

# **The Green Deal and Energy Company Obligation: Government Response to the November 2011 Consultation.**

11 June 2012

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# Introduction

The intention of the Green Deal and Energy Company Obligation (ECO) is to empower consumers and give them new ways of funding energy efficient home improvements, thus creating a new market which could draw in overall greater funding for energy efficiency than in the past. In this way, it will help reduce carbon emissions from the domestic and non-domestic building stock, which is essential if the UK is to meet its statutory domestic carbon budgets. Improving household energy efficiency is also a key strand of our strategy to help address the needs of low income and vulnerable customers from 2012 and to make further progress on our statutory obligation to tackle fuel poverty. In addition, energy efficient buildings reduce energy use and demand on fossil fuel, helping the UK become less dependent on the use of fossil fuel.

Under the Green Deal, bill payers will be able to get energy efficiency improvements without having to make the initial investment. Instead, businesses will provide capital, recouping the money via the energy bill. At the heart of the offer is the "Golden Rule": estimated savings on energy bills should always equal or exceed the cost of the work. This innovative financial mechanism is accompanied by careful provisions for consumer protection. The ECO, a subsidy from energy suppliers, is extra help for those most in need and for those measures that do not meet the Golden Rule. It is a fundamental component of and demand-driver for delivering the Green Deal.

## Purpose of this document

This document is the government response to Green Deal and ECO consultation. On 23 November 2011, we published the consultation document containing the details of our proposals. Alongside, we published a number of supporting documents for information and comments. These were:

- a draft impact assessment;
- draft statutory instruments (SIs)
- a draft Code of Practice for Assessors, Installers and Providers;
- draft amendments to the energy company licences and industry agreements and the draft Green Deal Arrangements Agreement;
- the outputs from a number of customer insight studies commissioned by DECC.

The consultation sought views across England, Wales and Scotland on all aspects of our proposals. The consultation closed on 18 January 2012. We received over 600 written responses from a variety of organisations and individuals. We would like to thank all respondents who submitted a formal response or participated through the various activities held during the consultation.

We have carefully considered all the views expressed and have reviewed the policy accordingly. This document sets out the Government's position on the key issues highlighted through the consultation process, and describes the major amendments that have been made.

## Structure of this document

This document is organised into two sections. The first section "Key findings and future actions", draws out the key issues raised during the consultation, and the subsequent policy changes made. The second section, "Summary of responses", is organised by the 63 consultation questions, summarising the consultee responses and the government position for each question.

Where respondents raised an issue concerning one aspect of the policy as part of a response to a question on a different aspect, these have been dealt with in the most appropriate policy section.

This document does not attempt to respond individually to every comment received during the consultation period but responds to significant issues that respondents raised. However, all points raised during the consultation have been taken into account when considering whether changes to the policy were required.

## Conducting the consultation process

### Stakeholder engagement

Ministers and officials attended over fifty stakeholder events across England, Wales and Scotland. The full list of events has been published on the DECC website at [http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/gd\\_stakeholder/gd\\_stakeholder.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/gd_stakeholder/gd_stakeholder.aspx).

In addition to the events, the Green Deal DECC webpage provided tailored information for our key stakeholder groups and published five blogs from a range of different people involved in the Green Deal. These blogs provided different insights into the latest policy developments and thinking and they can be accessed at <http://blog.decc.gov.uk/>.

On 15 December 2011, we hosted a Green Deal and ECO web chat. We had 1,260 readers and 188 questions covering a vast range of subjects such as how to become a Green Deal certified Assessor or Installer, which measures are eligible and how ECO and Green Deal will work together. To ensure all the 188 questions were addressed we published a full list of answers on the DECC website at [http://www.decc.gov.uk/en/content/cms/news/grd\\_webchat/grd\\_webchat.aspx](http://www.decc.gov.uk/en/content/cms/news/grd_webchat/grd_webchat.aspx)

The consultation document was complemented by a dedicated mailbox, postal address and telephone line to answer questions. We also published online a Braille and Large Print version of the consultation document and Welsh version of the executive summary and other key

information to make the consultation document more accessible. Audio copies were also made available.

## Consultation responses

We received 636 written responses to the consultation. 551 of the respondents indicated that they were responding on behalf of one or more organisations and 85 responded as individuals.

### Responses by sector

Of the 551 responding on behalf of one or more organisations, most were from local councils (122), followed by non-Governmental organisations (NGOs) (109) and property practitioners (75). 29 respondents did not indicate their organisation type. Please see Figure 2 and Table 1 below for a further breakdown of responses by sector.

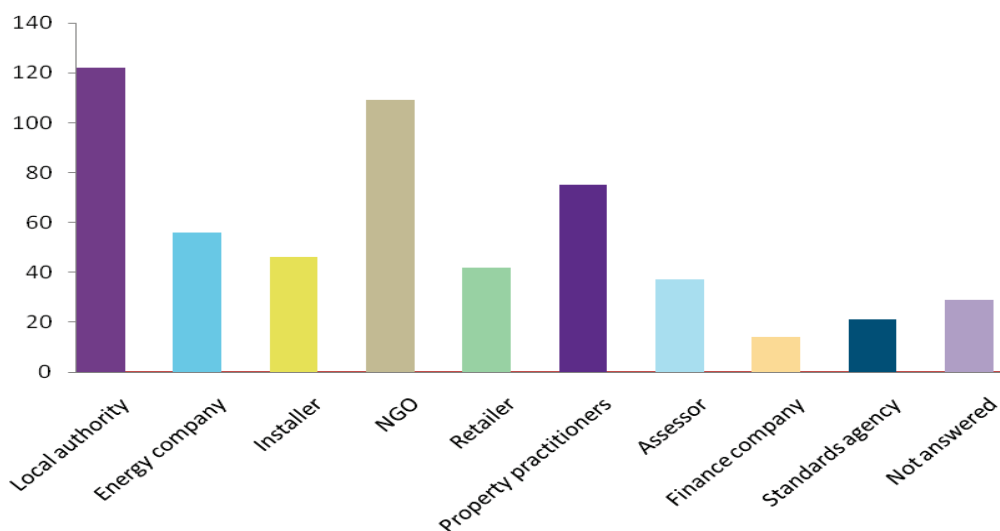


Figure 1: Responses by organisational sector

Option	Total	Percent of all <sup>1</sup>
<b>Local Authority</b>	122	22%
<b>Energy company</b>	56	10%
<b>Installer</b>	46	8%
<b>NGO</b>	109	20%
<b>Retailer</b>	42	8%
<b>Property practitioners</b>	75	14%
<b>Assessor</b>	37	7%
<b>Finance company</b>	14	3%
<b>Standards agency</b>	21	4%

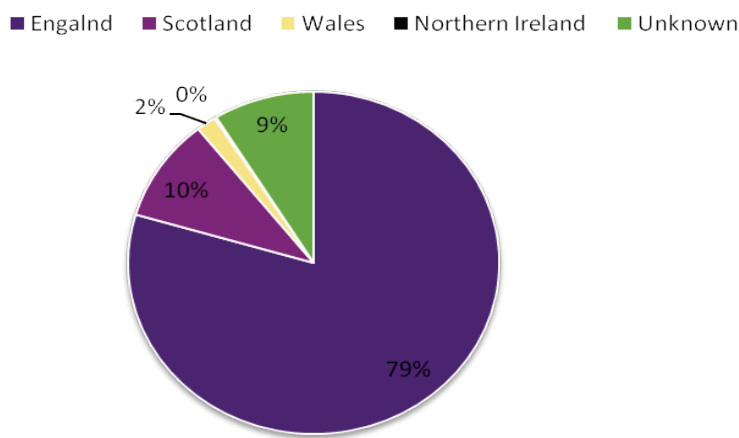
<sup>1</sup> Percentages may not add up to one hundred due to rounding.

<b>Not answered</b>	29	5%
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**Table 1: Responses by organisational sector**

**Responses by territory**

We received 506 responses from England, 62 from Scotland, 11 from Wales and 1 from Northern Ireland, which is outside of the territorial extent of this consultation. 56 respondents did not indicate their location. We also received responses from the Welsh and Scottish Governments.



**Figure 2: Responses by territory**

**Next steps**

We are rapidly moving towards completing the framework for the Green Deal and ECO by October this year. Our next milestone is to lay the secondary legislation in Parliament. This will comprise:

**Affirmative instruments<sup>2</sup>**

- The Green Deal Framework (Disclosure, Acknowledgement Redress etc.) Regulations 2012
- The Green Deal (Specified Energy Efficiency Improvements) Order 2012
- The Green Deal (Qualifying Energy Improvements) Order 2012
- The Electricity and Gas (Energy Company Obligation) Order 2012

**Negative instruments**

- The Green Deal (Disclosure) Regulations 2012

<sup>2</sup> There are two types of statutory instruments (SI). Affirmative instruments must be expressly approved by both Houses of Parliament. Negative instruments become law without a debate or a vote but may be annulled by a resolution of either House of Parliament.



- The Green Deal (Acknowledgment) Regulations 2012
- The Green Deal (Acknowledgment) (Scotland) Regulations<sup>3</sup> 2012
- The Consumer Credit (Green Deal) Regulations 2012
- Amendments to the EPB regulations 2007
- Amendments to the Energy Act 2011

Associated legislation

- Green Deal Code of Practice

We will also be publishing:

- Green Deal Arrangements Agreement
- Modifications to the energy licences and codes.

In addition, we will be issuing stakeholder specific guidance to help the supply chain prepare for operating under the Green Deal. These will be published on the DECC website.

Alongside this government response we have also published:

- Final Stage Impact Assessment for the Green Deal and Energy Company Obligation
- Progress on setting up the Green Deal Framework – sets out progress made to date on the Green Deal Framework and the next steps.
- “How the Green Deal will reflect the in-situ performance of energy efficiency measures”
- “Which energy efficiency improvements qualify for Green Deal Finance?”
- Other related additional customer insight documents

## **Preparing the market**

We are involved in a number of initiatives to support industry preparedness for the introduction of the Green Deal, as set out below.

### **Government backed energy efficiency advice line**

The new Energy Saving Advice Service opened on 2 April 2012 with the Energy Saving Trust appointed as the contractor. The service provides information and advice to households and non domestic customers (including businesses, the public sector and the third sector) on the take up of energy saving measures in their properties. From October 2012, the advice line will be essential to the Green Deal, supporting consumer confidence by providing impartial advice and where appropriate onward referrals to authorised Green Deal participants. It will also act as an entry point for those who may be eligible for extra support through ECO. Customers can contact the service by dialling 0300 123 1234 or visiting [www.direct.gov.uk/savingenergy](http://www.direct.gov.uk/savingenergy).

### **Engaging with Small and Medium Enterprises (SMEs)**

The Green Deal creates opportunities for companies of all sizes, and there is an opportunity for SMEs to play a valuable role in the Green Deal. To encourage this, we have been active in engaging the SME community. We held three regional roundtables with an SME audience early this year. To ensure that this dialogue continues, a new SME roundtable is shortly to be established.

We have also recently announced a series of regional supply chain events aimed at helping companies find out more about the opportunities offered to them by the Green Deal. These events will be held from 22 June until 20 July and further information can be found on the DECC website:

[http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/gd\\_industry/supply\\_chain/supplychains/supplychains.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/gd_industry/supply_chain/supplychains/supplychains.aspx)

In addition, we have removed potential barriers to SMEs entering the market as Green Deal Providers by amending some of the authorisation requirement (see section on reducing industry costs). We are also waiving the fees for registering with the Green Deal Registration and Oversight Body for Assessors, Installers, and Providers in the first two years of the Green Deal framework being operational.

### **Industry standards**

Since the consultation closed, a full set of National Occupational Standards (NOS) has been finalised, enabling qualifications to be developed across Great Britain. In addition, a full set of Qualification and Credit Framework (QCF) units applicable to England and Wales and a detailed syllabus for the Green Deal Assessor (Advisor) qualification, applicable to the whole of Great Britain, have been finalised. All three documents can be found on the Asset Skills website: [www.assetskills.org](http://www.assetskills.org).

We have also published the Green Deal Installer standard (PAS2030). The Installer standard focuses on the installation processes for Green Deal measures, the management of the processes and the quality of the service provided to the customer before, during and after the installation. This puts one of the key building blocks in place for a successful Green Deal. The PAS 2030 syllabus is available on the British Standards Institute (BSI) website at: <http://shop.bsigroup.com/en/ProductDetail/?pid=000000000030248249>.

To back this up, on 8 March, Ministers announced £3.5m of funding to train up to 1,000 go-ahead Green Deal Assessors and 1,000 Green Deal insulation installers in preparation for when the Green Deal framework becomes operational. “Train the trainer” events for Green Deal Assessors and Installers will be rolled out shortly across Great Britain to ensure quality and consistency in the training of potential Assessors and Installers for the Green Deal. We have also been working with Asset Skills and Construction Skills to map existing qualifications against the NOS to ensure those who have existing relevant skills have a clear path to become

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<sup>3</sup> These will be laid before the Scottish Parliament.

Green Deal Assessors and Installers. Details are available at [www.assetskills.org](http://www.assetskills.org) and [www.cskills.org](http://www.cskills.org). In addition, we are also working closely with the Green Deal Skills Alliance<sup>4</sup> to ensure support for Installer training goes where it is most needed. Installer training will be administered by CITB - Construction Skills on behalf of the Green Deal Skills Alliance.

The Green Deal Register will open in early August 2012 and will be administered by the Registration and Oversight Body (the Green Deal Oversight body). Accredited certification bodies can begin applying for authorisation from then and once they are authorised, the assessors and installers that they have certified will be included on the Green Deal Register of authorised persons. A list of accredited certification bodies can be found on the DECC website at [www.decc.gov.uk](http://www.decc.gov.uk).

All assessors and installers who want to be Green Deal authorised should contact the appropriate certification body to find out how they can become certified to provide assessments and advice or install certain measures under the Green Deal

If an installer is already Gas Safe approved or is registered under the Microgeneration Certification Scheme (MCS), for the installation of a particular measure, they will be deemed as meeting the standard (PAS 2030) for those measures. In these instances, an installer's current certification body, providing they wish to participate, should register them if they wish to operate under the Green Deal (more details will be published on the process in the coming weeks).

### **Developing and testing new IT systems**

On 4 April 2012, over 20 pioneer Green Deal Providers signed a Memorandum of Understanding, pledging to work with DECC and energy suppliers to develop, test, and implement the business processes and data flows necessary for the successful operation of the Green Deal. The Government will be working with this pioneer group to ensure the move from testing to implementation works seamlessly and provides a good customer experience from day one.

We will also support a positive customer experience by enabling a gradual build up of demand over the first few months towards the natural peak in spring and summer. Functionality will be phased in, with collection of the Green Deal charge beginning early in 2013. Whilst this should not impact the customer experience, it will allow suppliers to bring their own infrastructure changes in through a controlled process, so reducing the risk inherent in the early stages of any new large operational programme.

### **Encouraging Early Uptake**

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<sup>4</sup> This consists of three sector skills councils; Construction skills, Assets skills, and Summit skills

We announced £200m of additional capital funds in the Autumn Statement to encourage early uptake of the Green Deal. We are now in the process of developing proposals for using these funds following initial discussions with stakeholders. The suggestions provided in response to this consultation will be considered in this context, and we will continue to engage with stakeholders over the spring and summer as lead options are identified and detailed design considerations are taken forward. Further public announcements regarding the final scheme will be made later in the year, as part of the preparations for when the Green Deal framework becomes operational.

## Engagement with government, regulatory and redress bodies

We are continuing to engage with a number of organisations to ensure customers are protected and have an effective and simple route for redress if things go wrong under the Green Deal. Some examples of who we are engaging with are set out below:

### Consumer Focus

Consumer Focus is the statutory organisation campaigning for a fair deal for consumers in England, Wales, Scotland, and for postal services in Northern Ireland. The Government has announced a phased transition that will see the Consumer Focus's advocacy role transferred to Citizens Advice.

This transition will involve the establishment by Consumer Focus of a Regulated Industries Unit able to identify and represent consumers' interests across complex-regulated sectors. The Unit will retain Consumer Focus' responsibility in energy, post and, in Scotland, water until 2014 when the Unit will transfer to the Citizens Advice service. Consumer Focus's Extra Help Unit will also transition to Citizens Advice.

### The Office of Fair Trading (OFT)

The Office of Fair Trading has responsibility for enforcing consumer law across the UK, alongside other concurrent regulators and Trading Standards services. The OFT is also currently the licensing body for consumer credit providers, and can take enforcement action against breaches of the Consumer Credit Act.

The OFT will not have specific additional resources to monitor or enforce the Green Deal, but will continue to allocate resources and pursue investigations and other activities in accordance with its Prioritisation Principles – considering the impact, strategic significance, risk and resource implications of any proposed action. More information on the prioritisation principles can be found here: [www.offt.gov.uk/shared\\_offt/about\\_offt/oft953.pdf](http://www.offt.gov.uk/shared_offt/about_offt/oft953.pdf)

From April 2013, some of the OFT's consumer enforcement responsibilities are due to transfer to Trading Standards and its consumer education work to Citizens Advice. From 2014, the OFT's consumer credit functions are expected to transfer to the Financial Conduct Authority.

## **The Office of the Gas and Electricity Markets (OFGEM)**

Ofgem will play a key role in monitoring and, where appropriate, enforcing suppliers' compliance with licence conditions, including those relevant to billing of the Green Deal charge.

## **Ombudsman Services: Energy**

Ombudsman Services: Energy will be providing a facility for Green Deal customers to complain about charges levied on the electricity bill by the electricity company and will transfer the complainant to any other ombudsman scheme where the complaint does not sit within Ombudsman Services: Energy's remit.

## **The Financial Ombudsman Service**

The Financial Ombudsman Service was set up by law as an independent public body. Their job is to help settle individual disputes between consumers and businesses providing financial services – fairly, reasonably, quickly and informally. They will have a role in settling disputes between supplier and customer about any Green Deal Finance arrangements.

## **Which?**

Which? is an independent, not-for-profit consumer organisation with around 1.3 million subscribers and is the largest consumer organisation in Europe. Which? is independent of Government and industry, and is funded through the sale of Which? consumer magazines, online services and books. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

## **Citizens Advice Service and the Scottish Citizens Advice Bureau (CAB) Service**

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. The service aims to provide the advice people need for the problems they face and to improve the policies and practices that affect people's lives. The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

The Scottish Citizens Advice Bureau (CAB) Service is a network of independent, local charities that helps people resolve their money, legal and other problems. It provides information and advice to everyone who needs it, and influences government and organisations to bring about changes in policy and laws that affect people's lives. Citizens Advice Scotland and its 81

bureaux offices form Scotland's largest independent advice network. CAB advice services are delivered using over 250 service points throughout Scotland, from the islands to city centres.

The Citizens Advice service will advise people seeking help in relation to any issues arising from the Green Deal and will share relevant complaints data with the Green Deal oversight body."

### **Trading Standards Institute**

The Trading Standards Institute is a professional membership association that represents Trading Standards Officers and trading standards professionals in Local Authorities, the business and consumer community, and in central Government.

Trading Standards Officers already enforce a wide range of consumer protection legislation and have particular expertise in the home repair, maintenance and improvement sector. The new 'National Trading Standards Board' will further enhance the ability of Trading Standards Officers to take a coordinated approach in tackling traders who cause consumer detriment across local authority boundaries.

Whilst having no additional resources to monitor the Green Deal, the trading standards community will be alert to early intelligence about complaints and will be able to work closely with enforcement and regulatory partners where problems are identified.

## Key findings and future actions

This section discusses the key issues highlighted through the consultation process and the major changes we have made. Feedback from the consultation directed our revisions towards four key policy areas: strengthening consumer protection, reducing industry burdens, improving behind-the-scenes operations and revising ECO.

Crucial to the success of the Green Deal and ECO is a robust customer protection regime that will inspire confidence and provide a secure platform on which all Green Deal and ECO participants can operate. Nonetheless, it is important that Green Deal and ECO policies achieve the right balance between customer protection and costs for commercial participants. Excessive costs will either act as a barrier to entry, preventing a diverse and competitive market, or will be transferred to consumers.

In order to achieve this balance, we have tightened protections for Green Deal and ECO customers in some areas, giving them confidence and providing improved safeguards for the vulnerable. Meanwhile, we have removed some of the burdens on Green Deal Providers, to prevent unnecessary costs.

The payment collection method has been refined to ensure effective behind-the-scenes operations and to make it easier for smaller energy suppliers to compete. We have also revised ECO policy to ensure that support is targeted where it is needed the most, whilst ensuring that the uptake of insulation measures for households which are difficult to treat remains.

### Strengthening Consumer Protection

#### **Impartiality of the Green Deal Assessor**

In the consultation document, we proposed to promote the impartiality of Green Deal Assessors through a series of rigorous assessment, qualification, certification and quality assurance processes.

Consultation feedback showed that although our proposals had the potential to deliver a robust assessment and advice process, they did not guarantee that consumers would know what to expect of their Assessor or their impartiality. There was a strong desire among respondents for further provisions to help improve the transparency of the assessment process. This was a particular concern where an Assessor was affiliated with a Green Deal Provider, either as a direct employee or acting as a contracted agent of that Provider. It was felt that consumers needed to be aware of the ties that may exist and any additional services that may be offered, even if the assessment and advice process itself remains impartial.

We recognise the importance of clarity for customers if they are able to make an informed choice. As a result we will now require, in addition to our consultation proposal, that Green Deal Assessors make the following declaration to customers ahead of making an assessment visit:

- their status (whether they are independent or tied in any way to a Green Deal Provider)
- what payment they are receiving for carrying out that assessment (including any commission)

They will also need to get consent from the customer for any additional services being offered (e.g. sales or indicative Green Deal finance quotes) before they visit the property to carry out assessment.

We also recognise the potential for influence of Assessors if their payment is in any way dependent on the successful sale of a Green Deal. That is why we are also placing a legal restriction on Green Deal Providers that will prevent them from withholding payments to an affiliated Assessor for an assessment that does not result in a sale or a Green Deal Plan. This will help ensure Green Deal Assessors are not unduly pressured into non compliance.

### **Cold calling policy**

There is already a significant body of existing legislation that sets out what is and is not acceptable with cold calling. If applied properly this should protect consumers from pressure sales tactics whilst allowing an effective market to flourish, one where those consumers who may not otherwise be reached are made aware of the opportunities to benefit from the Green Deal. For this reason, we did not propose to impose a blanket ban on cold calling in relation to the Green Deal.

However, consultation responses showed concern about the potential for pressure selling under our proposed policy. Particularly, there was concern that cold calling could be used as a way to gain immediate agreement for an assessment that is then charged to the consumer should they subsequently reconsider and decide not to proceed further with the Green Deal.

Current regulations allow consumers 7 days to cancel a contract at no cost, although they could be liable to pay reasonable compensation for any work done. As the assessment is likely to be carried out in a single visit, this could result in consumers facing a cost for at least some of the assessment. To help address these concerns we will, in addition to the 7 day period, require a cooling off period of at least one day after a cold calling approach before a Green Deal assessment can be carried out, unless requested by the customer and written consent is obtained. Green Deal participants are required to respect no cold call requests, whether face to face, by phone, electronic communication, or if "No Cold Call" stickers are displayed.

### **Lower than average energy users**

At the heart of the Green Deal financing mechanism set out in the consultation document is the Golden Rule principle. This principle limits the amount of Green Deal finance that can be



attached to an electricity bill to the estimated energy bill savings that are likely to result from the installation of a measure(s) under the Green Deal Plan. We explained in the consultation document that the Golden Rule is based on average energy use. This means that the Green Deal charge is capped at the amount of money average energy users are likely to save from the measures installed.

A large proportion of responses to the consultation supported the Golden Rule as being straightforward, easy to understand and administer, and protecting future occupants from inappropriately high energy bills as a result of the Green Deal Plan. However, concerns around how the Green Deal might be sold to lower than average energy users. Some respondents called for a requirement to state explicitly that in these cases the Green Deal charge might not be fully offset by savings on energy bill, to ensure that lower than average users fully understand the charge they are committing to and to reduce the risk of mis-selling.

