

# The Green Deal and Energy Company Obligation

## Consultation Document

**Volume Two of Two**

**Large print  
16 point**

[11D/886 & November 2011]

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Consultation reference: URN 11D/886 – The Green Deal and Energy Company Obligation Consultation Document

Published by the Department of Energy and Climate Change.

**Large print version:**

Text notes, indicated by numbers in bold, square brackets, e.g. **[14]**, are listed at the end of each section / chapter.

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## **Chapter 6: Consent, Disclosure and Acknowledgement**

### **Summary of Chapter:**

Before the Green Deal can go ahead, relevant consents must be gained to the measures and the charge to be included in the electricity bill for the property. Consent to the charge will be required from both the electricity bill payer and the owner of the property. Who must consent to the measure will vary depending on the property and the type of measures being installed, but may include, for example, the owner, the freeholder, and local planning authority. A redress framework is provided for circumstances where the correct consents to the installation of the measures were not obtained. Once Green Deal measures have been installed and signed off, the Green Deal Provider will give the customer a Green Deal Plan document and a new Energy Performance Certificate (EPC).

One of the key principles of the Green Deal is that Green Deal improvements should be paid for by those who are benefiting from them; as the property changes hands over time, responsibility for paying the Green Deal charge also changes. The Government intends to facilitate this change through disclosure of the Green Deal Plan via the provision of the EPC to potential future bill payers. The EPC will contain key financial information about the Green Deal. Disclosure should happen as soon as possible, but always before the potential bill payer has entered into a binding agreement to take on the property. Disclosing the existence of a Green Deal to a new bill-payer will help ensure, the obligation to pay the Green Deal transfers to that person. Making an EPC available on sale or rent of a property is already required under the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 (EPB Regulations) in England and Wales. In Scotland, an EPC must be obtained before marketing of the property commences.

To protect all parties, we will also ensure the potential new bill-payer receives and understands the relevant information in good time. We are building on the EPB Regulations for disclosure of the Green Deal, to ensure that a potential bill payer sees the details of the Green Deal on the property in sufficient time to influence their decision whether or not to take it on. In most cases, this will be at the point that someone arranges to view the property. Once someone has agreed to take on a property with a Green Deal, the person who is, for example, selling or letting out that property will need to obtain an acknowledgment in writing that the person taking on the property is aware of the Green Deal and the terms of the plan, particularly the responsibility to pay the Green Deal charge. This will help to ensure that new occupiers are aware of the terms of the Green Deal Plan that they are taking on their responsibility for the charge.

Redress procedures will be in place for any customer who has not been made aware of the charge before purchasing or renting a property. These are also set out in this chapter.

## **6.1 Introduction**

1. Ensuring that appropriate consents are in place before a Green Deal is taken out and that the Green Deal Plan is disclosed to and acknowledged by prospective bill payers before they take on a property is crucial for consumer protection reasons.
2. Requiring appropriate consents is important to protect the consumer and property rights of property owners and electricity bill payers (where they are different people) before the measures are added to the building and the charge is attached to the electricity bill. It will ensure that the relevant parties are both aware of and content with the Green Deal.
3. Disclosure is important because future bill payers need to know about the Green Deal Plan, and the associated charge, so that they are properly informed about the Plan before deciding

whether or not to take on the property. Equally they need to acknowledge the Green Deal Plan and their responsibility for paying the instalments through the electricity bill, so as to help ensure responsibility for paying the charge passes on.

4. There are some situations in which early repayment of the Green Deal may be required, for example where a property is demolished. Additionally, Green Deal Providers will be permitted to ask for repayment in certain situations, for example when certain changes are made to the use of the property.

### **Policy approach**

5. This policy has been developed to create transparent consents, disclosure and acknowledgement processes. The development of these processes, and the detail of how they will work, and any extra burdens they produce have been balanced against the need to easily demonstrate that they have taken place, to protect consumers and particularly future electricity bill payers in the property.
6. These provisions apply equally to domestic and non-domestic properties that may be improved under the Green Deal. Our approach is to ensure that consumers are protected in the domestic sector, particularly future bill payers, but also to provide a robust and effective mechanism to make sure that those at or coming to a Green Deal property are aware of and content with the Green Deal.

### **6.2 Consent**

7. There are two aspects to the consent policy – consent to install energy efficiency measures in the property and consent to include the Green Deal charge in the electricity bill for the property.

### **Parties who may need to give consent**

8. There may be multiple parties who need to consent to a Green Deal, but this depends on the property, tenure and measures being installed. In the owner occupier sector gaining consent may be straightforward as the Green Deal customer, property owner and bill payer are likely to be the same person.
9. However, in situations where the customer and the electricity bill payer are different people, such as a landlord and a tenant in the rented sector (or the licensor and licensee), each of these parties will need to consent. This is particularly important in the domestic sector as the Government's view is that the bill payer's consent to the charge should be given in order to satisfy consumer protection legislation.
10. In rental properties, it is likely that the terms of the tenancy agreement will require the consent of the landlord when measures are being installed. The consent of both the landlord and the tenant (if the electricity bill payer) will be required for the charge. If a landlord is installing Green Deal measures in a vacant property then they will give their consent as the current electricity bill payer, though the existence of the Green Deal charge must be disclosed when they let the property (see section 6.4 on Disclosure & Acknowledgement below). If the future tenant has already signed a tenancy agreement, this known future bill payer will have to give their consent to the charge.
11. A freeholder's consent may be required before certain Green Deal measures can be installed in a leasehold property. This will very much depend on the individual lease and the particular measures being installed.
12. As well as individual flats or units, the Green Deal could be used to install measures to the common parts or fabric of a multiple occupancy building (such as cavity wall insulation in a leasehold

block of flats). In such cases, in addition to the freeholder consent to the measures, the individual leaseholders/tenants would need to give their permission, as bill payers, before the charge could be added to their bills. Bill payers would also have the option of paying the Green Deal Provider upfront rather than through their meter.

13. In Scotland, any improvement to communally owned areas of tenements (including flats and sub-divided houses, for example) would require the consent of the other owners with responsibilities for those areas. Potential barriers to consent in these multiple occupancy buildings is further discussed below in the Barriers to Consent – Call for Evidence section (on pages 13 and 14 in Volume Two)
14. Consent from a third party may also be required such as a planning permission or a listed building consent.

### **6.3 The Consent and Redress Framework**

15. For the installation of measures, consent requirements will often be set out in, for example, tenancy and licence agreements and will be different for each property. Therefore, when looking at consent to Green Deal measures, Government is proposing a broad framework, which will involve customers referring to their individual tenancies and licences to ascertain whether consent for the measure is needed. In addition, contact may be needed with the local authority to determine whether planning permission or listed building consent is needed.
16. Our framework will also deal with consent to the addition of the Green Deal charge to the electricity bill (as this is the new and innovative element which is unlikely to be provided for in existing leases or tenancy agreements), and with the way consents for the charge and measures are collected and demonstrated for a Green Deal plan.

