relevant tools and related actions to support the consumer experience in a new market.

Action	Aims	Tool	Consumer assurance
Survey of the property's energy and carbon performance	<p>To measure existing energy efficiency as a baseline for recommendations</p> <p>Data will need to be lodged in the National Energy Efficiency Database (NEED) to facilitate tracking and delivery against carbon targets</p>	<p>RdSAP</p> <p>Environmental Impact Rating</p> <p>Report to EPC database as part of the new NEED (potentially the lodgement fee should be waived to encourage reporting for the benefit of public policy development)</p>	<p>A standard process for the assessment and basic presentation of energy performance is necessary to enable comparison of Green Deal offers</p> <p>Improve RdSAP on continual basis to reflect improved technology and performance monitoring</p> <p>Data protection – the NEED must only store legitimate data, and its use must be controlled by Government</p>
Review of current energy use	<p>The Green Deal will need to incorporate reference to existing energy use, through a review of energy bills and behaviour. Without this, the provider will not be able to calculate the impact of measures on bills</p> <p>This is likely to require a two part assessment – firstly to model need for the average household (so that implications for the charge can be understood over time, including for a change in owner);</p>	<p>Past energy bills</p> <p>RdSAP for unmetered heating fuels, new occupants or frequently changing occupancy – but needs to incorporate current energy prices as it can currently underestimate energy bills by about 40%¹³</p>	<p>A standard process for the assessment and basic presentation of impact on current energy use is necessary to enable comparison of Green Deal offers</p> <p>This process should advise consumers on lower cost tariffs¹⁴</p> <p>Consideration must be given to the sharing of energy bill data with the Green Deal provider.</p>

¹³ <http://bit.ly/fNildb>, p8

¹⁴ Consumer Focus is undertaking research in autumn 2010 to understand the feasibility of communicating lowest cost tariffs to consumers which will be relevant to this process.

Action	Aims	Tool	Consumer assurance
	secondly a specific assessment of the way in which the household uses energy		This is an essential part of the process for existing owner-occupiers and long-term tenants but was a significant hurdle in the Gentoo project ¹⁵ This could be avoided by allowing the Provider access to a report on energy use from suppliers once a property owner requests a survey. If not, suppliers may have an unfair competitive advantage over other Green Deal providers due to their access to consumer data.
Impact of current residents' behaviour	<p>Resident's behaviour will impact the applicability of Green Deal finance, as it will affect payback periods. For example, households that underheat may not be able to make sufficient savings to warrant long-term investment, and therefore may be able to get support from the new suppliers' obligation</p> <p>For all households a discussion around behaviour is an opportunity to discourage energy (including water) wastage, and set expectations regarding savings on bills</p>	<p>BREDEM is a model for estimating the energy consumption in dwellings for space heating, water heating, lighting and electrical appliances, and cooking</p> <p>NHER is based on BREDEM and allows for limited modelling of behaviour</p> <p>Advisers need to be able to add known variables in to the behaviour model, eg heating patterns, occupancy rates and demand temperatures</p>	<p>A standard process for the assessment and basic presentation of the impact of behaviour is necessary to enable comparison of Green Deal offer</p> <p>Training and skills of Home Energy Advisers, to be able to advise consumers in an engaging manner in potentially sensitive circumstances</p> <p>Smart meter reports could be of use to engage consumers, eg heat use over year; heat use on an average winter's day; electricity use on an average day</p> <p>Green Deal providers may offer consumers basic measures as part of their wider offer, along the lines of the RE:NEW programme¹⁶</p>

