

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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Are you responding as an individual or on behalf of an organisation:

Organisation Name: Consumer Focus

Would you like this response to remain confidential? No (Delete as appropriate)

CHAPTER 1: Assessment

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?

No

Please explain:

The distinction between the impartial Green Deal assessment (GDA) and partial sales advice should be made clear to the consumer by:

- partial sales advice only being allowed once the Green Deal advice report (GDAR) is fully completed
- branding specific to a Green Deal provider not being used during the GDA

Methods for avoiding conflict of interest should be indicated. Consumers can only have confidence in standards that are independently assessed, so allowing Green Deal Providers to also own a certification body will undermine consumer trust.

Figures from NHBC indicate that 2.3 million properties built 1982-1995 have clear and unfilled cavity walls. However, within the current RdSAP framework, insulation would never appear as a recommendation, leaving a large number of cavity walls unfilled within the Green Deal and ECO framework¹.

We therefore believe there would be significant value in customers being given the opportunity to request a borescope inspection of their cavities as part of the GDA process. Related to this, we believe the assessment process should also allow for the possibility of a borescope inspection to identify hard-to-treat cavities. Certain types of hard-to-treat cavity, such as a finger cavity, may be identifiable through external measurements, ie of the width of the wall.

¹ Consumer Focus (2012) *Filling the Gaps*, <http://bit.ly/yiXi8p>

Assessor skills do not currently incorporate borescoping as standard, and appropriate training and monitoring would be needed for those undertaking this work.

We also want Government to work with developers to identify whether these properties can be identified through existing data, rather than undertaking unnecessary borescoping during the assessment process.

The Green Deal adviser should explain the nature of Green Deal finance, ECO support and should be mandated to provide customers with information on other finance options besides Green Deal finance. A standard document should be made available stating the pros and cons of each option, similar to a Financial Services Authority (FSA) 'key facts' document.

The GDA process should include lodging the GDAR and indicate at what stage this must be done. The consumer will need to access their GDAR to shop around between Green Deal providers. The provider must not be allowed to withhold it from the consumer. For example, if they advertise 'free advice' then the consumer must be able to use that GDAR to shop around without paying the initial provider.

The Green Deal provider must also be required to lodge the GDAR whether or not the consumer takes up the recommendations, and/or uses that Provider to install the measures. The timing of this requirement must be worked through alongside the Department for Communities and Local Government's (DCLG) proposals to make Energy Performance Certificate (EPC) data publicly available.

The Code of Practice should state that 'no cold calling' zones and stickers should be respected.

Finally, we remain concerned that the Code of Practice and requirements on assessors do not cover the quote, or sales, process. This means that any assessment of assessors by certification bodies will not cover (and not be able to respond to) evidence of pressure-selling or other forms of misselling. This limited remit also means that there is no regulated structure for the provision of quotes, and it is likely that alternative layouts will make it difficult for consumers to compare offers.

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:

Advisers should be able to explain possible funding options outside the Green Deal/ECO framework.

To ensure consumers can move to the next stage in the consumer journey, they should also be able to (depending on the nature of the advice service): provide or source Green Deal quotes and explain them to the consumer; or advise consumers on how to find and interpret quotes themselves.

Soft skills must be tested through a face-to-face assessment.

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:

(a) and (b) Consumers can only effectively shop around between Green Deal packages once they receive their Green Deal advice report, at the end of the GDA process. A key

concern is that aspects related to the assessment, including the nature of payment, may restrict the consumers' ability to shop around on the basis of the GDAR.

Our research on energy advice² shows a majority of consumers would prefer to shop around between different providers based on the results of their assessment. At the same time, consumers are most likely to choose advice services that have no upfront cost, rather than pay upfront for independent advice with no bias. Resolving these two issues will be crucial.

It appears the barrier of upfront cost will limit the market for independent advice. To overcome this, the Government and/or market participants need to develop a mechanism to recoup costs from the GDPs if recommendations are taken up by consumers. This would need to act across the market so that independent advice can deliver its particular benefit: advice that is not restricted by commercial partnerships.

However, it is likely that GDPs will not readily accept paying for assessments that they have not undertaken in-house, or have not been undertaken by a trusted third party assessor. This is particularly likely where they will want to undertake their own assessment in order to quote for more structural or more expensive measures, as they will be liable for the performance and financing of the measures. However they may be willing to pay for the lead, with the cost of the structural survey (going beyond what the GDAR will offer in any case) built into the installation price.

To provide safeguards against pressure selling, consumers should not be asked to pay for assessments in advance of the appointment, and a cooling off period must apply. This must apply however the assessment will eventually be paid for (directly, with an independent assessor, or free with a Green Deal provider).

c) Following the model of the financial service advice sector, there is a need for clear labelling of advice either as independent or restricted. To give confidence in an adviser's claims of independence, the Government should define 'Independent advice'. In the case of restricted advice, Government should establish a defined format showing how an adviser should make clear how their advice is restricted. For example an adviser may be employed by a provider, or a third party adviser may have a commercial relationship with a number of providers from whom they seek quotes for completed GDARs.

Receipt of commission should be included as a form of restriction and should be declared, noting which providers the adviser has a relationship with. Declaration should be made at the point of setting the appointment and again at the start of the appointment.

A clearer distinction is needed between energy efficiency assessment (which is impartial and produces the GDAR) and energy efficiency advice, which provides advice on specific, costed energy efficiency measures (and associated financial packages) and may be either independent or restricted. We think it is in the provision of the latter that misselling will occur. We again state our concern that the provision of quotes is not regulated or monitored to the same extent as the assessment. It is at the point of providing an offer that misselling will occur.

When setting an appointment, an adviser must clearly state what products and services they will advise on, or offer for sale. We do not want consumers inviting Green Deal Advisers into their home, only to be sold a sofa or a pair of curtains. The boundaries of the appointment must be clear and agreed in advance³.

Consumers must be able to report any pressure-selling that occurs during a Green Deal appointment through the Green Deal complaints procedure, even if it relates to products and

² <http://bit.ly/xOqMGs>

³ Consumer Focus (2011) Green Deal and Soft Furnishings <http://bit.ly/yEpk32>

services that are not accredited as Green Deal measures.

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

Disagree

Please explain:

Consumers can only have confidence in standards that are independently assessed, so allowing Green Deal providers to also own a certification body will undermine consumer trust.

The standards for certification bodies need to be better defined, including, for instance, minimum percentage samples to be used in the certification process. For larger organisations, it is appropriate that a proportion of advisers, selected by the certification body without interference, should be assessed and the process for assessing this sample should be specified. The assessment process should include in-person inspections; however, these are unlikely to pick up what is said to consumers in their homes on an informal basis and we believe that Certification Bodies must undertake mystery shopping to ensure the GDA is conducted according to the Code of Practice, particularly with regard to impartiality. Witnessed assessments are not an appropriate way to assess true assessor behaviour in the home.

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:

The evolving nature of the Reduced Data Standard Assessment Procedure (RdSAP) should be reflected in the validity period for EPCs, to ensure EPCs used for the Green Deal are as accurate as possible and consumers can make a well-informed decision. As such, the validity period should be shorter than the current 10-year period and ideally 12 months, reflecting the frequency at which the RdSAP process is updated. We believe the same validity period should apply for EPCs for sale or rental although we appreciate that some flexibility is needed, for instance in the case of a property that has been on the market for over a year. We also acknowledge the latter is the responsibility of DCLG rather than DECC.

Concurrently DCLG has invited Consumer Focus to comment on its plans for making EPC data publicly available. We feel that the 10 year validity period means that many EPCs will be inaccurate, and this is one reason that address level data should not be publicly available as it therefore fails to meet one of the principles of the Data Protection Act.

The Green Deal provides a one-off opportunity for large scale collection of data on the effectiveness of energy efficiency measures. DECC should put in place the structures necessary for recording the actual savings achieved through Green Deal in properties where they have the residents' consent, and feeding this information back into the GDA process.

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 explain:

No response

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 response

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:

We do not have additions to make, but want to underline the importance of having intuitive and simple controls. We learnt from our review of customer experience of the Feed-in Tariff that industry focuses on the installation and often fails to advise consumers how to get the best out of their system. The impact of how a consumer heats their home (which rooms, what time, and to what temperature) will be significant on whether the Golden Rule is met, and efficient heating use must be enabled through intuitive controls.

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:

No response

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:

It will largely fall to Green Deal providers to make a package of measures attractive to the consumer, but the GDA process and monitoring bodies should support this. Government has a limited role, and must focus on protections against misselling to provide a clear boundary to providers' marketing efforts.

The certification bodies responsible for Green Deal advisers should monitor the suppression of measures by the adviser during the assessment process and ensure any suppressions are justified based on the nature of the property. They should also seek to ensure, through the monitoring process, that all measures recommended by the assessment process are discussed with the consumer in an impartial way.

The monitoring of Green Deal providers by the Green Deal oversight body should include comparison between the measures recommended by the GDAR and Green Deal plans taken up by consumers, to what extent the full package of measures is not being taken up and if further measures or incentives are necessary.

Government could offer incentives either to providers or to consumers to encourage take up of a package of measures.