17. The Green Deal Code of Practice will require Providers to work closely with their customers and help them identify where they will need to seek consent. The Code will also require assessors to raise the issue of consents with customers at the time of the Green Deal assessment.

### **Demonstrating Consent**

#### **Consent to the Green Deal charge**

18. Under the proposed consent framework, a Green Deal customer will need to gain express written consent to the charge from:
- the electricity bill payer, and
  - the owner of the property.
19. Government envisages that consent to the charge will be demonstrated via a written confirmation. The bill payer will consent to the charge being added to their electricity bill, and acknowledge they will be bound by a requirement to make payments, and certain terms in the Plan, whilst they are the bill payer at the property. These confirmations will be attached to the plan. This will be a compulsory condition that must be met before the plan is entered into. By requiring this written confirmation from the bill payer we are ensuring that, where the bill payer and customer are different people, the bill payer is aware of their obligation to pay a Green Deal charge as part of their electricity bill.
20. In requiring written confirmation from the property owner, we are ensuring that, even if that person is not the bill payer or the customer when the Green Deal is taken out, they are aware that they could be responsible for paying the charge and bound by the terms of the plan in the future (for example, in circumstances where a landlord may be liable for the electricity bill when a tenancy expires). It is envisaged that freeholders and others with a landlord's interest in the property will be classed as owners for this purpose.

21. We do not however intend to require consent to the charge from certain types of 'owners' who are unlikely to become liable to pay the electricity bills at a property. This includes freeholders/landlords under a long-lease (for example, a 125 year lease of a residential property) where the remainder of the lease runs longer than the Green Deal plan. In addition, we do not intend to require the consent of mortgage companies (as the Green Deal finance is not secured against the property) or beneficial owners (to help simplify the consent chain in, for example, commercial properties). However, Green Deal Providers may assess whether they wish to require consent from these parties depending on the particular case.

### **Consent to Green Deal Measures**

22. The Energy Act 2011 requires the customer to confirm in the plan that they have obtained all necessary consents to the installation of the measures. It is envisaged that the customer will also be required to supply the Green Deal Provider with documentation from all consenting parties demonstrating that consent(s) to the specific improvement(s) has been granted. This may include, for example:
- consent notice from freeholder in England and Wales;
  - valid planning permission;
  - valid building warrant (in Scotland); and
  - valid listed building consent.
23. The Green Deal Code of Practice will also require the Provider to maintain copies of these consent documents, for at least the duration of the plan. This ensures that an auditable consent chain exists for the duration of the Green Deal plan, and that evidence can be provided if consents are challenged in the future.

## **Consent Redress**

24. A redress framework is needed in case a customer signs up to a Green Deal without having obtained the correct consents to the measures or the charge.

## **Consent Breaches for the Charge**

25. Where a customer fails to obtain all necessary consents to the charge, then a compulsory condition relating to the plan will not have been complied with and it would not be a Green Deal plan. The Code of Practice sets out that the Provider should make provision for this situation in their terms and conditions.

## **Consent Breaches for the Measures**

26. Where a customer fails to obtain the correct consents to the measures, and this comes to light after they have been installed, the customer (including a subsequent bill payer) will be required to seek retrospective consent from the relevant party or parties. If they cannot obtain retrospective consent, the customer may have to remove the measures and restore the property to the original condition in order to comply with their lease or local planning rules, for example.
27. Where a complaint of this nature arises the framework would require:
- the customer, or other relevant person such as the property owner, to notify the Provider that the correct consents to the measure were not obtained,
  - the Provider to cancel the Green Deal plan where the improvement is removed (following an order from the Secretary of State), and
  - the improver to pay compensation to the Provider in respect of the cancelled plan.

28. Where consent breach complaints are contested, the case would be referred to the relevant Ombudsman to investigate the facts and report findings to the Secretary of State.

### **Change of occupancy and redress**

29. Currently, a new owner of a property will often inherit responsibility for any non-consented work carried out in the past, even where they had no interest in the property at the time. They will usually be responsible for seeking retrospective consent, and may also be responsible for removing or 'making good' on the work if the relevant party approached for retrospective consent does not grant it.
30. This standard 'inheritance of liability' will apply to any Green Deal measures installed without the correct consent. However, liability to compensate a Green Deal Provider for cancellation of a Green Deal plan will not sit with the new owner and will always remain with the original customer who took out the Green Deal, even if they no longer have any legal responsibility for the property. This is because the original customer is the person who was responsible for securing the correct consents.
31. In these cases, it will be the responsibility of the Green Deal Provider to contact the original customer, inform them of the situation, and let them know that they are required to provide compensation for the cancelled plan.

**QUESTION 34: Do you think the framework for consent for the Green Deal charge and measures provides effective protection for the parties involved. If not, why?**

## **Box 2: Barriers to Consent – Call for Evidence**

As outlined in the Consent section above, there are multiple parties who may need to consent to the Green Deal charge and measures. Some stakeholders have indicated that difficulties in obtaining multiple consents may pose barriers to entry into a Green Deal plan for certain properties. The most significant problem suggested is that in multiple occupancy buildings one or a minority of bill payers could prevent Green Deal measures benefitting all properties (such as cavity wall insulation) from going ahead, to the disadvantage of other occupants. There may also be circumstances where tenants or leaseholders need to gain the consent of a landlord or freeholder to make certain improvements to their property.

Whilst there are similarities to previous retrofit or improvement / maintenance programmes (such as Decent Homes), what makes the Green Deal consent process different is the need to gain consent to add the charge to the electricity bills for the property. This means there are no **directly** comparable schemes for the purpose of gathering evidence on consent. Consequently there is little to indicate with certainty how bill payers and other parties will respond to Green Deal requests in multiple occupancy buildings or whether this might result in significant barriers.

We welcome wider views on the likelihood of barriers resulting from the need to secure consent to the charge or measure, and would like to hear about any relevant evidence stakeholders feel should be taken into account. We are also keen to understand the scope for voluntary, non-interventionist solutions to consent barriers and welcome ideas and views on this.

We are also aware that potential solutions will need to take a number of other issues into consideration. This includes consideration of consumer rights and the property rights of individuals.

### Questions

1. How significant do you think consent barriers might be for uptake of the Green Deal in the domestic property sector?
2. How significant do you think consent barriers might be for uptake of the Green Deal in the non-domestic property sector?
3. Is there any relevant evidence from past or current retrofit schemes, or improvement/maintenance works suggesting that consent may be a problem under the Green Deal?
4. Are you able to propose any practical solutions to potential consent barriers, particularly drawing on voluntary and non-regulatory mechanisms?