¹⁵ <http://bit.ly/fNildb>, p6

¹⁶ <http://bit.ly/hWRIKb>

Action	Aims	Tool	Consumer assurance
Check access to support from suppliers' obligation	To ensure that all consumers can access additional support from the new suppliers' obligation	Criteria are yet to be determined, but the same process will need to be applied to all Green Deal consumers	Training and skills for Advisers to ensure accuracy of checks, and sensitivity in the way that they are undertaken
Impact and cost of measures that would maximise the efficiency of the house	By 2050 greenhouse gases from homes need to be almost zero. The Government needs to develop its understanding of the measures necessary to deliver those savings, while consumers must be advised about all measures as some may want to self-fund work additional to that allowed under the Green Deal finance mechanism	<p>RdSAP must be developed as follows:</p> <p>Track actual energy prices through regular updating of a rolling average</p> <p>Accredited products data table must be incorporated in central SAP database, with actual thermal performance. This will need to support advice, finance and installation Green Deal functions</p> <p>Providers must be able to filter the list of products and enter their charges in their local versions for their firm quote</p> <p>Surveyors and advisers must be able to enter additional building work costs</p> <p>Green Deal providers must enter additional building work costs in their firm quote</p> <p>Report to EPC database as part of the new NEED</p>	<p>The property market must be given a clear indication of how the Government intends to deliver savings from properties</p> <p>Data to be provided to consumer in a common format to enable them to seek quotes from other Providers (although some homes will need additional visits, dependent on the amount of related building work)</p> <p>Providers must be able to provide a single quote for all work, which may include non-energy efficiency work that is necessary as part of the project (eg structural repairs, asbestos removal). If they are not providing the full building works through to the 'making good', perhaps because the consumer wants to use their own contractor for building and decorating work, Providers must clearly state where additional work is necessary to complete the installation of measures</p>

Action	Aims	Tool	Consumer assurance
Impact and cost of measures that can be funded via the Green Deal finance mechanism	The Government has said that Green Deal finance will only be available to measures that deliver a saving greater than the charge levied	<p>RdSAP must be developed as follows:</p> <p>Track actual energy prices</p> <p>Accredited products data table must be incorporated in central SAP database, with actual thermal performance</p> <p>Ability to produce options for different packages of measures available under the Green Deal finance mechanism</p> <p>Providers must be able to filter the list of products and enter their charges in their local versions for their firm quote</p> <p>Surveyors and advisers must be able to enter additional building work costs for the firm quote</p>	<p>Protection against mis-selling in the home, online and in phone</p> <p>Clear statement indicating the costs and savings of measures; the level of guarantee provided to consumers, the use of accredited products and installers and access to redress</p> <p>Allowance for, and clear communication of, margin of error on predictions of savings and level of the charge (where the interest rate is variable)</p> <p>No assumption made of energy price rises</p>
Guidance relating to Green Deal finance, dependent on application of the Consumer Credit Act	The Green Deal is an interest-bearing finance mechanism, and we understand that DECC is in discussion with OFT regarding the applicability of the Consumer Credit Act	<p>Statement on total cost of Green Deal charge in comparison to upfront payment</p> <p>Declaration of adviser relationship to Green Deal providers</p>	<p>Minimum standards to be set by Government in line with the Consumer Credit Act</p> <p>The Green Deal finance mechanism should be an enabler, not the only option</p> <p>Ability to pay off the charge at change of property to avoid risk to property value</p>

Action	Aims	Tool	Consumer assurance
Additional measures	To attract a wider range of consumers, providers should be able to build on the minimum provision of advice. This may include broader advice around energy tariffs, real-time displays and Smart Homes, appliances, water use, food and travel	<p>Labelling is in place for certain products, but this is an immature tool in other sectors</p> <p>More detailed behavioural modelling could be undertaken using products such as Parity Project's 'Home Energy Masterplan'</p>	<p>Use of existing ratings systems where possible, to avoid confusion for consumers, and potentially link the Energy Saving Trust Recommended scheme to the Green Deal brand</p> <p>To avoid confusion, consumer advice needs to align the standard assessment approach and value-add products that are able to model consumer behaviour more accurately. The former must learn from the latter under a process of continuous improvement</p>
Report completed measures	The UK Government needs to track progress on carbon targets, and evaluate the success of the Green Deal	<p>Update NEED on completion of measures</p> <p>Monitor consumer complaints regarding</p> <p>Difference between final cost and quotes</p> <p>Running costs</p> <p>Predicted savings</p>	<p>Limit costs to the consumer by requiring only the lodgement of measures completed, without the need for a second, full survey</p> <p>Undertake performance monitoring with agreement of related households. This is critical and the Government and industry may need to incentivise households to take part</p> <p>Regular review and revision of standard processes to reflect consumer feedback</p>

Relationship to the Energy Performance Certificate (EPC)

The EPC is provided during the property sale or rental process to indicate to buyers or tenants how much it will cost to provide lighting, heating and hot water to a home. It uses 'standard occupancy' assumptions to incorporate behaviour into the calculation.