More broadly, government has a role of creating a narrative around where we, as a society

want to get to in terms of improved energy efficiency. This could be supported by clear goals for the improvement of the housing stock in terms of EPC ratings. Local authorities can also play a role encouraging this approach and thus the package approach.

In the private rental sector, we have advocated a minimum EPC standard of band E by 2015, with a gradual tightening of the standard over time. By setting long-term goals such as this, the Government would also create a long-term vision and encourage the uptake of a package approach in this sector.

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.

Your answer:

Given that in some cases insulation of hard-to-treat cavities is expected to deliver a similar payback period to solid wall insulation, we are concerned that the proposed policy framework will leave this category of property outside Green Deal financing and thus uninsulated. Such works should be covered by ECO funding.

Figures from NHBC indicate that 2.3 million properties built 1982-1995 have clear and unfilled cavity walls. However, within the current RdSAP framework, insulation would never appear as a recommendation, leaving a large number of cavity walls unfilled within the Green Deal and ECO framework⁴. We therefore believe there would be significant value in customers being given the opportunity to request a borescope inspection of their cavities as part of the GDA process. Related to this, we believe the assessment process should also allow for the possibility of a borescope inspection to identify hard-to-treat cavities. Certain types of hard-to-treat cavity, such as a finger cavity, may be identifiable through external measurements, ie of the width of the wall. Adviser skills do not currently incorporate borescoping as standard, and appropriate training and monitoring would be needed for those undertaking this work. We also want Government to work with developers to identify whether these properties can be identified through existing data, rather than undertaking unnecessary borescoping during the assessment process.

Further research, and feedback from Green Deal providers as the Green Deal progresses, could help further identify those properties or property types that may be liable to have hard-to-treat cavities. In cases where hard-to-treat cavities are identified, the rules determining the level of ECO financing should apply as for solid-wall properties.

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:

We agree that solid-wall insulation should be a priority for the ECO Carbon Saving obligation, given the cost of measures, payback period and the potential energy savings to be made. As per our response to Q11, the obligation should also consider hard-to-treat cavities, in cases where the cost of measures fall outside the Golden Rule.

However, we note concerns raised by the Committee on Climate Change in December 2011 and are concerned that the cavity wall and loft insulation industry faces a significant and potentially highly damaging fall in demand moving from the current policy framework (CERT and CESP) to the Green Deal and ECO, especially during the initial uptake period. We

⁴ Consumer Focus (2012) *Filling the Gaps*, <http://bit.ly/yiXj8p>

therefore believe that transitional arrangements should be put in place, but with very clear notice to the insulation industry that they must market the value of their product to consumers, develop value-added services (such as loft clearance services) and generally do the groundwork for the industry to function without subsidy. In our view this work should have started by this point as Government's intention to move its support to the needs of hard-to-treat homes has been understood for some time.

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

We largely agree with such a restriction, with exceptions for hard-to-treat cavity walls and any transitional arrangements for loft and cavity wall insulation measures.

We note concerns raised by the Committee on Climate Change in December 2011 and are concerned that the cavity wall and loft insulation industry faces a significant and potentially highly damaging fall in demand moving from the current policy framework (CERT and CESP) to the Green Deal and ECO, especially during the initial uptake period. We therefore believe that transitional arrangements should be put in place, but with very clear notice to the insulation industry that they must market the value of their product to consumers, develop value-added services (such as loft clearance services) and generally do the groundwork for the industry to function without subsidy. In our view this work should have started by this point as Government's intention to move its support to the needs of hard-to-treat homes has been understood for some time.

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: Agree and disagree.

We expect the delivery method for the Affordable Warm obligation to ensure delivery of the most cost effective measures. However, we consider suppliers should aim to deliver 'whole house' solutions to households helped. We are concerned that the intention to require suppliers to only install one major measure will mean that consumers may not receive the same amount of help as they might have from Warm Front.

Suppliers should be incentivised to deliver 'whole house' solutions and encouraged to lever in funds for additional measures, particularly in the case of 'hard to treat' homes. As per Q16 below, the definition of affordability of a measure should include the effect of predicted fuel price rises and consideration of price volatility.

Price volatility presents a particular problem for the affordability of heat for fuel poor households.

We also want confirmation in the Government response that solid wall insulation can be installed in properties eligible for the Affordable Warmth obligation, using a combination of support from the Affordable Warmth and Carbon Saving elements of the ECO.

The most vulnerable households must not be prevented from accessing support that is available to 'able-to-pay' households.

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:

Boiler repairs should only be scored under the Affordable Warmth obligation where the boiler in question meets minimum energy efficiency standards (rating C or above). Otherwise there will be a significant negative impact on energy efficiency when compared to the installation of a new boiler.

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:

When considering the benefits of renewable heat sources, such as air and ground source heat pumps and biomass boilers, as a source of affordable heating, consideration should be taken of fuel price volatility and predicted fuel price rises.

Rising fuel prices increase the relative affordability of renewable heat in the long-term. Price volatility is higher in off-gas fuel alternatives to gas and is a particular problem for rural off-gas consumers; the case is particularly true for heating oil, which is the main source of fuel in off-gas homes in remote rural areas⁵ and increased in price by more than 50 per cent over the autumn of 2010. Fuel price volatility has particularly significant negative impact on the affordability of heating for vulnerable consumers, who are particularly likely to be operating on a short-term budget.

The cost of renewable heat sources means that hard-to-treat properties off the gas grid may be neglected by the ECO, as heating measures suitable for these properties are more expensive than those suited to other property types. For instance, the Government estimates the average cost of air source heat pumps at £6k compared to replacement of G-rated gas central heating boilers at £2.7k⁶. Thus, for a given level of spend, a much smaller number of hard-to-treat homes can be improved than 'easy to treat' homes. While properties that are hard-to-treat by virtue of having solid walls are covered by the Carbon Saving component of the ECO, there is no such support for homes that are hard-to-treat due to their heating system.

We therefore consider additional incentives should be put in place to support the installation of heat pumps or biomass boilers under the Affordable Warmth obligation for off-grid homes, providing that extensive insulation is also installed and occupants are fully briefed on how to operate heat pumps. Research by Energy Saving Trust⁷ and by Consumer Focus Scotland⁸ on the experience of installing heat pumps in housing association homes found that heat pumps can provide affordable warmth when accompanied with insulation and tenant education.

Although a combined package of a heat pump/biomass boiler and insulation is considerably more expensive than a gas central heating boiler, there are far fewer homes that would

⁵ Consumer Focus (2011) Off-gas consumers – Information on households without mains gas heating, <http://bit.ly/xHlq2O>

⁶ DECC (2010) CERT plus Impact Assessment

⁷ EST (2011) *Getting Warmer: a field trial of heat pumps*, <http://bit.ly/dxsBRh>

⁸ Consumer Focus Scotland (2010) *Power at home*, <http://bit.ly/wPpAih>

require this degree of support, given that gas is the predominant heating source in this country (83 per cent of all homes in Britain).

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:

Consumer Focus does not take a view on specific lists, but does not want to see duplication of assurance branding. We also want consistent standards, testing, monitoring and enforcement across measures. Standards should apply across any Government-backed scheme, so the standards for MCS should apply equally for an installation that results from the Green Deal process or for an installation funded by Feed-in Tariffs.

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:

Agree. Allowing enhanced product performance to be recognised in Green Deal finance will encourage the uptake of better performing innovative technologies. A standard format for quotes that allows consumers to compare offers from different Green Deal providers is required for effective shopping around, and to support the development of comparison services. Such a format should focus on the gross and net energy savings of a package, based on accurate product performance, encouraging providers to use the best-performing and most-cost effective technologies, and driving innovation in the sector.

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 explain:

Surety bonds may be an effective way of covering the financial cost of a Green Deal provider's liabilities and obligations, however further clarity is required on how this system will work in practice to ensure effective consumer protection.

Detail is required on how the transfer of Green Deal plans to from one Green Deal provider to another will be mandated, particularly in cases where the former is insolvent. It may be necessary to impose an obligation on Green Deal providers to accept plans; Energy suppliers who are acting as providers are perhaps best placed to take on these obligations. A further issue regards standards of customer service provided to 'transferred' consumers. These should reflect the standards provided for by the consumer's Green Deal plan, which may be higher than those provided for by the GDP who receives the plan.

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:

Consumer Focus has two main concerns regarding consumer protection and Green Deal providers: the quotes and the complaints escalation processes.

Quotes

Impartial Green Deal advice will incorporate a fabric assessment (the EPC) and an occupancy assessment but the format of this is yet to be determined. Green Deal offers will incorporate actual costs, actual energy use (where known) and (at some point in the future) specific performance values so will provide a more accurate calculation of the Golden Rule.

But Government is not requiring Green Deal offers to be set out in a clear, comparable format except for the aspects relating to Green Deal finance (which are covered by the Consumer Credit legislation).