## 6.4 Disclosure and Acknowledgement

### Finalising the Green Deal plan after initial installation

32. Once the Green Deal Plan is finalised, the Green Deal Provider will give the customer a Green Deal Plan document and a new EPC, showing the new asset rating of the property and the key financial terms of the Plan. The new EPC will disclose the existence of the Green Deal charge on the property, as well as the measures that have been installed. This EPC will use the original assessment and will not require a further site visit, with the details of the property and the initial assessment recalled from the register and updated to record the measures installed. The EPC will be lodged on the register and will be used in subsequent transactions for that property, with the Green Deal information passing to any new EPC created.
33. A mock up of the disclosure box on the EPC, showing what Green Deal information is likely to be included can be seen at

Annex B. The EPB Regulations, the Building Regulations 2010 and the EPB Scotland Regulations will be amended to ensure that information about the Green Deal can be included on the EPC.

### **The Disclosure and Acknowledgement obligations**

34. One of the key principles of the Green Deal is that those who are benefitting from the Green Deal improvements should pay for them. Therefore, the Green Deal Plan instalments will be added to the electricity bill for the property and paid for by whoever is responsible for paying that bill at a given point in time. So, as the property changes hands over time, so will the person who is responsible for paying the Green Deal instalments. This is very different from the way personal loans work, where the person who takes out the loan retains responsibility for paying it back.
35. As future bill payers will be responsible for paying the Green Deal charge, they need to know about the Green Deal before they take the property on so that their decision to, for example, buy or let the property is informed. Disclosure of the existence of a Green Deal to a new bill-payer will help to ensure, the obligation to pay the Green Deal transfers to that person. Those taking on a Green Deal property should also acknowledge that they understand that, as the bill payer, they will be responsible for paying Green Deal instalments via the electricity bill and also that they will be bound by certain terms in the Green Deal plan. This mechanism will ensure that those taking on a property know about the Green Deal and the responsibility that that places on the bill payer.
36. In order to achieve disclosure and acknowledgement in the Green Deal, sellers and landlords will have a responsibility to disclose information about the Green Deal at their property. This obligation can be discharged by agents working on their

behalf in the property transaction. They will also need to ensure that any written contract for sale or rent with the buyer or tenant includes an acknowledgment that they will be liable for the Green Deal Plan payments and bound by the terms of the Green Deal Plan. A similar acknowledgment will also be required in circumstances where a lease or licence is made otherwise than in writing.

37. As the Green Deal becomes established, Government anticipates that the professions involved in transacting properties will develop their knowledge of these requirements and be equipped to assist sellers, landlords, buyers and tenants to understand the Green Deal and their responsibilities under it. Whilst this does not impose any further formal duties on these professions, this will help ensure that disclosure and acknowledgement is effective, protecting all the parties involved and reducing the potential for disputes.
38. The disclosure and acknowledgment obligations will apply in a number of circumstances other than sale and letting out. These are covered later in the chapter. But for most of this chapter we talk about sales and lettings, as these are by far the most common property transactions.

### **The role of the EPC**

39. The EPC will have a new and crucial role as a tool to facilitate the Green Deal. This is for both the assessment (see Chapter 1, Assessment) of the property, including the measures that could save energy; but also to disclose information about a Green Deal to future bill payers. This will include future bill payers moving into properties with pre-payment meters.
40. The improved EPC is due to be launched in April 2012. The changes will, for example, allow for a more effective use of the EPC Register, allowing Green Deal Plan information to be

updated on the EPC. This will complement the wider changes being made to the EPB Regulations to implement the Energy Performance of Buildings Directive recast.

41. Government is aware that compliance with the requirement to make an EPC available has not been universal to date. Non-compliance with the EPB Regulations could result in Green Deals not being disclosed in some cases, damaging confidence in the Green Deal. DCLG will be making changes to the existing regulations to improve matters. For example, from April 2012, estate agents will be required to attach the front page of the EPC to the written particulars of properties for sale or rent.

### **Updating the EPC when Green Deal details change**

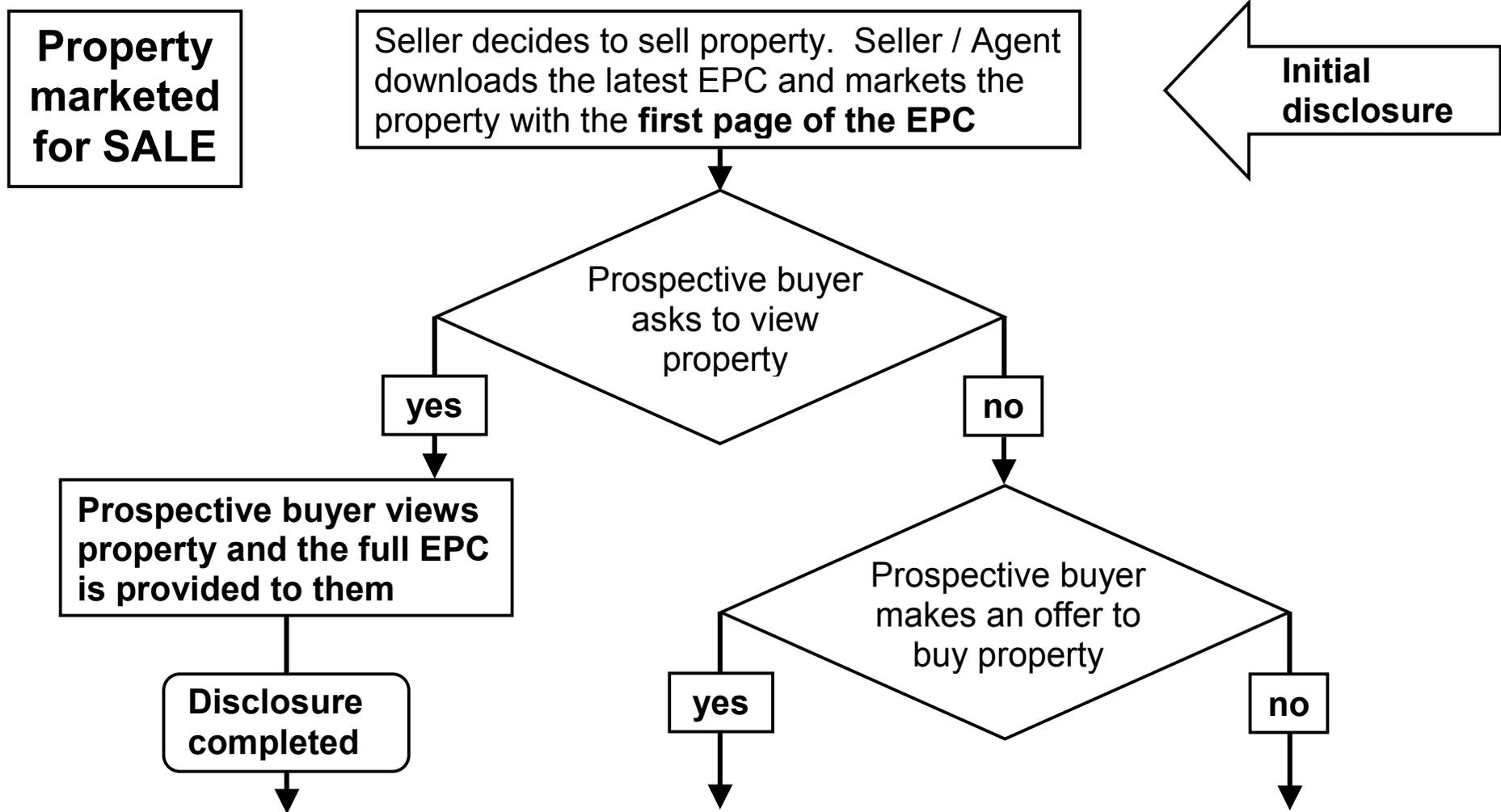
42. Over time, the information about the finance and Green Deal measures may change. This will occur, for example, when: a measure has been paid off, a customer has chosen to pay off a lump sum of the remaining finance, measures have been removed, or the plan has been cancelled. To ensure disclosure of accurate Green Deal information, these changes will be reflected on the EPC. When changes occur, the Green Deal Plan information on the EPC will be updated by the Green Deal Provider to ensure the EPC holds the most up-to-date information.
43. No new assessment will be required as part of this process and we envisage that the validity period will continue to be calculated from the date the fabric assessment was lodged.
44. When the Green Deal is paid off, the Green Deal Provider will update the EPC to remove the details about the charge. We are investigating ways to ensure that measures that have been installed are reflected on subsequent EPCs once the Green Deal is paid off. This is particularly important where those