To address these concerns, we will require that if a lower than average energy user wishes to take out a Green Deal finance, the Green Deal Provider must obtain a written acknowledgement that they are aware that, based on their energy use, the Green Deal charge may not be fully offset by their energy savings.

#### **Developing the Green Deal quote: Additional customer protection requirement on Green Deal Plan in excess of £10,000 in the domestic sector.**

The original proposal in the consultation document was to require Green Deal Providers to ensure customers had received three quotes and to reduce the energy savings estimate by 5% where the amount of Green Deal finance offered was in excess of £10,000.

The majority of respondents thought it was important to ensure adequate consumer protections were in place to help ensure the Golden Rule principle would be met. Respondents did, however, question why the safeguards should only apply to Green Deals in excess of £10,000. The majority also recognised the need to ensure the assessment methodology was robust for all customers and therefore thought any estimated reduction in savings should be applied to all Green Deals. Some consultation responses questioned the methodology behind this policy and thought the 5% reduction was rather arbitrary. It was also highlighted by a minority of respondents that it may be difficult for domestic customers to achieve £10,000 worth of savings. There was concern amongst some respondents that the requirement would increase costs associated with Green Deal Plans and create a break in the customer journey, potentially leading to customers dropping out of the process and lowering uptake.

It is important to ensure the assessment methodology is robust and fit for purpose. In order to ensure customers can be confident the Golden Rule principle will be met and to take account of how measures perform in situ, we will require Green Deal Providers to use figures which apply “in-use factors” to the savings estimates for qualifying Green Deal measures. The in-use factor is a percentage reduction applied to the savings. Their purpose is to recognise that the theoretical performance of energy efficiency measures and the actual performance is often different, and to enable the Green Deal finance to be adjusted accordingly.

The requirement on Green Deal Providers to ensure customers have received three quotes for Green Deal Plans in excess of £10,000 will remain as a majority of respondents noted this was an important safeguard for customers. This requirement only applies where the amount of Green Deal finance offered exceeds £10,000. Further details on how Green Deal Providers should fulfil this requirement will be set out in the Code of Practice.

### **Applicable interest rate structures**

In order to ensure consumer confidence, our proposal for the domestic sector was to restrict allowable interest rate structures to those which give the greatest certainty of the costs being less than the savings throughout the lifetime of the Green Deal Plan. Therefore it was proposed to allow Plans with a fixed interest rate or variable rate Plans where the interest rate varies in line with the most appropriate component of the fuel and light index, which forms part of the wider Retail Price Index (RPI).

The overwhelming majority of consultation responses showed a preference for fixed interest rate Green Deal Plans in the domestic sector. Most respondents, including consumer groups, welcomed the simplicity of a fixed rate as it would be easy to understand and would allow consumers to hedge against future energy prices.

Taking this into account, we have decided to restrict the interest rate structure in the domestic sector to a fixed rate. However, in order to allow Green Deal Providers and customers to attach more finance at the outset, allowing more measures to meet the Golden Rule principle and potentially reducing the need for customers to make an upfront payment, we are proposing to allow Green Deal Providers the option to increase the whole charge by 2% a year, in line with the Bank of England inflation target. This will allow Green Deal Providers and customers to capitalise on some of the expected increase in savings due to expected fuel price inflation. If Green Deal Providers choose to utilise this uplift, the increase and instalments will still be fixed at the outset.

### **Green Deal ombudsman service**

In the consultation document we proposed an Ombudsman service for Green Deal in case anything goes wrong that cannot be settled between the Green Deal Provider or the Green Deal Assessor and the customer in the first instance. We proposed that the Energy Ombudsman Service (EOS), part of Ombudsman Services and the Financial Ombudsman Service (FOS) would work together to handle Green Deal complaints depending on the nature of the complaint.

We had envisaged an extension of the existing EOS scheme to cover Green Deal redress cases. However, during the consultation period, further detailed legal analysis revealed that this would require an amendment to primary legislation. Given the need to have a redress system in place from the moment the Green Deal framework is operational, we have decided to procure a separate Green Deal Ombudsman and Investigation Service. This will provide a redress route for customers that have complaints relating to their Green Deal, which have not

been resolved by their Green Deal Provider. We will be making an announcement about this shortly.

If a customer has a complaint they should, with the help of their Provider, be steered towards the correct Ombudsman. We recognise that this may not always happen, therefore our agreed policy is to develop a “no wrong door” arrangement, and we will work with the relevant Ombudsmen to agree the approach of handling and transferring complaints to the appropriate organisation to resolve. This will mean that regardless of the organisation the customer makes contact with, their case will be transferred for resolution to the appropriate Ombudsman. This will mean that consumers can rest assured they will receive the protection of an ombudsman.

### **Disclosure and acknowledgement redress**

One of the key premises of the Green Deal is that those benefitting from the installation of a Green Deal measure should be the ones paying the charge. Therefore, if a customer took out a Green Deal Plan and sold or let the property out, the future bill payer would take on the responsibility for paying the Green Deal charge.

The current owner or landlord of the property must disclose the existence of a Green Deal on that property to any potential future bill payer using an EPC that shows key information about the Green Deal. The current owner or landlord will need to obtain a written acknowledgement from the buyer, prospective tenant or licensee, showing that they are aware of the charge and understand they are bound by the terms of the Green Deal Plan and are therefore liable to pay the charge. In the case of oral tenancies and licences, the prescribed form of acknowledgment would be given in a standalone document signed by the person giving it. In practice, it is likely that these responsibilities will be carried out on behalf of the current owner or landlord by property professionals such as estate agents, letting agents and solicitors.

In a case where disclosure is disputed, we proposed that the new bill payer could seek redress within 30 days after receiving their first electricity bill at that property. For example, if they claimed they were not aware of the existence of Green Deal Plan or charge, or the information that they have been given was different from that on the Plan. After this period, the new bill payer would have no recourse and would be liable to pay the Green Deal charge.

Not all consultation respondents answered this question, but the majority of those who did wanted a period longer than 30 days for a number of reasons. These included concerns that 30 days was not very long for customers who had just moved house and that vulnerable customers might seek advice from other sources before raising a complaint, thus requiring more than 30 days.

We have now increased the time limit to 90 days to allow for greater consumer protection, especially for more vulnerable consumers who may not be able to challenge non-disclosure as readily. We believe that this will not have an impact on the likelihood of the Green Deal charge

being cancelled on the ground of non disclosure, once the complaint is raised, but will allow customers sufficient time to raise a complaint, enhancing consumer protection.

### **Appeals to the First Tier Tribunal**

During consultation we proposed that the right of appeal would be self-financing through fees payable. However, as the introduction of a fees schedule will require legislative changes, the cost of running the appeals mechanism initially will be funded through a financial agreement between the Ministry of Justice and the Department of Energy and Climate Change. In the longer term we will work with the Ministry of Justice to consider whether a fee charging model can be developed. The First Tier Tribunal will operate within the General Regulatory Chamber rules. It will resolve and if necessary hear cases from across Great Britain.

The First Tier Tribunal will hear cases relating to appeals against sanctions imposed by the Secretary of State for breaches of the Green Deal framework regulations or code of practice. In addition, assessors and installers (and their certification bodies) who are denied authorisation will be able to appeal to the First Tier Tribunal. Green Deal Providers who are denied authorisation will be able to rely on Judicial Review to appeal against a decision made by the Secretary of State. Whilst we are satisfied our approach ensures fair trial rights for all concerned, going forward, we will review these arrangements to see if it makes more sense to align appeal provisions for all Green Deal participants.

## **Reducing Industry Costs**

### **Guarantees and Warranties**

We are keen to ensure that Green Deal Plans are repaid within the useful life of installed measures. This is to ensure that customers, including subsequent bill payers, are not left paying for a measure that no longer works. In order to ensure maximum consumer protection we proposed that Green Deal Providers should offer a combination of manufacturers guarantee, Installers warranty and their own insurance backed warranty. This was intended to incentivise a high standard of measures, installation work and assurance by demanding more rigor from certification bodies.

Although this option would provide maximum protection for customers, the majority of potential Green Deal Providers expressed significant concerns over this policy and its potential impact on costs and take-up. Evidence gathered on indicative costs suggest this requirement almost doubles the cost of a boiler and, in addition to a Green Deal Plan which met the Golden Rule, an upfront payment of £1,778 would be required from the customer. Moreover, a recent study conducted by the Office of Fair Trading (OFT) into extended warranties on domestic electrical goods concluded that many extended warranties do not currently provide good value for

money.<sup>5</sup> OFT recommended that customers should have the option and be encouraged to shop around for extended warranties rather than purchasing them at the point of sale.

We have concluded that requiring Green Deal Providers to offer extended warranties as part of the Green Deal Plan may make the Green Deal an uncompetitive option which could have serious implications for uptake. With this in mind, we are requiring the following:

- Green Deal Providers to offer a guarantee in respect of improvements for a minimum period of five years and an extended 10 year guarantee to cover any consequential building damage sustained as a result of the measures being installed. For Solid Wall Insulation and Cavity Wall insulation, the requirement will be increased, so Green Deal Providers must offer guarantees for both the improvements and consequential building damage for 25 years. We have made this exception as cost-effective warranties are already available in the market for these particular measures. The guarantees must meet the requirements set out in the Green Deal Framework Regulations and Code of Practice. Green Deal Providers, in line with the requirements in the Code of Practice, will be required to ensure the customer has access to the warranty in the event the Green Deal Provider is no longer present.
- Repayment terms will no longer be limited by the period of the guarantee but Green Deal Providers will be required to make a reasonable estimate of the measures lifetime, on the basis specified in the Framework Regulations.

For consumers receiving fully subsidised measures under the Affordable Warmth Obligation, they will receive standard manufacturers warranties. For boiler repairs, suppliers will be required to ensure there is a 1 or 2 year warranty for the repair (this could be from the supplier or from the manufacturer); the score a supplier receives for the repair will be dependent on the length of warranty they provide. The same standards and warranties available for consumers taking out a Green Deal Plan will not be extended to consumers not taking out a Green Deal, as the cost of those additional warranties will be built into the plan upfront. Although we do not expect activity under Affordable Warmth to involve a Green Deal, should it do so then consumers would benefit from the same warranty terms as consumers accessing any other element of ECO in conjunction with a Green Deal Plan.

### **Green Deal Provider authorisation requirements: Independent Conciliation Service**

One of our proposed authorisation requirements for a Green Deal Provider was that they must sign up to an appropriate independent conciliation process to help resolve customer complaints. This was intended to help reduce the amount of complaints going directly to the ombudsman service and to ensure timely redress where there were complaints about a Green Deal Plan.

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<sup>5</sup> [http://www.of.gov.uk/shared\\_of/markets-work/OFT1403.pdf](http://www.of.gov.uk/shared_of/markets-work/OFT1403.pdf)

Some concerns were raised that this requirement was a duplication of the ombudsman services role and that the potential cost could outweigh the expected benefit. There was also concern that this would add an unnecessary additional step to the Green Deal redress process and could increase the time taken for redress to be awarded to customers.

We recognise that some Providers may have access to this kind of service as trade bodies often offer this as a benefit of membership. We are therefore removing this requirement and will recommend in guidance that this service is offered to customers as an option where available.

### **Insolvency provision**

The Green Deal framework places certain obligations on Green Deal Providers which should be fulfilled over the course of the Green Deal Plan. These requirements include updating the Central Charge database and the EPC for disclosure purposes. It is therefore important to ensure these obligations continue to be met in the case of Green Deal Provider insolvency or loss of authorisation. We therefore proposed that a Green Deal Provider should hold a surety bond, which would provide sufficient funds to transfer its obligations to another authorised Green Deal Provider in these circumstances.

Although a majority of respondents recognised the need to ensure protections were in place, there were concerns that this requirement would prove too costly and could act as a barrier to entry for smaller firms. Additional costs in the Green Deal mechanism would be burdensome for Green Deal Providers and would ultimately be passed onto the customer, making it more difficult for measures to meet the Golden Rule principle. In addition, some practical issues were highlighted around the amount of the insurance needed and how to handle a case where no one was willing to take on these obligations even where there was a sufficient amount of money. These issues suggested to us that, as well as being expensive, a surety bond could not be relied on to provide robust back-up for customers.

We are therefore removing this obligation and making provision in the Green Deal Framework Regulations and Green Deal Arrangements Agreement to ensure that where a Green Deal Provider ceases to be authorised or is wound up, its ongoing obligations are fulfilled by the person who is entitled to the payments under a Green Deal Plan. We are also ensuring that the Secretary of State is still able to provide redress and recalculate the plan if the obligations are not completed properly. This would reduce costs and barriers to entry for providers wishing to enter the market whilst still providing appropriate protection for customers. Having consulted with financiers, we do not believe this will increase the cost of finance, as it allows financiers to discharge the obligations in a suitable way.

### **Green Deal products registration**

For the Green Deal and ECO to deliver their energy efficiency objectives, we must ensure that products and systems installed under both banners perform as intended.

All products installed with Green Deal finance must meet the requirements of Annex D of the Code of Practice, which provides that all EU laws, standards and certification requirements relevant to the product in question must be met. Annex D now makes clearer who can certify products and in which circumstances this is needed. Products will also be spot checked for compliance with the Code by the Green Deal Oversight Body.

The provisions in Annex B relating to the guarding against certain risks associated with installations have been strengthened for example, in relation to ventilation requirements. In addition, we have included a new requirement to Annex B of the Code of Practice to require that Green Deal Providers confirm with their suppliers that the products to be installed in a Green Deal property are a type capable of – or designed to – deliver the level of fuel bill savings estimated for the measure during the Green Deal Assessment. Whilst DECC cannot guarantee savings, this will help to increase confidence for consumers and promote the installation of fit for purpose products.

In light of this change to Annex B, we have decided to remove the formal requirement for manufacturers to confirm compliance with the Code of Practice and to register their products with the Oversight Body. This is because we believe that compliance with the Code of Practice is sufficient for product assurance purposes, and will operate alongside other customer protections in the framework including the PAS 2030 and the warranties framework. There was also a significant risk that such a proposal would be contrary to European Union (EU) laws which sets the rules for what testing and certification requirements can be imposed before a product is traded on the EU market, and would add an unnecessary cost to entering the Green Deal market.

### **Non-domestic measures**

During the consultation, we invited views on measures which were not listed in the draft list of Green Deal qualifying improvements (Annex A of the consultation document) which were particularly relevant to non-domestic buildings. We received a large number of views and suggestions.

From the list of suggested measures we selected 15 measures to add to the list of Green Deal qualifying improvements. We arrived at the final 15 by using the following approach: whether the measure has measurable energy efficiency savings and, whether it is modelled in the Green Deal assessment tool SBEM and therefore recommendable during an assessment process.

Please see Annex 1: Final list of Green Deal qualifying energy efficiency improvements. The 15 new additions are in bold.

Changes to measures eligible for ECO support are discussed in the context of the ECO section below.

## Improving behind-the-scenes operations

### Billing for the Green Deal charge

Most respondents were content with the proposed requirements for Green Deal information on customer bills and statements. Energy suppliers, in particular, highlighted that maintaining business-as-usual practices wherever possible would reduce the costs they incur when collecting the Green Deal charge. Consumer organisations stressed the need to ensure that information was presented clearly.

In keeping with industry practice where electricity charges are calculated on a daily basis, we are replacing the annual Green Deal charge with a daily Green Deal charge. This will not affect the ability of a Green Deal Provider to quote customers an average annual or monthly Green Deal charge. As an example, a Green Deal customer could see a line on their electricity bill which reads “Green Deal charge £0.50/day for 90 days giving a total of £45”, but suppliers will have flexibility over how the Green Deal charge information is presented on bills.

To help bill payers make a connection between the savings they should be making and the Green Deal charge we have decided to introduce a requirement for a generic statement to be included on the electricity bills that are received by Green Deal customers. This text will inform the bill payer that they are paying for a Green Deal Plan and highlight that the monetary savings may be achieved on other energy bills.

The consultation mentioned the possibility that the annual electricity statement could include the amount of Green Deal arrears (if applicable) and the expiry date of the Green Deal. We have decided not to require this as it duplicates information that would be sent by the Green Deal Provider in the annual credit statement and there was no support for it in the consultation responses.

### Administration fee

We proposed the introduction of an administration fee to compensate electricity suppliers for the cost of collecting the Green Deal charge on behalf of the Green Deal Provider, set at three pounds (£3) per year per Green Deal Plan, payable in four quarterly instalments.

Close to half the respondents agreed with the fee of £3 per year, while a few thought it was too high or believed that there should be no fee at all. A significant minority, all of whom were energy suppliers, were strongly of the opinion that the fee was too low.

We plan to review the level of the administration fee within three years from the point the Green Deal framework becomes operational. At this point the costs incurred by electricity suppliers in collecting and remitting the Green Deal charge can be more accurately assessed. In the meantime, in keeping with the move to a daily Green Deal charge, we are replacing the annual administration fee with a daily administration fee of 1p/day/plan invoiced on a quarterly



basis. This simplifies the calculation of the administration fee payable, as a customer could have more than one electricity supplier in a quarter.

As smaller suppliers have a smaller customer base across which to socialise any additional costs that are not covered by the administration fee, it has been decided to allow them to collect a higher fee of 2p/day/plan from Providers. This should help maximise the number of smaller suppliers that choose to opt-in to collecting the Green Deal charge.

However, a levelisation procedure will operate which ensures that Green Deal Providers pay no more overall, in any one quarter, than 1p/day/plan. This means that larger suppliers will receive slightly less than 1p/day/plan depending on the number of smaller suppliers that are collecting Green Deal charges.

### **Expiry of a Green Deal Plan**

In the consultation we proposed that the electricity supplier would need to inform the customer and the Green Deal Provider 14 days before the end of the Green Deal Plan. We have decided to remove this obligation and replace it with guidance for the Green Deal Provider to provide customers with a final statement when a Green Deal Plan ends. Removing this obligation allows a customer to make a full early repayment with immediate effect as the Green Deal Provider will not need to allow time for the electricity supplier to send this notification.

### **Green Deal data requirements**

One of the requirements on electricity suppliers proposed in the consultation document was to establish a Green Deal payment collection database. This database would contain sufficient information to allow suppliers to bill customers for the Green Deal charge and remit monies to Green Deal Providers or their nominated finance provider. This requirement will be implemented via an obligation in the Master Registration Agreement (MRA). MRASCo (the MRA Service Company) is in the process of procuring this 'central charge' database so that it can function from the point that the Green Deal framework comes into operation.

We need, however, to establish a secure way of transferring data between the new central charge database and its users (suppliers and Green Deal Providers). The electricity industry already uses the Data Transfer Service (DTS), based on a highly secure encrypted network, to support business critical purposes such as settlement, change of supplier and metering. Developing a new secure method for data transfer between the central charge database and suppliers and Green Deal Providers would be a substantial exercise and could be very challenging to deliver in time to support the early stages of operation of the Green Deal framework.

It has therefore been agreed with stakeholders that Green Deal Providers will pay for use of the existing DTS, as opposed to the development of a new secure method for data transfer. Through consultation, this was decided to be the best value for money option for secure transfer of data between the new central charge database and its users (suppliers and Green

Deal providers). The cost of this will be comprised of the cost of a connection to the DTS (around £480 a year) and a usage charge depending on the volume of data sent (around £2000 a gigabyte). We expect that the annual volume of data sent by a typical Provider will be much less than a gigabyte. Overall, the total cost incurred by Providers in using the DTS is likely to be significantly less than the cost of setting up a new secure data interface to the central charge database. The database will also have a web-based read-only functionality that does not require connection to the DTS.

## Revising the Energy Company Obligation (ECO)

The Energy Company Obligation is designed to complement the domestic Green Deal in a number of areas. For some of the most effective carbon saving measures, Green Deal finance alone will not be able to cover the upfront cost of the measures, ECO will combine with Green Deal finance to make these measures affordable under the Green Deal. ECO will also be used to provide insulation and heating measures to low-income and vulnerable households and insulation measures to local communities.

### ECO consultation position

#### Scale/Balance

The consultation document set out that ECO would achieve the twin objectives of reducing domestic carbon emissions and alleviating fuel poverty by setting two targets: the Carbon Saving Obligation to reduce CO<sub>2</sub> emissions by 0.52MtCO<sub>2</sub>/yr and the Affordable Warmth Obligation to reduce notional heating costs for low income and vulnerable consumers by £3.4bn, both by March 2015. The level of support across the obligation was proposed to be set at around £1.3bn per annum representing investment in the region of around £950m/yr for the Carbon Saving Obligation and around £350m/yr for the Affordable Warmth Obligation. We proposed that responsibility for delivering the obligation should fall to domestic electricity and gas suppliers and that small suppliers, those with less than 250,00 domestic customers, should be exempt with a taper to soften the impact for small suppliers who grow through the 250,000 threshold.

#### ECO eligible measures

We proposed that the Carbon Saving Obligation should focus on supporting the installation of solid wall insulation (SWI), with other measures eligible to be installed in packages only. Any measure which results in a reduction in the notional heating costs to the household was proposed to be eligible under the Affordable Warmth Obligation. We expected the bulk of measures installed under the Affordable Warmth Obligation to be loft insulation, cavity wall insulation, and heating systems. We set out questions in the consultation concerning eligible measures under both targets, specifically asking whether hard-to-treat cavity wall insulation should be included within the Carbon Saving Obligation, and about the use of extra incentives

for heat pumps and the inclusion of boiler repairs as an eligible measure within the Affordable Warmth Obligation.

## **Eligibility**

We proposed that support from the Carbon Saving Obligation could be received by all households, regardless of income or tenure type. We asked whether or not a 'Distributional Safeguard' would be necessary to ensure that the benefits of the Carbon Saving Obligation would be distributed equitably, and for suggestions as to the form this might take. We proposed that the Affordable Warmth Obligation should be targeted towards the poorest and most vulnerable consumers. We proposed that the eligible group should be similar to the current Carbon Emissions Reduction Target (CERT) Super Priority Group, with possible expansion to other tax credit and benefit recipients, but further targeted to those in private tenure only, and asked whether consultees agreed with this proposal.

## **Equitable delivery**

The consultation asked respondents for views or evidence on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, were likely to be equitably distributed to all income groups. Views were sought on whether regulatory invention was necessary to ensure a more equitable pattern of delivery and, in particular, comments on the likely effectiveness of setting a 'distributional safeguard' as a means of achieving this.

## **Brokerage**

We proposed the introduction of a voluntary market- based brokerage mechanism to ensure that Green Deal Providers have fair and transparent access to ECO subsidy, and energy companies promote measures through the most cost-effective delivery routes. . We proposed that this could be done via an online portal where ECO points could be traded for ECO subsidy. We asked whether energy suppliers should commit to channelling a proportion of their ECO subsidy through brokerage and how big these commitments should be. We also asked for views on what the brokerage model might look like.

## **Scoring Metric**

We asked respondents to comment on whether ECO scores and targets should be based on annualised or lifetime savings, and what the effects of scoring using either proposal would be. We proposed that savings be calculated using the Standard Assessment Procedure (SAP) and asked whether there might be any undesirable or inadvertent effects of doing so. We asked for views on whether ECO should be apportioned on the basis of customer accounts or sales volume, and what, if any, impact either of these proposals might have on distributional equity.

## **ECO Administration**

We sought views on whether Ofgem, who had administered previous energy efficiency schemes, should administer the ECO, or whether DECC should be the Administrator of the scheme, with technical functions outsourced.

## **Views expressed during the consultation**

### **Scale/Balance**

The majority of respondents agreed that ECO should be set at around £1.3bn per year, with a range of views being expressed over the balance between the two obligations. Some respondents, such as consumer groups and local authorities, suggested that Affordable Warmth receive a larger share of the target, whilst some potential Green Deal Providers suggested that the Carbon Saving Obligation should have a larger share. Those respondents who expressed a view also agreed that small suppliers, i.e. those with less than 250,000 customers, should be exempt and that a taper in obligation size for suppliers close to the threshold would be sensible.