We think this causes three problems:

- Consumers will be confused by offers that present costs and savings in different formats, and find it difficult to compare offers due to different use of small print
- Consumers may be encouraged to focus on 'lowest cost' offers in a race to the bottom, rather than consider 'highest saving' which will leave them better off
- Third party advice services will find it difficult and costly to compare offers, and to automate that process

Complaints escalation

Consumer Focus again asks that DECC reassesses the multiple escalation routes that it proposes consumers can use for complaints. The consultation states that consumers may use an Independent Conciliation Service (ICS) provided by the Green Deal Provider or escalate to the Energy Ombudsman Service (EOS) or Financial Ombudsman Service (FOS). If the ICS is unsuccessful then the consumer may be directed to the relevant Ombudsman by the Green Deal provider.

Consumer Focus asks that the complaints process is simplified, so that if the Green Deal provider is not able to resolve the complaint they must direct the consumer to the relevant Ombudsman.

We want this process simplified to:

- Reduce confusion for consumers
- Simplify messaging by advice organisations
- Reduce time spent resolving complaints

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

Your answer:

Energy consumers are not currently charged interest on debt associated with their energy supply. Any customer that has switched to a new supplier or moved into a new property is likely to be subject to terms and conditions that allow for interest to be charged. In practice however, suppliers have not chosen to levy interest charges on this debt. We do not want consumers to lose this protection and related precedent as a result of the Green Deal.

As the Green Deal charge will be indivisible from the energy bill and consumers are at risk of disconnection for unpaid charges, there is little justification for placing financial responsibility

for late payment with the payee in this case. Doing so would also add a significant additional administrative cost to the Green Deal in comparison to using the existing system.

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?

Your answer:

We agree that measures should be guaranteed for the lifetime of the plan. Consumers should not be paying for measures that are no longer providing them with energy efficiency benefits. An obligation to provide guarantees will also help drive up product standards.

We recognise that different measures have different lifetimes, for instance measures with moving components tend to have a shorter lifespan than those without, and we support the idea that payments can be staggered to accommodate this. When staggering payments, it should be recognised that the 'Golden Rule' is calculated on the basis of the cumulative effect of measures, and so must be recalculated for the different stages of repayment.

We understand that there is a higher cost to insuring the performance of some products than others, but if this feeds through to consumer decision-making and encourages them to install more durable measures then this is acceptable, even welcome. Green Deal offers must recognise the lifetime costs and benefits of measures.

We also support industry providing 'heating services' rather than 'a boiler', so they commit to providing a working boiler and taking responsibility for repairs and replacement for the life of the Plan – provided of course that the cost of this 'heating service' offers the consumer an overall saving on their energy bill (ie meets the Golden Rule).

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

Your answer:

Where a Green Deal is in place for more than 15 years, early repayment which is detrimental to the Green Deal provider could result in them claiming compensation from the householder. This could be confusing to consumers who are used to repaying other long-term debts early for no fee (eg mortgages once outside an initial tie-in period). It is also unclear how consumers will respond to an unknowable financial penalty given that the early repayment fee will only be calculated at the time of repayment.

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:

A Green Deal plan and associated repayments may alternate between a landlord (during void periods) and tenant (when a property is occupied). Indeed, it is likely that landlords may be particularly likely to take out a Green Deal plan during a void period, to minimise disruption to tenants.

However, many landlords take the form of a limited company and a Green Deal credit agreement they take out will not be covered by the Consumer Credit Act, whereas a tenant taking on a Green Deal plan must be covered by the CCA. The proposed rule that a change in regulated status will require the Green Deal charge to be paid off could prevent landlords who are limited companies from taking out a Green Deal. DECC should ensure that a mechanism is put in place to allow a Green Deal for this category of landlord and allows for tenants to be protected under the CCA.

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?

Don't know

Please explain:

While consumers are interested in potential energy savings, they are also interested in comfort and aware of rising energy prices. Among the findings of pilot 'pay as you save' schemes was that the precise calculation of payback on investment is less crucial than the affordability of monthly repayments.⁹

Individual consumers may wish to ensure a particular margin exists between the estimated savings and the repayment charge when taking out a Green Deal plan. They should be enabled to do this through a standard format for quotes focusing on the gross and net energy savings of a package, which would also help drive competition between Green Deal providers.

It should be noted that the proposed 5 per cent reduction in saving estimate will increase the burden on the Carbon Saving component of the ECO, as additional subsidy will be available to meet the costs of certain measures. As such the distributional issues of the Carbon Saving Obligation, as per Q33 below, need to be considered.

However, the proposed reduction could increase the attractiveness of the Carbon Saving Obligation, if uptake is lower than desired. Without the reduction or other support, those receiving this form of finance cannot benefit from savings in excess of their Green Deal repayments. Nevertheless, in light of findings of pilot projects and Government research¹⁰, other incentives may be more effective in fulfilling the goal of increased uptake.

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

Agree and disagree

Please explain:

We agree with the proposal that the maximum Green Deal charge for domestic properties should be calculated with estimated savings based standard occupancy rates. This is appropriate given that the occupancy of a property can change throughout the life of the Green Deal.

However, a charge based on an assumption of standard occupancy will not be expected to deliver energy bill savings for households with lower than average energy consumption. The concept of the 'Golden Rule', where savings are greater than or equal to repayments will be central to consumers' understanding of the Green Deal, so in the case of low energy consumers a package of measures that can meet the Golden Rule based on their actual energy use should be calculated and provided alongside the package for standard occupancy. The onus should not be on consumers to tailor their Green Deal package according to their energy use.

⁹ Stroud District Council and Severn Wye Energy Agency (2011) CO2 Target 2050: future-proofing homes in Stroud District and beyond, <http://bit.ly/ymGGRm>

¹⁰ Cabinet Office (2011) Behaviour Change and Energy use, <http://bit.ly/wCtNXM>

We agree that low energy use households that are not financially-stressed may still want to carry out measures up to the Golden Rule for standard occupancy, to reduce their carbon emissions or increase the comfort and value of their home. They should be free to do so as long as they are made aware of the potential increased costs involved, and the way in which costs are disclosed to future prospective tenants and buyers. For low energy use households who are underheating due to financial stress, lending should be limited to the package of measures that meet the Golden Rule for their actual occupancy. We believe 1.5 million households are in financial stress but do not fall within the current definition of fuel poverty¹¹. It is likely that however fuel poverty is defined, a significant number of financially stressed households will not be eligible for support under the affordable warmth component of the ECO but would still benefit from a Green Deal plan, and this can only be responsible lending if tailored to their occupancy.

Households that fall in this category should be picked up through an assessment of affordability as outlined in Office of Fair Trading irresponsible lending guidelines¹². This should include assessing the potential impact of Green Deal finance on the borrower's ability to pay other debts, rather than simply their likelihood of repaying the Green Deal debt, particularly as energy debt is treated differently, by both creditors and borrowers, from other forms of debt. Such an assessment is likely to involve sharing of data between creditors, subject to data protection considerations.

For all consumers, guidance on energy use (low/medium/high) should be provided on quotations as well as the GDAR, to remind them of their potential savings.

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:

Compared with a fixed interest rate, a variable interest rate linked to the relevant part of the fuel and light index would provide greater certainty that the 'Golden Rule' would be met, providing that interest payments could be kept below energy price rises. If predicted energy price rises significantly exceed potential fixed interest rates provided under the Green Deal, creditors may be able to provide a higher overall amount of capital under a single Green Deal plan, increasing the number of measures the Green Deal could support and thus the potential carbon savings.

However, such an approach would be likely to lead consumers to pay a much higher overall level of interest over the life of the plan. Moreover, if the energy savings achieved were not as great as expected or a household's energy use increased, for instance due to a change in lifestyle, consumers would be hit by a 'double whammy' of high interest repayments and high energy bills. For this reason we believe this approach creates risks for consumers that outweigh the benefits, particularly while the Green Deal scheme remains untested.

Consumers will want certainty and will be more attracted the lower the interest rate. We therefore recommend that providers offer a fixed interest rate, and that Government uses proceeds from the EU-ETS to support a lower interest rate than otherwise possible.

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

I don't know

¹¹ Consumer Focus (2010) Access for all, <http://bit.ly/wm90E3>

¹² Office of Fair Trading (2010) Irresponsible Lending – OFT guidance for creditors, <http://bit.ly/clOzaL>

Please explain:

We agree that limits should be placed on the frequency at which updates to the interest rate could be made, but do not support the use of variable rate plans as we are concerned about the impact on future residents.

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:

Yes. We recognise the potential benefit of a cash incentive to compensate the initial consumer for the 'hassle factor' of carrying out measures and act as a trigger for uptake of the Green Deal. As the cost of the cash incentive will be spread across the bills of current and future occupiers of the property, and in the case of the ECO all energy consumers, we support a limit and believe the proposed level is appropriate.

It should be made clear to consumers that they will be paying for the cash incentive and the associated interest through their Green Deal charge. In the case of rental properties, any cash-back incentive should go to the tenant rather than the landlord as it will be paid for by the tenant through their Green Deal charge.

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?

Agree and disagree

Please explain:

As referred to in our response to Q26, greater protection is needed for low energy use households, particularly those underheating their homes for financial reasons.