measures are harder for an assessor to detect, such as under-floor insulation.

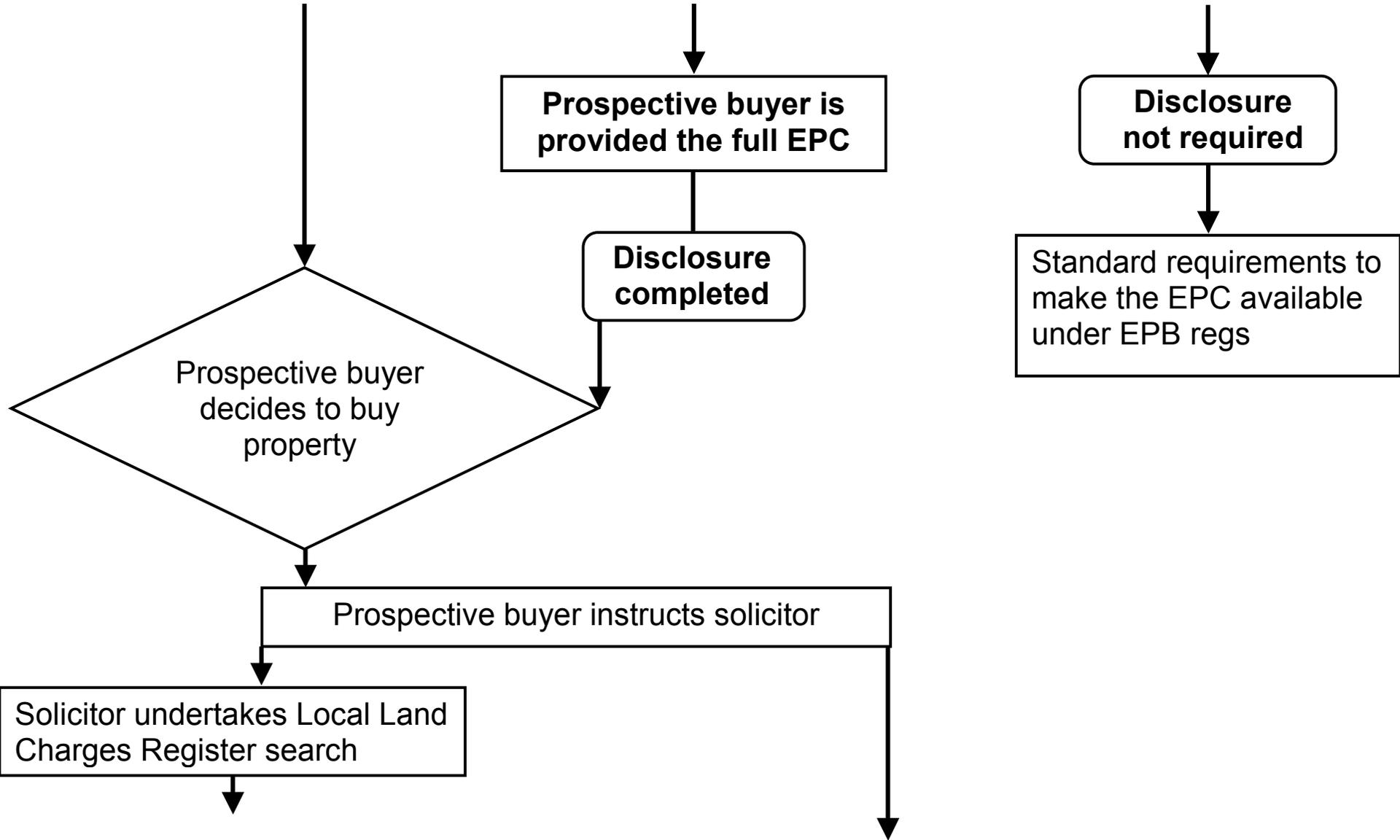
### **Disclosing the Green Deal to potential occupiers**