### **ECO eligible measures**

Many respondents agreed that SWI should take priority under the ECO Carbon Saving Obligation. A small number of respondents suggested that SWI should be the only measure supported, but of those that responded to the proposal to include hard-to-treat (HTT) cavities, approximately two thirds were supportive. The majority were also in favour of including further measures under the ECO Carbon Saving obligation, such as easy to treat cavity wall and loft insulation, windows, glazing and heating systems. There was also some support for the inclusion of district heating schemes. Approximately one third of respondents suggested that any additional carbon saving measures should be installed as part of a package that includes SWI. Another third of respondents suggested that there should be no restrictions on the measures eligible under ECO.

The overwhelming majority of respondents were in favour of the proposal to allow any measure to be installed as part of the ECO Affordable Warmth Obligation, including boiler repairs. Furthermore, most respondents did not support additional incentives for installing renewable heat under the Affordable Warmth Obligation, although they did support inclusion of heat pumps where this was cost-effective using the proposed scoring system.

### **Eligibility**

Many respondents were positive about the suggestion that the Carbon Saving obligation should be open to all and the proposed eligibility criteria for Affordable Warmth. Others felt the Affordable Warmth criteria were too restrictive and should be widened to enable a greater number of households to be considered eligible or to reduce delivery costs of the scheme. Opinion was divided among respondents on targeting by tenure. Most social housing associations were among those who stated support should be tenure neutral, so social tenants in receipt of qualifying benefits were not disadvantaged. Others agreed with targeting

private tenure households often citing reasons such as the prevalence of fuel poverty and lower standards of energy efficiency in this sector.

### **Equitable Delivery**

The majority of respondents expressed a desire to ensure an equitable delivery pattern for ECO as a whole. Some supported the proposal in the draft Impact Assessment for a Distributional Safeguard in the form of a minimum level of the Carbon Saving Obligation to be delivered to low income households. However, views varied considerably about the level at which it should be set, who it should be targeted at, and the breadth of measures it should include.

### **Brokerage**

There was clear support for a brokerage mechanism, with proposals for the volume of ECO to be traded through brokerage ranging from 10%, up to 100%, with most on the higher end of the scale. We intend to introduce a brokerage, and have been working with stakeholders to develop a model, which supports the emerging Green Deal market. We propose to hold a further short consultation over the summer to call for further evidence of market failure and the need for any further regulatory intervention.

### **Scoring Metrics**

The majority of respondents favoured apportioning ECO on the basis of sales volume over customer accounts. The vast majority of respondents indicated that a Standard Assessment Procedure (SAP) based methodology is an industry standard which they are comfortable working with. Respondents generally favoured a lifetime based scoring system to encourage installation of longer-term improvements.

### **Administration**

The majority of responses favoured appointing Ofgem as Administrator of the ECO, in view of their experience in administering environmental schemes, their independence from DECC and the synergies with their role regulating the energy market. However, some said that DECC taking on administration could improve accountability and potentially improve value for money if technical functions were put to competitive tender.

### **The final shape of ECO**

ECO will deliver carbon savings and heating cost reductions in line with the indicative 75:25 split as set out in the consultation – with expected investment from suppliers to deliver on their targets at £1.3bn per annum. Following consultation, this will now be delivered through three rather than two obligations on Affordable Warmth, Carbon Saving Communities and Carbon Savings.

Following views and evidence received in the consultation on the need for more support for the fuel poor and a smoother transition for the insulation industry from existing subsidy schemes to the ECO, we have decided to introduce a third ECO element, the Carbon Saving Communities Obligation. This is designed to target insulation measures in low-income communities defined using the bottom 15% of Lower Super Output Areas from the Index of Multiple Deprivation, or equivalent indexes in Scotland and Wales.

Defining low income communities by geographic boundaries is not always effective at capturing rural poverty. To ensure that rural households are not disadvantaged, and to guarantee a minimum level of support, suppliers will be required to deliver 15% of their overall Carbon Saving Communities Obligation to rural, low income households in settlements with a population size under 10,000. To qualify for this assistance a rural household should be in receipt of a qualifying benefit or tax credit under the ECO Affordable Warmth eligibility criteria. A wider range of measures will be eligible under the Carbon Saving Communities obligation, including cavity wall, loft and solid wall insulation. We expect that loft and cavity wall insulation will be the most frequently delivered measures. The level of the Carbon Saving Communities Obligation will be set at 20% of the overall Carbon Saving Obligation, representing around £190m per year.

Responsibility for delivering the ECO will be apportioned to suppliers based on their energy sales volume (i.e. kWh energy sold to domestic customers) with an exemption for suppliers with fewer than 250,000 domestic customer accounts and a smooth increase in the obligation for companies who cross this threshold. Delivery will be scored in terms of carbon or notional bill savings over the lifetime of the measures installed. ECO scores will be calculated based on property specific information (such as the SAP) rather than deemed scores so these reflect the benefits delivered over the expected lifetime of the measures installed. This will ensure accurate individualised calculations per property to establish carbon and bill savings. There will be no interim targets to be met within ECO, as the initial obligation period runs for 30 months.

Reflecting the opinions expressed in response to the consultation, energy suppliers will be able to deliver both SWI and non-standard cavity wall insulation under the ECO Carbon Saving obligation. Insulation for non-standard cavity walls is less likely to be funded entirely by Green Deal finance but can deliver socially cost effective carbon savings. Supporting insulation for non-standard cavity walls will provide greater certainty for the cavity wall insulation industry during the transition from the existing CERT and CESP schemes to the Green Deal and ECO. The addition of the Carbon Saving Communities Obligation will target the installation of solid wall, loft and cavity wall insulation to more deprived communities, whilst providing greater certainty for the loft and cavity wall insulation supply chain during the transition to an ECO focussed on SWI. Where an energy supplier is delivering SWI or non-standard cavity insulation, suppliers will also be able to score further accompanying measures which reduce heat loss from a property, such as loft insulation, glazing and draught proofing.

Under the Affordable Warmth Obligation, any measure will be eligible for support if it reduces the notional cost of heating the property. Many respondents were keen to see boiler repairs included as part of the scoring metric. We will include boiler repairs as an eligible measure,

provided that the repaired boiler is accompanied with a level of aftercare for the household. We received no compelling evidence in the consultation to suggest that heat pumps were more effective than other methods in reducing heat costs for vulnerable consumers. Therefore, the consultation position, whereby heat pumps are included but without any additional scoring uplift, will be retained. Responses received indicated that the proposed eligible group was appropriate for the proposed level of funding and will target support to those most in need. Qualifying benefits will include: child tax credit with a household income under £15,860, income-related employment and support allowance, income-based jobseekers allowance, income support, state pension credit, working tax credit with a household income under £15,860. All benefit criteria have various qualifying components. Eligible households will be those in private tenures only.

Our consultation position did not propose support for district heating. However, we wish to support technologies which are socially cost effective at saving carbon, but which are unlikely to be fully financeable by Green Deal finance, and some district heating schemes may well fall into this category. Therefore, district heating will be eligible under the ECO Carbon Saving obligation when connections are delivered as part of a package that also includes SWI or non-standard cavity insulation. ECO Affordable Warmth will also support district heating, but energy companies will only be given credit for any eligible households on a new scheme, and these are likely to be a subset of all the households that get connected to a district heating scheme.

There is clear support for a brokerage mechanism to provide fair and transparent access to ECO subsidy, and we will put a brokerage mechanism in place for when the Green Deal framework comes into operation. We have already been engaging with stakeholders and experts to develop a brokerage model, which supports the emerging Green Deal market. We propose to hold a further short consultation over the summer to call for further evidence of market failure and the need for any further regulatory intervention.

In light of these responses and the desire to smooth transition between the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) and ECO, we will appoint Ofgem Administrator of the ECO for the first ECO period (from 1 October 2012 to 31 March 2015). After this we may seek to review the arrangements for administration.

## Evaluation of the Green Deal and ECO

We are committed to understanding the implementation of the Green Deal and ECO and to assess its impact over time. To do this, we will manage a programme of monitoring, research and evaluation, both in-house and commissioned, and publish a series of reviews and evaluation reports, which will be brought together in a Final Evaluation Report sometime between the end of 2017 and the middle of 2018.

There are 3 proposed reporting milestones:

- One Year Review - immediate period post-the framework becoming operational (“one-year on”, end-2013 to mid-2014);
- Interim Evaluation - medium-term, end-2015 to mid-2016; and
- Final Evaluation - long-term, impact-evaluation, end-2017 to mid-2018

Evaluation plans are being developed in more detail, which will be peer reviewed to quality assure and strengthen our approach, before publication in the autumn.

Given the innovation in the Green Deal and ECO policies, monitoring and evaluation will be vital to help understand what works, by how much, and why, if government is to be able to steer implementation over time. Equally, market participants in the Green Deal will be developing their approaches to work within this new framework and our monitoring and evaluation will seek to understand their delivery and to learn lessons that can be shared across the industry, as well as fed back into government.

The evaluation will assess impact and be capable of identifying the contribution made to carbon reduction and statutory emissions reductions requirements in the domestic and non-domestic buildings sector. It will also support the monitoring of supplier progress and delivery against their ECO targets; working closely with the new ECO Administrator and assessing the impact of the ECO policy and how this is delivering against its objectives to reduce both carbon emissions and fuel poverty.

In the first 6 months of the framework regulations becoming operational, the evaluation research will help policy to understand and assess:

- how partners are delivering against the new framework in early demonstration areas, for example where newly accredited assessors and installers deliver measures, even though their customers may not yet be using the new finance mechanism;
- how suppliers are delivering against their ECO targets, including the type of measures delivered, where supplier activity is targeted, who has benefited from this early support and how much it is costing
- how the first pioneer Providers are operating the new finance mechanism;
- how customers respond to differing levels and types of incentives, made available by the government’s incentive fund

We anticipate the bundling of new packages of energy services, meeting the objectives of other DECC policies, notably the delivery of micro-renewable technologies for both heat and electricity, and smart meters. Together these policies will improve building fabric performance, enable customers to understand and control their energy demand, and to install micro-generation. The Green Deal and ECO evaluation will therefore take account of these other policy and delivery impacts. For example, monitoring and data reporting arrangements across both the Green Deal and ECO and Smart Meters roll-out should will enable these relationships to be identified and quantified, as data should will be capable of identifying where both are delivered to the same property. Social research design for evaluation of Green Deal and ECO



implementation and Smart Meters roll-out will investigate these relationships in more depth, with a specific interest in understanding the attribution and additionality of energy savings derived from both policies, as well as synergistic effects.

Our monitoring approach makes the most effective use of existing regulatory infrastructure to collect data. The design of the policy has required a range of data to be returned by Green Deal Providers and other participants to the authorisation and accreditation framework, and from the ECO participating energy suppliers to the ECO Administrator. The policy design also uses the Energy Performance Certificate as an integral mechanism to issuing Green Deal Plans and scoring for ECO standard assessments. Both will enable detailed data to be returned to DECC for statistical monitoring and evaluation purposes.

# Summary of responses

## Overview

Where appropriate, we have grouped together questions addressing different aspect of the same policy and have provided, in such instances, one government response.

## Chapter 1: Assessment

**QUESTION 1: 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?**

### Summary of responses

There were 357 responses to this question. Responses to this question covered a wide range of issues relating to the assessment process, some of which duplicated responses to question 2-7 and are covered there. 219 responses provided further comments that were directly related to the question posed. Overall, respondents felt that the requirements were heading in the right direction but that there were elements that needed to be strengthened further.

The strongest response related to the need for Green Deal Assessors to have specific skills over and above those currently required for producing EPCs. In particular, respondents highlighted the need for Assessors to have a more thorough knowledge of the pathology and types of buildings ( e.g. heritage, listed and old buildings) and issues that can result from the installation of certain measures into older properties.

Some respondents felt that the RdSAP/ SAP was not good enough and needed to be improved further. Some respondents also felt that more should be done to clearly define impartiality and independence and to ban inducements to mis-sell, with some calling for complete independence. This is addressed in more detail under Question 3.

### Government response

A number of improvements have been made to the RdSAP methodology to improve the energy assessment of dwellings and provide better information on benefits from improving their energy performance. These include:

- additional improvement measures, including flat roof and room-in-roof insulation, floor insulation and waste water heat recovery;
- additional data items to recognise wall thickness, more alternative walls, and recognition

of the need for further investigation in the case of system build, stone wall and hard to treat cavity walls;

- regional weather is to be used for calculation of all costs and savings and calculation of whether measures are likely to be eligible for Green Deal finance.

In addition, in response to calls for more Assessor knowledge of the pathology and types of buildings that measures will be installed into, we have added to the National Occupational Standards (NOS) and syllabus for Green Deal Assessors. This includes the range and complexities of construction types and issues that are particular to older and heritage buildings etc. These documents can be found on the Asset Skills website at: [www.assetskills.org](http://www.assetskills.org)

## **QUESTION 2: 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)?**

### **Summary of responses**

We received 363 responses to this question. There was a mix of those respondents who felt that the suggested approach covered all of the areas needed and those that felt they needed to see a more developed version of the NOS before they could comment in detail.

Not all respondents commented specifically on the role that APEL should play - many simply chose to comment on the kinds of skills they felt that Green Deal Assessors would need rather than how these should be assessed.

However, a large number of respondents agreed that there should be a mechanism in place to recognise existing skills. A number of respondents stressed there needed to be consistency of approach for fairness and consumer confidence with all certification bodies using the same standard. Some put forward the view that the APEL route needed to be carefully and robustly monitored to ensure that candidates qualifying for accreditation through this route would be able to demonstrate that they had completed the additional learning required to meet the Green Deal standards, as the 'Green Deal element' is completely new. Some specified that a qualification should be required for this element while others stressed the importance of the assessment of the candidate being carried out by a suitably qualified evaluator.

### **Government response**

Since the end of the consultation, a full set of NOS have now been finalised. These have been approved by the UKNOS Panel and can be downloaded at [www.assetskills.org/PropertyAndPlanning/EPBDGreenDealNOS.aspx](http://www.assetskills.org/PropertyAndPlanning/EPBDGreenDealNOS.aspx). In addition, a full set of Qualification and Credit Framework (QCF) units for England and Wales and a detailed syllabus for the Green Deal Assessor (Advisor) qualification have been finalised and can be found at: [www.assetskills.org](http://www.assetskills.org). We have worked with Asset Skills to support learning providers through the provision of 'train the trainer' courses and resource packs. We have also been working with

Asset Skills to map existing qualifications against the NOS to provide for a clearly defined APEL route for anyone looking to be a Green Deal Assessor. These too can be found at [www.assetskills.org](http://www.assetskills.org) and have been signed up to by major awarding bodies in this area.

**QUESTION 3: 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?**

### Summary of responses

364 responses were received to this question. There was strong support for further provisions to enshrine impartiality of assessment in the Green Deal process. A major concern expressed was the lack of information provided to consumers, meaning they could not distinguish between impartial Assessors and tied or impartial elements of the assessment visit. Another major concern was the incentives that may be provided for Green Deal Assessors to adjust the assessment or use the 'impartial' advice as an opportunity to sell on behalf of a Provider.

A small proportion of respondents called for a requirement for all Green Deal Assessors to be independent and prevented from being tied to the Green Deal Providers in any way.

### Government response

We accept that the impartiality of the assessment process is paramount. Whilst the standardisation of the methodology and the quality assurance should ensure this is the case, more information could be provided to the consumer. Having considered the case for completely independent Green Deal Assessors, we felt that this ran the risk of restricting the market and preventing the 'one-stop-shop' model and smooth transition between stages of the Green Deal that our research showed that consumers want to see. This is likely to be even more essential in rural or remote areas where cost per visit could be higher.

To bolster the existing provisions relating to impartiality we will place additional requirements on the Green Deal Assessor to declare to consumers:

- whether they are acting as an independent or are tied to a Provider – this will enable independents to distinguish themselves from tied Assessors;
- their payment route, including whether they are receiving commission for any part of their visit;
- the purpose of their visit, including whether they are looking to carry out another function in addition to the assessment and who that is being carried out on behalf of (e.g. a quote) – seeking consent ahead of this visit for any additional function.

We will also place an additional condition on Green Deal Providers to ensure that they cannot withhold payment to an Assessor for an impartial assessment on the condition that it does not

result in a sale. This should help reduce any incentive for the Green Deal Assessors to adjust the impartial assessment or pressure sell in order to can get paid for their assessment.

**QUESTION 4: Do you agree with our proposed approach to third party assurance and enforcing compliance for those providing Green Deal assessments?**

**Summary of responses**

We received 264 responses to this question, with the majority of respondents supporting the proposed approach to third party assurance and in particular the role of this assurance in developing a trusted Green Deal brand. A small number of respondents expressed concerns that the cost of signing up to the assurance regime could force small organisations out of the Green Deal

Close to a quarter of respondents expressed concern about our proposals for Assessors to have professional indemnity insurance of up to 25 years (maximum life of a Green Deal Plan) to cover their work. This was seen as impractical and potentially very costly.

Responses also focused on the importance of ensuring that adequate arrangements for compliance, enforcement and sanctions were in place.

**Government response**

Given the strong support for the approach to third party assurance we are continuing to refine the Assessor certification standards.

In response to concerns expressed, the audit regime being put in place as part of the standards has also been changed to take account of the size of the organisation in question, to ensure smaller organisations are not unduly barred from entry whilst maintaining an effective quality assurance process. A sample of Green Deal Assessors shall be evaluated through witnessed assessments within the first six months of initial certification being granted. Further details are available in the draft Specification for Certifying Bodies certifying the Green Deal Advice Service<sup>6</sup>. The audit approach will also be closely monitored during the early operation of the Green Deal.

We have also listened to the responses from those operating in the industry in relation to the insurance period required of Green Deal Assessors. As a result, this will be set at 6 years, in line with feedback received in relation to best practice across the industry.

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<sup>6</sup>These can be found here:

[http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/gd\\_industry/advisors/advisors.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/gd_industry/advisors/advisors.aspx)

**QUESTION 5: 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?**

**Summary of responses**

There were 226 responses to this question. The majority of respondents agreed that the 10 year validity was unsuitable for the Green Deal. Of the respondents who commented further on the question, some also felt that where an existing EPC was used, it should be checked in every case to ensure that there have not been material changes to the property since it was produced as this could have a significant effect on the results of the EPC and the savings predictions from improvement measures. Other main reasons for the 10 year period not being suitable for Green Deal were that new and innovative technologies would not be included in the EPC, and that the EPC should be redone following significant improvements to the underlying methodology such as the revision to RdSAP for April 2012. A few respondents made the point that the occupancy patterns of the household are important for accurately estimating energy use and raised the importance of using the latest fuel prices when estimating savings.

**Government response**

As a result of the responses, we propose to retain our policy position that only those EPCs which have been produced since 1 April 2012 may be used for Green Deal but in addition, require that Green Deal Assessors confirm that no material changes have been made to the property since the original was produced. If improvements have been made which could affect the results, a new EPC will be required. This is to help ensure that all Green Deal Advice Reports are produced using the most relevant and up to date information available. Green Deal Assessors will check the EPC when in the property to produce an Occupancy Assessment, required as part of the Green Deal Advice Report.

Further steps we are taking to provide an accurate assessment include requiring an Occupancy Assessment to provide information specific to the householders energy use, and requiring a new EPC following installation of measures using Green Deal finance.

**QUESTION 6: Do you think that the 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?**

**Summary of responses**

There were 100 responses to this question, of which over a quarter have been considered under Question 7. Many respondents felt the EPC/SBEM approach sufficiently captured most building types. Some respondents thought all relevant building types were captured. Others

identified specific building types that would not currently be captured, and which may need alternative approaches. Only a few number of respondents thought that a different approach should be adopted in order to capture all buildings. An equally small number of respondents suggested the use of Dynamic Simulation Models (DSMs) to capture specific building types and those of more complex construction.

### **Government response:**

We propose to continue using the SBEM model but have introduced much greater flexibility for Green Deal Assessors to change previously locked variables. This will allow for assessments to be more bespoke and better able to cope with some property types. We will continue to consider the potential to modify SBEM for specific property types currently unable to receive EPCs as part of future iterations of the tool and methodology. We will also continue to allow for DSMs to be used for assessing more complex building types.

### **QUESTION 7: Are there alternatives to the simple approach to providing running cost savings in the non-domestic assessment that we should consider?**

#### **Summary of responses**

There were 196 responses to this question, of which 37 were provided within responses to Question 6. Of these respondents, the majority supported our approach, with a caveat that the iSBEM tool ideally would need to be improved and/or extended. Two broad categories of improvement were suggested: ensuring the underlying methodology is kept up to date with latest evidence; and adding steps that account for operational and energy consumption data.

Some respondents suggested a lighter-touch approach should be adopted, with a number of them further suggesting DECs as an alternative. One respondent proposed that experienced building energy managers should be permitted to carry out assessments that do not necessarily use the software. Balanced against this were a few responses suggesting that Assessors would need higher levels of training, e.g. a level four qualification should be the minimum for all non-domestic properties Assessor.

Some respondents suggested that wider life-cycle cost issues should be factored into the Golden Rule calculations. These included maintenance of asset improvements, potential savings in CCL payments; and inclusion of the social cost of carbon.

### **Government response**

In response to the feedback, the iSBEM tool for Green Deal has been improved and extended to include the use of operational, tariff and energy-use data in the assessments. These improvements include the ability to adjust the EPC default values to tailor building use more accurately; calculation of a building energy management score; and inclusion of fuel tariff data and historical energy consumption information. The latter can be taken from energy bill records

or downloaded from an existing DEC if available. As with the domestic RdSAP methodology, SBEM now accounts for regional climate variations and will continue to be updated on the usual basis to account for latest evidence. The current iSBEM tool for Green Deal is the culmination of several months of consultation on the BRE's website<sup>7</sup>, where interested parties were invited to download beta versions of the software and provide feedback.

## Chapter 2: Measures, products and systems

### **QUESTION 8 - Which measures should be added to the list of qualifying measures in Annex A for non-domestic properties, and what evidence is there that these measures improve the energy performance of buildings?**

#### **Summary of responses**

We received 318 responses to this question, 269 of which provided substantive comments. Approximately a quarter indicated that the consultation list was sufficiently comprehensive. The remainder suggested a wide range of additional measures, many of which were not limited to the non-domestic sector.

Of those respondents who suggested additional measures a significant number asked for the inclusion of voltage optimisations technologies and district heating schemes. Many responses also called for lighting systems, roof lights, HVAC systems, water source heat pumps, hot water efficiency measures, general water saving measures, high performance water cylinders, ICT equipment, smart meters, shading devices, blinds and shutters to be included.

A small number of respondents felt that any energy savings measures should be capable of attracting Green Deal finance, with some limiting this only to "cost-effective" measures. The majority of respondents commented that it is critical to ensure the measures list is open to the addition of new technologies.

#### **Government response**

In response to the feedback from the consultation, we have added 15 new measures to our consultation list of Green Deal qualifying list of improvements. There are now a total of 45 qualifying improvements. The final list of measures includes those measures which were suggested during the consultation as capable of making energy savings, and are modelled in either RdSAP or SBEM (the tools underpinning the Green Deal Assessment). The finalised list of qualifying improvements is attached at Annex 1. This does not, however, mean that other measures suggested during the consultation can never be included in the Green Deal. There is a process for adding new measures and more detail on this process is discussed under Question 9.

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<sup>7</sup> [www.gdtool.bre.co.uk/index.jsp?id=1](http://www.gdtool.bre.co.uk/index.jsp?id=1)



Our approach is to have a single list of qualifying energy improvements for domestic and non-domestic buildings. This is because in some cases, recommended measures will be similar in domestic and non-domestic properties e.g. a dwelling converted into a shop.

Under the Green Deal framework it is not a requirement that measures included in the finalised list can pay for themselves entirely in energy savings. Measures can benefit from Green Deal finance up to the level of the savings they can generate. The customer can then choose to pay the rest or finance in another way.