It should also be stressed that other costs not captured in the GDA will be included in quotations and the final Green Deal charge. In these include cash advances, making good costs and unexpected works. The Golden Rule must still be met once these costs are included.

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?

Agree and disagree

Please explain:

Within the context of the limited resources available through Affordable Warmth, we accept the argument for limiting Affordable Warmth to the SPG group in the private sector. However, we would like to see a degree of flexibility in the implementation of this restriction, for example in the case of referrals from accredited agencies that can demonstrate client vulnerability.

We also consider the carbon element of ECO should be restricted to low income consumers – the definition of which should include all social housing tenants. We consider it reasonable

to expect social housing providers to provide additional funding that matches or contributes to the carbon element of ECO but do not expect this to come from Green Deal finance. Potential sources of funding that would allow social housing providers to provide match funding could include a new Decent Homes programme, EU grants and loans, the recycling of ETS proceeds and/or urban regeneration funds. Local authorities may also be able to provide match funding for low income private sector households from similar funding sources.

We consider delivery of the carbon saving element of ECO in social housing and low income private sector housing is more cost effective at achieving carbon savings through solid wall insulation than one-off installations in able to pay households. Social housing providers are well placed to deliver volume installations, achieve economies of scale and bring down costs, particularly if combined with area-based approaches.

In the private rental sector, energy efficiency improvements are often carried out in void periods between two occupancies, also with other disruptive works. However, during these periods landlords will not be able to access Affordable Warmth funding, due to the absence of a tenant. This is a problematic situation which could lead to perverse consequences including unnecessary disruption for both landlords and tenants. It may lead to tenants in the Affordable Warmth priority group paying a Green Deal charge for works carried out by a landlord during a void period. One potential solution would be making Affordable Warmth available to private landlords (during void periods) if they make a commitment to subsequently letting to priority group tenants for a certain period. (A side-effect may help address the bias apparent in some areas of the private rental market against benefit claimants).

We also believe there is a case for ECO to support cavity insulation in able-to-pay but hard-to-reach households, particularly those in mixed-tenancy blocks. This would address the problems faced by area-based problems due to 'pockets' of able-to-pay customers in priority areas, which have been apparent in CESP.

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:

We consider ECO obligated companies should give an undertaking to install measures in the homes of all eligible clients referred to them, assuming the referral agency has already established eligibility. Affordable Warmth clients should receive a package of measures that bring their homes up to a target minimum energy efficiency standard, based on RdSAP assessment. We do not want minimal measures installed when opportunities to engage consumers and install measures are so rare.

Companies should provide all cost effective measures to households that are referred to them up to their ECO budget limit. Companies with CERT obligations have given a similar commitment in Scotland and Wales under the Energy Assistance Package and NEST schemes. Without a commitment to follow up referrals, the Affordable Warmth obligation is not likely to help off-gas consumers or consumers in hard-to-treat homes because suppliers will be likely to focus on urban areas and more straightforward property types where it is cheaper to deliver measures. If the companies do not agree to give this commitment, the Government should put in place a system of mandated referrals.

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:

The cost of the ECO is expected to be passed on to consumers through their energy bills, and as such will have a bigger impact on households on low incomes, who spend a much higher proportion of their income on energy compared to better off households. There is also evidence that low income households have not received the same benefit from CERT and EEC as higher income households, despite the priority group mechanism. Those living in hard-to-treat homes have particularly lost out since it was not cost effective for suppliers to target CERT and ECC programmes at these homes.

We therefore consider there is a strong argument for the whole of ECO to be targeted at lower income consumers, at least in the initial stages of ECO, with a small amount allocated to provide transitional funds for loft and cavity wall insulation for able to pay households and to facilitate area based approaches. In this sense, the distributional safeguard would be a 90 to 95 per cent allocation of the carbon element of ECO to low income and social housing households, with provisions to deliver measures to sub-groups within this, for example off-gas, rural and private sector households. Social housing providers working in partnership with energy companies should aim to bring down the costs of solid wall insulation such that a modest subsidy from ECO could be offered to better off households at a later date.

Consumer Focus understands that the Government expects much of the carbon element of ECO to go to social housing in the early stages on the grounds that social housing is better placed to install solid wall insulation on a large scale. It therefore considers a distributional safeguard is not necessary. However, evidence suggests that without a distributional safeguard, high income households will be more likely to access the ECO carbon saving component.

- DECC's consumer research suggests low income consumers will be more reluctant than other consumers to take on the large loan, in the form of Green Deal finance, that is necessary to access the Carbon Saving Obligation
- Low income consumers will also be less likely to be able to fund the cost-effective component of the works through alternative means, such as savings or credit at a lower rate than Green Deal finance, which higher income consumers may have access to
- Low income consumers may be more likely to be underheating their homes and unable to afford to fund measures up to the Golden Rule¹³, which are required to access the Carbon Saving Obligation. While some low income households will be covered by Affordable Warmth, we expect there to be a 'gap' in eligibility
- The stipulation that the Carbon Saving Obligation will only cover costs beyond the Golden Rule also means that those receiving form of the finance cannot benefit from savings in excess of their Green Deal repayments
- Complex measures such as solid wall insulation may carry a perceived likelihood for unexpected, monetary or non-monetary, costs, which may be particularly off-putting for low income consumers operating on a tight budget. Uncertainty may be off-putting even if these costs can theoretically be covered by the Green Deal or ECO finance, however, in some cases the process may reveal the need other works not covered by Green Deal/ECO finance

¹³ See response Q26, above.

- Housing type may provide another barrier to take up by low income consumers, as they are more likely to live in terraced housing, where the potential for external solid wall insulation will be limited by consent issues
- More generally, consent issues are likely to be a barrier to major works for low income consumers who are more likely to rent their home

Consumer Focus does not consider it realistic to expect social housing providers to match contributions from the carbon element of ECO through asking tenants' to accept a charge on their electricity meters through the Green Deal finance mechanism. The feedback we have received from social housing providers is that the vast majority of tenants would not be prepared to pay such a charge even if it did pay for itself, for reasons outlined above. We therefore consider the Government should set out proposals for other potential sources of funds to match ECO, such as a new Decent Homes programme, recycling of ETS auction proceeds, EU loans and/or urban regeneration programmes.

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.

I don't know

Your answer:

We are broadly content with the development of this framework to date but have some issues that have not yet been addressed:

Leaseholder/freeholder

Leaseholders and freeholders may need multiple consents, and it seems that uptake could be limited by the need to bill through individual dwellings' energy bills rather than the communal meter.

Some work would be more efficiently led by the freeholder, but the need to place the charge on individual meters may place an unnecessary barrier on the works. It could be more efficient for the cost of works to be applied to a communal meter, but it is unlikely that savings would meet the Golden Rule. We are also unclear how the non-domestic status of a communal meter would affect consumer protections. Will consumer protections be defined by the status of the property (ie dwellings) or the meter?

Park homes

We want to understand how the Green Deal and/or ECO will apply to park home residents in the following circumstances:

- The resident pays for their energy through their pitch fee to the site owner
- The resident pays for their energy via a meter which is installed by the site owner and is not supplied by the energy company
- The resident pays for their energy direct to the site owner who apportions the cost among residents

Will it be the case that where there is a non-domestic customer (the site owner) who pays a large bill on behalf of the residents and then recovers the costs from each resident, that each resident can still access the Green Deal and/or be eligible for the measures introduced under ECO?

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

acknowledgement wording?

Your answer:

Solicitors and estate agents must have a duty to disclose the charge, explain the costs and benefits of the Green Deal plan (at current fuel prices), and signpost the acknowledgement.

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:

Yes, where they act as agents for owners, property professionals should take on the owners' obligations and face the consequences where they fail to discharge their duties. Owners must be able to have confidence that agents will disclose the charge.

Furthermore, understanding of energy efficiency regulations will become more important in the property market. We therefore want the Government to ensure there is a clear link between the Energy Ombudsman and the Property Ombudsman. We also support the Property Ombudsman and Resolution Foundation's recommendation that all letting agents should be required to be registered with an ombudsman scheme¹⁴.

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

Your answer:

We understand that the Green Deal is applicable to park homes but these are currently exempt from EPC requirements, and their energy efficiency cannot currently be assessed by RdSAP.

These properties tend to house people aged 55 and over, and these consumers often have little control over their energy tariff, so we are very keen that they can get access to energy efficiency measures through Green Deal finance and ECO. This will require an appropriate energy assessment, a method to apply a Green Deal charge to a shared meter point, and disclosure arrangements.

We are currently investigating a range of issues facing park home residents and will contribute further in this area as our evidence base develops.

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:

This question contradicts the text in the consultation, which states that 'the customer should contact the Green Deal provider within 30 days of receiving their first electricity bill for the property'. We agree that the 30 day deadline should apply for starting, rather than completing, the dispute process.

The process cannot be completed because energy suppliers have eight weeks (which is 40 working days) to resolve a complaint before it is taken to the Ombudsman. However this limit

¹⁴ TPOS (2011) Ombudsman comments on new report calling for regulation of letting agents, commenting on <http://bit.ly/zNkz34>

is for problems that are within the energy supplier ability to solve. The resolution process for disputed disclosure of a Green Deal charge could encompass landlords, estate agents, the EPC assessor, vendors and/or solicitors as any one of these parties could be found to be at fault for non disclosure.