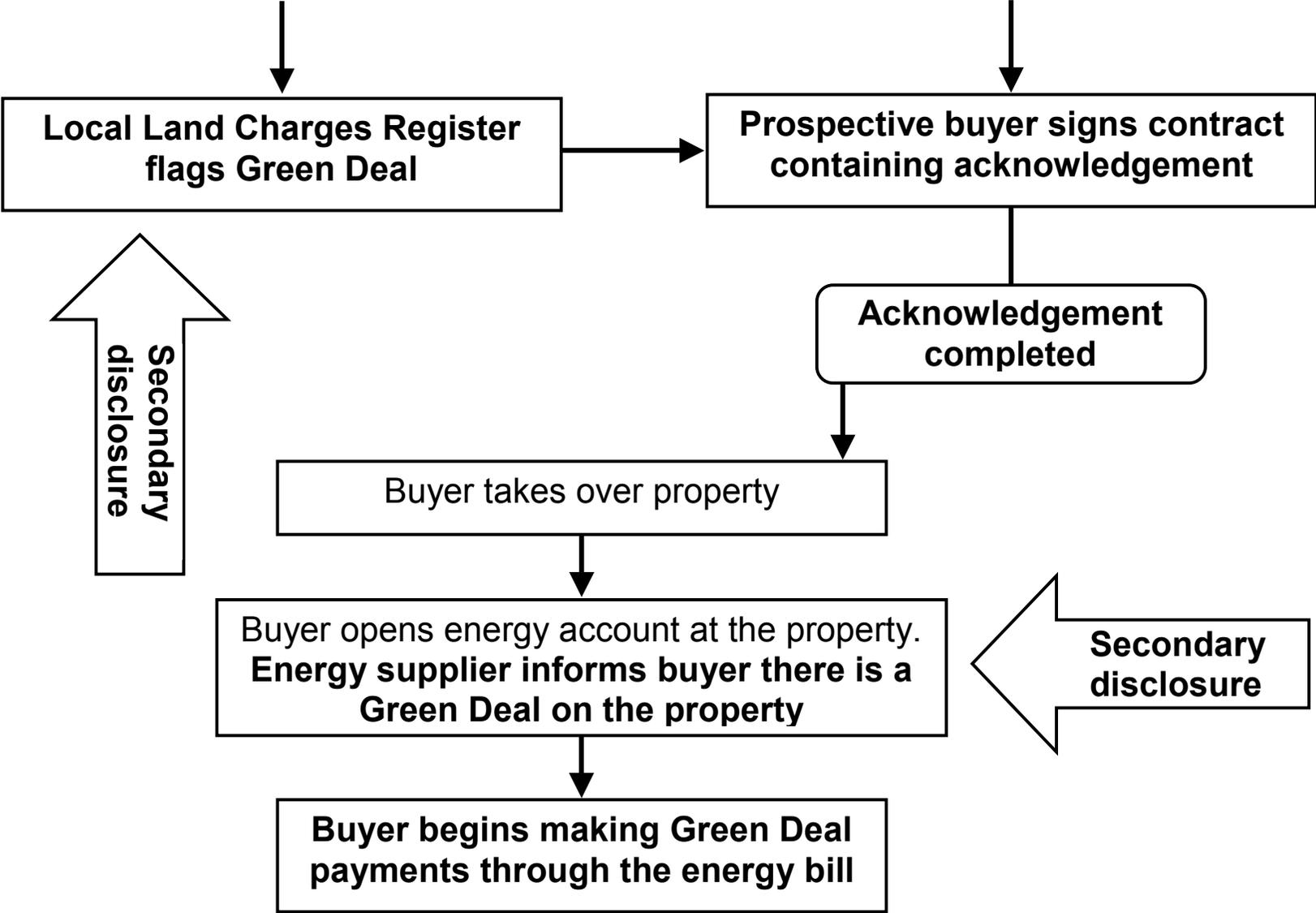
45. Those who are selling or letting a Green Deal property will be required to provide potential future bill payers with a copy of the EPC for the property. This requirement can be fulfilled by agents acting on their behalf and the EPC should be provided at the point of viewing a property or as soon as an offer is made, whichever is earlier.
  
46. The changes to the EPB Regulations, in England and Wales, due to come into force in April 2012, will require the **front page** of the EPC to be **provided** with the written particulars. This will be the first signal to the buyer or tenant that a Green Deal is present on the property (initial disclosure). On sale or rent of a building, the EPB Regulations already require that an EPC is **made available**. The Green Deal disclosure obligation builds on this by requiring sellers and landlords of Green Deal improved properties to **provide the full EPC** at an appropriate time to inform the decisions of prospective buyers or tenants. In most cases, this will be when they arrange to view the property. This will ensure that potential occupiers have time to take the Green Deal into account before they agree to buy or rent the building. Government considers that the combination of the changes to the EPB Regulations and the Green Deal disclosure provisions will ensure that those coming to a property will receive the right information at an appropriate point in the property transaction process. The process for using the EPC for disclosure in the sale of a property is laid out in diagram 6 below. Please see Annex C for the disclosure and acknowledgement process for the rental of a property. Prospective buyers or tenants will, of course, be free to ask for additional information about the Green Deal plan, beyond that provided by the EPC.

**Diagram 6: Green Deal disclosure and acknowledgement process for sale of property**



[continued on next page]





47. Changes are also being made through powers in the Energy Act 2011 to make EPCs freely available to the public from April 2012 unless the EPC holder has opted not to have that information disclosed. This will allow solicitors, potential occupiers and estate agents to check the most up to date EPC for a property to ensure the disclosure obligation is being met properly. These changes and their implications have already been detailed in the DCLG privacy impact assessment on making EPC and related data publicly available [59]. These issues are subject to separate consideration in Scotland.

### **Additional opportunities for potential buyers to become aware of the Green Deal.**

48. If sellers and landlords comply with the requirement to disclose and obtain acknowledgement, they will have discharged their obligations. We are considering two additional mechanisms that could be used to help ensure that a potential bill payer becomes aware of the Green Deal.
49. The first is the Local Land Charges register. We are investigating with relevant organisations how to add a marker to notifications by Competent Person Schemes, in England and Wales, when measures installed are paid for through the Green Deal. These notifications are stored by most Local Authorities as part of the Local Land Charges register. Solicitors routinely search these registers as part of the conveyancing process. A Green Deal marker would show up during a search, enabling solicitors to make further enquiries, notify their clients and advise them accordingly. This mechanism is most likely to assist where a person is buying a green deal property.
50. The second mechanism is the process associated with opening a new electricity supply account. We will be requiring electricity suppliers to alert customers to the presence of a Green Deal in a property when they open a new electricity account. This gives

the new bill payer the opportunity to raise a dispute immediately if the seller or landlord has failed to disclose or gain acknowledgement of the Green Deal. Raising the dispute early will be key in tracing the former bill payer and ensuring that the dispute can be resolved as easily as possible.

## **Acknowledgement**

51. Once someone has agreed to take on a property, the person selling or letting it will need to get an acknowledgement (in writing and in the prescribed form) from the person taking on the property that they are aware that the bill payer at the property is liable to make Green Deal payments and will also be bound by certain terms in the plan. This will help to ensure that future bill payers address their minds to the responsibilities that attach to the bill payer at a Green Deal property. Where there is a contract for sale, or a written lease or licence agreement, the Green Deal acknowledgement will form part of that agreement. We have had discussions with the Law Society and we will continue to work with them so they can assist in determining the best way to implement this requirement in England and Wales, working with their members, to acknowledge the Green Deal in property contracts as Green Deal improved buildings are transacted over time.
52. 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.

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

### **Disclosure and acknowledgement in practice**

53. The property market is based on the principle of "buyer beware". Buyers and tenants make their own enquiries to satisfy

themselves about a property before choosing to buy or rent it. This is facilitated by a well established process of conveyancing (including searches of the Land Registry.) and the services of various professions (including surveyors providing physical condition surveys). This enables buyers and tenants to make an informed choice and to be confident in their decision. Government supports these existing mechanisms.

54. Due to the special nature of the Green Deal, very specific obligations will be placed on, for example, those who are selling or letting a property, to give people key information about the Green Deal before they decide to take on a property, and to make sure they have acknowledged the responsibilities that attach to the bill payer at the property. However, in line with the buyer beware principle, it will be for buyers and tenants to ask for more detailed information about the Green Deal if they consider it appropriate in a particular case.
55. Under the Green Deal, the obligation to disclose on sale or letting out falls upon the seller or landlord of the building only, with no equivalent obligation on, for example, estate agents or solicitors, beyond their wider duties to make certain enquiries of owners and ensure the information provided is represented correctly to buyers. The Government anticipates that Green Deal disclosure and acknowledgement will become business as usual for the relevant professions.
56. We would welcome views on whether there are any ways in which property professionals could assume (on an informal basis) more of a role in the disclosure and acknowledgement process to assist others to comply with their legal obligations.