It will not be possible to respond specifically to every measure suggested as part of the consultation process, but we have provided a summary of our overall position on some of the major measures suggested. Guidance materials will provide more information to help suppliers determine the position on their specific product.

#### District heating schemes and voltage optimisation technologies

District Heating is not on the list of Green Deal qualifying improvements at this stage. We recognise the importance of district heating systems, as acknowledged in DECC's recent heating strategy, and this measure will be included in elements of the ECO. However, there are practical issues associated with including this measure in the Green Deal, for example, the need to carry out a "full SAP" assessment and to then divide the estimated energy savings between properties. We will continue to work with the District Heating sector to resolve these with a view to including this measure in a future update of RdSAP.

We will also continue to work with companies and experts on voltage optimisation to achieve a shared understanding of the benefits voltage optimisation and management can bring, to which type of buildings, and the practical steps needed to include this measure in the Green Deal framework.

#### Mechanical Ventilation and Heat Recovery

Mechanical Ventilation and Heat Recovery (MVHR) systems can deliver savings in domestic properties provided the air-tightness of the building has reached a certain level. There are therefore practical barriers associated with this being recommended in the domestic assessment since it requires an air tightness test – which would add costs to the Green Deal Assessment. However, MVHR can be recommended in a non domestic assessment without these additional costs as an air tightness test can be carried out using SBEM. As a result, MVHR is an eligible measure but will only be recommended in non domestic assessments at this stage.

**QUESTION 9 - 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?**

**Summary of responses**

We received 271 substantial responses to this question. Nearly all respondents agreed that the Appendix Q route was an appropriate mechanism to support the inclusion of new measures, and there was no need to create a new process.

Respondents supported the policy to allow the measures list to be flexible and to be updated regularly. Of those who commented further on the question, around 10% of respondents recognised that independent verification of performance is needed, and around 10% also supported the idea of a modifications committee to open up the decision-making process.

However, a number of concerns were raised about the process in its current form, and suggestions were made to improve the process.

Of those who commented further on the question, around a quarter of respondents thought there was a need to ensure the process is as quick as possible to avoid delay in the introduction of new measures into the Green Deal. Also, a quarter of respondents thought the process needed to be more transparent and should not be prohibitively expensive, especially for SME's. Around 16% of respondents felt that some sort of financial support should be provided to SME's for the application.

Lastly, it was considered important by the respondents to ensure the organisation contracted to administer the process has the capacity to handle an increased number of applications resulting from the Green Deal.

**Government response**

As a result of the responses, we propose to use the Appendix Q process for adding measures to the assessment tools, and subsequently to the list of qualifying improvements. DECC is supportive of the need to have a rigorous Appendix Q process and testing to ensure that measures and products recognised in SAP capable of delivering energy savings. Our ambition is to achieve this in the most efficient manner so as to facilitate the introduction of innovative technologies. DECC will periodically review the Appendix Q procedure, including the web site and guidance material, with a view to improving transparency and usability.

We are also proposing to set up an "Integrity Group", whose members are commercially independent and whose function will be to help protect the scientific integrity of the SAP methodology. It is intended that the Integrity Group will also have a role in considering Appendix Q applications as the vehicle for making available new information, including on new technologies, to SAP and RdSAP assessors. This will help to broaden out the decision-making process to a panel of experts.

DECC currently assists companies interested in making an Appendix Q application-by covering the SAP contractor costs of the initial meeting between them and the manufacturer. The purpose of this meeting is to consider the mechanics of the new technology and assess the level of energy savings that might accrue under the occupancy and behaviour assumptions that the SAP methodology uses. The meeting will also cover the information and testing requirements needed to take forward an Appendix Q application.

In order to minimise the costs of an Appendix Q application any appropriate UKAS accredited laboratory may be used to test products in accordance with the agreed Appendix Q test specification pertaining to the technology in question. There are around 12 laboratories accredited to the UKAS standard; an up-to-date list is available on the UKAS website<sup>8</sup>.

In the non-domestic sector, the SBEM contractor (BRE) has set out a proposed approach for introducing an Appendix Q process to allow the recognition of additional technologies in SBEM calculations. This is set out in the Building Regulations 2012 Consultation<sup>9</sup>. For the longer term, will we develop proposals on how to support increased capacity and competition within the testing and certification market.

**QUESTION 10: What innovative ways can the government use to encourage uptake of a package of measures and could our existing proposals support this.**

### **Summary of responses**

We received 380 responses to this question. Generally respondents supported our overall position to promote the installation of packages of improvements. However, a significant number of respondent were concerned with driving demand for Green Deal more generally and this has been factored into our overall work on demand generation.

Where responses related to package approaches, these were primarily concerned with helping customers understand the benefits of a wider package of measures and proper sequencing of installations.

### **Government response**

Our position is to pursue the approach set out in the consultation. Specifically, to frame the recommendations on the EPC to promote the installation of the full package of measures recommended in a cost-effective order which encourages the installation of fabric measures first.

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<sup>8</sup> [www.ukas.org](http://www.ukas.org)

<sup>9</sup> <http://www.communities.gov.uk/documents/planningandbuilding/pdf/2077485.pdf>

We will produce an official advice leaflet on the additional benefits of installing packages of measures and making energy efficiency improvements in an appropriate order for dissemination by Green Deal Assessors and/or Providers and other participants.

We will also continue to ensure the framework makes the most of natural trigger points, such as when a customer is already doing work on their property. The framework will allow for customers to choose to install measures over time and to take out more than one Green Deal. In this situation the Green Deal Provider should set out how this approach would affect the amount of finance that would be available.

Lastly, we will continue to work with the supply chain to see how 'all in one visit' approaches to installation can be supported.

**QUESTION 11: 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.**

### **Summary of response**

We received over 300 responses to this question. Approximately two thirds of respondents supported the proposal to include hard-to-treat (HTT) cavities under ECO. A limited number of respondents suggested existing technologies (e.g. bead, fibre and foam insulation) to treat HTT cavities and some included other innovative and/or new methods. Fewer than ten respondents suggested that HTT cavities should not be included. A limited number of respondents also questioned whether Green Deal Assessors would be suitably trained to identify a HTT. Very limited information was provided on why including HTT cavities might have perverse consequences. Rather, many of the responses that referred to perverse consequences were of the opposite view. That is not including HTT, for instance, would lead to unnecessary or inappropriate installation of solid wall insulation where more cost-effective measures or cavity insulation would be more suitable. Around 5% of respondents to this question, including representatives from the insulation industry and Committee on Climate Change, called for the inclusion of easy to treat cavity wall and loft insulation.

### **Government response**

To reflect the opinions expressed in response to the consultation, we have decided to allow energy suppliers to deliver both solid wall insulation and non-standard cavity wall insulation under the ECO Carbon Saving obligation. Insulating non-standard cavity walls is less likely to be fully fundable by Green Deal finance but will deliver socially cost effective carbon savings. Supporting non-standard cavity walls will provide greater certainty for the cavity wall industry during the transition from the CERT to the Green Deal. Cavity wall and loft insulation will be supported under ECO through a new Carbon Saving Communities obligation (see Question 33).

**QUESTION 12: 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?**

### **Summary of response**

We received close to 400 responses to this question. The overwhelming majority of respondents who answered this question were in favour of including other measures under the ECO Carbon Saving obligation. Many agreed that solid wall insulation (SWI) should take priority, but the bulk of respondents suggested the inclusion of additional measures, which included listed buildings, HTT cavities (some with references to Question 11), improved glazing and/or new windows and heating systems. Around 10% of respondents supported the inclusion of easy to treat cavity wall insulation and loft insulation. Further measures, but to a lesser extent, included heat-pumps, energy efficient lighting, draught-proofing, treatment of stone-built and timber-framed buildings, flat roofs, under-floor insulation, district heating schemes and park homes. A limited number of respondents suggested that SWI should be the only measure supported under ECO. Others referred to a transition period between CERT and CESP. Very limited information was provided on how to define any measures that should be included.

### **Government response**

To reflect the opinions expressed in response to the consultation, we have decided that where an energy supplier is delivering solid wall and non-standard cavity insulation, suppliers will also be able to score further accompanying measures which reduce heat loss from a property, such as loft insulation, glazing and draught proofing. We have also decided that district heating can be eligible for ECO when connections are delivered as part of a package that also includes SWI.

**QUESTION 13: 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?**

### **Summary of response**

Just over 300 respondents answered this question. The question received a varied response. Between a quarter to one third of responses agreed that any additional carbon saving measures should be installed as part of a package that includes SWI. In addition, approximately one third of responses also suggested measures that should be eligible as part of package. Of these, the most frequently suggested included loft and cavity wall insulation, HTT cavities and windows or glazing. Approximately one third of respondents suggested that there should be no restrictions on the measures eligible under ECO. Reasons for not including restrictions included the potential for different building types requiring individual approaches to

improving energy efficiency, assessing the cost-effectiveness of installing different energy efficiency measures in a particular property and the impact restrictions would have on the fuel poor.

## **Government response**

Having considered the opinions expressed in response to the consultation, we have decided to retain the consultation proposal that ECO carbon saving measures should only be eligible when delivered alongside SWI (and HTT cavities). We expect that the promotion of packages will also help take maximum advantage of trigger points such as renovation. The eligibility of ECO measures for those on low incomes and most vulnerable is covered in Question 14.

## **Measures eligible for ECO Affordable Warmth Obligation: Summary of responses Questions 14, 15 and 16**

**QUESTION 14: 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.**

We received 332 responses to this question. An overwhelming majority of respondents were in favour of the proposal to allow any measure to be installed. There were, however, some concerns raised about a need to ensure that households were receiving an appropriate package of measures, including major measures (i.e. those which change the fabric of a dwelling) alongside cheaper measures to promote a holistic approach. Some respondents suggested that measures should be delivered in a prescribed order, for example those most cost effective first, those making fabric changes first, or in accordance with an accepted 'energy efficiency hierarchy'.

**Question 15: 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?**

285 responses were received to this question. The majority of responses supported the idea of including boiler repairs as part of the Affordable Warmth obligation. A large number of respondents wanted to ensure that only boilers with a high efficiency rating could be repaired and that the lowest rated boilers should be replaced. In terms of scoring a boiler repair, there was no standout common opinion amongst respondents; ideas included deeming scores based on the lifetime of the boiler or the cost of the repair. A very small number of respondents suggested that a boiler repair should only be offered in conjunction with other heating system upgrades such as tank or pipe insulation, TRVs and power flushes. Issues raised included

needing to ensure that boiler repairs were not over-incentivised and that only a proportion of the obligation could be met through this aspect.

**QUESTION 16: 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?**

We received just over 250 responses to this question. A minority of respondents felt additional incentives were necessary to drive uptake of heat pumps and place more emphasis on renewable energy. A number of stakeholders were concerned about double-subsidy for renewable technology, alongside the RHI. Many argued that, where heat pumps were installed, properties should be thoroughly insulated in advance to maximise the effectiveness of the technology, consistent with standards required in the RHI.

Respondents also pointed out that households who have installed a heat pump would need to obtain a thorough understanding of how to operate the technology (which differs significantly from more traditional heating sources) in order to realise the full savings potential. This is part of a wider set of concerns raised about ensuring that measures installed under affordable warmth were appropriate for more vulnerable householders to operate. The majority of respondents who raised this issue felt that newer renewable technologies, which had been shown to be complex to operate for more vulnerable households, would not be appropriate in the majority of cases.

A limited amount of evidence was provided as to the efficiency levels to which heat pumps were capable of operating.

Anecdotal evidence was received from a number of Local Authorities concerning existing heat pump installations. Some suggested that heat pumps had resulted in considerable savings for vulnerable consumers, others pointed out that vulnerable consumers have struggled to understand how to best operate the technology and have not seen any bill savings.

#### **Government response Questions 14, 15 and 16.**

We will include any measure which allows eligible households to heat their homes more affordably within the Affordable Warmth obligation, due to the high level of support received in consultation responses. Measures can be delivered in any order on the basis that there are natural incentives for energy suppliers to deliver the most cost-effective measures first, and to deliver a number of measures at one time, where a property is lacking both heating and insulation. Those delivered as part of a package will be scored in line with the order set out in the Assessor tool. Our analysis suggests that heating and insulation will be the most frequently delivered measures.

We will include boiler repairs within the Affordable Warmth scoring metric, but with a number of caveats in order to ensure that a disproportionately large amount of the obligation is not delivered in this manner. This largely reflects the opinions expressed in response to the consultation. Therefore, there will be a compliance cap to limit the overall amount of activity in this area. There will also be a minimum level of energy efficiency alongside the compliance cap, to further focus the number of opportunities available for boiler repair to where it would be most appropriate.

Based on the responses and evidence received from the consultation, we will not be offering additional incentives for the installation of heat pumps within ECO. No new evidence was presented to support offering additional incentives for heat pumps, and the anecdotal evidence offered regarding existing installations was inconclusive. Heat pumps will be included in the scoring system without any additional incentives, as set out in the consultation document.

**QUESTION 17 - 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?**

**Summary of responses**

We received 282 responses to this question. Overall there was widespread agreement to the approach of only requiring that products meet testing and certification requirements that already exist for their particular market. This means not creating a new approach, which could risk breaching European laws and would create additional costs for industry.

However, consultees questioned whether there should be a list of products at all, and some questioned the need for a Green Deal product registration process. Whilst some organisations considered this to be an unnecessary duplication, others though this process would provide greater clarity on which products could be financed through the Green Deal.

Nearly all respondents who commented considered the cross referencing of existing lists, such as the MCS product list, to be appropriate.

Where respondents commented on the system testing requirements they supported that the full system of component parts and material has to be tested and certified together.

**Government response**

Our original policy has been amended to balance the need for assured product performance whilst keeping additional burdens on business to a minimum. Our approach will rely on existing legislation and maintain standards as far as possible. By adopting this option, and not requiring new testing and certification for all products, we avoid additional costs to manufacturers estimated to be in the region of £24m. We will require (in the Green Deal Code of Practice) that all products installed through the Green Deal must meet existing legal obligations, for example,



those set out in Building Regulations. In addition, products covered by EU legislation on CE marking must have the CE mark.

We will require system testing (that the components work together and on the wall type in question) and third party certification from a UKAS accredited (or equivalent) facility for measures which are made up of a series of components such as external wall insulation. The systems testing requirements will cover External Wall Insulation Systems, Internal Wall Insulation Systems and Cavity Wall Systems.

Annex D of the Code of Practice makes clearer who can certify products and in which circumstances this is needed. Products will also be “spot checked” for compliance with the Code by the Green Deal Oversight Body. The provisions in Annex B relating to the guarding against certain risks associated with installations have been strengthened for example, in relation to ventilation requirements.

In addition, we have included a new requirement in Annex B of the Code of Practice to require that Green Deal Providers confirm with their suppliers that the products to be installed in a Green Deal property are a type capable of – or designed to - deliver the level of fuel bill savings estimated for the “measure” during the Green deal Assessment. Whilst DECC cannot guarantee savings, this will help to increase confidence for consumers and promote the installation of fit for purpose products.

In light of this change to Annex B, we have decided to remove the formal requirement for manufacturers to confirm compliance with the Code of Practice and to register their products with the Oversight Body. This is because, we believe that compliance with the Code of Practice is sufficient for product assurance purposes, and will operate alongside other customer protections in the framework including the PAS 2030 and the warranties framework. There was also a significant risk that such a proposal would be contrary to European Union (EU) laws which sets the rules for what testing and certification requirements can be imposed before a product is traded on the EU market, and would add an unnecessary cost to entering the Green Deal market.

**QUESTION 18 - 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?**

### **Summary of responses**

We received close to 250 responses to this question. Our proposal was supported by virtually all respondents who commented.

Suppliers felt that the mechanism would drive innovation within existing measures categories and encourage the supply of the best products on the market. Respondents also provided

views on how the mechanism should function, but commented that it should not create new testing requirements or be prohibitively costly.

### **Government response**

Product differentiation will be a voluntary part of the Green Deal framework. Our goal is to make it operational as soon as possible. We will issue a tender to procure an organisation to develop a standardised methodology for independently verifying the enhanced performance of products. The specification will ask the contractor to set out their proposed approach, verification methodology, and what the interface for Green Deal Providers who will use the differentiated data should be.

Possible approaches include data on enhanced durability and product lifetimes, higher than generic savings estimates, and reductions of the “in use factor” applying to products that consistently perform nearer to the theoretical levels possible. The in-use factor is a percentage reduction applied to the savings. Their purpose is to recognise that the theoretical performance of energy efficiency measures and the actual performance is often different, and to enable the Green Deal finance to be adjusted accordingly.

The intended outcome is that the Green Deal market will over time favour the products that have had their performance verified in this way, as they will attract a larger proportion of Green Deal finance. The benefits to manufacturers of being recognised in this part of the framework are therefore high.

## **Chapter 3: The Green Deal Provider and Plan**

**QUESTION 19: Are surety bonds the most effective way of providing consumer protection in case of Green Deal Provider insolvency or loss of license?**

### **Summary of response**

There were 282 responses to this question. A majority of respondents noted how important it was to ensure consumers were protected if the Green Deal Provider was no longer present. However, many were unable to comment on whether surety bonds were the most effective way of achieving this. Of those who commented, many were concerned that the high costs associated with a surety bond would be a barrier to market entry. Some suggested that, to mitigate this risk, a Green Deal Provider of last resort could be created, either by accumulating a central pot or by requiring a Provider to take on liability of another failed Provider. There was also the suggestion that this could be underwritten by government.

### **Government response**

It is essential that the market is competitive but at the same time provides adequate consumer protection. Therefore, we will remove the requirement for Green Deal Providers to have a

surety bond in place as a condition of authorisation. Instead, we will make provision in the Green Deal Framework Regulations and the Green Deal Arrangements Agreement to ensure that, if the Green Deal Provider ceases to be authorised or is wound up, the most important ongoing obligations of the Provider continue to be carried out by the person who is entitled to payments under the plan and customers can still, in appropriate cases, seek redress under our legislative framework for failures of the Provider (or its assignee). We believe that in this way, customers will receive an appropriate level of protection in a much more effective and cost-efficient way.

**QUESTION 20: Does our proposed approach to authorisation of Green Deal Providers provide adequate consumer protection without creating barriers to entry?**

**Summary of response**

There were 264 responses to this question. There was general agreement that our principle to enforce a stepped sanctions process would be effective but some felt that it would take too long to work. In addition, many respondents felt that the proposed authorisation and oversight process was complicated. The implications of this could either be the creation of high costs, which could act as a barrier to market entry, or a complex redress system, which could be confusing to consumers and could leave them without redress. There was general support for some regulation but through balancing consumer protection and burdens on business.

**Government response**

It is important that the Green Deal market is competitive and accessible. With this in mind, we have reduced authorisation burdens where possible. We have removed the requirement to have an independent conciliation service in place. Instead, we will mandate complaints handling procedures in the Green Deal Code of Practice and customers will have access to the Green Deal Ombudsman. This will reduce the time taken to resolve complaints if escalated to the Ombudsman and will reduce costs in the process, whilst ensuring that disputes are dealt with fairly and effectively. We will be applying a fitness test when assessing authorisation applications which will be based on factors including previous conduct in similar fields.

We will publish guidance on this and on imposing sanctions to provide more clarity on how they will work in practice.

**QUESTION 21: How much weight should be given to the argument for placing financial responsibility for late payment with the payee?**

**Summary of responses**

We received 178 answers to this question. Over a third of respondents explicitly stated that the financial responsibility for late payment should remain with the customer. However, there was

general acknowledgement that there would be costs associated with altering IT systems to allow for late payment charges and that this would inevitably increase costs for all energy consumers, not just Green Deal customers. Nearly a fifth of responses highlighted the existing tools that energy companies have for collecting debt such as prepayment meters (which will also be used to collect the Green Deal charge on a *pari passu* basis) which have resulted in a historically low default rate for energy supply. There was also concern expressed by nearly a quarter of respondents that charging for late payments would potentially push more people into fuel poverty.

### **Government response**

There was an absence of evidence to alter the government's opinion that the Green Deal will not have an impact on energy default rates and that the existing tools available to energy companies for collecting debt will be sufficient for Green Deal purposes. There is also a danger that late payment charges could make the Green Deal repayments exceed the saving being made by the energy efficiency measures, thereby undermining the principle of the Golden Rule. As such, we are not changing our position on late payments on the Green Deal – which is that there should not be late payment charges because of the costs of introducing them and the existence of tools for collecting late payments but we will monitor this over time and consider if any further action is necessary.

### **QUESTION 22: What do you think of proposals to provide insurance backed warranties for the entire repayment period?**

#### **Summary of responses**

We received 348 responses to this question. There was a lot of support for a warranty of some sort as respondents thought it was essential for consumers to be protected. Some respondents felt that the warranty requirements as set out in the consultation were necessary for consumer protection but others felt that they went too far and were too expensive, creating barriers to entry into the Green Deal market. Many felt that having some sort of insurance or cover in place to ensure access to the warranty in the event the Green Deal Provider was no longer present was necessary but some suggested using an A rated insurer was excessive and too expensive. Some felt that customers should maintain the products to validate the warranties. Others felt that it was necessary to give the customer the options of choosing appropriate levels of warranties and deciding what they wish to pay for it. Most felt that government should outline the minimum requirements to ensure warranties offered are of value to customers.

#### **Government Response**

After much consideration, we have decided that Green Deal Providers must provide comprehensive product warranties for at least five years for all Green Deal measures, apart from Solid Wall and Cavity Wall insulation, where a 25 year warranty must be provided. An exception has been made for these measures as cost-effective warranties are currently

available in the market. We are mandating a high standard of minimum requirements that all warranties must meet to ensure as much consumer protection as possible. The bill payer must have direct access to this warranty and continue to have access to it if the Green Deal Provider is no longer in place. The repayment period of the Green Deal Plan must be limited to the estimated lifetime of the measure installed as estimated by the Green Deal Provider on the basis set out in the Green Deal Framework Regulations.

In addition to the product warranty, Green Deal Providers must provide 10 years of buildings cover to cover consequential damage to the property which occurs as a result of the measures being installed. For Solid Wall and Cavity Wall insulation this cover must be for 25 years. Again, this must be available to the bill payer if the Green Deal Provider is no longer in place. We feel this position strikes the right balance between ensuring appropriate consumer protection whilst not adding unnecessary costs to the Green Deal which will, ultimately, be borne by the customer.

### **QUESTION 23: What are your views on the government's proposals regarding changes to the Consumer Credit Act for Green Deal Plans?**

#### **Summary of responses**

We received 245 responses to this question. Of those who responded on the specifics of this question, the majority supported the proposals and felt they were sensible and comprehensive. There was most debate around the early repayment fees; some respondents felt that potential fees for early repayment could deter customers from taking up the Green Deal.

A minority of respondents felt that no fees should be levied in order to protect customers or that the usual CCA rules should apply, with no enhanced compensation. Others felt that this needed to be balanced against the risk of higher interest rates for all if fees were not permitted, and supported the proposed approach. Most felt the proposals struck the right balance between protecting consumers and ensuring the cost of finance for all could be kept as low as possible but there was a general call for more detail and an emphasis on the need for clear rules to be set out so Green Deal Providers could not abuse the right to gain compensation.

A majority of the respondents, who addressed the issue of how partial early repayment should be applied to a Green Deal, did not agree with the proposed default approach of applying such payments to upcoming payments, and favoured shortening the length of the Green Deal Plan.

#### **Government response**

The regime we have put in place for early repayment under Section 95B makes clear the limitations on the compensation that may be charged, and the method for calculating enhanced compensation will be set out in regulations. We plan to set out further details in guidance. Such compensation may be claimed only in respect of Green Deal Plans exceeding 15 years and Providers will be required to take account of any interest they could expect to receive by

lending the money out to another person. Some consultation respondents rightly pointed out that provided a Provider is able to re-invest the funds (in another Green Deal Plan or another credit agreement) at the same or a better rate of interest, no compensation could in fact be claimed.