There must also be a separate process for prepayment meter customers as they often only get an annual statement and will be paying it from the first top up. There needs to be a very clear process for changes in tenancy. Each card/key for topping up is issued in the name of the customer so if you move into a house (and generally it will be rented as PPMs are much more prevalent in rented property than owner occupied properties) with a PPM you are supposed to contact the supplier who will send you a new card/key in your name. This would be the point that a supplier should inform the tenant of the Green Deal charge, and the next available opportunity would be in the annual statement that are issued to PPM users.

However many tenants do not request a card in their name on moving in, and frequently use cards/keys not issued in their name. This will not prevent them from topping up but can cause problems later down the line eg the supplier will not know that a new occupier is in the property and any correspondence from the supplier will arrive in the name of a previous occupier and may be ignored or redirected. Meanwhile the tenant may not know they are paying charges such as a debt or a Green Deal charge. Prepayment meter (PPM) users rarely if ever contact their supplier or open communications from them and so PPM user may not be informed enough to dispute Green Deal charges. There is a precedent for this as we have some evidence that PPM users can be paying off a previous occupiers' debt without realising it.

We think a solution to this could be a requirement on landlords to notify the energy supplier of new tenants' details and request a disclosure letter to the tenants. This is in addition to disclosure via the EPC, and should not prevent the tenant from switching once they have taken up residence.

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

Your answer:

Yes, except it does not cater for instances where properties are demolished or made uninhabitable by flooding, coastal erosion or other natural forces. This will affect a small number of properties but we do not want consumers chased for payment at such a difficult time.

Consent call for evidence

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

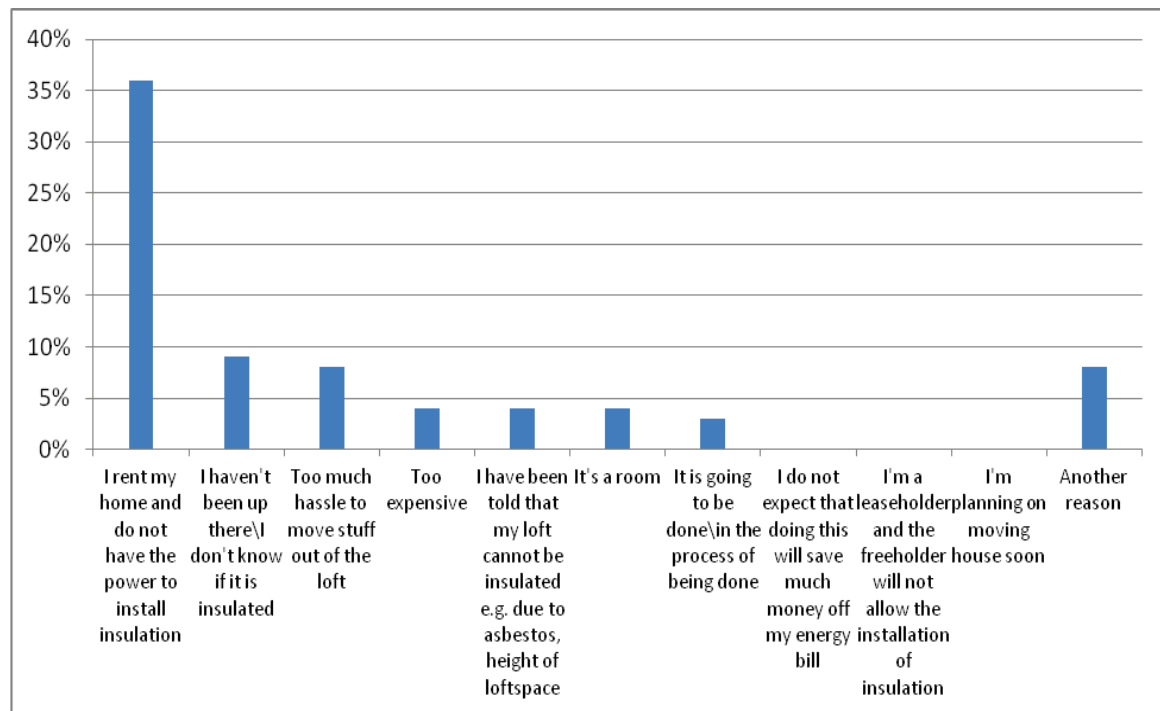
Your answer:

Significant

Tenure is a key factor in the installation of energy efficiency measures. In November 2011, Consumer Focus surveyed 1,127 energy bill payers and found that of the small number of homes that did not have their lofts insulated, or did not have their cavity walls insulated, the biggest barrier was tenure.

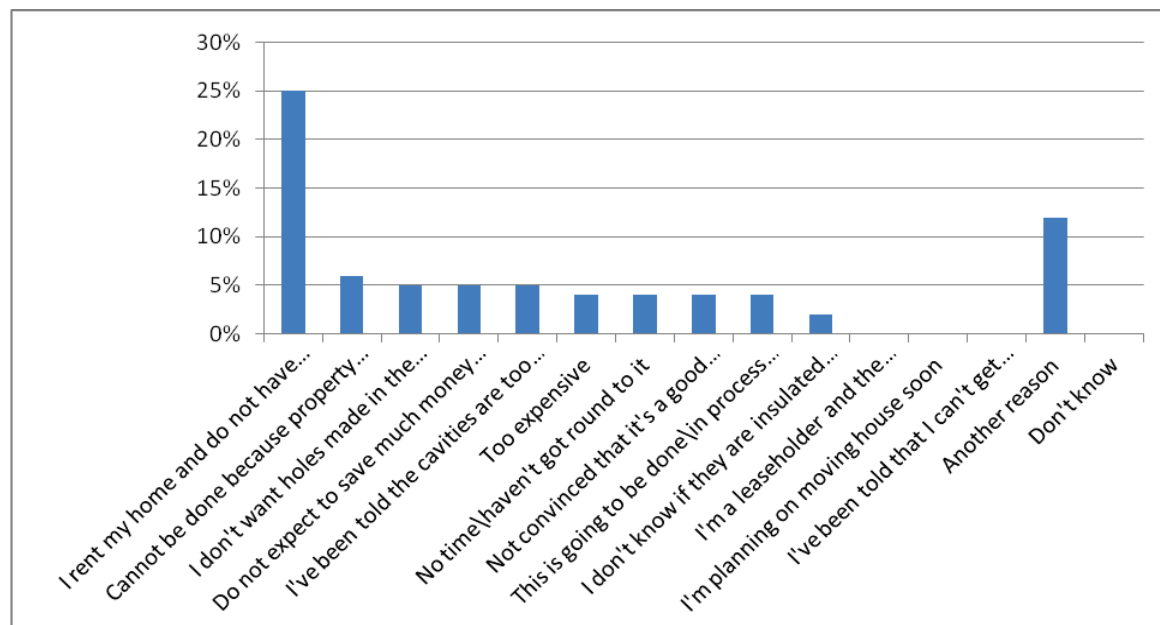
Q.5 Why is your loft not insulated? Base: All whose loft is not insulated or don't know whether or not loft is insulated (weighted base: 78)

This is a small base, but nevertheless shows renting is the main barrier to take up of insulation and cost is not a major barrier.



Q.8 Why are your cavity walls not insulated?

Base: All without cavity wall insulation or don't know (weighted base: 104)



As with Q5 on loft insulation, this survey indicates renting is the main barrier to insulation and cost is not as significant a barrier.

We are concerned that if not addressed the issue of consents and the fear of retaliatory eviction will prevent many private tenants and those in flats from benefitting from the Green Deal. The private rented sector currently has the highest proportion of dangerously cold homes of all tenures, it will be unacceptable if the failure to address issues surrounding consent and retaliatory eviction meant the Green Deal does not help end the scandal of unfit homes in the private rented sector.

We understand there are several major issues that need to be addressed when looking at consents:

1. The issue of consent between landlord and tenant – where a tenant is in occupation both the owner of a building and the occupier would need to give consent for a Green Deal improvement to be carried out. This is because in a tenanted property the occupier rather than the owner will be responsible for paying the Green Deal charge.
2. The issue of consent to pay the Green deal charge – where a property already has a Green Deal charge attached the incoming tenant or occupier will need to give consent to take responsibility for paying the Green Deal charge
3. Leasehold properties – in blocks of flats there may be the need for multiple consents from the freeholder, the leaseholder, owners and occupiers (if different from the owners)

The issue of consents is key not only to getting Green Deal works approved and carried out but is also key to any future disputes. Therefore we would urge DECC to consider the following issues:

- There needs to be one agency responsible for collection, recording and storing consents so that this information can be made available and verified in the case of a dispute
- DECC need to consider what the course of action and redress will be if Green Deal work has been carried out without the consent of one of the key parties.
- There needs to be consideration of what is deemed to be unreasonable with holding of consent and how this will be tackled

Retaliatory evictions

Consumer Focus understands that there are concerns that the proposed tenants right to request improvement works under the Green Deal could be undermined by retaliatory evictions or fear of eviction.