**QUESTION 36: What will property professions need to do to assist with the effective discharge of the disclosure and acknowledgement obligations? If property professionals assume a duty to discharge these obligations on behalf of**

**property owners, should they face the same consequences as the owners, where they fail to do so?**

**Disclosure and acknowledgment in situations other than sale and letting out**

57. Government considers that disclosure and acknowledgment will also be needed in a number of other situations which could result in a change in bill payer at a property. This includes, for example, when a property is transferred from one person to another, such as when a property is gifted to another person or transferred following the death of the owner. In those situations, the person effecting the transfer will be required to provide an EPC to the person coming to the property. That person will also be required to ensure that the prescribed form of acknowledgment is given by the person coming to the property. It is envisaged that the disclosure obligation would need to be complied with seven days before the transfer takes place, with the acknowledgment obligation being complied with at the point the transfer takes place.
58. Government considers that disclosure and acknowledgment will also be required where a person is to occupy a property pursuant to a trust arrangement and, in Scotland, pursuant to a life-rent arrangement. In those situations, the obligations to disclose and secure an acknowledgment would fall on the trustee (in the case of trust and trust life-rent arrangements) and on the constituent (in the case of proper life-rent arrangements). It is envisaged that the disclosure obligation would need to be complied with seven days before the person is due to go into occupation, with the acknowledgment obligation being complied with at any point before the person occupies the property.
59. We would welcome further evidence and views from relevant stakeholders about how the disclosure and acknowledgment obligations may be discharged in these circumstances.

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

**Disclosure and acknowledgement redress**

60. It would not be fair for people to be expected to pay the Green Deal charge when they move into Green Deal improved buildings if they can demonstrate that they have not been told about it first. But, since a consumer will have to continue making payments until they can demonstrate they were not disclosed to, speedy redress mechanisms are key. So the Government believes consumers should not need to go to court to enforce this, in the event that a seller fails to meet their disclosure and acknowledgment obligations.
61. A dispute could arise about whether or not someone should pay the Green Deal charge, because they say they did not know about it, or if they think that something is different about the Plan compared with the information they were given. In these cases, to seek redress, the customer should contact the Green Deal Provider within 30-days of receiving their first electricity bill for the property. There are many ways that customers pay their electricity bills, but in most households the longest period between bills would be 3 months. In addition, the electricity companies will inform new customers about the Green Deal on the property when they set up new accounts arrangements on moving in. So the customer should find out about the Green Deal soon after moving in.

**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?**

62. If someone wishes to question the payment of the charge for non-disclosure reasons, or for misinformation with regard to the Plan on the property, they must write to the Green Deal Provider. Alternatively, having attempted to resolve the issue with the GDP first, the customer can approach the relevant Ombudsman directly.
63. On approaching the Ombudsman, the customer will need to enclose evidence that they were not informed about the Green Deal Plan on the property, or that the Plan they were informed about is not the one currently on the property. This can be the original written particulars (in England & Wales), Home Report (in Scotland) or the EPC used to sell or rent, which do not (or do not correctly) disclose the presence of the current Green Deal, and/or the original contract, which does not include any, or the appropriate acknowledgement of the Green Deal Plan. The Ombudsman will then notify the Secretary of State in writing that the Plan is disputed and that they have accepted the redress case for the customer.
64. Provided the facts demonstrate that the bill payer has a legitimate complaint and that a breach has occurred the Secretary of State can require the Green Deal Provider to cancel the Green Deal Plan at that property. From this point, the bill-payer will not have to make any further payments to the Green Deal Provider and will be refunded payments already made (since the breach occurred). At the same time, the person at fault will be required to compensate the Green Deal Provider for the amount they lost in writing-off the Plan at the property (on the basis of the existing rules on early settlement). It will be the responsibility of the Green Deal Provider to collect this compensation from the person at fault.
65. In some circumstances, for example where a seller or their agent deliberately seeks to hide the Green Deal on a property from a prospective buyer or tenant (perhaps using software to create a fake EPC, for instance) that person's behaviour may

well amount to fraud. In cases of fraud, existing criminal law and sanctions would apply. In addition, it is possible that this situation could be brought within the scope of the Property Misdescriptions Act if that was considered appropriate. Under the Act, it is a criminal offence to make a false or misleading statement in relation to certain matters. We consider that the Secretary of State is likely to have to make an Order under the Act in order to bring disclosure within scope.

66. The Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277) make it a criminal offence for traders to engage in unfair commercial practices in their dealings with consumers. It is possible that energy suppliers and/or Green Deal Providers might unknowingly be engaging in such a practice if, for example, they demand payment of Green Deal instalments in circumstances where the disclosure and acknowledgment requirements have not been met. The Government's view is that it is likely that appropriate provisions already exist in the 2008 Regulations (such as the due diligence defence in regulation 17) which, together with actions that energy suppliers will be able to take when the new bill payer opens their energy supply account, will minimise the risk that energy suppliers/Green Deal Providers might, inadvertently, be held criminally liable in those circumstances. Government will be reviewing this further to establish how these regulations would apply to energy suppliers and Green Deal Providers.

### **6.5 Circumstances requiring early repayment of Green Deal plans**

67. Once a Green Deal has been taken out, rare scenarios may arise that result in the Green Deal measures being removed or altered and therefore becoming ineffective. Such scenarios include, but are not limited to, demolition and a change in the use of a building. In such cases, it may be appropriate for the Green Deal to be repaid early.

68. Full early repayment of the Green Deal plan will be required prior to the demolition of a Green Deal property which involves permanent disconnection. This will be ensured through a prohibition on the permanent disconnection of an electricity meter associated with an outstanding Green Deal plan, as outlined in Chapter 8, Section 8.9..
69. In addition, Green Deal Providers may require full early repayment in any instance where a building is demolished, regardless of whether the electricity meter is disconnected as part of this process.
70. The Government is also considering whether Green Deal Providers should have the ability to require early repayment where other changes are made to the building, especially regarding its use. A change in the use of a building would include instances where, for example, measures were removed as a result of a change in the number of dwellings at a property. This is likely to result in major changes to the fabric of the building and potentially any installed measures.
71. Energy suppliers will be required to inform the Green Deal Provider in the event that a change is made to the metering arrangements at the property. This will enable the Provider to contact the Green Deal customer and decide whether it would be appropriate to require early repayment in those circumstances.
72. However, we are also aware that in some rare instances where there are changes to the building, it may be possible for the current bill payer to become liable for the whole of the Green Deal charge if early repayment is required, even though they may not be making the changes themselves. We are considering whether the Code of Practice should require that Green Deal Providers should show forbearance and allow for the bill payer to come to a financial arrangement with the person that made the change. We are also considering whether any

limitations should be placed on the ability to require repayment to deal with extreme cases.

