



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to consultation on a microgeneration strategy

16 March 2011

Consultation on a microgeneration strategy

Consumer Focus welcomes the opportunity to comment on the Government's microgeneration strategy.

In particular we welcome the Minister's vision for decentralised energy and the rationale for this strategy. The public debate over the costs and benefits of this strategy is at times polarised and this vision shows that the Government recognises the multiple drivers for microgeneration. Of course there is a cost to developing a new energy economy and as the statutory consumer watchdog for energy services we are keenly aware of the impact of levies on energy bills. We therefore welcome the review of Feed in Tariffs (FiTs), so far as it should ensure that funds are only spent where appropriate, and the Government's decision not to fund the upcoming Renewable Heat Incentive (RHI) through energy bills. However, the level of uncertainty and the duration of the review could have significant short-term and long-term consequences. This will not be the last review and lessons must be learnt regarding the impact on consumer, community and industry confidence.

Consumer Focus will continue to promote the needs of current and future consumers, and inform the difficult decisions necessary to balance these, as the consumer representative on the Government's microgeneration industry contact group.

1 Should MCS continue to be responsible for certification in the microgeneration sector?

Consumer Focus believes that significant change to the accreditation framework would have more risks than benefits at this point in time, although we have some comments on the governance (see our response to Q2).

However, we strongly disagree with the Working Group's finding that the MCS should be marketed more widely (in 1.14). At present, consumers are given two accreditation badges in the microgeneration sector: MCS and REAL Assurance (the Consumer Code). Both perform a necessary and welcome function but the brands and dual-prong approach are not designed with the consumer in mind. We support the development of clearer assurance messages to consumers but given the wider energy services environment, particularly the development of the Green Deal and delivery of smart meters, we want to see a joined-up cross-sector approach to assurance:

- Covering energy and metering supply, energy efficiency and microgeneration
- Branded to communicate to consumers
- With a modular approach to recognise different aspects of the energy services sector
- Backed up by a joined-up complaints escalation and redress scheme to ensure consumers do not fall through the gaps

2 Should MCS governance be improved and should it move towards becoming a free-standing company?

At the working groups, concern was raised about the governance of MCS and it was clearly stated by industry representatives that they were keen to see the Government provide more rather than less direction to the regulation of this industry.

The FiT is providing significant finance to the industry, at cost to energy consumers, and the RHI will contribute significantly more, at cost to the taxpayer. Government has a responsibility to ensure this financing delivers on its vision. We are very concerned by the idea that accountability for this industry would be further distanced from Government. More information is needed on how accountability will be maintained.

3 How can MCS be put on a more sustainable financial footing without compromising its independence and without the use of public funds?

We believe independence lies in the governance rather than the funding of the scheme. Consumer Focus is, in part, funded by contributions from energy suppliers but is accountable to Government rather than suppliers for the delivery of its work programme.

4 Should MCS be extended to support technology over 50kW for electricity and 45kW for heat?, and

5 What should that upper limit be for each technology

Product or installer accreditation is not the biggest challenge for communities wishing to install small-scale generation. These projects are of significant value, and as such project management should undertake their own due diligence of potential suppliers and products.

The bigger challenges are expert support for new projects (as EST ends its support at the end of this financial year); financing the high-risk start-up phase, particularly where there may be long planning battles; and engaging the community.

We do not believe the case has been made for accreditation at this scale.

6 What sort of insurance schemes should the industry consider?

Consumer Focus wants industry to consider how insurance applies to consumers under the different business models, for example 'free solar energy' schemes.

We also think there should be a link between insurance schemes and the provision of repair and maintenance services, to encourage suppliers to invest in related skills and processes.

7 What are the specific concerns about the governance, transparency and flexibility of SAP

Looking forward to the introduction of the zero carbon homes standard, related processes must deliver accurate as-built assessments. Currently these do not require an on-site assessment which can result in significant differences between 'as-built' assessments and the reality for residents.

The Carbon Compliance Task Group, advising DCLG on the new standard, set out the need for actual rather than design performance assessment, and this should inform changes to the governance, transparency and flexibility of SAP and its use.

8 Will RdSAP be effective in assessing microgeneration technologies once it is aligned with SAP 2009 in 2011

As it is the existing housing stock that poses the largest challenge for domestic energy efficiency, it appears that Government should align the development of RdSAP more closely to that of SAP.

We support the review of Energy Performance in Buildings regime, but this must be undertaken with a view to the wider context of the value placed on energy efficiency in the housing market. Energy efficiency has little impact on consumer choices¹, including their choice of property or price negotiations. This means that the energy performance certificate (EPC) process itself is likely to be under-valued, which appears to have led to high levels of competition on price which has affected the quality of assessments. Furthermore the EPC does not currently incorporate the benefits of FITs. Government needs to consider how it can encourage the property market to value energy efficiency and microgeneration.