This means that instances where this charge would be levied are likely to be limited. In addition, Section 95B makes clear that any charge must be fair and objectively justified.

In response to the comments received regarding partial early repayments we will remove the requirement in the Code to apply partial early repayment to the upcoming payments. Green Deal Providers will therefore be free to apply this as appropriate to the circumstances. We will recommend in guidance that Providers should consider asking customers how they would like their repayment to be treated to avoid misunderstandings.

## **QUESTION 24: 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?**

### **Summary of responses**

We received 214 responses to this question. Of those who answered this question directly, over half broadly agreed that the protections being offered to non-domestic customers, outside of CCA regulation, ensured customers would be treated fairly whilst minimising administrative burdens. Amongst those who disagreed, some were concerned that the protections might not be sufficient for smaller businesses and some felt the CCA should be extended to cover all Green Deal Plans.

Some respondents sought further clarification on proposals for managing changes in CCA status and had concerns about allowing Green Deal Providers to require early repayment of the plan. Some also queried how changes in CCA status would be managed for landlords letting to domestic tenants, explaining that it was important that the Green Deal should transfer automatically, with the full CCA rights and protections.

### **Government response**

#### Protections for customers outside of CCA regulation

We have decided to proceed with the proposed mandatory protections for customers outside of CCA regulation. However, Green Deal Providers may choose to offer these customers extra protections or allow them to sign up to Green Deal Plans which replicate all the CCA protections on a contractual basis. This flexible approach will allow Green Deal Providers to tailor protections to market requirements. Businesses wishing to have extra protections will therefore be able to shop around and find the most suitable deal.

We do not intend to place restrictions on the amount of compensation that Providers can charge in the event of early repayment by customers outside of CCA regulation, provided the compensation rules are made clear before the Green Deal Plan is entered into. We consider that non-domestic customers are better equipped to understand the risks associated with entering into a credit agreement and will endeavour to secure the best deal from the outset.

### Changes in CCA status

If, during the plan's lifetime, an unregulated agreement is likely to be inherited by a consumer, who should benefit from CCA protections, our policy intention is that Providers should issue an agreement replicating all the CCA protections on a contractual basis at the outset and that those agreements should automatically become regulated agreements within the CCA when a consumer becomes responsible for paying the Green Deal charge. This would be particularly relevant for landlords wishing to enter a Green Deal Plan in respect of a domestic property to ensure that early repayment would not be required in such instances. Although this is our preferred policy, we consider it likely that an amendment to the CCA will be required to enable this automatic switch to occur. We are working with the Department for Business, Innovation and Skills (BIS) to see how this issue can be taken forward. If it is not possible to implement this preferred policy, the relevant parties would need to rely on modifying unregulated agreements so that they become regulated. The CCA already provides for this under section 82.

As set out in the consultation document, we will allow Providers to require that the Green Deal is repaid early where, despite their best efforts, an unregulated agreement has been issued and circumstances change so that the plan ought to be regulated by the CCA. However to address respondents' concerns, the circumstances in which this power can be exercised will be restricted in the Green Deal Regulations and in the Code of Practice. The Provider may only exercise their ability to require early repayment as a last resort. Providers will be required to consider what other options might be available to address the issue. One such option might be to modify the agreement to allow it to continue in line with the CCA.

We will be providing further advice on this issue in guidance.

## Chapter 4: The Golden Rule

**QUESTION 25: 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?**

### Summary of responses

We received 325 responses to this question, A large majority of respondents agreed with the need to ensure robust consumer protections to help ensure confidence and uptake. Most respondents noted the importance of ensuring the savings estimates used were accurate, as

this would help to ensure consumers bills would not increase following the installation of a Green Deal. This will also help ensure costs would be offset by savings. When considering the proposed 5% reduction, a majority of respondents, thought a reduction in the savings estimate was appropriate. Most respondents who thought this also noted that the reductions and safeguards should apply to all Plans, not just those where the savings are in excess of £10,000. Amongst these responses, there were mixed views as to how the reduction in savings should be applied. Some thought it best to take account of this reduction during the assessment process and some thought it best for the Green Deal Provider to apply the reduction.

A minority of respondents did however, question the need for the reduction as they thought the assessment should be developed to be robust and accurate for all. In addition a small minority of respondents questioned the methodology behind the 5% figure and were concerned this would discourage people from adopting packages of measures and might lead to ECO providing support for those who are able to pay. A small number of respondents also commented that it would be more appropriate to improve system design and ensure consumers are using measures properly to help ensure savings are realised.

With regard to the requirement to ensure the customer has received at least 3 quotes from different Green Deal Providers, a majority of respondents agreed additional consumer safeguards were appropriate. However, a minority of respondents thought this requirement would add unnecessary costs and hassle to the process and could cause customers to drop out from the Green Deal journey. It was noted by some that the Green Deal should follow existing industry norms where customers were encouraged, but not obliged, to receive multiple quotes.

## **Government response**

In order for predicted savings to be realised it is important to ensure the assessment is robust and customer can have confidence with the savings figures produced. We will therefore apply “in-use factors” to the savings estimates for qualifying Green Deal measures. This is a reduction in the official energy savings estimate to recognise that the theoretical and actual performance of energy efficiency measures, are often different, and to enable Green Deal finance to be adjusted accordingly. We want to ensure that Green Deal customers do not see their energy bills rise as a result of standardised savings estimates, when their property is not standard. We have published alongside the government response “How the Green Deal will reflect the in-situ performance of energy efficiency measures”. This sets out the level of the in-use factor for each measure, how they will be amended as new evidence is collected on in situ performance and importantly, what practical steps industry can take to enable DECC to reduce them over time.

Although some respondents questioned the need for customers to receive 3 quotes for Green Deal plans in excess of £10,000, a majority of respondents welcomed the additional safeguard. This requirement will ensure customers have shopped around to seek the best deal and will provide confidence to future occupants that the Green Deal Plan was appropriate for the



property in question. The customer will be able to seek quotes using the same assessment so this requirement will impose minimum burdens. Therefore we are proposing to keep the requirement for customers to receive 3 quotes where the amount of Green Deal finance offered is in excess of £10,000. Further details on how Green Deal Providers should fulfil this requirement are set out in the Code of Practice.

## **QUESTION 26: Do you agree with the approach to the Year One charge that can be used in a Green Deal Plan?**

### **Summary of responses**

Out of the 241 respondents who answered this question, 124 agreed with the approach set out in the consultation, as opposed to 41 who disagreed. A majority of people welcomed the cap on the year 1 charge, with a minority feeling this cap should be extended to the first 2 years, or even 5 years. A majority of respondents supported basing the charge on standard usage and felt this would provide relative certainty and clarity to consumers. A small but significant minority felt that the cap for lower than average users of energy should be lowered to ensure the charge would be fully offset by savings. Several respondents also suggested protection for lower than average users against mis-selling of Green Deal Plans should be strengthened by requiring that they acknowledge in writing that they have understood the charge may not be fully offset by the savings they are likely to make, given their low usage.

There was concern among some respondents that the Green Deal charge would be based on estimated, rather than actual savings. Many respondents emphasised the importance of monitoring and evaluation to assess whether the expected savings were actually materialising. Some respondents suggested that savings should be monitored following the installation of measures.

For the non-domestic sector, the additional flexibility was welcomed and seen as important given the wide variation of building stock, energy tariffs and measures in the sector. However, many respondents flagged the need to ensure small businesses would be appropriately protected.

In addition to the above points, a majority felt that the key to whether the Golden Rule would be met throughout the Plan was in whether the rates could vary in future years, and to ensure the assessment and measures data is as robust and accurate as possible. These issues are discussed further under questions 27 - 30.

### **Government response**

In order to address the concerns regarding lower than average energy users, we will require Green Deal Providers selling Green Deal Plans to lower than average energy users, who wish to utilise the full amount of finance available, to obtain written acknowledgement demonstrating that the customer is aware that their energy usage is likely to mean the Green Deal charge is not fully offset by savings.

To ensure small businesses are adequately protected, in addition to the improvements to the non-domestic assessment set out previously, we will now restrict the ability to vary the estimate based on how much energy can be saved in the building to those buildings of level 4 and 5 only [likely to be larger businesses, where more specialised assessment is more likely to be appropriate]. We will continue to allow the estimated savings from the assessment to be exceeded in the non-domestic sector if energy tariffs are different for all levels of building types; this will need to be documented and signed off by both the customer and Green Deal Provider.

### **Green Deal Interest rate structure: Summary of responses: Questions 27 and 28**

#### **QUESTION 27: 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?**

We received 295 responses to this question, the overwhelming majority of which favoured the option of only allowing fixed rate Green Deal Plans to be offered to domestic customers. Amongst these respondents there were many different reasons for this opinion. These included the complexity of a variable rate, especially one which was not widely used or understood, which in turn could lead to increased mis-selling. Many felt, in order to drive demand, it was important to ensure plans were as simple as possible. It was noted that one of the key selling points to consumers was that Green Deals are hedged against rising energy prices. This benefit would be reduced if the payments were to vary with the fuel and light index. In addition, it was noted that financiers were not familiar with the fuel and light index and therefore it may be hard to find a market for assets which varied in that way.

A minority of respondents did, however, note that interest rates should not be prescribed and it should be left to the market to find the most efficient ways to finance plans. Some of the more analytical responses also appreciated that a fixed growth rate in Green Deal Plans had the benefit of allowing more measures to meet the Golden Rule. This would allow consumers to plan financially so would not necessarily impact demand like a variable rate might.

#### **QUESTION 28: Do you agree with the proposed approach to how the charge can vary in subsequent years of a Green Deal Plan?**

We received 256 responses to this question. 59 respondents agreed with the approach to how the charge could vary, compared to 85 respondents who disagreed. Although more respondents disagreed than agreed, a majority of these respondents were answering the question in the context of question 27 and were referring to the proposal for the Green Deal Provider to vary the charge in line with the fuel and light index. Again, there was a general feeling that simplicity was needed in order to drive demand and prevent mis-selling. Respondents noted that if plans were to vary over time, it was important to make the consumer

aware at the outset. A few respondents supported the idea that charges could uplift over time in line with Bank of England inflation targets.

Many respondents felt that the non-domestic sector would appreciate more flexibility in how their plans were structured. However, it was noted that SMEs might not have any more expertise than the domestic sector so should be subject to the same protections.

A small minority of respondents commented on the proposal not to allow Green Deal Providers to factor in any predicted increases in fuel prices at the outset of the Green Deal. Of the minority who commented, there were mixed views. Some thought this was the right approach to ensure consumers could see benefits and increased energy savings throughout the life of the Green Deal Plan. Other respondents took the view that this approach would artificially limit the finance and stifle the ability to create bigger packages of measures.

### **Government response: Questions 27 and 28**

In order to take account of the majority view of the consultation responses, we are proposing to restrict Green Deal Providers in the domestic market to offering fixed interest rate plans only. This will ensure simplicity and transparency, which will help to instil consumer confidence and prevent miss-selling.

Although a minority of respondents had concerns regarding the flexibilities on interest rate structures which can be offered in the non-domestic sector, we are not proposing to change this policy. We will, however, include information in the Green Deal Provider guidance to ensure Green Deal Providers have regard to the size and type of organisation in question.

As discussed, a majority of respondents thought it was important to ensure the charge remained fixed throughout the lifetime of the plan. Although only a small minority of people commented specifically on the proposal to prohibit Green Deal Providers from factoring in predicted energy price rises at the outset, some people noted that this may unnecessarily restrict the finance which can be offered. We are therefore proposing to allow Green Deal Providers to uplift the whole charge by 2% a year, in line with Bank of England inflation targets if desired. This will allow more Green Deal plans to meet the golden rule and for a greater proportion of these plans to be paid using Green Deal finance by capitalising on some of the expected increase in savings over the course of the plan and potentially decreasing the need for an upfront payment. If the 2% uplift is utilised, the instalments will still be calculated and fixed at the outset. The interest rate will remain the same but the capital sum repaid will increase.

To illustrate the different repayment structures – flat or rising by 2% - an example package of **Cavity Wall and Loft Top Up Insulation** is illustrated below:

<b>Measures</b>	<b>Cavity wall &amp; loft top-up</b>
<b>Annual Bill Savings (maximum Green Deal charge in year 1)</b>	£145
<b>Cost of product and installation<sup>[1]</sup></b>	£800
<b>Rate of interest</b>	7%
<b>Repayment period</b>	10

**Table 2: Illustrative example package of Cavity wall and Loft top up insulation**

Given the above Green Deal Plan, there are two options for the repayments. Both are fixed repayment plans, but one is flat and the other rises by 2% each year. These are illustrated below.

	Year										Total
	1	2	3	4	5	6	7	8	9	10	
<b>2% Rising</b>	£105.17	£107.28	£109.42	£111.61	£113.84	£116.12	£118.44	£120.81	£123.23	£125.69	£1,152
<b>Flat</b>	£113.90	£113.90	£113.90	£113.90	£113.90	£113.90	£113.90	£113.90	£113.90	£113.90	£1,139

**Table 3: Illustrative yearly repayments under the flat and 2% rising repayment structure**

There are two important points to note about the two options. Firstly the 2% rising option will allow more measures to meet the Golden Rule. If annual bill savings had been £110 in the example above, the flat charge would not meet the Golden Rule in year one, whereas the 2% rising structure would (and bill savings should continue to exceed repayments if energy prices rise throughout the term of the plan). The second point to notice about the figures is that the customer pays back slightly more overall if they select the 2% rising option.

**QUESTION 29: 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?**

### Summary of responses

Answers to the question were varied, and the views of the 337 people who responded depended largely on the nature of the organisation they were representing. Placing a cap on

<sup>[1]</sup> Clearly actual cost depends on each Green Deal Provider and how much they pay for parts and labour e.g. whether they can get economies of scale by targeting a whole street at a time, but this figure is an estimate based on our central cost scenario

cash incentives was supported by over a third of respondents. It was recognised as an effective way to ensure future bill payers were sufficiently protected from incentives for the first occupant becoming disproportionate burdens for future bill payers. It was also seen as an essential intervention to ensure a level playing field for smaller Green Deal Providers who may not be able to offer competitive upfront cash incentives to customers. A number of organisations suggested that additional or alternative incentives should be considered to increase demand, such as reduced VAT or stamp duty rebates. Some respondents, however, argued that it should be left to the market to decide the level of cash incentives to be awarded to customers.

Conversely, there was also some concern around the negative implications of permitting cash incentives at all. Arguments against cash incentives included the idea that vulnerable customers could be encouraged to take out Green Deals that they then could not afford to pay back. There was also some concern that it could increase the potential for fraud within the Green Deal system or “pushy sales” behaviour.

### **Government response**

Although there were some concern around permitting cash incentives in the first instance, we feel that this could act as a catalyst to encourage consumers to embark on works and could allow Green Deal Providers to reimburse customers for expenses incurred, such as the cost of assessment, redecoration costs or preparatory costs. We are, however, proposing to keep the cap of £150 or 5% as this will reduce the potential for fraud to occur within the Green Deal. Any cash incentives offered will additionally be limited by the Golden Rule principle. Green Deal Providers will be free to offer alternative incentives to their customers as they see fit in order to drive demand.

Please see the government response to question 63 for our response to using VAT and stamp duty rebates as incentives to drive demand.

**QUESTION 30 - 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?**

### **Summary of responses**

Overall, the consultation responses indicated strong support for the principle of the Golden Rule, of the 276 people who responded, 120 agreed with our overall approach. Within the responses, a number of themes emerged. In relation to the assessment, these ranged from: concern that estimated savings would not be sufficiently accurate; the need to build safety margins into the savings estimate; the importance of ensuring measures are installed in the correct order to maximise energy saving potential and that monitoring and evaluation would be essential to improving the tool and ensuring the savings estimated are materialising. In addition, some respondents were concerned about the potential for mis-selling and the need to

ensure the Golden Rule is properly explained and understood at the outset. It was also noted that it is important to ensure Green Deal Assessors are truly independent, and follow-up visits should be implemented to ensure savings are realised. A minority of respondents indicated the importance of ensuring the customer is made aware of the net present value of the measures.

Although a majority of respondents welcomed the Golden Rule principle, there was concern amongst some that few improvements can be funded within the Golden Rule and ECO will be key to ensuring the viability of the scheme. Some thought that the Renewable Heat Incentive should be allowed to be accounted for within the Golden Rule calculation. A small minority of respondents were also concerned that the Golden Rule limits the potential of the Green Deal and future energy price rises should be taken into account when attaching finance at the outset.

### **Government response**

A majority indicated strong support for the overarching principle of the Golden Rule but many highlighted the need to ensure savings estimates are accurate and fit for purpose. We will therefore apply “in-use factors” to the savings estimates for qualifying Green Deal measures to take account of how measures perform in-situ, as explained in response to question 25. We have also improved the assessment tool, RdSAP, building capability to take account of regional weather variations and enabling a room-by-room approach to the savings estimate, ensuring the savings estimates are as tailored as possible.

In addition to ensuring the assessment tool is robust, we have also taken steps to ensure the occupant’s personal energy use is appropriately taken into account through the Green Deal Occupancy Assessment. As explained in response to question 26, Green Deal Providers will be required to seek the written consent of lower than average energy users who choose to utilise the maximum amount of finance available to ensure these customers understand the costs may not be fully offset by the savings they make. We will also ensure the possibility of ECO funding is signposted at the assessment stage, particularly for vulnerable customers who are under-heating due to financial hardship.

The responses highlighted the importance of ensuring customers are fully aware of the terms of their Green Deal Plan and understand the Golden Rule principle and the effect their individual behaviour will have on the energy savings realised. With this in mind, customer insight research into how best to explain key terms of the Green Deal Plan, including the Golden Rule, will be published to help ensure customers understand key terminology. In addition, Assessors will be required to declare any associations with Green Deal Providers before an assessment visit takes place.

The above changes highlight the work which has been completed to ensure the assessment methodology is accurate and robust. The safeguards built into the Golden Rule also ensure customers can have a reasonable expectation that the savings estimates predicted will be realised by the first and subsequent bill payers. DECC will continue to review and make any

required improvements to the assessment tool which is why a detailed monitoring and evaluation strategy will be in place to ensure the assumptions as to performance of measures are continually updated with evidence on their performance post-installation.

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

### Fuel poverty and ECO : Summary of responses: Questions 31 and 33

**QUESTION 31: 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?**

This question received just over 300 responses. Many respondents were positive about the proposed eligibility criteria to target the finite level of support available where it is most needed and could make the most difference. Others felt the criteria were too restrictive and should be widened to enable a greater number of households to be considered eligible or to reduce delivery costs of the scheme, arguing that a tightly defined group would be harder to identify and engage. A large number of these respondents asked for the ECO Affordable Warmth target size to be increased to allow a broadening of the eligibility criteria, noting the two issues could not be considered in isolation without diluting the fuel poverty impact.

While the majority of stakeholders agreed in principle with targeting low income households via the benefits system, others raised a concern that this would penalise those just above the income threshold, or those who do not take up benefits where they are entitled to do so. Of these respondents, many urged caution that the ECO Affordable Warmth eligibility criteria should not be overly prescriptive, proposing an element of flexibility via referrals from third parties, an area-based rollout and benefit entitlement checks or fuel poverty assessments by Green Deal Assessors.

Opinions were divided among respondents on targeting by tenure. Most social housing associations opposed the consultation proposal to focus ECO Affordable Warmth support on private rather than social tenures. Views among Local Authorities and energy suppliers were more mixed. Of those respondents who agreed that private tenure households should be targeted, the reasons cited often aligned with the consultation document including the prevalence of fuel poverty and lower standards of energy efficiency in this sector. Others felt that all tenures should be eligible on grounds of fairness, to ensure support is targeted at all benefit recipients regardless of tenure or to reduce costs and mobilise support and early rollout activity.

**QUESTION 33: 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?**

We received 280 responses to this question. The majority of respondents expressed a need to regulate delivery to all income groups to ensure an equitable delivery pattern for ECO as a whole. Many, particularly consumer organisations, local authorities and fuel poverty stakeholders argued for the levels of the carbon saving obligation and affordable warmth obligation to be balanced out, as a means of ensuring an equitable spread of benefits. 40-60 or 50-50 were common suggestions, based on the level of outcomes and costs of the priority and non-priority groups within CERT. This was sometimes accompanied by the suggestion of widening the eligibility criteria for Affordable Warmth to account for a larger share of investment.

Some supported the proposal in the draft Impact Assessment for a Distributional Safeguard in the form of a minimum level of the ECO Carbon Saving Obligation. However, views varied considerably about the level at which this should be set and who it should be targeted at. Many favoured broader criteria than for Affordable Warmth, including social tenures and low income communities. There were also a range of views about which measures this should include, with many arguing for a wider range of measures to be permitted through this element of the policy, including loft and cavity wall insulation.

Many commented on the role for local authorities and other community partners in assisting energy suppliers to identify and engage with low income households and communities in need of support.

**Government response Question 31 and 33**

ECO Affordable Warmth eligibility criteria are designed to provide support to low income households least able to heat their homes to an adequate standard of warmth. Given the finite level of funding available we need to ensure this support is targeted where it is most needed and can have the greatest impact. As such, the ECO Affordable Warmth assistance will be targeted to households in receipt of particular means-tested benefits and tax credits, in private tenure. A range of initiatives will help suppliers to identify households that meet this eligibility criteria including: 2 million households assisted per annum through the Warm Home Discount scheme, with details on 600,000 pension credit recipients provided to suppliers in 2011-12 (rising to circa 1.3m households by 2014/15), and a referrals service via the new Energy Saving Advice Service (ESAS) from autumn 2012, whereby households that meet the criteria will be referred to a participating supplier.

Benefits and tax credits are one of the best ways to identify those likely to be at risk of fuel poverty and detriment as a result, and will provide the highest level of certainty that the limited resources available will go to those most in need. The ECO Affordable Warmth eligibility criteria will therefore be broadly similar with the consultation proposal, further extended by:



- raising the qualifying age threshold for those with children to 16yrs (or up to 19yrs for children in full time education); and
- extending to those on working tax credit with incomes under £15,860 and who also receive a disability premium, are over 60yrs of age or with children to ensure a wider group of eligible households, and thus a broader pool of opportunities. Extension via this route received unanimous support from respondents where this was commented on. This will expand the number of eligible households and ensure that low income working households and a greater number of low income families can be considered for assistance.

We will maintain the proposal to further target support to private tenure households. While opinions were divided on this issue in the consultation responses, our analysis, outlined in the accompanying impact assessment, shows that there is a significantly higher concentration of fuel poverty among low income households in private tenure (59%), compared to social tenure (34%). Further, energy efficiency standards among low income private tenure households are far lower, with 58% living in properties below SAP55, compared to only 24% of social tenure households. Targeting private tenure households will therefore ensure that a greater number of fuel poor households are assisted through the Affordable Warmth obligation, where support is most needed and can make the most difference.

We considered the balance of ECO between fuel poverty and carbon objectives, in the light of consultation evidence. We have resolved to create a new obligation within the Carbon saving element of ECO, focused on delivering low cost insulation, such as loft and cavity wall insulation, to low income communities. This will provide additional support for fuel poverty within ECO, whilst making considerable carbon savings.

Under this new design, the ECO will comprise three elements:

- An Affordable Warmth obligation worth an estimated £350m, closely targeted at low income vulnerable households in private tenures through the benefits system, delivering central heating and loft and cavity wall insulation.
- A Carbon Saving obligation worth an estimated £760m, designed to work alongside the Green Deal to deliver measures to hard to treat properties, with a particular focus on solid wall insulation and insulating non-standard cavity walls.

A new Carbon Saving Communities Obligation targeted at low income areas worth an estimated £190m, designed to deliver loft and cavity wall insulation as well as wider insulation measures to low income areas, defined according to the Index of Multiple Deprivation (and equivalent indexes in Scotland and Wales). To ensure that rural households are not disadvantaged.

rural<sup>10</sup> households in receipt of the Affordable Warmth list of means tested benefits will also be eligible for support within the Carbon Saving Communities Obligation. Energy suppliers will be obliged to deliver 15% of the Carbon Saving Community support to these rural households.