73. We would also anticipate that the EPC would act as an early warning mechanism, alerting those coming to a property to the details of the Green Deal and when early repayment may be required. One option could be not to allow Green Deal Providers to require early repayment, and instead to place the onus on future bill-payers to check all the measures they are going to be paying for are still in place. This 'buyer beware' approach may also be the most appropriate approach for other circumstances where measures could be removed or altered but are not captured by the proposals outlined above. For example, where measures have been removed but there has been no change in the actual use of the building, those considering taking on the property would establish for themselves whether the measures are still present and working effectively. Given the complexities of this area, we would welcome stakeholder views on these proposals.

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

**Note [59]**

See

<http://www.communities.gov.uk/publications/planningandbuilding/epcdata>.

## Chapter 7: Installation

### Summary of Chapter:

Once a property has had an assessment and the finance for measures has been approved, installation is the next step. The Green Deal and ECO will ensure robust standards and quality of installation of energy efficiency measures to households and businesses. Certification of installers is an essential element of this, as work will be undertaken by a range of trades people.

The standards and accreditation framework for installers is proposed to ensure that all work is completed to a high standard and that consumers can expect the same level of technical expertise, customer care and protection regardless of the installer.

Government proposes to make it mandatory for an installer to be authorised to operate under the Green Deal and ECO and to have been certified to have met a new Green Deal standard. Installers will need to carry the Green Deal Mark, take full responsibility for the quality of work and comply with the requirements set out in the Green Deal Code of Practice.

The British Standards Institute (BSI) is currently developing the installer standard with the sector, and this is scheduled to be published in January 2012. The installer standard will bring together existing standards in one place to ensure greater clarity and consistency of approach, as well as robust levels of monitoring and compliance.

We propose to implement the standard through certification bodies with a view to minimising burdens and costs by using existing structures. We intend to introduce independent third party accreditation of these certification bodies to ensure robust and consistent application of the new standard. Once accredited, certification bodies will be responsible for ensuring installers meet the Green Deal standard and comply with the Code of Practice with the

oversight body acting, or recommending Secretary of State action, where necessary

Customers will lodge any complaints on installations with their Green Deal Provider who is contractually responsible to the customer for the improvements. We are proposing that all Green Deal and ECO installations should be underpinned by a comprehensive scheme of insurance backed guarantees, warranties and redress procedures should anything go wrong.

## **7.1 Introduction**

1. To protect consumers, maximise demand and boost customer confidence in the Green Deal it is essential that energy efficiency measures are installed to high performance and safety standards.
2. Consumer research [60] commissioned by the Department of Energy and Climate Change between December 2010 and April 2011 showed a preference for choosing an installer from an approved list of suppliers. There was an expectation that local tradesmen could be accessed via these lists.
3. We are determined to learn all the lessons we can from the recent Australian insulation programme, which was launched in 2009 without insulation certification standards being required to access grants. Inadequate and poorly policed installation led to the cancellation of the programme and loss of public confidence.

## **Policy approach**

4. Although there are several installer quality standards and installer certification bodies which already exist, feedback from stakeholders indicated that the current standards are not sufficiently robust, and lack clarity and consistency in their approach. Working closely with our stakeholders and industry to

inform our policy development, we propose the creation of a single overarching standard to ensure the greater consistency, clarity and quality that is needed. In order to develop the new Green Deal installer standard the following criteria were used:

- it should acknowledge and work with existing structures in the industry where possible and appropriate, driving the lowest towards the highest standards;
- it should be applied consistently across the sector;
- it should represent the right balance between consumer protection and cost to industry; and
- it should carry a quality mark that will be recognisable by consumers, in a similar manner to the Gas Safe scheme (formerly Corgi);

5. Using these criteria, we adopted the following approach:

- the new installer standard should set out clearly what was required of a Green Deal installer and bring together the best of the many different standards that already exist;
- this standard should be developed in co-operation with industry; and
- be verified through independent third party accreditation to ensure a level playing field and consistency.

6. In addition to the standard itself, it was also decided to:

- develop a clear code of practice for all installers which sets out minimum standards/levels of competency, customer protection and duties of all participants; and
- create an independent oversight body to monitor and ensure compliance with the above frameworks and maintain a register of authorised installers which customers can use to verify those carrying out works.

7. The following section defines a Green Deal installer and describes the Code of Practice that is proposed will govern their behaviour and how this will be monitored to ensure compliance. The processes described below are true for the installation of both Green Deal and ECO measures.

## **7.2 The Green Deal Installer**

8. Only an authorised Green Deal Installer can install energy efficiency improvements under the Green Deal finance mechanism. Only authorised installers will be able to identify themselves as 'Green Deal Installers' and use the Green Deal Mark. There is nothing to prevent an individual or firm from seeking authorisation as both an installer and an assessor or provider; there are also a variety of options for partnering with other persons who are accredited to undertake these functions. However, this authorisation only covers installers to fulfil the installation functions of the Green Deal. This functional approach allows for a flexible and diverse set of business models to emerge in the market rather than restricting access to those firms who can undertake all three authorised functions.
9. A person or organisation will only be authorised as a Green Deal installer if they:
  - are certified by an accredited certification body against the relevant Green Deal standard set out in the Code of Practice;
  - are a member of the certification body which certified them;
  - agree to comply with the Code of Practice;
  - have agreed to keep clear records of work done and allow monitoring of installation work when requested.
10. We propose that Green Deal installer authorisation will be reviewed on an annual basis, on the date the installer was first authorised. We propose that the accredited certification body

would be required to provide the oversight body with the relevant information on its certified members, and therefore it would need to provide this information annually, to ensure its certified members maintained authorisation. The information that the accredited certification body must provide to the oversight body is detailed in the draft regulations.

### **Code of Practice for installers**

11. The proposed Code of Practice specifies certain requirements that installers and other Green Deal participants will have to comply with in order to operate under the Green Deal and ECO. This will help ensure that customers receive a good standardised service. Specific requirements may vary depending on the type of green deal participant, but many aspects will apply across the board. Specific requirements will include the following:

- The standard installers will need to meet and the requirement for them to be certified through accredited certification bodies.
- The duties of accredited certification bodies in relation to the Green Deal.
- Rules relating to the marketing of the Green Deal, to ensure that customers are not subject to unfair or misleading selling practices.
- Requirements for monitoring and enforcing standards, including processes for dealing with redress
- Requirements for the provision of appropriate insurance backed warranties/guarantees to cover the work carried out.

## Quality assurance/certification of installers

Annex D sets out the policy options for accreditation that were considered.