9 Sector skills – no comment

10 Role of manufacturers in training – no comment

11 Marketing of training – no comment

12 How can DECC ensure that training gives sufficient weight to repair and maintenance?

Repair and maintenance should be part of both initial training and continuing professional development. Consumers must be able to turn to the installing company for assistance with any problems with the system after its installation.

Any industry insurance schemes should link to the quality of repair and maintenance training and provision so that providers are encouraged to invest in their people and systems, while the insurance scheme provides for consumers of firms who are no longer in business.

13 Training for installation in the commercial sector – no comment

14 Design advice capacity – no comment

15 What are the interim solutions to ensure householders are given the right advice now?

Consumer Focus is the consumer representative on the REAL Assurance stakeholder panel and supports its aims and achievements to date. We are concerned about its future given the importance of the backing of the OFT and its Consumer Codes Scheme. We believe the Consumer Code Scheme provides a clear link between industry and Government that ensures accountability and sends a signal to industry that accreditation standards will be enforced.

We are concerned that Government intends to end the Consumer Codes Scheme² and allow a more fragmented approach to accreditation. This will be more expensive for industry and consumers as they may have to apply for accreditation under a number of schemes, and is likely to be confusing for consumers.

¹ Consumer Focus (2011) Room for improvement

² Letter from BIS to Virginia Graham (2011) *Future of Consumer Codes Scheme*

Instead we want to see Government learn from the REAL Assurance model and consider how a Consumer Codes approach could support joined-up co-regulation across the energy services sector. We strongly warn against ending the Consumer Code framework prior to the implementation of the Green Deal and related accreditation scheme.

16 Modification for the commercial sector – no comment

17 What further steps should be taken to ensure that appropriate training and knowledge-sharing reaches those working on wider energy construction and environmental issues?

Consumer Focus believes that a stronger link between energy efficiency and renewable energy (FIT) and heat incentives (RHI) could drive the development of links back down the supply chain. For example, the Government could require homes to achieve a certain level of energy efficiency before they can access FiTs or the RHI. This should be the case from the introduction of the renewable heat incentive, particularly as it will result in the installation of more appropriately-scaled heating systems, and should also be considered as part of the FiT review. The introduction of the Green Deal will mean that there is no longer a cost barrier to installing measures.

18 What market intelligence should industry and Government be collecting?

Consumer Focus believes that market intelligence should include:

- Scale and types of technologies
- Locations – to understand regional variations in provision and/or uptake
- Property types
- Tenure (at point of installation) – to understand the use of microgeneration in different segments of the housing market
- Consumer complaints – to identify rogue traders and ensure standards and training are relevant to the consumer experience
- Enforcement of accreditation standards – to send a signal to industry that standards are enforced

19 How should this market intelligence be collected using existing networks and relationships such as trade bodies, MCS and Certification Bodies?

The Government must continue its plans to develop a national energy efficiency database and incorporate microgeneration into the data requirements. The principle data collection channels are likely to be:

- Reports from accredited installers, on the completion of installations as part of the Green Deal or standalone projects. This report could be incorporated into the FiT application process
- Green Deal advice and Energy Performance Certificates (EPCs). These will capture actual installations and the capacity for future installations

Consumer complaints should be collated from:

- Suppliers reports
- Trading Standards
- Consumer Direct, and its successor, Citizens Advice
- Accreditation bodies such as MCS and REAL Assurance

The latter can also report on enforcement actions. There is a risk that if the Government chooses to allow fragmentation of accreditation and enforcement this information will be more difficult to collect in a comparable format.

- 20 Update of route maps for supply chain development – no comment
- 21 Grid preparedness – no comment
- 22 DNO and microgeneration industry working together – no comment
- 23 Rollout of heat pumps and impact on electricity system – no comment
- 24 How can the controls and microgeneration industries work closer together to ensure that a systems approach becomes a reality?

Consumer Focus welcomes this focus on controls by the Government. Consumer behaviour cannot be held to blame for technology failure; they are only one part of the system.

We believe that the smart meter system has a role to play in identifying and reporting failures either on-site (through an in-home display or online service), to a remote owner (eg in rent-a-roof schemes), or to an energy services company. The smart meter system should also communicate accurate metering, from one or more installations, and therefore payments for generation and export. This would benefit both the generator and energy consumers, who pay for FiTs through a levy on their energy bill. We would therefore welcome further engagement with DECC and industry to investigate potential solutions for using smart meters to carry out microgeneration metering requirements, including a cost benefit analysis to inform the business case for suppliers and their customers.

The smart meter rollout is also an opportunity to advise consumers on existing heating and microgeneration controls. Consumer Focus wants all customers, regardless of when they get their smart meter, or who their supplier is, to get core information on energy efficiency. In particular, we want PPM customers to be given information and advice about their heating controls, meters and displays, and how to top up when they have their smart meter installed. This advice should include microgeneration systems where present.

- 25 How should industry, other stakeholders and Government tackle the need to raise consumer awareness of how heating systems can work effectively?

The trigger points for consumer interest, and therefore potential change, are likely to be:

- Moving home
- New heating system
- Change in financial circumstances
- Very cold weather
- Sudden, significant change in energy bills

However, habit is the biggest factor in consumer decision-making and so default settings are key.