Including the Carbon Saving Communities Obligation means that, overall, suppliers will be required to deliver more than 40% of ECO subsidy to low income households, with the potential for further benefits going to low income households as part of the Carbon Saving obligation

We expect that the area-based target will focus on solid wall, loft and cavity wall insulation. Although our general approach is not to subsidise basic measures which could pay for themselves under the Green Deal, such an approach is less appropriate for lower-income households, who may rule themselves out of the commercial Green Deal for a variety of reasons.

The area-based target will focus on the 15% most deprived lower super output areas (LSOAs), as identified by the Indexes of Multiple Deprivation in England, Scotland and Wales. All homes within the area would be eligible, including social housing. We have aimed to build on the lessons from previous area based schemes to ensure that the boundaries of LSOAs (in England and Wales) and data zones (in Scotland) do not present arbitrary cut-offs across which the same community cannot receive similar support. Therefore we will allow supplies to deliver up to 20% of the carbon savings in neighbouring LSOAs or data zones, providing 80% is delivered in a qualifying area.

## **Voluntary referrals for the Affordable Warmth obligation**

**QUESTION 32: 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?**

### **Summary of responses**

We received approximately 240 responses to this question. A small number of respondents outrightly agreed or disagreed with our proposals. Those that disagreed did not consider voluntary agreement arrangements sufficient in terms of incentivising energy companies to deliver measures to all referrals they receive, and there was concern that only houses in which it is most cost effective to install measures would benefit.

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<sup>10</sup> Rural is defined as being a settlement with 10,000 or fewer inhabitants, as measured by the ONS in England and Wales and by the Scottish Government in Scotland.

The majority of respondents made suggestions as to the nature of the referrals process; these mainly focused on the need for a strict agreement on the time period within which each referred household would receive follow-up contact from a supplier and a mechanism to ensure that this was adhered to. There was also support to place Local Authorities at the heart of the referral system, ensuring they were involved from the outset and received feedback on measures installed in their areas. A few respondents also indicated that there should be a role for third sector organisations and registered Providers within the referrals process, in terms of also being able to refer eligible households onto a supplier, and receiving feedback on installations carried out under the Affordable Warmth Obligation.

A few respondents mistakenly understood the proposed referral mechanism, through the remote advice service, to be the only route through which suppliers can receive ECO Affordable Warmth eligible customers. There was also concern that only individuals will be able to refer themselves and that third party involvement will not be allowed.

### **Government response**

We welcome the constructive suggestions made by respondents and the overall support for proposals to develop a voluntary agreement with suppliers. We understand the concerns respondents have with regards to suppliers' commitment to follow-up on referrals made as part of a voluntary agreement. However, we think there is a balance to be struck between ensuring ECO Affordable Warmth eligible customers receive an excellent service, and that householders do not bear the search cost of energy companies finding such customers. We believe that by enabling energy companies to find their own ECO Affordable Warmth eligible customers and to receive customers through a publicly funded referral service there will be less impact of the ECO scheme on consumer bills.

We are also committed to making sure that customers are supported throughout their ECO journey and receive the highest quality of customer care. To this end, in return for ECO affordable warmth referrals, we are expecting energy companies to comply with a voluntary agreement providing customers with assurances about what they can expect to receive and when. Individuals and third party organisations will be able to apply to be referred to an energy company by the advice service. We are currently working with energy companies to develop a service level agreement (SLA) that will underpin the voluntary agreement that obligated companies will work to. We welcome the suggestions to establish a timeframe within which all referrals will be followed up. This should cover referrals from the advice service and other sources, and is something that will form part of the negotiations on the SLA. We are in the process of developing options for how ECO information can be reported and shared.

## **Chapter 6: Consent, disclosure and acknowledgement**

**QUESTION 34: Do you think the framework for consent for the Green Deal charge and measures provides effective protection for the parties involved?**

Alongside this broad consent question Q34, Chapter 6 included a dedicated *Call for Evidence* on potential consent barriers in multi-occupancy sectors.

### **Summary of responses**

244 responses were received in relation to this question. The great majority supported the Government's proposals and felt that the framework requirements were clear, proportionate and provided sufficient safeguards. A number of respondents wrote that, given the degree of complexity and variation across the property sector, the proposed framework represented the only practical solution.

Some respondents argued that the requirements, while straightforward for the owner occupier sector, might prove more difficult to adhere to in rental and leasehold scenarios, which might in turn impact on uptake. However, many respondents, including some who did anticipate difficulties, felt strongly that the government should protect the existing rights and obligations of landlords and tenants. None of the respondents were able to offer a practical alternative to the government's proposals.

### **Consent Call For Evidence**

The *Call For Evidence* attracted a number of responses arguing that consent barriers were likely in the multi-occupancy and rental sectors, particularly the domestic market. However, similar to Q34, a significant minority of respondents stressed that it was difficult to envisage a fair solution to the potential problem without infringing an individual's right to withhold consent and suggesting that negotiations between the parties concerned should be sufficient in most cases. Across the board there were conflicting ideas over how any resultant problems could or should be addressed.

A number of respondents also provided anecdotal examples of barriers drawn from existing schemes including CERT and CESP, and a number of local authority initiatives, suggesting delays resulting from consent related issues.

In addition to the *Call for Evidence*, we established a time limited stakeholder group in autumn 2011 to consider possible consent barriers. This group assessed a number of approaches to addressing potential barriers but, as with the responses to the *Call for Evidence*, no consensus emerged amongst members as to the scale of the issue or appropriate solution.

### **Government response**

Our primary objective is to protect the rights of original and any subsequent consumers and property owners (and electricity bill payers where they are different from the owner) by ensuring that the correct consents are obtained before measures are installed and the charge is attached to the meter. We believe that the proposed framework achieves this and, building on the support from respondents to the consultation, and in the absence of alternative

framework proposals, we do not intend to alter the consent obligations described in the consultation document.

We note the views of some stakeholders on the working group and respondents to both question 34 and the *Call for Evidence*, that the framework may be complex to apply in the rental and multi-occupancy sector. However, despite the working group and the *Call for Evidence*, no clear data emerged demonstrating consent barriers in situations comparable to the Green Deal. A number of respondents offered suggestions for adjustments to the framework to address potential barriers. However, these tended to be significant interventions. For example, to introduce legislation preventing consent parties, such as a bill payer, from withholding consent to a Green Deal request.

As other respondents have recognised, and as the working group concluded, we have not seen, at this stage, sufficient tangible evidence, specific to the Green Deal, to warrant such changes to the legal framework. However, we will monitor this issue carefully through our planned monitoring and data collection exercise once the Green Deal framework is operational. If evidence shows the need, we will look again at the policy on consent and consider whether legislative action is necessary.

A minority of respondents expressed concern over liability of future owners to make good on consent breaches related to the measures. Such inheritance of liability is a standard aspect of property law, where a new property owner typically takes on responsibility for any work previously undertaken at the property (including any energy efficiency improvements). This is not unique to the Green Deal and does not represent a new burden on consumers. For these reasons we do not consider it necessary to alter this aspect of the framework.

A number of respondents to Q34 and the *Call for Evidence* stressed the importance of Green Deal Providers working with their customers to raise awareness of their consent obligations and guide them through the process. We agree with this, and this is reflected in the Provider obligation to work with their customers, which is set out in the Green Deal Code of Practice. Further detailed Provider guidance on this and other duties will be made available before the Green Deal framework is completed.

### **QUESTION 35: What is the best way to draw the future bill payer's attention to the acknowledgement wording?**

#### **Summary of responses**

We received 209 responses to this question. The majority of responses supported our proposal to include the acknowledgement wording in contracts for sale, written leases and licence agreements. Respondents also largely supported the Government's proposition that, where there is no written lease or licence agreement, the prescribed form of acknowledgment will be given in a standalone document that will be signed by the person giving the acknowledgment.

A minority, particularly Local Authorities who deal with vulnerable tenants, suggested that the acknowledgement wording should be verbally read out to customers to ensure that they completely understand their responsibilities as the bill payer of a Green Deal property. Moreover, a small number of respondents also suggested that the acknowledgement wording should be contained within a standalone document, to set it aside from all other conveyancing documents. Some respondents suggested that the regulations should allow minor changes to the prescribed wording to allow for unusual situations.

### **Government response**

Our position remains the same as that set out in the consultation document, and supported by respondents. However, to ensure future bill payers are effectively drawn to the acknowledgement wording, we will also require the inclusion of a separate title for the acknowledgement wording to be incorporated into any contract that effects the transfer of the property and that the clause be in a prominent place. Legislation will also allow minor amendments to the wording to ensure the prescribed wording is suitable for all contracts.

**QUESTION 36: What will property professionals 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?**

### **Summary of responses**

We received 220 responses to this question. The majority of respondents felt that property professionals should advise their clients in the course of their duties. This covered professionals assisting sellers, landlords and others who were required to disclose the Green Deal Plan and secure acknowledgement and potential bill payers who would be taking on the Green Deal charge.

A number of respondents commented that, where a professional fails to assist their client correctly, for example an estate agent failing to provide an EPC upon viewing or a buyer's solicitor failing to obtain an EPC, the client should be able to pursue the professional for negligence.

A significant proportion of respondents felt that property professionals should be liable for the Green Deal where they fail to disclose and secure acknowledgement on behalf of their clients.

### **Government Response**

We will continue to engage with property professionals to ensure that they have the necessary information to advise their clients appropriately. We will also investigate with the property professional trade bodies whether the prescribed form of acknowledgement could be included

voluntarily in precedent contracts to ensure that both parties are clear about their responsibilities. We do not intend to regulate the role of property professionals in the Green Deal at present. We will continue to monitor the way in which the disclosure and acknowledgement of the Green Deal is incorporated into existing practices and effectively carried out and review this position if necessary.

**QUESTION 37: Are there any other situations in which disclosure and acknowledgment should be required which might fall outside the proposed framework?**

**Summary of responses**

We received 126 responses to this question. A number of different scenarios were raised in response to this question. These included concerns about houses sold at auction, houses in Multiple Occupation and holiday lets.

**Government Response**

Disclosure and acknowledgement is required under the Green Deal framework whenever a property changes hands, this could, for example, be through sale, rent or inheritance. Of the additional scenarios raised in the consultation responses, we are confident that the majority of the scenarios will be covered by the sweep up clause or the suggested party to be disclosed to will not become a bill payer at the property and so does not need to be disclosed to.

We have amended the Green Deal Framework (etc.) Regulations to include disclosure and acknowledgement when the energy bill payer changes outside of a property transaction. We have also included a specific trigger for auctions so that the potential bill payer will know before the auction begins.

**QUESTION 38: 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?**

**Summary of responses**

We received 247 responses to this question. Responses were divided on whether 30 days was sufficient. However, of the respondents who commented, the majority supported a longer time limit. Predominantly, respondents were concerned about giving consumers, particularly vulnerable consumers, sufficient time to address the issue after they had moved house.

**Government response**

We anticipate that failures to disclose the Green Deal will be very rare because there are a number of ways for the potential bill payer to become aware of the Green Deal charge and the seller or landlord is incentivised to disclose the Green Deal correctly to ensure that they do not

become liable for the Green Deal once they have moved on. Where disclosure does not occur, the majority of bill payers will raise a query soon after receiving their first bill so the time limit will not affect them.

The few bill payers who are not disclosed to and do not raise the query quickly are more likely to be vulnerable customers, with less legal support. In order to protect these bill payers, the time limit is being increased to 90 days. This will not materially impact on the survival rate of a Green Deal when disclosure and acknowledgement are disputed. That will still be determined by the available evidence on whether disclosure and acknowledgement took place, but it will give added protection to customers when taking on Green Deal properties.

### **QUESTION 39: Do you agree with the Government's approach to allowing Green Deal Providers to require early repayment in certain circumstances?**

#### **Summary of responses**

We received 279 responses to this question in total. Of those who answered this question directly, the majority broadly agreed that Green Deal Providers should be allowed to require early repayment in specific and exceptional circumstances, such as the demolition of the property, but indicated such circumstances must be clearly defined and a clear process set out to ensure sufficient safeguards are in place. Some respondents also suggested that in some instances Providers should be able to come to alternative arrangements with customers.

Those who disagreed had concerns that requiring early repayment could impact unfairly on customers as changes could be made outside of a bill payer's control. Some also had concerns that the customer might not be able to afford to repay the Green Deal in full in all instances and some suggested that such proposals could deter customers from entering into the Green Deal.

#### **Government response**

Our key objectives are to ensure Providers are not left unable to collect payments on a Green Deal Plan, and that future bill-payers could not unknowingly or unwillingly be left paying for measures which are no longer functioning because they have, for example, been removed or because the building has been significantly altered meaning the expected savings are unlikely to materialise.

We agree with respondents who suggested that these objectives might be achieved without forcing full early repayment. We therefore no longer intend to allow Providers to require early repayment where significant changes have been made to the use of the building (e.g. a house is converted to flats) or where measures have been removed. Instead, Green Deal Providers will be required to give the bill payer the choice either to: voluntarily repay the Green Deal in full; partially repay the Green Deal to reduce the outstanding payments or; continue with the Green Deal as per the status quo despite the change.



To retain protections for future bill payers, where the bill payer chooses to continue with the Green Deal regardless of the changes, a flag would be added to the EPC to warn future bill payers that while the Green Deal remains on the property, significant changes have been made meaning that the energy savings are no longer accurate. This approach brings the policy more in line with the usual “buyer beware” principle operating in the property market.

Details of circumstances triggering this requirement will be included in Guidance.

As set out in chapter 8 of the consultation document, disconnection of energy at a property will not be allowed while a Green Deal charge remains. If, for instance the property is due to be demolished, the customer will therefore need to make arrangements with their Provider to remove the charge, potentially by opting to repay early in full.

## Chapter 7: Installation

**QUESTION 40: Are there any other 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?**

### Summary of response

290 responses were received in relation to this question but 59 of these responded with a ‘no comment’ or ‘don’t know’. Very few responses specifically stated that Gas Safe and the Microgeneration Certification Scheme (MCS) should not be exempt from accreditation under the Green Deal, but a number of respondents stated that no other schemes should be exempt. A wide range of schemes and Competent Person Schemes (CPS) were mentioned as schemes that could be considered as meeting the new Green Deal standard, but these were not always government backed schemes. Views were expressed about the need to avoid duplication of accreditation requirements and consideration of costs. There was a number of views expressed around the need for robust monitoring and enforcement of standards, and that new technologies might require specific training and qualifications not covered by existing standards.

### Government response

It is important to recognise where government backed standards already exist and are appropriate for Green Deal standards, in order to minimise costs and unnecessary burdens on business. We concluded that it was appropriate to provide exemptions to certain certification bodies if they were already approved under Gas Safe and the Microgeneration Certification Scheme (MCS). This means that any certification body which is approved under these schemes will not be required to undergo further third party accreditation (by UKAS) under the Green Deal for the corresponding measures. This is because UKAS already accredits MCS, and Gas Safe already has a robust accreditation and monitoring regime. Should these

certification bodies wish to be authorised for other measures under the Green Deal then they would need to go through the UKAS accreditation process for those measures.

Taking into account the varied responses, at this stage we have decided not to exempt any other schemes from the Green Deal accreditation requirements. Our approach to independent third party accreditation ensures a consistent application of the Installer standard, and is a flexible, cost effective and robust way to ensure installers meet the standard. We will keep this under review as the Green Deal progresses.

In the consultation document, we proposed that Green Deal Installer authorisation would be reviewed on an annual basis, from the date the installer was first authorised. We also proposed that the accredited certification body would be required to provide the oversight body with relevant information on its certified members on an annual basis, to ensure its certified members maintained authorisation. We have decided that Installer authorisation does not need to be reviewed annually. Instead, authorisation will be ongoing from the point an installer is first registered and authorised, through their accredited certification body.

The accredited certification body would be required to provide the oversight body with relevant information on its certified members at the point of initial registration but will not be required to re-submit the same information annually. However, they will be required to inform the oversight body of any changes to members' details and certification status, as soon as there is a change. This is detailed in the framework regulations.

**QUESTION 41: It is not yet clear what the accreditation requirements for Green Deal or 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.**

### **Summary of responses**

There were 241 responses to this question. 131 responses did not feel able to comment. Of the 110 respondents who offered comment, 67 indicated that they had some experience either as a CERT installer, manufacturer, an obligated energy supplier or as a retail outlet. Seven (6%) were of the opinion that existing standards developed for CERT were sufficient to be carried forward to the Green Deal and required no additional strengthening. 23 (21%) agreed that there should be clear and straightforward accreditation requirements in place to be able to practice in the Green Deal or ECO market place.

42 (38%) raised significant concerns that additional accreditation requirements would lead to a disproportionate cost burden being imposed particularly on the micro and smaller businesses that sought to enter the market and believed that this would act as a significant disincentive to participation in the market place. However, there were diverse opinions over how accreditation

should be handled. Some argued strongly in favour of a single accreditation body that recognised existing standards such as the MCS, or where industries were already installing to strict quality standards that had been developed by trade bodies such as Glazing and Insulation. Others felt that a single accreditation body was a bad thing and would lead to long delays in securing accreditation.

The cost of achieving accreditation was a theme common to many respondents who were SMEs. Whilst some welcomed improved standards, most felt that the cost of achieving multiple standards would act as a disincentive to entering the Green Deal market place.

Four respondents with CERT experience said that they could not afford to participate without some form of help from the Government either in the form of a cash grant, or a reasonable time curve to give them adequate time in which to achieve the Green Deal accreditation standard. They argued that without some form of help either in the form of cash help or by an agreed time-span of 1-2 years to gain the standard, there was a danger that at the point the Green Deal framework becomes operational there would be a significant gap between consumer expectation and what the market might be capable of delivering. Three trade association responses expressed a concern about the cost implication and felt that we should consider the adoption of existing schemes which have been developed before the creation of a new Green Deal accreditation standard.

42 respondents (38%) did not directly answer the question, but made a number of points that flowed from experience gained in participation in the CERT/CESP schemes. Some pointed towards the existence of existing industry standards but pointed out that these were out of date and needed revision. Others said that there were none and sought clear and unambiguous standards to be quickly developed and for these to be available well ahead of the point the Green Deal framework becomes operational to enable industry to be ready.

There was also a small but significant concern that the route to accreditation should not be controlled by vested interests and that it should not simply be a box ticking exercise, but one that demonstrated a rigorous compliance with quality of installation backed up by robust consumer protection. Above all, it was felt that the accreditation body should be entirely independent.

Overall, 61 respondents agreed that a change to accreditation was required but, as indicated, this was tempered by an acknowledgment that this change would bring with it a significant cost burden on small businesses. Without some form of Government support this would mean that there would be insufficiently accredited installers to satisfy the expected Green Deal demand at the point the framework becomes operational.

## **Government response**

We accept that the transition to Green Deal and ECO may present some additional costs for incumbent firms in the insulation industry. However, we have worked hard to ensure that, as far as possible, existing certification schemes can be carried across and recognised under the Green Deal and ECO without the need for new training. The new Installer standard – PAS

2030 – is based on existing industry standards and has been largely written by industry bodies to ensure robust standards which can be delivered by industry now, while minimising the need for additional burdens on businesses as far as possible. For many, it will simply be a matter of ensuring that a Green Deal accredited certification body recognises their existing training or skills and is content to confirm this to the new oversight body. For many, this will be an administrative process which certification bodies will do automatically.

Where additional costs are unavoidable (for example where an installer has no currently recognised certification), we believe there is a clear rationale for adopting common minimum standards of certification for participating businesses. Consumer confidence in the Green Deal will be vital if it is to encourage significant take-up of energy-efficiency retrofitting. A strong accreditation framework will help ensure that consumers can have confidence in the products and services they receive without worrying about the risks of rogue businesses. It will also ensure there is not a 'race to the bottom' whereby standards are cut to reduce costs. Our approach will set a floor for standards of installation and create a level playing field for all businesses. Our Impact Assessment identified extremely low costs to micro businesses and we believe these are minimal in comparison to the size of risks they mitigate and the overall importance of consumer confidence in the Green Deal and ECO.

We will soon be appointing an oversight body to administer and oversee the operation of the Green Deal. One of its key tasks will be to work with industry to ensure that our Installer and Assessor standards are fit for purpose, and to make recommendations for changes should they be required. In this way we will be able to ensure that our approach is fair and reasonable for both businesses and customers. We have also asked the relevant sector skills councils to map existing training to our standards so that we can more easily recognise and validate appropriate training provision.

## Chapter 8: Payment collection

**QUESTION 42: Do you agree with the proposed thresholds? If not, please suggest alternative thresholds with appropriate supporting evidence.**

### Summary of responses

We received nearly 200 responses to this question and the majority agreed with the proposed thresholds. We proposed that the bill payer's electricity supplier would flag to the Green Deal Provider the existence, but not amount, of electricity arrears that exceed £200 for bill payers with a domestic electricity supply contract and £400 for bill payers with a non-domestic electricity supply contract. More than three times as many respondents agreed with the proposals than those who disagreed.

Some concerns were raised regarding customers on low incomes falling further into debt as a result of a Green Deal finance package and whether such customers should be offered a finance plan if they were already in debt. Conversely, there were some respondents who did not want to see vulnerable and fuel poor households prevented from receiving energy efficiency measures since such customers would arguably benefit most from potentially lower energy bills.

Other respondents did not agree with the threshold of £400 in the non-domestic sector arguing, for example, that the threshold was too low for large businesses in particular.

### **Government response**

We have decided to keep the proposed thresholds of £200 for domestic customers and £400 for non-domestic customers as no substantive evidence was supplied for alternative thresholds. However we have decided to peg the domestic threshold to the existing debt limit for the transfer prepayment meter customers as set out in Standard Condition 14 (Customer transfer blocking) in the Electricity Supply Licence and the non-domestic threshold to twice the domestic threshold. Therefore if Ofgem changes the prepayment meter debt transfer limit in the future, the Green Deal arrears notification thresholds will change automatically.

**QUESTION 43: 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.**

### **Summary of responses**

We received just over 200 responses to this question and about half thought 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 the arrears thresholds were exceeded.

Some respondents felt that having an extra screening process was appropriate for ensuring that customers would not fall into financial difficulties when paying for the Green Deal. Others felt strongly that allowing electricity suppliers to have a veto would potentially exclude many customers, including those in fuel poverty, from making savings on their energy consumption.

### **Government Response**

The main argument for allowing electricity suppliers to prevent customers who have arrears exceeding the £200 or £400 threshold from taking out a Green Deal finance package is to protect customers from falling further into debt. However, the Golden Rule principle is premised on the expected savings from energy bills not exceeding the repayments for a Green Deal Plan. There is a significant risk that customer uptake for the Green Deal would be substantially affected if electricity suppliers were allowed to exclude customers who were in

arrears with their account. Furthermore, this could potentially exclude many customers who are successfully paying off their arrears through a payment plan.

Therefore, we have decided against allowing electricity suppliers to have the right to prevent customers from taking out Green Deal. If a customer exceeds these thresholds, the Green Deal Provider will have the discretion, in line with responsible lending guidelines, to carry out further credit checks before proceeding with the Green Deal Plan. Also, this will allow Green Deal Providers to determine whether the £400 limit is meaningful for a particular non-domestic organisation. Providers will be free to ignore the debt flag for large businesses. This picks up the point raised in responses to the previous question.

#### **QUESTION 44: Do you think additional infrastructure is required to facilitate payment remittance?**

##### **Summary of responses**

We received just under 150 responses to this question and the majority of respondents considered the existing proposals for payment remittance to be adequate and therefore that additional infrastructure was not required. A minority of respondents did note, however, that a centralised payment processing facility could reduce the number of payment transfers that an individual electricity supplier had to make and therefore lower the cost of remitting Green Deal payments.