Consumer Focus regards the tackling of dangerously cold homes in the private rented sector as a key priority. In Autumn 2010 we gathered evidence that led to our support for the call to make it unlawful to rent out a property below EPC band E after 2015¹⁵, and also supported the call to make it a civil offence to re-let a property below F or G rating after 2016.¹⁶

The power for tenants simply to be able to make a request for relevant energy efficiency improvements is unlikely to be made by many tenants and could lead to retaliatory eviction by some landlords.

Furthermore we believe that in order to ensure the required energy efficiency improvements to private rented properties, Government needs to ensure that there is clear legal minimum standard for private rented property with good enforcement procedures and string penalties for non-compliance.

We have considered the alternative option of voluntary compliance and feel that too many tenants, and indeed landlords, in the private sector are unaware of their existing rights and responsibilities and therefore without a concentrated information campaign and general strengthening of tenants rights voluntary compliance is likely to be limited to the best

¹⁵ <http://www.consumerfocus.org.uk/publications/a-private-green-deal>

¹⁶ Consumer Focus, along with 38 other organisations, supported an EDM calling for a minimum energy efficiency standards for private rented homes – EDM 653

landlords who are likely to have complied or have decent properties in any case.

Currently landlords can legally evict tenants on assured short hold tenancies¹⁷ under two mechanisms:

1. A Section 21 notice – if a landlord requires possession of his or her property at the end of an assured shorthold tenancy they simply have to serve their tenant with a Section 21 notice two months before the end of the tenancy. No reason has to be given other than the landlord wished to take back possession of their property at the end of the contract.
2. A section 8 notice – if a landlord requires possession of his or her property at any time during the tenancy following a breach of the tenancy agreement a Section 8 notice can be issued. For this to happen the landlord has to prove breach of tenancy agreement.

It is because of the potential for eviction that we support the more immediate introduction of an outright ban on the renting out of dangerously cold homes, and new regulation is needed to prevent retaliatory eviction for the request of energy efficiency measures. We think that landlords must be banned from serving a section 21 notice in relation to a tenancy at any time after a request for energy efficiency measures, until such time the court has ruled the refusal for the measures as reasonable, or until such time as the improvements have been made.

Application of Green Deal charge

Application of the charge to the energy bill is inappropriate to blocks of flats where improvements have to be made to the building as a whole. This includes measures such as loft, wall and floor insulation, and glazing. It is inappropriate because:

- High administration cost for a process that effectively duplicates existing service charge processes
- Challenging consent process that duplicates existing processes for block-wide works
- External walls belong to the ground landlord not flat owners, and so the ground landlord should hold responsibility for payment of the charge

Consumer Focus therefore supports the call for a change to Landlord and Tenant Act to allow for 'reasonable' insulation to be carried out to blocks of flats as part of the service charge. Green Deal advice reports should still be delivered to each household to define what is reasonable, and to make recommendations specific to the individual households (eg heating system, water efficiency) in addition to considering the benefit of improvements to the building fabric.

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

Your answer:

We think consent is less of an issue for the non-domestic property sector.

If commercial Green Deals are linked to the duration of the lease rather than over a 25 year period, landlords will not be concerned about the effect a Green Deal charge may have on the rental value of the property. Permission may also depend on the nature of the Green Deal measure taken out, for example unlike domestic tenanted property it is common for commercial tenants to carry out improvements, alterations and repairs to the internal fabric

¹⁷ We are assuming for the sake of this letter that the majority and ever increasing numbers of tenants are on assured shorthold tenancies.

of their properties.

While consent may be an issue, there are bigger issues for the take up of Green Deal in the commercial sector:

- better finance may be obtained through other means
- it is uncertain as to how important space heating is for many businesses, electricity use is more vital to their businesses
- energy companies have no duty to supply businesses so there could be substantial worries that having a Green Deal charge could limit access to the best deals, or tie them in to a certain supplier

There are specific issues for micro-businesses, as they tend to have a lack of protection, regulation (including safeguarding of fair prices) and availability of independent information

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?

No answer

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

Your answer:

We think the issue of consent is significant and by its nature cannot be overcome purely through voluntary and non-regulatory mechanisms. We think the following interventions are necessary:

- Retaliatory evictions: Regulate to prevent retaliatory eviction for a tenant's request for energy efficiency measures.
- Blocks of flats: Enable building-wide works by changing the Landlord and Tenant Act to allow for 'reasonable' insulation to be carried out to blocks of flats as part of the service charge, using the Green Deal advice process to assess whether the charge is reasonable.
- Communicate upcoming ban on rental of EPC F and G homes to encourage landlords to take up the Green Deal during a void period to avoid the need the consent from a tenant

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:

No response

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:

No response

Chapter 8: Payment collection

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

Disagree due to lack of evidence

Please explain:

Consumer Focus understands that the proposed debt threshold of £200 for domestic consumers has been set in line with the current debt assignment protocol (DAP) threshold for PPM customers. In the 2010¹⁸ Ofgem noted that while the number of customers using the DAP has increased, the number of those customers who have successfully transferred their debt to a new supplier remains low.

Consumer Focus has serious concerns about the value of the DAP as an aide to encourage switching, and considers the £200 figure to be arbitrary. We have repeatedly called for a review of the DAP and welcome news that Ofgem is undertaking research to on consumer knowledge of DAP, the experience of PPM customers who have actually utilised the DAP (ie those who have successfully switched using the protocol), and why some customers commence the switching process, but do not complete it.

In the context of Green Deal this £200 figure is even more arbitrary, and we question why the Government has chosen this figure. Debt repayment is personal and very much down to individual circumstances. For example, a consumer paying off £200 at the minimum amount will need to pay £3.80 / week for 52 weeks to pay off the entire debt. However, if a consumer is paying it off at a greater rate, then the debt will be cleared earlier ie if a consumer has £200 debt but is paying it off at a rate of £10 / week their debt will be gone in 20 weeks. The issue is not only the size of the debt but also the ability to repay it.

If the Green Deal is to deliver good cost savings for consumers it is important that as many consumers as possible are eligible to take it up. Further, Consumer Focus is concerned that if a blanket approach is taken to exclude all consumers with £200+ of debt from applying for a Green Deal this could potentially alienate them from the process, and result in no future engagement. It is important that a holistic approach is taken to consumer debt, including their ability to pay and repayment rates. We therefore recommend that DECC takes advice from Ofgem on completion of their research on the impact of the DAP, and the factors that influence consumer decision-making.

We are keen to better understand what definition of debt will be used within this context – Ofgem’s recent consultation on the social obligations reporting suggested broadening the current measure of ‘debt’ to include the number of customers in arrears for longer than 91 days/13 weeks. We are content that Direct Debit customers should only be included if they have been put on a Direct Debit scheme specifically to repay a debt. Furthermore we are aware that Ofgem is seeking to collect further information on non-domestic disconnections, and it is essential that there is a consistent approach taken by Ofgem, DECC and Green Deal providers. Suppliers will need to build in time for the system changes to ensure they are able to collect and report upon this information from the start.

Non-domestic consumers

¹⁸ Ofgem (2010) Domestic suppliers social obligations annual report, <http://bit.ly/oEmmnl>

Ofgem license conditions allow suppliers to object to transfer of non-domestic energy consumers on grounds of debt. There is no equivalent to the DAP in the non domestic sector. There is currently no information collected about debt levels in the small business sector. Ofgem is currently seeking to collect this information, therefore we recommend that DECC speaks to Ofgem and use this information to understand what average debt levels in the small business sector are before seeking to set a level.

A further complication is that in the non domestic sector there is no 'duty to supply' that means that suppliers can refuse to supply a business or demand large security deposits based on a number of reasons including debt, poor credit score or even presence of a Green Deal charge. So even if rules allowed a business to transfer with debts of up to £400 there would be no obligation for another supplier to take them on.

Use of data to benefit vulnerable consumers

We believe that a data matching infrastructure could be used to flag whether a vulnerable consumer is eligible for additional support.

Government should take powers to allow current data matching powers beyond the limitations of the Pension Act 2008. It should use these powers to target more effectively at least one, and preferably all, of the following benefits to eligible consumers:

1. Energy efficiency measures under CERT or the Energy Company Obligation
2. The Warm Home Discount
3. An extra help scheme during the smart meter rollout

Data matching which protects privacy will allow eligible consumers to automatically receive at least one of these benefits as part of a package of support.

These steps would allow energy companies to target help at consumers who need it most. It would also reduce considerably the wasteful administration costs companies face in trying to identify consumers who need help, a cost currently estimated by industry at £120 per priority group customer. These costs would be much better spent on providing help to low income and vulnerable consumers.

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

Please explain:

The Green Deal should not be applied to meters where consumers are already financially stressed. While energy efficiency can cut consumers' bills, the Green Deal must be responsibly lent as consumer risk disconnection (including self-disconnection) if they do not maintain payments. The ECO should be focused on assisting those consumers who are financially stressed in hard to heat homes.