- What settings are applied at the point of selling or renting a property and how are these communicated to the new resident(s)?
- What settings are applied on the installation of a new heating system and are these set centrally or in consultation with the resident(s)?

- Is efficient use a key aspect of heating control design?

26 As a means of future proofing buildings for microgeneration technologies, how can heating solutions that provide for hot water storage be encouraged?

Consumer Focus supports the approach not to apply mandatory provisions for hot water cylinders.

In terms of technology and the risks noted by the consultation document, please note the benefits of using thermal stores rather than traditional hot water cylinders. The key difference is that the hot water in the cylinder is not the hot water used, instead it simply acts as a heat storage mechanism. Cold water is passed through a large copper coil (heat exchanger) within the thermal store, and in doing so extracts energy from the hot water in the store to heat it. This reduces the space requirement for storage, with additional benefits:

- As the water in the cylinder is not being used directly, it does not need to be heated to 60 degrees to kill legionella bacteria
- instead it can be kept at around 45 degrees, significantly reducing energy consumption
- The hot water delivered is around 40 degrees, more than adequate for washing and showering

However, at present SAP is not able to register the energy efficiency benefits of this approach, as it assumes water is still stored at 60 degrees, and does not allow for different levels of insulation on hot water storage or thermal stores.

27 How should industry take forward the development of storage technologies? – no comment

28 How should industry promote Flue Gas Recovery Systems? – no comment

29 How can we help Government disseminate results from best practice and exemplar projects?

Consumer Focus is not a consumer-facing organisation and the role of dissemination of generic information to consumers is best undertaken by Energy Saving Trust and other independent energy advisers. However, it is equally important that industry is able to point consumers to working, relevant examples. Local authorities can also play a useful, independent role in hosting open house days, working with industry and voluntary groups³.

30 Is MCS the best route for providing a directory of installation companies

We agree that MCS is the best route for developing and providing an accurate directory of installation companies but this needs to be available for use by related organisations on their websites and other communication channels with consumers. The fewer 'clicks' for consumers, the more likely it is they find the information they need.

A live or frequently updated feed would enable accurate provision of information.

³ <http://bit.ly/eYayPt>

31 Should installation companies removed from the MCS scheme for malpractice be clearly identified in the directory of installation companies?

An installation company that has been removed from the MCS scheme must also be removed from any central directory of installation companies. We cannot understand why an industry concerned by its reputation would want to retain these companies on such a directory. Retaining the contact details, even flagged for malpractice, poses a risk for consumers that they will install a system that cannot be accredited for FITs.

32 What is the best way to ensure that microgeneration and Green Deal advice provision work together?

Consumer Focus is a member of DECC's Advice Qualification and Accreditation Forum and is providing more detail through that channel. In summary, we think:

- Microgeneration should be included in advice provision
- Consumer behaviour should be considered when calculating the benefits of microgeneration systems
- RdSAP must be adapted to provide accurate advice on microgeneration

However, our support for the development of the Green Deal is primarily based on the urgent need to improve the thermal efficiency of British homes. We therefore support the introduction of a requirement on householders taking up microgeneration to install cost effective energy efficiency measures (based on their house type and the application of the Green Deal's Golden Rule).

33 What should be the role of MCS installation companies in providing objective advice on which technology to install?

The industry has a joint responsibility to ensure that consumers get advice on cost-effective technologies, and to ensure that these are installed correctly at a fair price. By requiring companies to be signed up to an OFT-backed Consumer Code, objectivity is further encouraged through random compliance checks.

Consumer Focus is very concerned about the future accreditation of such Codes, and ask that DECC takes up the role of 'Government-backing' if support is no longer available through the OFT. Government accountability could also potentially be provided by the new Green Deal regulator.

34 Should trade bodies collate information on the advice their respective members are providing?

We support the idea of agreed 'lines' on technology suitability and use. These should be checked for plain language and be available for use by other consumer-facing organisations in electronic and hard copy.

35 Would information sheets be valuable if produced and made available by trade associations, installers and through the MCS scheme?

Clear information sheets are needed by users, and they should also be available for download from manufacturers and others' websites, but it is more important that controls are designed with the needs of consumers in mind.

36 Who is best placed to write and disseminate them?

The industry is best placed to prepare information sheets and provide them to users, but they must be tested on a range of consumers first. There should also be a feedback loop to control designers. If it takes more than one page to detail how to use a system, its controls are too complicated.

37 What aspects of the Green Deal Framework will need to closely align with the microgeneration framework?

Please see Annex 1: Green Deal and microgeneration.

38 Can you illustrate the potential opportunity that the 'community energy' sector presents?

Consumers may also choose to purchase equipment as part of a wider group in order to get benefits of economies of scale, and to benefit from a wider range of technologies that are available at the community scale.