##### **Government response**

We have decided to keep with the existing infrastructure for the point the Green Deal framework comes into operation in order not to add to the overall costs for the scheme. As the Green Deal Arrangements Agreement (GDAA), which sets out the payment collection and remittance process, is a live document it will be possible to implement a centralised payment processing facility at a later date if parties to the GDAA decide to do so. When the Green Deal scheme is fully established, the savings resulting from a reduction in a high volume of payment transfers could offset the cost of such a payment processing facility.

#### **QUESTION 45: Do you agree with the proposed 72 hour period for the transfer of payments? If not, please suggest an alternative with appropriate supporting evidence.**

##### **Summary of responses**

We received around 50 responses to this question and the majority agreed with the proposed 72 hour period for the transfer of payments with a significant number of these noting that this period should be as short as possible. A number of respondents, particularly potential providers of finance, felt that 72 hours was too long and could add to the financing costs. That is, the longer the payment transfer timeframe, the longer Green Deal monies are potentially at risk from an insolvency event. A small number of respondents, particularly energy suppliers,

felt that this period was too short and that it could be difficult in certain circumstances to meet the requirement and might add to the cost of collecting and remitting Green Deal payments.

### **Government response**

We have decided to keep with our original suggestion of a 72 hour period for the transfer of payments as this seems a balanced approach between minimising the additional cost for electricity suppliers and minimising the cost of finance. However, for operational reasons, a period of three working days rather than 72 hours has been used in the revised Green Deal Arrangements Agreement. This makes it clear that weekends and public holidays are excluded from the 72 hour period.

**QUESTION 46: 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?**

### **Summary of responses**

We received just over 100 responses to this question and a substantial majority agreed that the electricity supplier should maintain an account balance at least equal to the total value of Green Deal payments being held. However, a number of smaller suppliers felt that this requirement might have an impact on their cash flow.

### **Government response**

We have decided to oblige electricity suppliers to maintain an account balance at least equal to the total value of Green Deal payments being held. This will help keep the cost of finance as low as possible by helping to ensure that Green Deal Providers can recover monies held by a supplier, during the 3 working day period, if an insolvency event occurs.

When revising the draft Green Deal Arrangements Agreement we have taken on board the concerns of smaller suppliers and aimed to limit, as far as possible, the impact that collecting and remitting Green Deal payments would have on their cash flow.

**QUESTION 47: 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?**

### **Summary of responses**

We received over 100 responses to this question and the most frequently made suggestions for reducing the burden on smaller suppliers included: keeping the costs involved in collecting and remitting Green Deal payments as low as possible, ensuring that larger suppliers would pay a larger share of the costs, and introducing a levelisation system for the administration fee. Many respondents stressed the importance of ensuring that the Green Deal framework would

not have a negative impact on competition in the energy retail market. Some respondents also suggested a review of the opt-in mechanism after a few years.

### **Government response**

We have considered the responses and have decided to implement a levelisation mechanism for the administration fee to help smaller suppliers. This is discussed in more detail in the response to Question 49. When the administration fee is reviewed we, together with on-going monitoring by Ofgem, will also examine the impact, if any, that the Green Deal scheme has had on competition in the energy retail market.

**QUESTION 48: Do you agree with the proposed threshold for the smaller supplier opt in? If not, please suggest an alternative threshold with appropriate supporting evidence.**

### **Summary of responses**

We received nearly 150 responses to this question and most respondents agreed with the proposed threshold for the smaller supplier opt in. Only two respondents felt that the threshold of 250,000 customers was too high. A few respondents argued that the threshold was too low and could act as a barrier to growth.

### **Government response**

We have decided to keep the proposed threshold for the smaller supplier opt in given the level of agreement to our proposal.

**QUESTION 49: 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.**

### **Summary of responses**

We proposed the introduction of an administration fee to compensate electricity suppliers for the cost of collecting and remitting the Green Deal charge on behalf of Green Deal Providers, set at three pounds (£3) per year per Green Deal Plan, payable in four quarterly instalments.

We received just over 160 responses to this question. Close to half the respondents, who provided substantial comments, agreed with the fee of £3 per year, while a few respondents thought it was too high or believed that there should be no fee at all. A significant minority, all of whom were energy suppliers, were strongly of the opinion that the fee was too low.

### **Government response**



We plan to review the level of the administration fee within three years of the completion of the Green Deal framework, at which point the costs incurred by electricity suppliers in collecting and remitting the Green Deal charge can be more accurately assessed. In the meantime, in keeping with the move to a daily Green Deal charge (please see section on Billing for the Green Deal charge under Key findings and future actions), we have decided to replace the annual administration fee with a daily administration fee of 1p/day/plan invoiced on a quarterly basis. This simplifies the calculation of the administration fee payable, as a customer could have more than one electricity supplier in a quarter.

As smaller suppliers have a smaller customer base across which to socialise any additional costs that are not covered by the administration fee, we have decided to allow them to collect a higher fee of 2p/day/plan from Providers. However, a levelisation procedure will operate which ensures that Green Deal Providers pay no more overall, in any one quarter, than 1p/day/plan. This means that larger suppliers will receive slightly less than 1p/day/plan depending on the number of smaller suppliers that are collecting Green Deal charges.

**QUESTION 50: 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**

### **Summary of responses**

We received nearly 200 responses to this question and most respondents agreed with retaining the existing £200 arrears limit for prepayment customers with an arrears plan. There was some concern expressed that including Green Deal arrears in the £200 limit risked having a negative impact on switching, especially if electricity arrears, including the Green Deal charge, were higher as a result of savings being manifested on other energy bills.

### **Government response**

We have decided not to change the current arrears limit for the transfer of prepayment customers with a Green Deal Plan. There is insufficient evidence to allow us to suggest, at this time, an alternative amount with confidence and having different limits for Green Deal and non-Green Deal customers could be confusing. However Ofgem are currently researching whether this limit, for all electricity consumers, should be raised to encourage more low income and vulnerable customers to switch. If Ofgem does raise the prepayment meter debt transfer limit then, as mentioned in the response to Q.42, the Green Deal debt thresholds will change automatically.

## **Chapter 9: Delivering the Green Deal and ECO**

**Brokerage in ECO :Summary of responses Questions 51, 52, 53, 54.**

**Question 51: 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?**

We expected the majority of households to receive packages of measures jointly funded by a mix of Green Deal Finance and the Energy Company Obligation, and that fair, transparent, efficient and cost effective access to ECO support would be crucial to ensure an open and competitive energy efficiency market. We proposed the introduction of a market based brokerage solution, to enable Green Deal Providers to access ECO. The alternative proposal was to oblige energy companies to partner with specific parties.

There were around 240 responses to this question. Of those that had a view, 90% supported the idea of brokerage. A number of stakeholders supported brokerage but felt there needed to be parallel regulation to oblige energy companies to deal with smaller Green Deal Providers, local authorities, or groups that were based in a given region. Many respondents also noted that brokerage would need to be designed to minimise admin costs, and not add further complexity, and suggested that the Government and/or ECO Administrator would need to monitor closely how the market developed.

Those who disagreed with the idea of brokerage were in the minority, with the prime reason being that partnerships would develop naturally ("as they have under CERT") and government should not intervene, or over-complicate the situation.

**Question 52: 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?**

We proposed that brokerage should help energy suppliers make a significant proportion of their ECO subsidy fairly available to those Green Deal Providers who could commit to delivering in a cost effective way.

Over 200 respondents answered this question. Close to 80% of respondents agreed with the proposal. Some respondents noted that some areas and house types, that were not the most cost effective, might be missed out, and that cost effectiveness must not be at the expense of quality. Some also suggested that SMEs might miss out if they had to compete on price, but noted that brokerage would in general provide fair access to ECO. Many noted the potential for energy companies, who also had ECO commitments, to exert a dominant position in the Green Deal market at the expense of new entrants, and that brokerage should mitigate against this.

**Question 53: 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?**

Suggestions for the percentage of ECO that should be channelled through brokerage varied, with some (mainly energy companies) proposing a level of 10-20%, but a majority suggested that it should be 50% or more. Some said up to 100%, reasoning that, if brokerage provided the most cost effective way for a supplier to meet their obligation, there would be no reason why all should not be through brokerage.

There was a strong theme that we should either review, monitor and or adjust the percentage, depending on the number of players and the market's capacity to deliver.

**Question 54: Do you have any further comments on the detailed design of a brokerage, or any alternative mechanism that ensures the most cost effective delivery?**

Just over 100 respondents answered this question, which received a wide range of responses. Suggestions for the design of ECO brokerage included: the brokerage market should be transparent; any system should be straightforward, simple and easy to use; it should be introduced gradually; the brokerage system should be independent/impartial and not privately funded; strong competition would be key; credits for both the Carbon Saving and Affordable Warmth obligations should be traded through brokerage; Local Authorities and all Green Deal Providers (large or small) should be able to trade through the brokerage system. There were views for and against brokerage being 'blind' and views for and against brokerage being voluntary.

**Government response: Question 51 - 54**

There is clear support for a brokerage mechanism to provide fair and transparent access to ECO subsidy, and we will put a brokerage mechanism in place for when the Green Deal framework comes into operation. We have already been engaging with stakeholders and experts to develop a brokerage model which supports the emerging Green Deal market. We propose to hold a further short consultation over the summer to call for further evidence of market failure and the need for any further regulatory intervention.

## **Chapter 10: Consumer protection**

**QUESTION 55: Do you agree that 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?**

## Summary of responses

We received 260 responses to this question, with close to 200 respondents providing further comments. More than half of the respondents who provided comments: strongly supported the EOS having a central role in securing redress for customers under the Green Deal. However, many noted that the EOS would need to widen its remit to be able to effectively investigate Green Deal complaints and determine redress for customers, where these have not been resolved by Green Deal Providers. There was also support for any redress route to be simple for both small businesses as well as for domestic customers.

Additionally, over half of respondents recognised that the ombudsmen landscape for the Green Deal would need to cover several different functions and, as such, any financial aspects should be covered by the existing Financial Ombudsman function.

## Government response

We are committed to protecting Green Deal customers and we are undertaking work to ensure that customers have a simple route to secure redress in the Green Deal.

We had envisaged an extension of the existing EOS scheme to cover Green Deal redress cases. However, during the consultation period, further detailed legal analysis revealed that this would require an amendment to primary legislation. Given the need to have a redress system in place from the moment the Green Deal framework is operational, we have decided to procure a separate Green Deal Ombudsman and Investigation Service. This will provide a redress route for customers that have complaints relating to their Green Deal, which have not been resolved by their Green Deal Provider. We will be making an announcement about this shortly.

This will mean that consumers can derive assurance from an impartial and effective Ombudsman service.

## Chapter 11: Setting the ECO and target metrics

### Scale and structure of ECO: Summary of responses: Questions 56 and 57

**QUESTION 56: Do you agree that targets of 0.52 million tonnes of CO<sub>2</sub> 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?**

We received 191 responses to this question, with around half of those addressing the terms of the question directly. Consumer groups and local authorities were largely of the opinion that the scale of the Affordable Warmth target was too low, and that the balance between the

targets should be re-assessed in favour of Affordable Warmth. A small number of Green Deal Providers indicated that they would have liked to have seen a larger Carbon target, and some felt the balance between the two ECO targets was correct. Several energy suppliers indicated that the scale of ambition of both the Carbon Saving and Affordable Warmth targets was very high, raising concerns around the reliance on the solid wall industry to deliver 0.52m tonnes of carbon savings per year, as the necessary delivery pattern was vastly above current industry capacity. Energy suppliers advocated a degree of flexibility between the two targets, to allow them to deliver more under the Affordable Warmth target, due to the more established supply chain and focus on fuel poverty. They favoured a gradual increase in the level of delivery of solid wall insulation as industry capacity increased.

**QUESTION 57: 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?**

We received just under 170 responses to this question. Of those who provided substantial comments, a majority agreed with the scale of ECO being set at £1.3bn per year, although many felt there was a need to increase the proportion of that amount reserved for the Affordable Warmth target, on the basis of fuel poverty targets and supply chain constraints in the solid wall insulation industry. Energy suppliers argued that they would not be able to deliver the proposed outcomes within this level of spending, particularly due to capacity issues in the solid wall industry. They also indicated that they would expect costs to be more in the region of £2-3bn, depending on the success of the Green Deal in driving the solid wall insulation market. However, a small number of responses pointed out that £1.3bn reflected higher equivalent costing than under previous obligations such as CESP, and thought that increased competition might enable more homes to be treated.

**Government response Question 56 and 57**

Responses from both of these questions in terms of changing the scale of the targets and the cost of delivering them, informed our decision to introduce a third element of ECO. This is the Carbon Saving Communities Obligation, which will deliver insulation measures to low income communities. Further details can be found under Key findings and future actions: The final shape of ECO

The scale of both the Carbon Saving and Affordable Warmth targets are ambitious but achievable, and represent our commitment to reduce our carbon emissions and tackle fuel poverty. Therefore, suppliers will be required to deliver 20.9Mt in lifetime carbon savings under the Carbon Savings Obligation, 6.8Mt under the Carbon Savings Communities Obligation, and a £4.2 billion reduction in notional lifetime space and water heating costs under the Affordable

Warmth Obligation by March 2015 respectively<sup>11</sup>. A number of respondents expressed views to increase one of the targets, but this balance represents the most appropriate split to enable us to achieve the twin objectives of ECO.

We did not receive any compelling evidence through the consultation to suggest that £1.3bn was an inaccurate assessment of the estimated costs of ECO. Based on our impact assessment, the capacity of the supply chain and the delivery ability of energy suppliers, we are confident that ECO will be delivered on the scale expressed above.

### **Operational Mechanics of ECO: Summary of responses: Questions 58, 59 and 60**

**QUESTION 58: 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.**

We received just under 180 responses to this question. Around two-thirds of respondents who answered the question favoured sales volume over share of customer accounts as the means by which ECO should be divided between suppliers. It was suggested that this method would better reflect the externalities which are captured in electricity pricing, but not in gas and would incentivise energy companies to help customers reduce their energy consumption. The remaining third favoured the share of customer accounts, for reasons such as the administrative simplicity of using this method and the direct link to cost recovery. Energy suppliers had a diverse range of opinions about how the targets should be divided, ranging from those in favour of dividing the target based on either gas or electricity customer base to those advocating a mixed approach. A broader issue raised in a number of responses was the manner in which energy companies pass on costs to consumers, with some suggesting that regulations should require suppliers to pass on costs on a per unit basis.

**QUESTION 59: We propose that savings calculated through the SAP-based Green Deal Assessment methodology be used as the basis for ECO targets and scoring. Can you envisage any undesirable or inadvertent effects that this approach might result in? If so, please provide details and evidence.**

Just over 200 respondents answered this question. The vast majority of respondents indicated that SAP was an accepted industry standard that they were familiar and comfortable working with. However, they pointed out a number of flaws in the current SAP system that needed improving, which are currently being worked on through an ongoing review of SAP. Issues

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<sup>11</sup> This has changed from the consultation figure due to an increase in the modeled number of easy to treat cavity walls, an extension of the eligibility criteria, inclusion of water heating costs and updated data on heating measures costs.

raised included: the lack of ability within SAP to account for appliances and lighting, actual fuel usage and heating controls, and climatic and geographic differences. A number of respondents indicated that a full occupancy assessment would generate a more accurate expected notional savings value. Although respondents pointed out flaws in the existing SAP system, few offered any evidence as to why an alternative method of assessment would be more beneficial and how it could operate. Some suggested basing an assessment on real savings values achieved from previous installations. Only a handful of responses fundamentally disagreed with the proposal to use a SAP-based scoring methodology for ECO.

**QUESTION 60: 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?**

This question received 183 responses. Respondents generally favoured a lifetime based scoring system to favour longer-term measures. Those who stated a preference for annual scores did so largely because they would have more resonance with and be more transparent to the consumer, thereby impacting on behaviour. Those stating a preference for lifetime scores did so to promote measures resulting in longer savings, noting specifically that annual savings disproportionately favour measures that deliver savings in the short term over measures that deliver genuine long-term savings.

**Government response questions 58 - 60**

We intend that energy suppliers become bound by ECO regulations when they reach 250,001 customer accounts. Once this level of customer accounts has been reached, the ECO obligation will increase from a very small obligation for companies close to the inclusion threshold to an obligation proportional to a company's full market share for companies selling more than 500,000 accounts worth of energy. Calculations of market share will be based on energy sales to the domestic sector. A levy based on kWhs sold increases the likelihood that energy companies will pass this cost through on a per kWh basis. A pass through based on kWhs has a more equitable impact on bills compared to a customer account based levy. A per kWh pass through also incentivises energy conservation.

Using a SAP-based methodology remains our preferred way of calculating ECO score. As indicated in the responses, SAP is an accepted industry standard which assessors, installers and energy companies are well versed in. Although there are issues with the way in which SAP operates, there is an ongoing review which will improve the methodology. SAP will also allow us to estimate notional savings values for measures installed in certain circumstances where a full SAP assessment is not appropriate (e.g. when repairing or replacing a boiler), allowing the policy to be consistent in terms of the compliance gained for installing certain measures.

To ensure that the ECO obligation delivers measures that result in longer-term savings, our final policy bases both the division of ECO targets and the credit a company receives for

delivering measures on the benefits which will be delivered over the lifetime of the measures installed. Annual savings would disproportionately favour measures that deliver savings in the short term, particularly under the Affordable Warmth obligation where any measures can be considered eligible if it allows householders to heat their home more affordably. The proposal to score ECO on the basis of lifetime savings received support from the majority of stakeholders and energy suppliers, in light of the above rationale.

## Chapter 12: Green Deal monitoring and evaluation, and ECO administration

### **QUESTION 61: 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?**

#### **Summary of responses**

We received around 250 responses to this question. A large number of respondents requested access to address level energy efficiency data to enable effective targeting of households for Green Deal. Significant numbers wanted us to monitor pre and post actual household energy consumption to enable a full assessment of whether the Golden Rule is working. Respondents not only wanted a record of what was installed, but also who installed the measures in order to allow common issues or problems across several properties to be identified. There were mixed views on what information should be collected as part of ECO. Concerns were also raised about the resource and cost implications for Green Deal participants of collecting and providing this information.

#### **Government response**

We are considering the opportunities available to share data with Green Deal participants. From April 2012 the Department for Communities and Local Government (DCLG) made energy efficiency information publicly available from the Register of Energy Performance Certificates in England & Wales. Address level information will also be available in bulk to certain authorised users, such as those certified under the Green Deal framework legislation. We intend to collect Installer details at each household and are considering the feasibility of collecting other data items suggested in the responses.

We will also be monitoring actual energy consumption to enable us to assess the Golden Rule. We recognise concerns regarding additional costs placed on Green Deal participants and are working to ensure we get the right balance between having the necessary information to monitor effectively the Green Deal and ECO without placing unnecessary burdens on participants. To support monitoring and evaluation of the effectiveness of the ECO we will be requiring energy suppliers to report monthly to the administrator of the scheme. This reporting will be much more transparent than under previous schemes and will include reporting of cost as well as delivery data.



**QUESTION 62: Should DECC be responsible for administering the ECO, with technical functions outsourced to the private sector, or should Ofgem administer the scheme?**

**Summary of responses**

We received 187 substantive responses to this question. The majority of responses favoured appointing Ofgem as Administrator of the ECO. Three main reasons given for this:

- Ofgem has considerable experience administering environmental schemes similar to the ECO;
- Ofgem is an independent body, which could lead to greater consumer confidence; and
- due to Ofgem's role in regulating the energy market, it already has relationships with the energy suppliers subject to the obligation and enforcement powers to enforce the ECO.

**Government Response**

In light of the consultation responses and the desire to smooth transition between the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP) and ECO, we decided to appoint Ofgem as Administrator of the ECO in February 2012, and stop the parallel procurement process we had been running to seek more detailed proposals on administering the ECO by the private sector.

Ofgem will administer the scheme for the first ECO period, October 2012 – March 2015, after which we may seek to review the arrangements for administration.

**General question 63**

**QUESTION 63 In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?**

The majority of answers to question 63 responded to issues raised in other consultation questions. Where this occurred, these answers helped inform the analysis for the specific question. The material below relates to those issues raised that have not been covered in previous questions.

**General comments**

Feedback from the consultation response showed strong support for the Green Deal and ECO policy. However, a few respondents felt that elements of the framework still needed to be finalised. Several others expressed concern that the timetable for implementing the policy was

too ambitious and did not give adequate time for industry to gear up for when the Green Deal framework would be ready for operation.

The strongest response to this question related to complexity. A significant proportion of answers indicated that the consultation and accompanying documents were too industry focussed, resulting in the content being inaccessible to many consumers. Related to this issue, a few respondents thought that the eight week consultation period was insufficient time to consider a consultation document of this size and detail. Many also suggested that simplification of the Green Deal customer journey would increase take up by providing SMEs and consumers with greater understanding and confidence in the scheme. Linked to these comments several respondents suggested raising public awareness through case studies, guides, workshops and consumer-facing documents.

Some respondents suggested that there should be greater coordination between other energy-related initiatives and regulations, in particular the Renewable Heat Incentive (RHI), Feed-in Tariffs (FiTs) and water policy. A few respondents expressed concern that traditional buildings might be difficult to improve and might need a more specialist Green Deal approach, and that more clarity was needed on the eligibility of park homes.

## **Demand**

A substantial number of respondents raised the issue of demand for the Green Deal, stating that further action should be taken to stimulate take-up and provided suggestions of how this could be achieved. These can be broadly grouped into the following areas:

### Communications and Marketing

Many commented on the need to create awareness and understanding of the Green Deal with ideas ranging from a nationwide campaign including TV advertising to highly targeted local activity led by Local Authorities and communities. A need for clear, easy to understand information was recognised as was the importance of integrated messaging with other energy efficiency programmes. Show or open homes were also recommended as ways to demonstrate measures in situ and to encourage uptake locally.

### Incentives

The £200m capital funds to support early demand for the Green Deal, as announced in the Autumn Statement, were warmly welcomed by respondents. There was a number of suggestions regarding how this funding could be used to maximise impact. This included vouchers, cashback or rebate for early adopters, payment holidays from initial Green Deal repayments, free or subsidised assessments, funding for a communications campaign and funding for community projects or pilots.

### Fiscal measures

Suggestions under this category largely focused on using stamp duty as a lever to drive uptake of energy efficient measures. Council tax rebates were also frequently cited as were reductions in VAT on energy efficiency products in general and or specifically products installed under the Green Deal framework.

#### Use of intermediaries

Amongst others, Local Authorities and community groups were frequently raised as trusted intermediaries which could be used to help communicate the benefits of the Green Deal.

#### Private Rented Sector

In addition, a number of respondents raised the issue of incentivising uptake in the Private Rented Sector in particular. The provisions in the Energy Act 2011 to regulate the Private Rented Sector were also raised, with some respondents welcoming the provisions and others requesting further details on the shape the regulations could take.

#### **Non-domestic**

A small number of respondents wanted more information on how publicly owned buildings, such as schools and medical centres would be covered by the Green Deal. It was also suggested that the Green Deal should make use of existing networks of community, volunteer and public sector bodies. It was indicated that as non-domestic buildings are more complex than domestic they will require specialist assessment, specification and design. There was also a feeling that the Green Deal should be implemented in two stages, with the non-domestic in a later tranche.

A couple of respondents requested that Enhanced Capital Allowances should be reviewed in more detail, as these could alter the feasibility of a non-domestic regime.

#### **Government response**

##### **General**

The Government remains on track, subject to Parliamentary approval of the necessary secondary legislation, to have in place the framework for the Green Deal and Energy Company Obligation (ECO) by October 2012. This includes not only the legislation and guidance, but also new functional services such as the national energy saving advice service, a registration and oversight body and others as set out elsewhere in this response document. This framework will open the door for the Green Deal to grow naturally over the next 18 months.

We will continue to liaise closely with our delivery partners and those we know want to participate in the Green Deal. We acknowledge the messages from them that they want to properly test the new systems and processes that will underpin the Green Deal. This fits with our objective of a Green Deal that provides an excellent customer experience from day one and a market in which a range of new players can readily participate. We are therefore working with our delivery partners to focus the early Green Deal on a period of testing which will provide sound, trusted foundations for opportunities to be made available across the whole country.