We want Green Deal advice to dovetail with the EPC at the point of marketing a property, to avoid duplication of costs to consumers and to give consumers advice when it is most relevant. 'Standard occupancy' assumptions, as used in the EPC, may be appropriate in a number of scenarios:

- New owner-occupier
- Off-gas network (with unmetered fuel use)
- Rental accommodation (provided calculations incorporate the likelihood of underheating and likely savings on bills)

The table below sets out how the two advice mechanisms can dovetail, by stating where different datasets could be incorporated into a similar calculation method.

Action	Difference between EPC and Green Deal
Survey of the property's energy and carbon performance	No difference.
Review of current energy use	EPC uses modelled data from RdSAP. Green Deal advice modifies RdSAP with actual use data.
Impact of current residents' behaviour	EPC uses standard occupancy assumptions. Green Deal advice can model the impact of changes to actual behaviour, building on standard occupancy assumptions.
Impact and cost of all measures that would maximise the efficiency of the house	EPC uses modelled costs for generic measures rather than named products. Consumers then need to be able to share the generic report with providers for quotes (either as a hard copy or by sharing an electronic file). Green Deal advice uses a combination of modelled and actual use to define options, to which providers can assign indicative quotes
Impact and cost of measures that can be funded via the Green Deal finance mechanism	EPC recommendations are based on standard occupancy assumptions and modelled costs and therefore have a higher margin of error than if it used actual behaviour and costs. This will affect the accuracy of the initial indicative quote. Providers will need to add in actual costs when approached by a property owner for a firm quote, and checks made to determine whether consumers can access additional support from the new supplier obligation, even if the energy use is modelled, to produce the

Action	Difference between EPC and Green Deal
	<p>final Green Deal advice.</p> <p>Green Deal advice uses actual energy use and actual cost of measures.</p>
Guidance relating to the Green Deal finance mechanism, dependent on application of the Consumer Credit Act	Consumers should not be able to sign up to the Green Deal on the basis of an EPC survey alone, as they will need to get more accurate costs and there needs to be a check for applicability of the supplier obligation.

The EPC: Gap analysis

The above tables assume that RdSAP delivers a reliable report on the energy performance of buildings, but this is not the case for non-standard buildings and lessons must be learnt from current problems with the EPC, and the introduction of the Green Deal used to drive improvements.

This section sets out the changes that Consumer Focus thinks are necessary to the existing advice tool, the EPC, to make it smarter both as part of the property marketing process and as the foundation of the Green Deal.

Simple

- Offer only a single rating – there should not be separate environmental and cost-based ratings. Unfortunately, while the environmental rating is required by the EU Directive, the cost is more useful by consumers

Meaningful

- Link A-G ratings to a clear metric that a lay person can relate to and understand in terms of their own bills, for example in terms of potential financial savings
- Include signposting via phone, online database, or named advice agencies to local accredited providers
- Include reference to the potential impact of behaviour on bills

Accurate

- Use current energy prices, or a rolling average
- Provide consumers with a free service to appeal ratings to give consumers confidence, to improve the quality of the dataset and inform the tool's development
- Include measures such as a significant improvement in airtightness or the impact of thermal mass
- Use actual thermal performance value where this is known, not assumed values. This becomes possible if an accredited product table is attached to the EPC database and accredited installers are required to update the database with completed measures (whether financed by the Green Deal or independent work)

Relevant

- A-G ratings are well understood by consumers, and similar rating approaches should be used across products, services and properties to avoid confusion
- Government and all stakeholders need to promote the language of EPCs, making everyone aware of and interested in, their home's energy rating
- EPCs must be provided at point of marketing, as required by the recast of the Energy Performance Building Directive, and this must be enforced
- The online EPC tool must not be 'hidden' on Government websites. Once fully tested for its relevance to consumers, it should be whitelabelled for use by local authorities' planning portals, estate agents, DIY retailers and other websites that directly relate to the consumer journey