A community approach has the following potential benefits :

- Minimises work for individuals, apart from the 'management team'
- Offers a lower entry level for consumers, with shares in community schemes often starting at £250
- Social benefits of working together as a community
- Shared buy-in reduces negative responses to schemes
- Economies of scale in terms of technology and administrative costs
- More location options, leading to greater choice
- Reduces risk of return on investment that consumers carry when installing domestic systems

39 What do you feel are the non-financial barriers to developing community energy?

The barriers faced by individuals are magnified for communities due to the scale of fund-raising required, the higher risks (social and financial) and the reliance on third parties for access to a suitable location (eg land, river or roof). There is also a high level of uncertainty about the planning process and the basis on which decisions are made.

The consultation question specifies non-financial barriers but it is unrealistic to believe finance is not a factor that cuts across other issues. In particular, uncertainty about the future of FiTs will have a significant impact on community energy projects in their initial stages. Project managers cannot assure investors that they will complete projects before the FIT scheme is revised and so projects are likely to be put on hold until long-term certainty is, as it must be, provided.

In the past communities could access free, local advice from Energy Saving Trust but this ends at the end of this financial year. Some support may emerge from the private sector and local authorities but this does not provide the same level playing field of advice for all. Consumer Focus has long-supported FiTs due to the principle that they reward actual generation and are available to all. We are very concerned that energy suppliers, local authorities and others could be left to 'pick winners' through grant schemes or selective provision of expert advice.

Annex 1: Green Deal and microgeneration

This section sets out Consumer Focus's views on the relationship between microgeneration and the upcoming Green Deal.

The Government has announced that in late 2012 it will introduce a Green Deal to improve the energy performance of the nation's homes. This follows the introduction of the FiT in 2010 and the RHI in 2011.

Consumer Focus wants the design of the Green Deal to align with the aims of related policies such as the new microgeneration strategy, with the shared aim of delivering cost and carbon savings to the benefit of current and future consumers.

Scale of ambition

The UK has a legally binding target to reduce greenhouse gas emissions by 34 per cent by 2020 and 80 per cent by 2050. Households account for 26 per cent of the UK's CO₂ emissions, and will need to reduce this by 29 per cent on 2008 levels by 2020 and be 'almost zero' by 2050.

This requires a high level of grid decarbonisation, together with the highest possible uptake of energy efficiency and renewable energy measures by households. Generation and use of renewable energy could take a number of forms, but must be at scale, for example⁴:

- Solar thermal and photovoltaic arrays on 75 per cent of houses
- Ground source heat pumps or biomass boilers for all terraced, semi-detached and detached homes, and
- Community gas combined heat and power (where connected to the gas network) and a community biomass boiler if they are off the gas network

The Government's current ambition for domestic and community-scale renewable energy and heat generation is unclear and the early review of tariffs has drawn criticism for introducing further uncertainty. Without clarity on the goal for this sector, uncertainty will remain and undermine the confidence of consumers and investors.

Cost to consumers

Consumer Focus worked with environmental and industry sectors to develop proposals for a scheme to incentivise small-scale renewable energy and heat generation. We recognise that this comes at a cost: the FiT is funded through a levy on electricity bills and in 2020 will cost each household an average of £10, while the RHI will be funded by the public purse to a value of £850 million. We also know that it is more cost-effective to deliver carbon and cost savings through improvements to the thermal efficiency of a property. It is therefore essential that:

- Energy efficiency measures are prioritised
- Concurrent programmes eliminate fuel poverty
- Income is not a barrier to uptake of renewable energy generation

⁴ <http://bit.ly/cpm82j>

- Tariffs are kept under review: incentives are needed but they must reflect and encourage cost-savings in the supply chain

The energy hierarchy

Consumer Focus is keen to see the Government place more importance on the energy hierarchy in its energy strategy. The hierarchy, set out in Figure 1, is a framework recognising some approaches are more cost-effective than others.