Consumer Focus agrees in principle that energy suppliers should have the right to prevent customers from taking out a Green Deal finance arrangement because they have an in depth knowledge and understanding of that consumers payment history and how they have in the past managed (or not managed) their bills and payments.

Currently, when a customer misses a payment, makes a late payment or waits until s/he has had three or four reminders (ie goes some way down the debt path) before making payment then the supplier knows but does not necessarily share this with credit reference agencies. Anecdotally we are aware that because energy supply is most often provided on credit (and

also because debt paths are long with various reminder and interaction points') consumers may prioritise paying other debts which have a more immediate impact on the credit score (or a more immediate physical demand such as a knock at the door). Crucially suppliers do not share this information with anyone and so a history of late payments or debt management will not inform a Green Deal providers decision-making.

Understanding a consumers ability to repay debt can be potentially complex, and must be based on a range of factors such as individual consumers' debt levels, ability to pay etc. We do not think an arbitrary threshold covers the needs of the consumer or the lender. This complexity is further compounded when considering situations which involve a long term Green Deal arrangement with a short term supply contract.

If energy suppliers are to have a right to prevent consumers taking out a Green Deal then further details are needed on how and when the rationale is shared with the Green Deal providers as the decision is likely to be based on sensitive personal information. If Green Deal providers are to have access to payments data then consumers must give their consent in advance of the data request being made to energy suppliers.

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

Your answer:

No response

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.

I don't know (please delete as appropriate)

Please explain:

No response

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 response

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:

We are particularly concerned about the burden on small suppliers in the non-domestic energy supply markets. In particular metering data is worse than it is in the domestic market, with business sites often having multiple meters. A requirement to install a smart meter as part of the Green Deal works (once the official smart meter rollout starts) would help resolve our concern that the charge would be incorrectly applied and reduce administration problems for subsequent suppliers.

Across all suppliers in both domestic and non-domestic markets, we recognise that a trade-off needs to be made between the benefits of ensuring consumers of all suppliers have the opportunity to participate in the Green Deal, and the potential for a detrimental impact on competition if small suppliers are subject to excessive costs in order to support a scheme that few of their customers are participating in. The case for mandating small supplier participation in the scheme becomes greater the lower the level of implementation costs is and the higher the level of consumer take-up is. This is simplistically represented in Figure 1.

We are not in a position to gauge small supplier implementation costs, however the non-Big 6 suppliers currently account for less than 1 per cent of the domestic supply market. It is therefore unlikely that it would materially constrain the roll-out of Green Deal if they do not participate in its early stages.

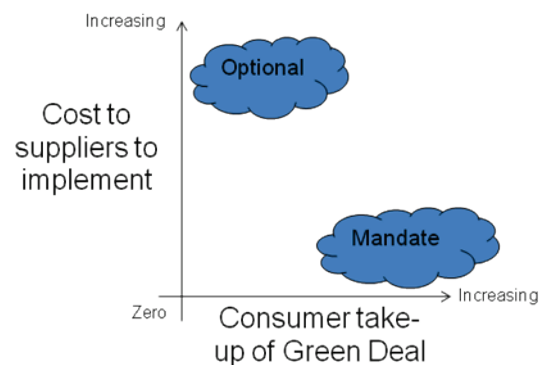
We would also expect that small suppliers would respond more quickly to pressure from their customers to support Green Deal on a voluntary basis than larger suppliers would if they had this option, because, by their nature, smaller suppliers tend to have less “sticky” (legacy) customers. If supporting Green Deal becomes key to their ability to gain, or keep, customers, we would expect small suppliers to respond to this pressure by voluntarily opting in.

There are a number of potential downsides to allowing smaller suppliers to opt-out from Green Deal, it:

- may discourage consumers who have Green Deal from switching energy supplier in some cases, for example if the best deals in the market are from suppliers who do not support it
- may discourage Green Deal take-up if consumers become concerned that this may limit their ability to change suppliers in the future
- may complicate the sales process or the explanation of products, for example by meaning that sellers of Green Deal need to explain to consumers that some suppliers will not accept transfers, or by increasing the number of questions that price comparison websites need to ask
- could result in an unfair competitive advantage for small suppliers over large suppliers (though the chances of this are limited given the number of more material competitive positioning advantages that large suppliers enjoy)

We would therefore suggest that you conduct a post-implementation review of the appropriateness of the small supplier exclusion after the Green Deal has been in place for a reasonable period (perhaps two years). You should also give upfront consideration to any impact the exclusion has on the Green Deal and energy supply sales processes, with particular regard to ensuring that these processes properly inform consumers of any constraints that a Green Deal (or supply switching) choice may have on their ability to switch supplier (or take up Green Deal) in the future.

Figure 1: Should small suppliers be obliged to support Green Deal?



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 explain:

In order to ensure simple and consistent regulation it would be sensible to apply the same threshold that is applied to other schemes. The only clear justification we can think of that might justify a different threshold would be if there are clear, material differences in the economies of scale of implementing Green Deal when compared to the other schemes. We are not aware that such differences exist.

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.

I don't know

Please explain:

No response

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

Please explain:

Consumer Focus supports a limit on arrears equal to the total of Green Deal plus energy supply arrears. We question the impact of this overall limit on encouraging customers to switch, as the current take up rates for the DAP are very low, despite suppliers actively encouraging these consumers to consider switching to save money. We support a review of this limit on completion of Ofgem's upcoming research into the DAP (See Q42 and 43).

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 explain:

One lesson from the Feed-in Tariff comprehensive review is that financial incentives must be able to track the market. We agree that the Government should not set targets to require third party delivery but instead set up a brokerage to facilitate a market for ECO delivery.

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 explain:

Consumer Focus has long argued that the ECO could stifle competition in the emerging energy services market. We have seen the private sector respond in significant numbers to the development of the Feed-in Tariff, providing the majority of consumers with competitive deals and a positive experience (up to the publication of the Comprehensive Review Phase

1). We are also aware that the insulation market is even more constrained than the energy supply market, with perhaps three or four national delivery bodies. A brokerage scheme is vital if Green Deal accredited SMEs, social housing providers, local authorities and social enterprises are to be able to develop whole-house offers for their local customers.

It would be simpler still if the ECO suppliers placed their funds in a central pot that is then opened to bids. This would give Government more control over the spend, deliver transparency for energy consumers, and enable the development of a clear spending strategy.

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

Consumer Focus thinks it important to open up the delivery of the ECO to competition and that the market would benefit from clarity on the percentage of obligations that is available through the brokerage.

However, this must be flexible as there is little understanding of how the market will respond to the brokerage model. It may be necessary to vary the commitment over time, in response to the market, or between companies (dependent on responses to this consultation), but an average of 50 per cent appears desirable and sufficient to attract and encourage competition in the market.

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:

We are unclear as to how obligations are met if the market fails to materialise to deliver the brokered share of the ECO. If the Carbon Saving element does not appeal to the market, then we believe that Government has a responsibility to take further action to stimulate the market (eg through signals in the property market such as differential council tax or stamp duty).

This mechanism is of little value to consumers in low income areas, as it does not support the Affordable Warmth element of the ECO, We think it should, particularly where third parties identify ways to deliver solid wall insulation to Super Priority Group households.

We want to understand how the mechanism will be funded and how much that will cost. We believe that this should be funded out of the public purse. Set-up costs should not be charged to energy companies as this an additional cost to the ECO.

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 explain:

We consider that extending the remit of the Energy Ombudsman would be preferable because this would make sense from the consumer point of view. It would be particularly

useful in relation to complaints covering, for example, billing and installation matters. An Ombudsman scheme is preferable to arbitration because it is easier for consumers to access it and there is the potential to look at systemic issues. Mediation and conciliation are insufficient on their own, because they do not offer an independent decision on the disputed issue.

The right to approach the Energy Ombudsman with unresolved complaints currently applies only to matters relating to energy supply and distribution issues, not energy products and services. This must be amended to cover all energy services, including energy efficiency, microgeneration and smart metering services. The Ombudsman's powers must relate to the products and services, not how they are paid for (eg Green Deal finance) or how they are incentivised (eg Feed-in Tariffs).

The Ombudsman must have a clearer duty to assist vulnerable consumers, together with the powers to do so. The Government has changed longstanding protections to allow the disconnection of consumers who do not maintain Green Deal payments. Consumers in this position will need extra help if they are not able to resolve complaints with the energy supplier as this is an extremely stressful position to find oneself in.

To support this duty, Consumer Focus believes that the powers held by its Extra Help Unit should apply, as set out in Clause 12 of the Consumers, Estate Agents and Redress Act 2007.

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?

Agree and disagree

Please explain:

Consumer Focus wants to understand why DECC now estimates that only 3.6 million households will take up the Green Deal (IA, 7.1.1), when the Minister has previously said 'The scale of our ambition is to improve 14 million homes by 2020 and a further 12 million by 2030.' We understand that improvements are needed to nearly every British home in order to deliver carbon targets, and so this relatively low impact is of concern.

We agree with Government's approach to keeping down costs on energy bills but with a strong note of concern that the combination of Green Deal and ECO spend is not enough to meet both carbon budgets and fuel poverty targets, while again highlighting the need for an impact assessment for the impact on fuel poverty to 2022.