Transparent

- Subject the EPC methodology to a process of continuous improvement by promoting it as open source, capturing data, thinking and expertise from industry, government and consumer representatives
- Develop a responsive change management framework to facilitate continuous improvement

Efficient

- Develop a toolkit that allows advisers for properties with common designs the opportunity to reduce time spent on data entry. Advisers can then spend more time on engaging the consumer and less time surveying the property

Regulation

- Consumer Focus funded research found that consumers do not trust the private sector's use of personal information and want the ability to opt in and out of targeted marketing
- We also know that a minority of consumers are willing for data on the energy efficiency of their home to be shared with local or central Government¹⁷
- A public energy efficiency database is required to manage and track improvements to the housing stock but access to data must be regulated according to need:
 - The A-G rating of individual properties should be in the public domain alongside house price information. This information is made public as part of the house sale process and its presence in the public domain will help consumers consider the value of the rating in the property purchase process
 - The EPC and underlying SAP/RdSAP data belongs to the property owner, who must be free to share the data with providers of their choice and opt in to targeted marketing
 - Local authorities, and their contracted providers, must have access to data in specified areas to enable the targeting of programmes to support vulnerable households
 - Central Government must be able to track and report on the progress of energy efficiency programmes
 - Other parties must have access to area-level, anonymised data to enable relevant and appropriate marketing

¹⁷ <http://consumerfocus.org.uk/g/4n2>, p4

Advisers

Consumer Focus has reviewed the National Occupational Standards for home energy advisers¹⁸, and has identified the following gaps for the application of the qualification to the Green Deal as we understand it:

- Undertake checks to ensure consumers are assisted by the new energy company obligation where applicable
- Explain the principle of Green Deal finance, in comparison to other sources of finance, and the rationale for the prioritisation of measures¹⁹
- Explain the level of guarantee regarding the level of the charge and potential savings on energy bills
- Explain the risk and responsibility for costs arising during works, eg if asbestos is discovered or structural problems are identified
- The interface with Green Deal providers (where advice is provided independently) and sharing of personal information

The key for consumer confidence in the advice process will be the ability of the Green Deal Advisers to identify the best deal for the consumer and to explain the Green Deal in a clear and credible way; and for the industry to take a tough stance on mis-selling.

There is the risk that the hassle and cost of the advice mechanism will deter consumers. Due to the need to provide accurate cost estimates and undertake benefits checks (or similar) face-to-face home visits are needed. The cost of these visits, and the potential for duplication of cost for Providers, and hassle for consumers, suggests that in a competitive market multiple models will emerge, including:

- Multiple advisers from different Green Deal providers will visit a property to provide quotes.
- A market for independent HEAs will develop to capture basic data and help consumers compare Green Deal providers' offers, with additional visits necessary only to confirm quotes for building work.

To support the development of consumer-focused models, we support the development of a common data protocol to minimise the sharing of sensitive personal data, so consumers only have to go through one benefits' check (or similar) within a set time period. Green Deal Providers need only know the level of appropriate support, not the underlying drivers.

The data protocol for advice should also support comparison of quotes, allowing the market the opportunity to develop efficient comparison tools.

¹⁸ <http://bit.ly/etFJ27>

¹⁹ Regulation of financial advice will be applicable both to an initial adviser and any party that provides a final quote, either face-to-face or remotely

Conclusions

Consumer Focus wants the Government to design an advice framework for the Green Deal that acts in the interest of current and future consumers' by:

- Ensuring advice clearly indicates the costs and savings of measures; the level of guarantee provided to consumers, the use of accredited products and installers and access to redress
- Using standard assessment procedures to shape a basic advice service that is clear, credible and comparable to consumers, but allowing Green Deal providers to add additional services to suit the needs of different consumer segments
- Incorporate management information needs into the design of business processes that support the advice function, to ensure data protection, to understand progress against carbon budgets and to drive continuous improvement in products and services
- Dovetail the EPC and the Green Deal advice processes to minimise duplicate costs and confusion for consumers



Improving the energy performance of buildings regime

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