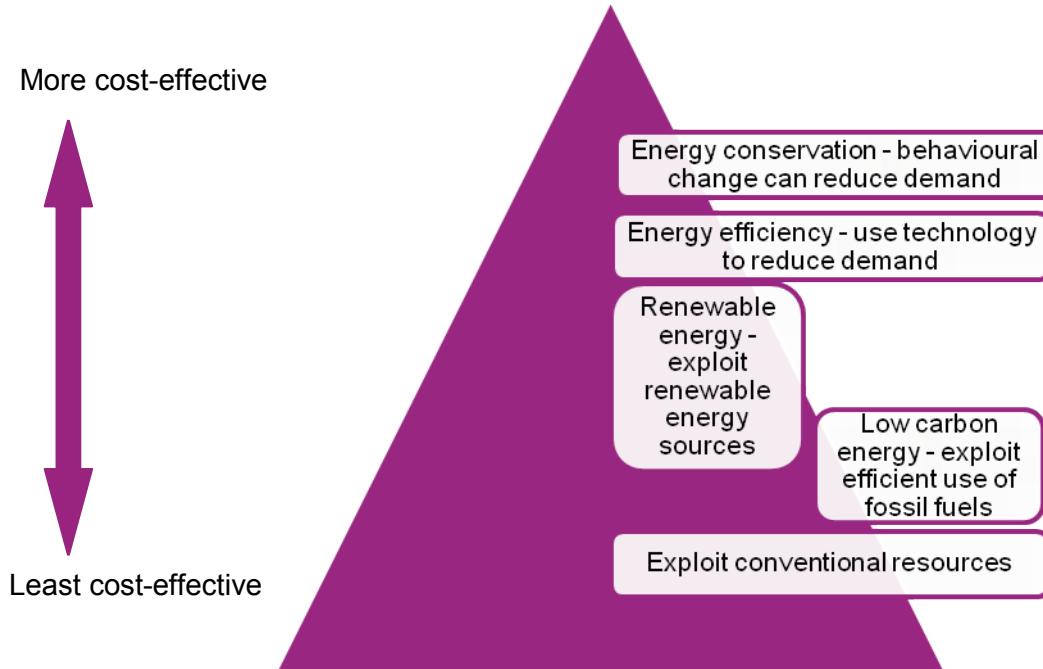


Figure 1: Adapted from Energy Hierarchy (Institution of Mechanical Engineers, 2009)

Before considering investment in microgeneration, energy conservation and energy efficiency measures should be adopted by consumers. This is because they are, in the great majority of cases, the most cost effective steps to take per unit of CO₂ saved. They will also improve the payback period for any related micro or small scale renewable energy system.

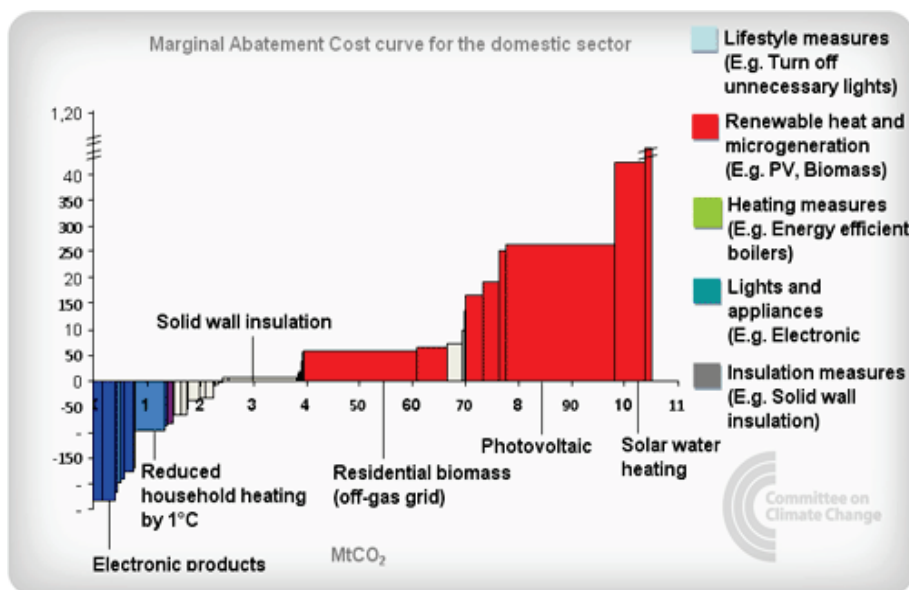


Figure 2: Marginal Abatement Cost curve (Committee on Climate Change)

Incentives for uptake of micro-generation should not displace incentives for low cost and often more durable, energy efficiency measures. Currently consumers are advised to consider installing energy efficiency measures first. But we do not know if consumers are acting upon this advice. We ask that the FIT review and Green Deal policy-makers require energy efficiency measures from claimants of renewable energy incentives, given the cost of the tariffs to energy consumers and the taxpayer, the urgent need to drive energy demand down and the introduction of the Green Deal to remove upfront cost barriers.

Relationship between microgeneration and thermal efficiency

Consumer Focus has modelled a range of scenarios in order to understand the impact of different interest rates and measures on the potential for the Green Deal⁵. We used five scenarios, with different interest rates, package caps and eligible measures:

Scenario	Interest rate	Package cap	Measures eligible
1	9%	£6,500	Insulation only
2	7%	£10,000	Insulation & glazing only
3	5%	£10,000	Insulation & Heating systems
4	5%	no limit	All, inc Microgen ¹⁰
5	3%	no limit	All, inc Microgen

Our research found that scenario 3 – efficient conventional and renewable heating systems alongside thermal efficiency measures – provides the greatest net benefit to households (subject to the impact of the RHI). It would save the average participating household £338 each year (at today’s prices) after paying the Green Deal charge. We therefore recommend serious consideration is given to the inclusion of heating systems, with direct links to the RHI and as part of a package-based approach that requires thermal efficiency measures.