This Government is the first in 30 years to not provide public funding for fuel poverty programmes, although the Governments in Wales and Scotland will continue to provide support to these most vulnerable households. We think that public funding should continue, particularly as the Government will receive proceeds from the EU-ETS programme which is ultimately funded through consumers' bills. We believe that the Government should recycle these proceeds via the Green Investment Bank to supplement ECO spend to help households out of fuel poverty and to reduce interest rates for Green Deal finance.

Finally, we want to understand what measures can be taken to boost demand if uptake is weak. This must be considered strategically in advance rather than create a cliff-edge effect when a new carrot or stick is introduced. Further, we want early adopters to be incentivised

and rewarded, not see later adopters get further benefits for delaying action.

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?

I don't know

Your answer:

We consider £1.3 billion is about right, although there is no guarantee that the cost is not higher. We would not favour a more onerous obligation because of the impact on consumers' bills and the further pressure this would create on fuel poverty.

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:

Policy should aim to limit the contribution of low income consumers towards the ECO through their energy bills. Consumer Focus has worked closely with FPAG, ACE and CSE to investigate changing the method by which ECO is recovered from consumers' bills. In summary, the research shows it would be more equitable if costs were recovered according to the amount of energy consumed rather than as a flat rate per household. Recovering the costs on a consumption, or 'per unit' basis, rather than a flat rate per gas and electricity consumer, is more progressive because people on higher incomes tend to use more energy than those on lower incomes. It is also more in line with the 'polluter pays' principle. The progressive impact of such a reform would be further increased if a greater element of the costs were recovered from gas consumers (as compared with electricity consumers) than is currently the case with CERT.

The research found that 85 per cent of low income consumers would benefit from such a change. However, there are some low-income consumers with relatively high consumption, for example for medical reasons or because they live in hard-to-treat homes (research commissioned by Ofgem gives more precise details of the types of consumers who fall into this group, CSE (2011), *Understanding 'high use low income' energy consumers, Ofgem*). These consumers would therefore be adversely affected by moving to such an approach. To redress this effect, ECO should target support at specific vulnerable consumers who are affected. However as many of these households are older people living in family homes other solutions could include development of equity release and provision of appropriate energy efficient housing for older people in areas close to their family homes.

The 2011 FPAG report puts forward proposals for changing the method by which ECO is recovered and for supporting the small proportion of vulnerable, low income high energy consumers adversely affected. We support these proposals. Evidence that shows the distributional impact of such a change would be largely beneficial for low income consumers is given in ACE (2011), *Costs of the ECO: the impact on low income households*, Eaga CT.

We note that the draft statutory instrument assumes that charges will be collected according to customer numbers but presume that this draft is dependent on the outcome of this consultation, and strongly recommend that it is changed to the more progressive approach for applying levies.

Q59: We propose that savings calculated through the SAP-based GDA 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:

Carbon savings predicted by the GDA in fuel poor households must be adjusted to allow for comfort-taking. Consumers should be encouraged to heat their homes to healthy temperatures and not limit their energy use to take all the potential financial savings (which equate to carbon savings).

Consumer Focus has also recently identified that RdSAP does not recognise that 2.3 million homes have been built since 1983 with clear and unfilled cavities, as it does not test if they could benefit from insulation. We understand why assumptions have been made for the purposes of creating EPCs for sale or rental, but these assumptions are not appropriate for ECO targets or for households wishing to fully understand what measures could benefit their home and its energy bill.

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?

Your answer:

Targets and scores for the ECO should be based on the lifetime savings provided by measures, rather than annualised savings. Using lifetime savings will give a more accurate impression of the long term ability of measures to reduce both carbon emissions and fuel poverty, encourage the delivery of the most cost-effective measures and encourage producers improve the longevity of their products. While incorrectly specified lifetime assessments could potentially introduce distortions, ignoring lifetime costs will create inefficiencies. Moreover, accurate lifetime costs will be required for the purposes of the Green Deal.

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:

We believe that fabric and mechanical improvements can be monitored through updates made to the EPC register. However this does not provide for the data on the nature of the household and further information is needed to feedback into the assessment process and to evaluate the policy's success.

Nature of the household

It is currently unclear how information on benefits and tenure will be recorded.

Tenure should be recorded as part of the assessment process in order to trigger checks on consent.

Energy suppliers should capture and report on the benefits that are claimed by households who take up the Affordable Warmth aspect of the ECO. This should be reported aggregated at local authority level, in order for Government to understand the regional coverage of the support. It should also be reported in comparison to the actual spread of the different benefits categories, in order to understand which groups of vulnerable consumers who (in

particular) do not appear to respond to the scheme.

Further, Consumer Focus thinks that benefits should be incorporated into the assessment process so that consumers are signposted to relevant help from ECO. We think it is inappropriate for consumers to be means-tested in the home and we would like to see cross-Government development of data-matching by an independent body to flag households that may benefit from the Affordable Warmth aspect of the ECO.

We would also like a report on ECO uptake by urban/rural indicators. This should include a report on types of measure by urban/rural indicator. We are concerned that DECC's impact assessment does not compare what measures were delivered in rural areas and urban areas. Lightbulbs were received by many homes, with little impact in comparison to insulation measures and it may be that these account for many households that 'received measures' in rural areas.

Monitoring market prices

The generic GDA uses average costs for measures. We have seen the significant impact that a Government intervention can have on costs in the Solar PV market, where costs have fallen 30 per cent in 18 months. We therefore think that Government should consider how it monitors market prices in order to feed those back into the pricing model.

Evaluation

Consumer Focus is concerned that the Government stops monitoring at the point of installation. If works are faulty, or if consumers cannot use the controls provided, then the works will not provide the savings predicted in the assessment. The Government must consider how it will evaluate the savings made by installed measures. We recommend that this is through a process of:

- Opt-in monitoring
- Monitoring complaints numbers received by Green Deal providers, Consumer Direct, Green Deal remote advice line and the Energy Ombudsman.
- Annual reporting on:
 - monitoring of energy performance
 - complaints
 - lessons for manufacturers, installers and consumers

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:

Our preference, albeit not a strong one, is for DECC to oversee administration in the early stages as they are slightly more accountable than Ofgem. So, if things go wrong, it is easier to take corrective action, as with lightbulbs for example.

If the cost of administration is likely to run into millions of pounds then putting the tender out to competition is likely to offer better value for money.

However, we presume there are synergies between administering ECO and other schemes such as Feed-in Tariffs.

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?

Inadequate proposals

Consumer Focus considers the proposals are not adequate for tackling fuel poverty or meeting carbon targets. We are concerned that the Government only expects ECO to reduce fuel poverty by 350 to 550 thousand households – less than a tenth of the current level of fuel poverty.

Consumer Focus therefore considers it essential that the Government sets up a complementary national programme that provides adequate resources for meeting its statutory fuel poverty and carbon targets. We consider the forthcoming proceeds from ETS auctions and the Carbon Floor Price provide a potential source of funds for such a programme.

Estimates suggest ETS/CFP will add around £50 pa to the average consumer electricity bill, leading to even further fuel poverty. It is therefore essential that compensatory measures are taken to address this. An ambitious national energy efficiency programme would represent a long term, sustainable and cost effective solution to reducing fuel poverty and carbon. It would also help stimulate the economy and provide much needed jobs.

Fairness

The Government proposes that consumers should not access the Feed-in Tariff if renewable systems are funded through Green Deal finance. Upfront cost is a significant barrier to uptake of renewable energy and this policy will continue the current imbalance in uptake, where wealthier households can afford panels. We therefore think that consumers should be able to pay (in part or full) for their renewable energy system through Green Deal finance, and get the Feed-in Tariff.

Tax

Government must address the inappropriate taxation of energy efficiency measures, a problem that is exacerbated in the Green Deal.

It is nonsensical, given the Government's policy objectives, to tax energy efficiency measures at four times the rate applied to energy supply.

Further, we are concerned that Green Deal consumers will be taxed twice for measures if VAT is applied both on the measures and then on the charge that is applied to the energy bill. We believe that either the Green Deal charge should appear on the bill after VAT is applied to other charges, or Green Deal financed measures should be VAT-free with VAT applied at the point of billing (ie at 5 per cent).

Engaging consumers

We welcome the £200 million funding to encourage energy-saving improvements. However, we understand that this is in place of revenue-neutral options such as differential council tax or stamp duty. We think this is a mistake:

- Investment in homes is driven by value in the property market, a clear signal must be given to that market that energy efficiency has a value
- The spending of this fund is restricted to capital spend. If this results in 'money-off' or 'free' offers it will continue to feed the low value placed by the public on energy efficiency

- It misses the opportunity to test and develop skills for (and consumer interest in) good design, which could encourage uptake of whole-house measures, rather than the more likely outcome that Providers will focus on individual, tried-and-tested measures

We think the fund should be spent on a mix of measures:

- An exemplar home in every local authority, appropriate to the local vernacular and regularly open to the public
- Cashback voucher upfront for the first year's payments or (particularly if billing systems are not live by October 2012) pay the first year's payments for the Green Deal consumer