We acknowledge that the Green Deal and ECO consultation contained a lot of detail about the design of the policy. This had been called for by many stakeholders. We intentionally provided maximum detail to generate informed discussion of the policy proposals and to give potential participants in the Green Deal an early opportunity to understand the exact mechanics. The consultation document was complemented by our participation in various stakeholder events, industry workshops and our hosting of blogs and a webchat. We published stakeholder factsheets on our website to help tailor the content of the consultation document and make it more accessible. We also provided a dedicated mailbox, postal address and telephone line to answer questions. In November 2011 our focus was deliberately more on industry as the delivery agents of the Green Deal. As we now move towards completing the Green Deal framework, we are extending our communications to include consumers.

We agree there are a number of potential links between the Green Deal and incentives for Renewable Heat, including similarity of customer base and some technologies. Improving energy efficiency in a property can help to boost the effectiveness of many renewable heat technologies, such as air and ground source heat pumps. There is plenty of scope for greater integration in the marketing of the Renewable Heat Incentive, FiTs and the Green Deal, allowing consumers to make more informed consumer choices. See measures paper for more information.

We believe the Green Deal has potential to benefit a wide range of properties of all ages across Great Britain. There are different challenges and opportunities in improving the energy efficiency of traditional buildings and it is important that the Green Deal process is capable of sensitively considering these. We established at the end of last year the Green Deal and older properties working group, co-chaired by DECC and the Prince's Regeneration trust and including key members of the traditional building industry.

Coupled with the responses to the consultation, this group has helped to make a number of changes to Green Deal. Provisions in the Code relating to certain risks (such as condensation and mould) associated with installations have been strengthened - For example, Green Deal Providers must ensure the ventilation requirements are taken into account during installations. In addition, the qualifications for Green Deal advisors have been bolstered, including changes to the NOS for Green Deal Advisors to incorporate traditional building considerations.

We are continuing to work with the older properties working group and the wider industry to ensure Green Deal assessments and installations are carried out with sensitivity, and

specialists are engaged where appropriate. We will also provide further specific guidance on how the Green Deal will work for traditional and historic buildings.

To be eligible for Green Deal finance, a property needs to first have a Green Deal Assessment. This is made up of an EPC plus an Occupancy Assessment in the domestic sector. Park homes are currently exempt from the EPC framework and consequently the RdSAP methodology used to produce an EPC does not cover park homes therefore it is not possible to get a Green Deal assessment. We are looking to ensure that park homes are able to take advantage of the Green Deal in future updates.

Park homes will be eligible for ECO support if an appropriate alternate methodology has been approved by the ECO Administrator for calculating the ECO score.

## **Demand**

We welcome the many suggestions from stakeholders on how demand for the Green Deal could be generated. These will be carefully considered as we continue to develop and refine their role, alongside Green Deal Providers, in driving demand for the Green Deal.

### Communications and Marketing

The Green Deal framework is designed to harness the power of the market to drive demand for energy efficiency measures, with Providers given maximum flexibility to use their brands and understanding of consumers and businesses to best meet domestic and non-domestic needs. However, many of the other suggestions related to communications and marketing are reflected in our engagement planning. These include:

- developing a clear and compelling consumer-focused description of the Green Deal;
- generating media interest in the Green Deal;
- producing information all can use, including standard fact-sheets covering elements of the Green Deal and measures;
- where possible integrating messages with other energy efficiency policies; and
- exploring the possibility of wider availability of open or show homes

### Incentives

We will consider the many suggestions for using the £200m capital funds – and continue to engage with stakeholders - as we develop our proposals. In particular we are seeking to ensure that the funds are used in a way that offers value for money to the taxpayer whilst avoiding the possibility of giving rise to state aid. As such, we are considering a core proposal for a portion of these funds that could include vouchers, cashback or rebate for early adopters. This is likely to incorporate options for how the funds could be used to support community or street-by-street projects, which could help provide an early demonstration of how the Green Deal can be delivered at scale.

Within this core proposal, there are a variety of potential approaches being considered. Whilst we do not intend to use the funds for communications and marketing activities, we will ensure that the incentive scheme is used to help build early interest and awareness of the Green Deal as part of its broader communication plans. Further options for the use of these funds, beyond incentive schemes, that provide value for money and support uptake may be considered as they arise.

### Fiscal measures

We have noted the suggestions provided as part of consultation responses. The Treasury reviews the tax system annually as part of the Budget process, but the Government's focus in relation to the Green Deal is to ensure the effective use of the £200m capital funds to drive uptake of the Green Deal described above, and establishing the market framework for installation of energy efficient measures.

### Use of intermediaries

We agree that the use of trusted intermediaries to communicate the benefits of the Green Deal is a powerful way to help generate awareness and demand. In particular, we recognise the importance of both Local Authorities, social housing providers and communities in building local partnerships to deliver the Green Deal. To facilitate this we have supported a number of local initiatives through work with National Energy Action (NEA), this has included work with 10 Local Authority and community projects which covered around 50 Local Authority areas.

Local Authorities are uniquely placed to facilitate and build local partnerships and act as catalysts for change. With this in mind we will be publishing guidance to revitalise the Home Energy Conservation Act (HECA) 1995.

### Private Rented Sector

The Government has committed to working with the Private Rented Sector to encourage the uptake of energy efficiency measures through the Green Deal ahead of any regulatory requirements. The Energy Act 2011 also enables Government to raise housing standards and help ensure the take up of cost effective energy efficiency improvements in the Private Rented Sector. The requirements would be subject to there being no upfront financial cost to landlords (with the costs of measures being fundable through the Green Deal and or ECO). Where there are costs to landlords, such as time or hassle costs, we are committed to ensuring the benefits meet or exceed these. We intend to look more fully at the Private Rented Sector regulations shortly following completion of the Green Deal framework.

### **Non-domestic**

We are currently developing our policy on the non-domestic Green Deal and will be looking closely at all the issues raised. As part of this process there will be continued research and

identification of the non-domestic sectors most interested in, and suitable for, energy efficiency improvements.

We are looking at how to help address any attitudinal, awareness, and motivational barriers in the commercial sectors. In parallel we aim to work closely with stakeholders across a wider field (outside the private sector) to help identify the key factors which would drive demand for energy efficiency measures on the non-domestic side of Green Deal.

# Annex 1: Green Deal qualifying measures

1. Air source heat pumps
2. Biomass boilers
3. Biomass room heaters (with radiators)
4. Cavity wall insulation
5. **Chillers**
6. Cylinder thermostats
7. Draught proofing
8. **Duct insulation**
9. External wall insulation systems
10. Fan-assisted storage heaters
11. Flue gas heat recovery devices
12. Gas-fired condensing boilers
13. Ground source heat pumps
14. Heating controls for wet central heating systems or warm air systems
15. **Heating ventilation and air-conditioning controls (including zoning controls)**
16. High performance external doors
17. **Hot water controls (including timers and temperature controls)**
18. Hot water cylinder insulation
19. **Hot water showers**
20. **Hot water systems**
21. **Hot water taps**
22. Internal wall insulation systems (for external walls)
23. Lighting systems, fittings and controls (including roof lights, lamps and luminaires)
24. Loft or rafter insulation (including loft hatch insulation)
25. Mechanical ventilation with heat recovery systems
26. Micro combined heat and power
27. Micro wind generation
28. Oil-fired condensing boilers
29. Photovoltaics
30. **Pipework insulation**
31. Replacement glazing
32. **Radiant heating**
33. Room in roof insulation
34. Roof insulation
35. **Sealing improvements (including duct sealing)**
36. Secondary glazing



**37. Solar blinds, shutters and shading devices**

38. Solar water heating

**39. Transpired solar collectors**

40. Under-floor heating

41. Under-floor insulation

**42. Variable speed drives for fans and pumps**

43. Warm-air units

44. Waste water heat recovery devices attached to showers.

**45. Water source heat pumps**

**Measures Definitions**

Micro combined heat and power means a combined heat and power system with an electrical capacity of 50 kilowatts or less.

Micro wind generation means a wind turbine or turbines with a nominal output between 300W and 50kW measured at a wind speed of 11m/s.

## Annex 2: List of respondents<sup>12</sup>

3M UK plc	Aylesbury Vale District Council
Aberdeen City Council	Baildon Friends of the Earth
Aberdeenshire Council	Baily Garner LLP
Absolute Insulation Ltd	Barbican Association Sustainability Group
Act on Energy Local Authority and Social Housing Energy Forum	Barrow Borough Council
Action with Communities in Rural England (ACRE)	Bath & North East Somerset Council
Advanced energy Scotland Ltd	BCA Insulation
AECB	Berneslai Homes
Aereco Ventilation Ltd	BioRegional Development Group
AES Ltd	Black Country Consortium Ltd
Affinity Sutton	Blackburn with Darwen Borough Council
Age Scotland	Blackpool Council
Age UK	Blooming Green Ltd
AGMA - Association of Greater Manchester Authorities	Bournemouth Affordable Warmth Partnership
AlertMe.com Ltd	BRE Group
All Party Parliamentary Gas Safe Group	Bristol City Council
Allerdale Borough Council	Bristol Energy Cooperative
All-Party Parliamentary Group for the Roofing Industry	British Blind and Shutter Association
AMEC Environment & Infrastructure UK Ltd	British Board of Agreement
APHC (The Association of Plumbing and Heating Contractors (APHC))	British Chambers of Commerce
Aran Services Ltd	British Gas
Architecture for Change	British Glass Manufacturers
Ascertiva Group	British Institute of Facilities Management
Ashfield District Council	British Photovoltaic Association (BPVA)
Ashford Borough Council	British Plastics Federation
Asset Skills	British Property Federation

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<sup>12</sup> We have not included the names of private individuals and some confidential responses

Association for Environment Conscious Building (AECB)	British Pump Manufacturers' Association Ltd
Association of British Insurers (ABI)	British Retail Consortium (BRC)
Association of North East Councils	British Rigid Urethane Foam Manufacturers Association (BRUFMA)
Association of Residential Letting Agents and National Association of Estate Agents	British Woodworking Federation
Association of Residential Managing Agents (ARMA)	BritishEco Ltd
Aster	Bromsgrove Partnership
Aylesbury Vale DC	BSI Assurance UK Ltd
BSI Consumer & Public Interest Network	City of Wakefield Metropolitan District Council
BSI group	City of York Council and Yorkshire Energy Partnership
Builders Merchants Federation	City South Manchester Housing Trust
Building Products distributors Limited	City West Housing Trust
Bury & Walkers LLP	Cler Sky Sustainable Homes Ltd
Bury Council Urban Renewal Section.	Climate Energy Ltd
Calderdale Council	Colchester Borough Council
Cambridge City Council	Combined Heat & Power Association (CHPA)
Cambridge Home Energy Liaison Group (HELG)	Comhairle nan Eilean Siar (Western Isles Council)
Camco Advisory Services	Community Energy Scotland
CAN Cymru Housing	Community Energy Solutions - Community Interest Company
Carbon Action Network	Community Housing Cymru
Carbon co-op	Confederation of UK Coal Producers (CoalPro)
Carbon Masters	Considerate Constructors Scheme
Carbon3IT Ltd	Construction Products Association
CarbonQuarter Limited	Consumer Focus
Carillion Energy Services	Consumer Focus Scotland
Cavity Insulation Guarrantee Agency (CIGA)	Consumer Focus Wales
CBI	Convention of Scottish Local Authorities (COSLA)
Centre for Sustainable Energy	Copeland Borough Council
Centre of Refurbishment Excellence	Cornwall Council

Certass Limited  
CGD-EPC Consultants  
Changeworks  
Charnwood Borough Council  
Chartered Institute of Architectural Technologists (CIAT)  
Chartered Institute of Housing  
Chartered Institution of Building Services Engineers (CIBSE)  
Cheltenham Home Inspection  
Cheshire West and Chester Council  
Church of England (Shrinking the Footprint)  
Circle Housing Group  
CITB-ConstructionSkills  
Citizens Advice Bureau  
City of Bradford Metropolitan District Council  
DEFRA  
Demos  
Derby City Council  
Development Plan Group, Development Regeneration Service, Glasgow City Council  
DiscreteHeat Co Ltd  
Dods Green Deal Dialogue on behalf of Glass and Glazing Federation, Land Securities PLC and Velux.  
Drax Power Limited  
Dumfries and Galloway Housing Partnership  
Dundee City Council  
Durham County Council  
E.ON UK  
East 7  
East Lindsey District Council  
East Renfrewshire Council  
Correlation Risk Partners  
Council for Aluminium in Building  
Council of Mortgage Lenders  
Country Housing Group Limited  
County and District Heritage Advisors Group (CADHAG)  
Coventry City Council  
Cumbria Affordable Warmth Partnership  
Cyntra  
Danfoss Randall Ltd  
Dartford Borough Council  
David A. Farrer Ltd  
deacambridge ltd  
DECC Youth Advisory Panel  
Deceuninck Ltd.  
Energy Services and Technology Association (ESTA)  
EnergyStop.co.uk  
English Heritage  
Environmental Industries Commission (EIC)  
Environmental Treatment Concepts Ltd  
European Phenolic Foam Association (EPFA)  
Everest Limited  
Existing Homes Alliance Scotland  
Family Mosaic  
Federation of Master Builders  
Federation of Master Builders Scotland  
Federation of Plastering and Drywall Contractors (FPDC)  
Federation of Small Businesses  
FENSA Limited

East Riding of Yorkshire and Hull jointly	Federation of Environmental Trade Associations (Feta Ltd)
East Riding of Yorkshire Council	First Ark Group
Eco2 Solar Ltd	First Choice Homes Oldham
EcoAnswers Ltd, trading as LoftZone	First Utility
Ecology Building Society	Flat Glass Manufacturers Association
Eco-Rich Ltd (Energy & Environmental Consultants)	Flintshire County Council, Flintshire Affordable Warmth Partnership
Ecotricity	Forum of Private Business
EDF Energy	Foundations
Efficiency East Midlands	freesource energy ltd
ElectraLink Ltd	Friends of the Earth: Inverness & Ross
Electrical Contractors Association (ECA)	Fuel Poverty Advisory Group
Electricity North West	Galson Estate Trust
Elmhurst Energy Systems Ltd	Gateshead Council & The Gateshead Housing Company (ALMO).
Enact Energy Renewables Limited	Gemserv
End Fuel Poverty Coalition	Gemserv Limited
Energy Action Scotland	Gemserv Limited
Energy Agency	Glasgow City Council
Energy Networks Association	Glass and Glazing Federation
Energy Retail Association	Good Energy
Energy Technologies Institute (ETI)	Grant Thornton
EnergyLink Ltd.	Greater London Authority
Greater Manchester Chamber of Commerce	Institute of Historic Building Conservation
Green Alliance	Insulated Render and Cladding Association (INCA)
Green Business Skills Forum (South Wales)	InterGen (UK) Ltd
Green Deal Advisor Association	Inverclyde Council
Green Deal Network	iPower Action Ltd
Green Energy Options Ltd (GEO)	Islington Council
Green Energy UK	Isothane Limited
Green Heat Ltd- The Energy Efficiency Company	John Lewis
Green Tomato Energy Limited	Kent Energy Efficiency Partnership (KEEP)
Greener Kirkcaldy	Kensa Engineering

Greenfields Community Housing	Kent County Council
Groundwork Leeds	Kent Trade Frames Ltd
grouphomesafe	Kingspan Insulation Ltd
Grundfos Pumps Ltd.	Kinnell-Holdings
Guildford and Waverley Friends of the Earth	Kirklees Council
Gwynedd Council	Kirklees Neighbourhood Housing
Halton Housing Trust	Knauf Insulation
Hampshire County Council	LABC
Hanover Housing Association	Land Securities PLC
Hartlepool Borough Council	LB Harringey
Hastoe Housing Association	Leeds City Council
Heat Pump Association	Leeds City Region
Heating & Hotwater Industry Council	Leicester city council
HECA, Herefordshire Council	Leicestershire County Council
Helena Partnerships	Lewisham Council
HETAS (Heating Equipment Testing & Approval Scheme)	Lighting Industry Association Ltd
High Legh Community Association	Liverpool City Council
Highland Council	Liverpool Mutual Homes
Homaetrix Ltd	Local Government Association
Home EPC Ltd	Logicor Ltd
HomePro Ltd	London Borough of Camden
Honeywell	London Borough of Croydon
Housing and Neighbourhood Services, Fife Council	London Borough of Hackney
Housing Division, Department for Social Development	London Borough of Hounslow
HTA	London Borough of Lambeth
Insta Group and the Snug Network	London Borough of Richmond upon Thames
London Borough of Sutton	Neighbourly Matters, Chartered Environmental Surveyors
London Borough of Waltham Forest	Network VEKA Limited - Trade Association
London Climate Change Partnership (LCCP)	Newcastle City Council
London Councils	Newport City Council
London Housing Group of the Chartered Institute of Environmental Health	NHBC

Longhurst Group	North Ayrshire Council
Loretto Housing Association	North Kesteven District Council
Low Carbon Gordano	North London Green Deal Group
Mark Group Energy Savings	North London Green Deal Group
Marks and Spencers	North Tyneside Council
Marksman Consulting	Northants Warm Homes
Merton Council	Northern Powergrid Holdings Company
MHP Communications	Northumberland County Council
Micropower Council	Nottingham City Council
Milton Keynes Council	Nottinghamshire and Derbyshire Local Authorities' Energy Partnership (LAEP)
Mineral Wool Insulation Manufacturers Association (MIMA)	Nu-Heat UK Ltd
Mitsubishi Electrical Heating Systems	Ofgem (the office of gas and electricity markets)
Moat Housing Association	OFTEC
Modern Masonry Alliance	Ombudsman Services
Mould Growth Consultant Ltd	OPOWER
NAPIT Certification Ltd	Opus Energy Ltd
NARM (National Association of Rooflight Manufacturers)	Ore Valley Housing Association
NARM: National Association of Rooflight Manufacturers (manufacturers Trade Association)	Orkney Housing Association Ltd
National Caravan Council (Trade Association)	Ovo Energy
National Energy Action (NEA)	PassivSystems Limited
National Federation of Builders	PermaRock Products Ltd
National Federation of Glaziers	Peterborough City Council
National Federation of Roofing Contractors	PhotonStar LED Ltd
National Grid	PhotonStar LED Ltd
National Housing Federation	Piers Sadler Consulting
National Insulation Association	Pilkington United Kingdom Ltd
National Landlords Association	Pittsburgh Corning (UK) Ltd
National Skills Academy for Environmental Technologies	Plymouth City Council
National Specialist Contractors Council (NSCC)	Polypearl Limited
Nationwide Energy Services Ltd	powerPerfector

Powys County Council	Sefton Council
Profile 22	SELECT
Prospective startup	SEPA (Scottish Environment Protection Agency)
PRP Architects LLP	SHAP (Sustainable Housing Action Partnership)
PRS Technical Group	Sheffield LATAG (Leaseholders and tenants action group)
PV Solar Energy Ltd	Shetland Renewable Energy Forum
Quidos	Shettleston Housing Association
REAL Assurance Scheme	SIG Distribution Ltd
ReEnergise Finance	SIG Energy Management
Reflex Marine Ltd.	SIG plc
Regenda Ltd	Skyrad Ltd
Renfrewshire Council	SmartestEnergy Limited
Renocon Limited	SNIPEF - Scottish and Northern Ireland Plumbing Employers Federation
Retrofit for Housing	Social Enterprise in Health
Rhondda Cynon Taf County Borough Council	Society of Motor Manufacturers and Traders (SMMT)
Rickaby Thompson Associates Ltd (Consultants)	solar panel power uk ltd
RLtec	Solid Fuel Association
Rockwool Ltd	Solid Wall Insulation Guarantee Agency (SWIGA)
Rossendale Borough Council	Solihull Metropolitan Borough Council
Royal Borough of Kensington and Chelsea	Somerset West Private Sector Partnership
Royal Institute of British Architects	South Cambridgeshire District Council
Royal Institution of Chartered Surveyors (RICS)	South East England Forum on Ageing
RWE Npower plc	South Lakeland District Council
Sabien Technology Ltd	South Lanarkshire Council
Safeguard Europe	South Somerset District Council
Saint-Gobain (businesses in the UK)	South Yorkshire Housing Association
Sanderling Warmth	Southern Housing Group Limited
Save Cash and Reduce Fuel (SCARF)	Southway Housing Trust
Scotia Gas Networks: The holding company of Scotland Gas Networks	Spectus Systems Ltd.
Scottish Building Federation	SSE



Scottish Federation of Housing Associations (SFHA)	St. Peter's Church
Scottish Government	Stockton-on-Tees Borough Council
Scottish Microrenewables Working Group (SMWG)	Stoke-on-Trent City Council
Scottish Power Energy Networks	Strategic Team Group Ltd
Scottish Renewables	Stroma Certification Ltd
ScottishPower	Stroma Technology Ltd
Stroud District Council	The Law Society
SummitSkills	The National Trust
Sundog Energy Limited	The North Berwick Energy Group
Superglass Insulation plc	The Renewable Energy Association (REA)
Sustain Ltd	The Riverside Group Ltd.
Sustainable Energy Academy	The Society for the Protection of Ancient Buildings
Sustainable Uist	The UK District Energy Association
Sustainable Youlgrave	The Urban Renewal Officers' Group.
Swale Borough Council	Thermakote Ltd
Swift Conservation	Tighean Innse Gall
Swish Building Products	Toriga Energy Limited
Symphony Housing Group	Trading Standards Institute (TSI)
T Brown Group	Transition Eynsham Area (GreenTEA)
tadea ltd	Trowers & Hamlins LLP
Tata Steel	TrustMark
Tesco	Tuckers Consultancy Ltd
The Alliance for Sustainable Building Products	Tudor Edward
The Association for the Conservation of Energy	UK Business Council for Sustainable Energy (UKBCSE) and the Energy Retail Association (ERA)
The Association of Manufacturers of Domestic Appliances (AMDEA)	UK Energy Research Centre
The Bathroom Manufacturers Association	UK Green Building Council
The British Electrotechnical and Allied Manufacturers Association (BEAMA)	UK Power Networks
The British Plastics Federation - Windows Group	UK Rainwater Harvesting Association
The Building Societies Association	UKLPG
The business services association	United Kingdom Accreditation Service

The Chartered Institute of Building (CIOB)	United Merchants plc
The Chartered Institute of Plumbing and Heating Engineering	United Sustainable Energy Agency
The Church of England, Diocese of London	University of Cambridge
The City of London Law Society	University of Cambridge Accommodation Service
The Energy Saving Co-operative (Lead Organisation)	University of Sheffield
The Federation of Groundwork Trusts (Groundwork UK)	Ursa
The Federation of Private Residents Associations Ltd.	Utiligroup
The Green Building Partnership	Wealden District Council
The Green Deal Finance Company	Welsh Government
The Greening Campaign	West Dunbartonshire Council
The Institute of Domestic Energy Assessors (IDEA)	West Sussex Carbon Action Network (7 local authorities)
VEKA plc	West Sussex County Council
Virgin Media	Westminster City Council
Viridian Housing	Which?
VNR Contracting Services Ltd	Willmott Dixon Energy Services
VO4HOME	Winchester Action on Climate Change
VPhase plc	Wolverhampton City Council
Wall-Lag Group	Worcester BOSCH Group
walltransform ltd	Worcestershire Green Deal project group
Walsall Metropolitan Borough Council on behalf of the Black Country (Dudley MBC, Sandwell MBC, Walsall MBC, Wolverhampton City Council)	Wycombe District Council
Warm Zones cic	Yorkshire and Humber Fuel Poverty Forum
Warranty Services Ltd	Yorkshire Housing Ltd
WaterUK Water Efficiency Network	YourPlace Property Management
Waterwise	Zenex Technology
Wates Living Space	Zero Carbon Homes
Watford Borough Council	

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