⁵ Consumer Focus (2011) Access for All, <http://consumerfocus.org.uk/g/4nz>

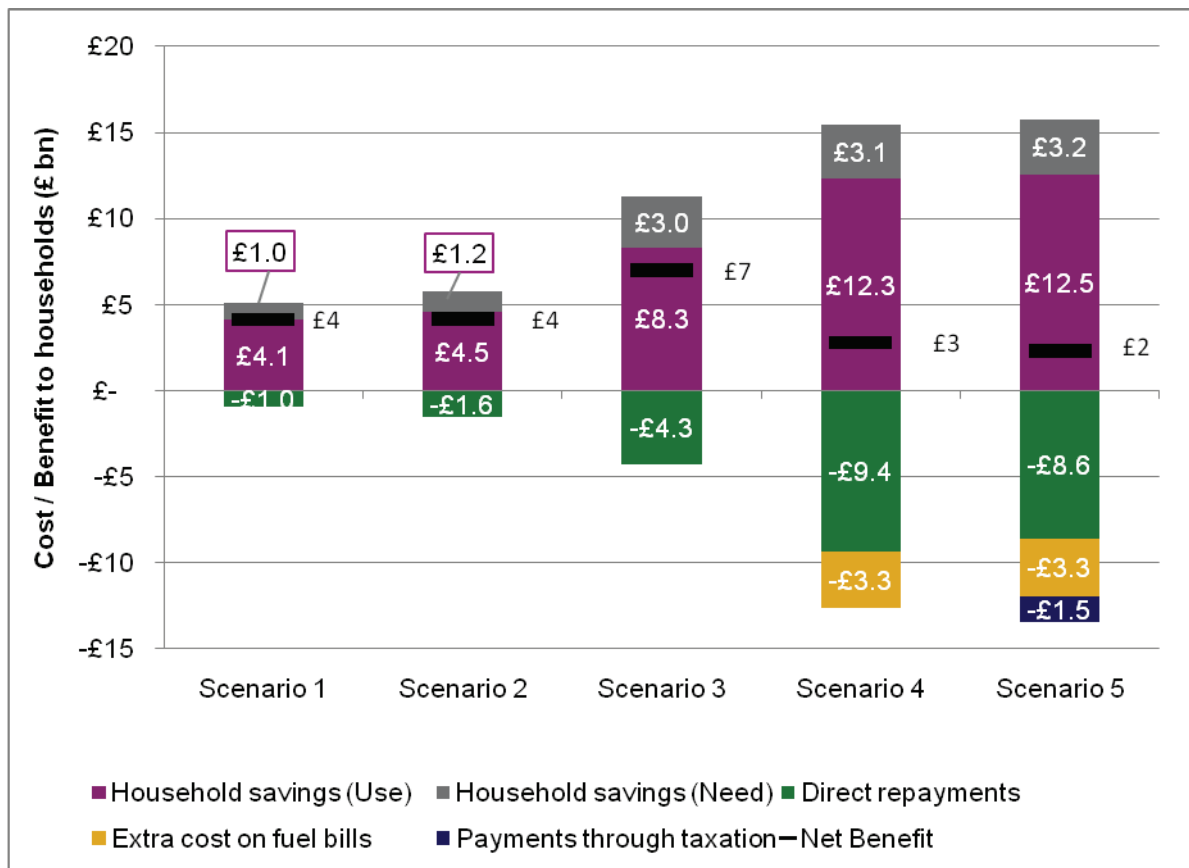


Figure 3: Financial cost/benefit to English households of different Green Deal scenarios⁶

The overall benefit of the Green Deal decreases with the inclusion of electricity microgeneration (scenarios 4 and 5) due to the higher repayment costs and the funding of the FiT through a levy on electricity bills. However, if consumers cannot cover the upfront costs of electricity microgeneration through Green Deal finance, the market remains restricted to wealthier households although all consumers are funding the scheme through their energy bills.

Without clarity from Government on its ambitions for the Green Deal and uptake of microgeneration it is difficult to advise on an optimum solution. If the Government wants to maximise carbon savings and reduce the regressive impact of FiTs on energy consumers, then the upfront costs of microgeneration should be supported by Green Deal Finance. This would allow the Government to reduce FiTs without reducing the attractiveness of microgeneration since households would not have to meet the upfront capital costs of the technologies. The emergence of the 'free solar pv' business model suggests the financial incentive can be reduced if there is no upfront cost to bear.

Help consumers in need

Onsite heat and power generation has the potential to protect those most exposed to energy price rises. We advocate the identification and development of a priority group for renewable heat and power generation, to drive installations to where they are most needed potentially as part of the Energy Company Obligation (ECO).

This could include reference to the proportion of households who produce renewable energy, either as a household or part of a community group, who:

- Are on low incomes
- Are without mains gas

⁶ Consumer Focus (2011) Access for All, <http://consumerfocus.org.uk/g/4nz>

- Are a community group including fuel poor households in the benefits of renewable energy generation

Tools to achieve this include:

- funding measures through the ECO
- providing Green Deal finance to the priority group at a discounted rate
- providing funding for up-front costs through Warm Front, new Welsh Fuel Poverty Scheme, Energy Assistance Package or other publicly funded programmes
- RHI taking account of the carbon emissions of the heating systems it aims to replace, for example by recognising the carbon intensity of fuel displaced or the climate region homes locate in
- allocating specific funds to social housing providers
- outreach teams working with community groups, or funding and support to national membership groups, to raise awareness of opportunities and support
- an annual review of progress and of obstacles encountered by these individuals and groups

Advice

Breadth of advice

There are limited opportunities to advise consumers on improving the energy performance of their home. We therefore think that if a consumer is advised on the Green Deal they should be provided with advice on microgeneration; while any applicant for FITs or the incoming RHI should have to install a minimum level of thermal efficiency as part of their application.

Consumer Focus's views on Green Deal advice are set in a discussion paper available on our website⁷. In summary, the advice needs to incorporate a combination of modelled and actual energy use; it needs to provide recommendations that are clear, credible and comparable, and that are relevant to the household in situ. Early consideration must be given to data requirements, to ensure consumers' privacy is protected while accurate estimates are provided with minimum hassle; and to provide for the development of an accurate understanding of the quality of the British housing stock and report on progress against carbon budgets.

Accreditation of advice and measures

Consumer Focus thinks that, in developing the Green Deal, lessons could be learnt from the scheme for microgeneration, MCS, which is currently being reviewed as part of the new Microgeneration Strategy.

Membership schemes can be expensive and the experience of MCS shows the important role of competition between awarding bodies in keeping prices down. By setting minimum standards for training and continuous professional development, the Government can protect consumers from a potential 'race to the bottom'.

Monitoring in the microgeneration industry, through mystery shopping and the monitoring of complaints, has resulted in expulsions from MCS and the related consumer assurance scheme. Again, minimum monitoring and enforcement requirements must be set. For example:

⁷ Consumer Focus (2010) Green Deal Advice, <http://bit.ly/iexesW>

- Generators of electricity from renewable sources can only access FiTs if their system and its installer are certificated under the MCS scheme
- Industry has told Government that ‘self-regulation’ is not the answer. It wants clear accountability for the MCS Board and clear direction where public policy goals (and funding) are involved and has identified the need for a professional secretariat rather than a reliance on goodwill and volunteers from proactive members
- MCS certifies products and services and requires members to be a member of an OFT-approved Consumer Code to ensure that contractors offer consumers protection, including complaints handling and a comprehensive performance prediction for products to prevent mis-selling
- The introduction of competition to the provision of accreditation services has brought down costs to members, and enabled the industry to scale up to the demand driven by the introduction of FiTs

The process and outcomes for co-regulation of individual industries may differ if they are attached to the core Green deal or part of the wider deal. The key difference will be the Green Deal finance mechanism:

- The finance mechanism may only be applied to a limited number of technologies at first. These will need a relatively mature standards process, with technologies producing reliable results
- Other technologies may not have access to the Green Deal finance, due to their current high costs, but if they are reliable and deliver carbon savings then they could be included in the Green Deal brand, including the survey mechanism and installation standards
- Other incentives may be needed to bring new technologies to market; if not, exemption from Green Deal finance mechanism and branding could be a significant barrier to entry

Consumer Focus believes that a wide range of energy services should be incorporated under the wider Green Deal to provide a broader playing field that reflects the range of property types and consumer attitudes. While the Government may not want consumers to use Green Deal finance to fund more expensive measures such as renewable heating systems, some consumers may wish to make their own investment and will want to know which products and installers they can trust. The Green Deal must provide the market with clear, credible and comparable information on technologies, rather than limit the technologies available to the market.

Misselling

Regulation and enforcement of the sales and marketing of energy services and hardware are the responsibility of the OFT and local Trading Standards, which have the power to prosecute companies under the Consumer Protection from Unfair Trading Regulations.

The OFT also operates the Consumer Codes Approval Scheme, which supports the development of codes of practice by trade associations. These Codes are designed to give customers confidence that they will be treated fairly if problems arise, and the OFT will take action against code owners where the code promotes unfair commercial practices. A particularly relevant Consumer Code to Green Deal is the REAL Assurance scheme for the microgeneration market. It is a useful analogy due to shared characteristics:

- Small and immature market
- Growth stimulated by Government policy

- Government aim to cut carbon emissions and deliver energy security

Industry track record

REAL Assurance, has expressed concerns about the level of misselling in the market. It has identified high pressure sales techniques as the principle cause of consumer complaints in the solar pv market. Consumers have told REAL Assurance that sales representatives:

- offered 20 per cent discount on price during visit
- stayed six hours in their home
- offered a large discount for monitoring
- demanded 35 per cent of contract price as deposit
- showed solar thermal sales materials when selling solar PV systems

Consumer protection against the misselling of renewable energy systems

The quality of products and installations in this market is addressed by the Microgeneration Certification Scheme (MCS) which is run by the licensee, Gemserv, on behalf of Government. Members of the MCS scheme must also comply with a Consumer Code that is backed by the OFT as part of its self-regulation initiative, the Consumer Codes Approval Scheme. The sole Code in the Microgeneration market at present is the REAL scheme, which was set up by the Renewable Energy Association to assure consumers of the suppliers' agreement to abide by the standards set out in the related Consumer Code⁸. The following sections set out the problems found, REAL's approach to addressing them, the importance of ongoing evaluation and improvement, and recommendations for the future.

REAL Assurance audit, mystery shop, compliance check and pro-actively challenge members on consumer service before, during and after contracts are agreed, including:

- advice provided on energy efficiency, particularly with respect to complying with energy hierarchy
- clear information on the systems planned and their performance
- acceptable sales and marketing techniques
- arrangements for installing and connecting the system
- the selection and quality of goods supplied
- details of the conditions of business that apply
- the standard of any installation and other on-site work
- guarantees, and any maintenance and after-sales services needed
- what action will be taken to deal with any problems
- arrangements for monitoring and continuously improving the Code

They also pre-screen all applicant companies to check that directors have not had previous involvement in companies that have defrauded consumers.

⁸ Further information on <http://bit.ly/hInfXP>

One in 10 members are mystery shopped each year, in line with the Market Research Society's guidelines; one in three members are audited for compliance with the Code; and satisfaction surveys are available online or through one in three suppliers each year. REAL Assurance also analyses complaints, and the non-compliance Panel meets on a monthly basis to review the serious cases. REAL Assurance has resolved 100 serious complaints from consumers this year, some through its free conciliation service⁹.

Over 50 companies are no longer members of the Scheme following failures to comply. Expulsion from the scheme means that organisations are no longer able to use it to support their MCS certification¹⁰ and therefore cannot provide their customers with access to the FIT.

The REAL Consumer Code is continuously improved to address issues arising, by tightening application processes, producing model documents¹¹ and web-based training on consumer protection legislation.

Consumer Focus particularly welcomes the recent introduction of insurance of all consumer funds paid in advance, in response to the risks facing small businesses and therefore their customers.

Lessons for the Green Deal

It is unclear how Consumer Codes will be supported in future, following the announcement of a review of the OFT. Certainty is needed, and we recommend that support is not only continued through co-regulations such as Consumer Codes but strengthened through the development of a single point-of-entry for consumers to all consumer protection schemes operating in the energy services market. This should include the Green Deal, smart meters, heating systems and microgeneration. Consumers need a single, trusted, accreditation brand. We are deeply concerned by the BIS proposal that accreditation does not need Government backing and that it can be delivered locally. This has the potential to raise costs for consumers, potentially limit choice and deliver variable quality. It is an inappropriate approach for an industry that is receiving significant boost from levies on energy bills as a result of Government policy.

A particular focus should also be placed on the resources required to enforce the Codes, with activities ranging from wide-ranging mystery-shopping through to legal action and related, potentially substantial, legal costs. This enforcement activity must feed back into continuous improvement of such Codes.

A final lesson from this market is the media interest in misselling, and the need for Government, industry and consumer representatives to communicate in positive terms how consumers can protect themselves in addition to the top-down efforts by Consumer Codes and other regulation.

Recommendations

- Government needs to clarify the scale of its ambition for domestic and community-scale renewable energy and heat generation, and for the Green Deal, to give consumers and investors confidence

⁹ <http://bit.ly/ex7Emz>

¹⁰ The Microgeneration Certification Scheme (MCS) is quality assurance mechanism that sets out standards for installers and products for small-scale heat and power generation. Renewable electricity generation must be MCS-certified to qualify for the FIT.

¹¹ Model documents include a contract, workmanship warranty and cancellation form. REAL Assurance also advise on the presentation of performance estimates

- It is more cost-effective to deliver carbon and cost savings through improvements to the thermal efficiency of a property. It is therefore essential that the above ambition recognises:
 - The need to prioritise energy efficiency measures
 - The need for fairness. Together programmes must eliminate fuel poverty, and income must not be a barrier to uptake of renewable energy generation
 - The need to keep tariffs under review: incentives are needed but they must reflect and encourage cost-savings in the supply chain
- If the Government wants to maximise carbon savings and reduce the regressive impact of FiTs on energy consumers, then the upfront costs of low carbon heating and microgeneration should be supported by Green Deal Finance. This could allow the Government to reduce FIT tariffs without reducing the attractiveness of microgeneration.
- The identification and development of a priority group for renewable heat and power generation, to drive installations to where they are most needed potentially as part of the ECO. This could include reference to the proportion of households who produce renewable energy, either as a household or part of a community group, who:
 - Are on low incomes
 - Are without mains gas
 - Are a community group that are specifically involving fuel poor households in the benefits of renewable energy generation
- Green Deal advice must include advice on energy generation alongside energy conservation and thermal efficiency measures
- Protection for consumers need to be joined-up, from protection against misselling to the handling of complaints should measures go wrong



**Consumer
Focus**
Campaigning for a fair deal

Response to DECC consultation on a microgeneration strategy

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