12. In order to recognise existing good standards and minimise the burden on the sector, Government is proposing to accredit the existing trade certification bodies to act as installer certification bodies. These bodies already operate in the market to set standards for those they certify. This will allow Green Deal accredited certification bodies to continue to operate and certify installers to the new standard, thereby permitting them to become authorised Green Deal installers and use the quality mark.
13. We intend to introduce independent third party accreditation of the new standard to ensure that there is a robust and consistent approach used by all certification bodies. We have been working with sector representatives to ensure that this approach is robust, proportionate and does not overburden industry. On 2 June, Greg Barker, DECC Minister of State, formally appointed the United Kingdom Accreditation Service (UKAS) to carry out third party verification to ensure that installers and assessors will meet the necessary standards when the Green Deal starts.
14. UKAS will carry out assessments of certification bodies to ensure they meet the requirements of the installer standard. UKAS will charge certification bodies for this service (which is normal industry practice). Certification bodies can pass on these costs to their members as they see fit as part of their normal certification fees.
15. Our intention is to have the first tranche of certification bodies accredited by April 2012, with a second tranche in August 2012 so that their members have time to begin marketing their services prior to launch of the Green Deal. UKAS have already launched an initial pilot accreditation phase **[61]**.

## **Training and qualifications for installers**

16. The new draft installer standard brings together the many different standards for installations that already exist. We have appointed the British Standards Institute to produce the final standard for installations by January 2012. In many cases we envisage installers will be able to meet the relevant requirements of the standard already, though some will require top-up training on areas specific to the Green Deal.

Annex E sets out the rationale behind the approach to creating the installer standard and the appointment of the British Standards Institute.

17. We are also working closely with the Sector Skills Councils to review existing training provision to ensure it is fit for purpose for the Green Deal. In addition, earlier in 2011, Government announced that it would allocate up to 1,000 Green Deal apprenticeships in England [62] as part of plans to insulate the UK's homes and businesses against rising energy prices and boost green job opportunities.

**QUESTION 40: Are there any government backed and accredited scheme standards which operate at present (in addition to the Microgeneration Certification Scheme and Gas Safe), that could be considered as meeting the new Green Deal standard already?**

**QUESTION 41: It is not yet clear what the accreditation requirements for GD/ECO will be and how they will impact on incumbent firms in the market. Further work is being carried out to understand and quantify the nature of the impact of these, particularly for those firms that are micro-businesses. We welcome views from incumbent.**

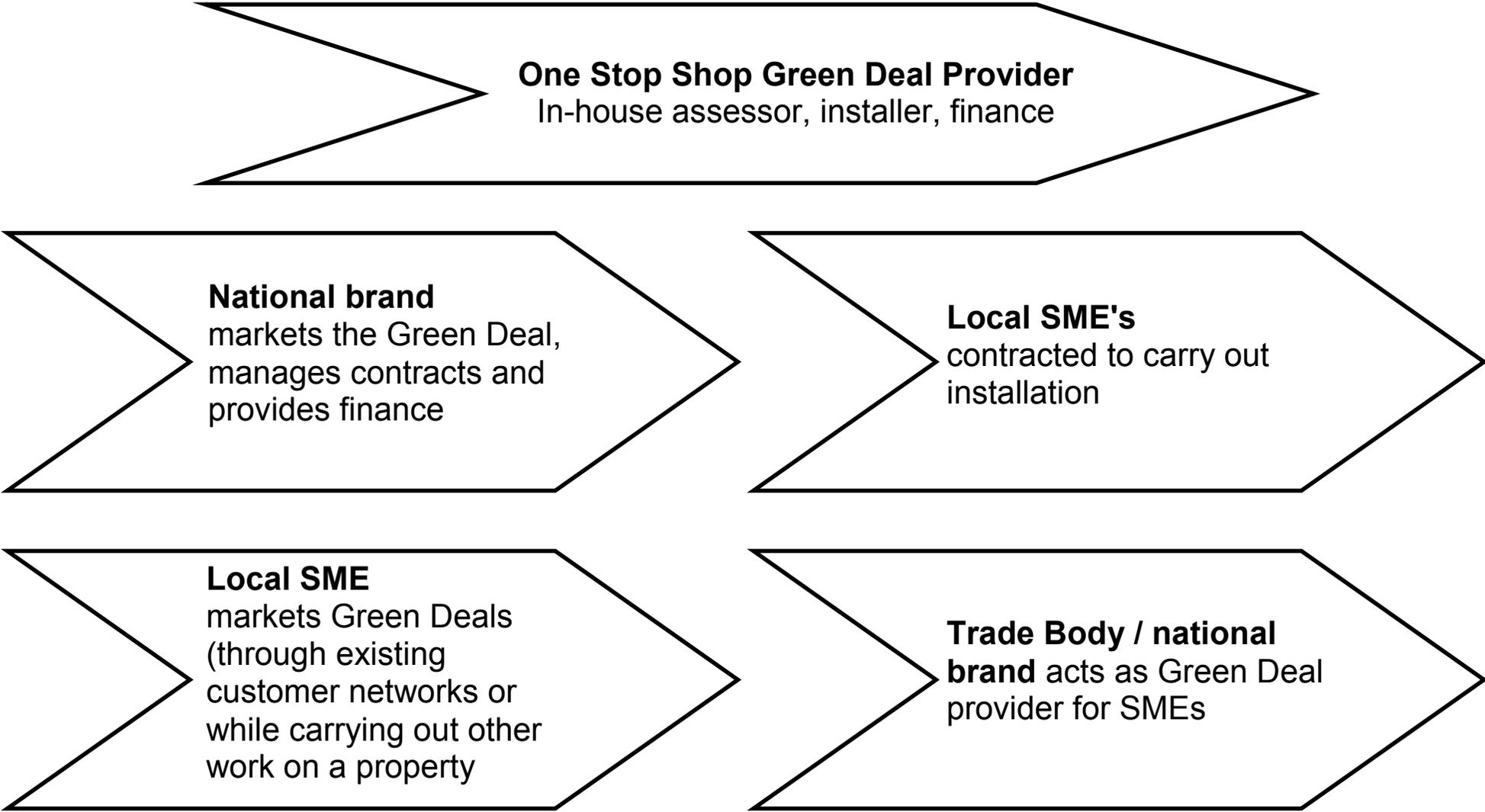
### **Employment of a Green Deal installer**

18. A Green Deal installer may be engaged in number of ways (please see diagram 3 below). For the purposes of the Green Deal we have tested our approach against the following potential business models to ensure installers have fair access to the market – whether they are sole traders, SMEs or large organisations:
- A salaried employee of the Green Deal provider;
  - Sub-contracted on a per-job basis by a Green Deal provider;
  - An independent Green Deal installer commissioned directly by a consumer.
19. However a Green Deal installer is engaged, they will need to meet the requirements set out earlier in this chapter to operate under the Green Deal and ECO.

### **Assuring the quality of Green Deal installations**

20. It is intended that Green Deal Providers will have to provide an appropriate insurance backed guarantee/warranty to their customers. We are currently working with the sector to determine how this will work in practice, but we also intend to set out reasonable minimum requirements for the quality of installations in the Code of Practice. Further details of our approach on guarantees and warranties are set out in section 3, the Green Deal Plan, of this consultation.

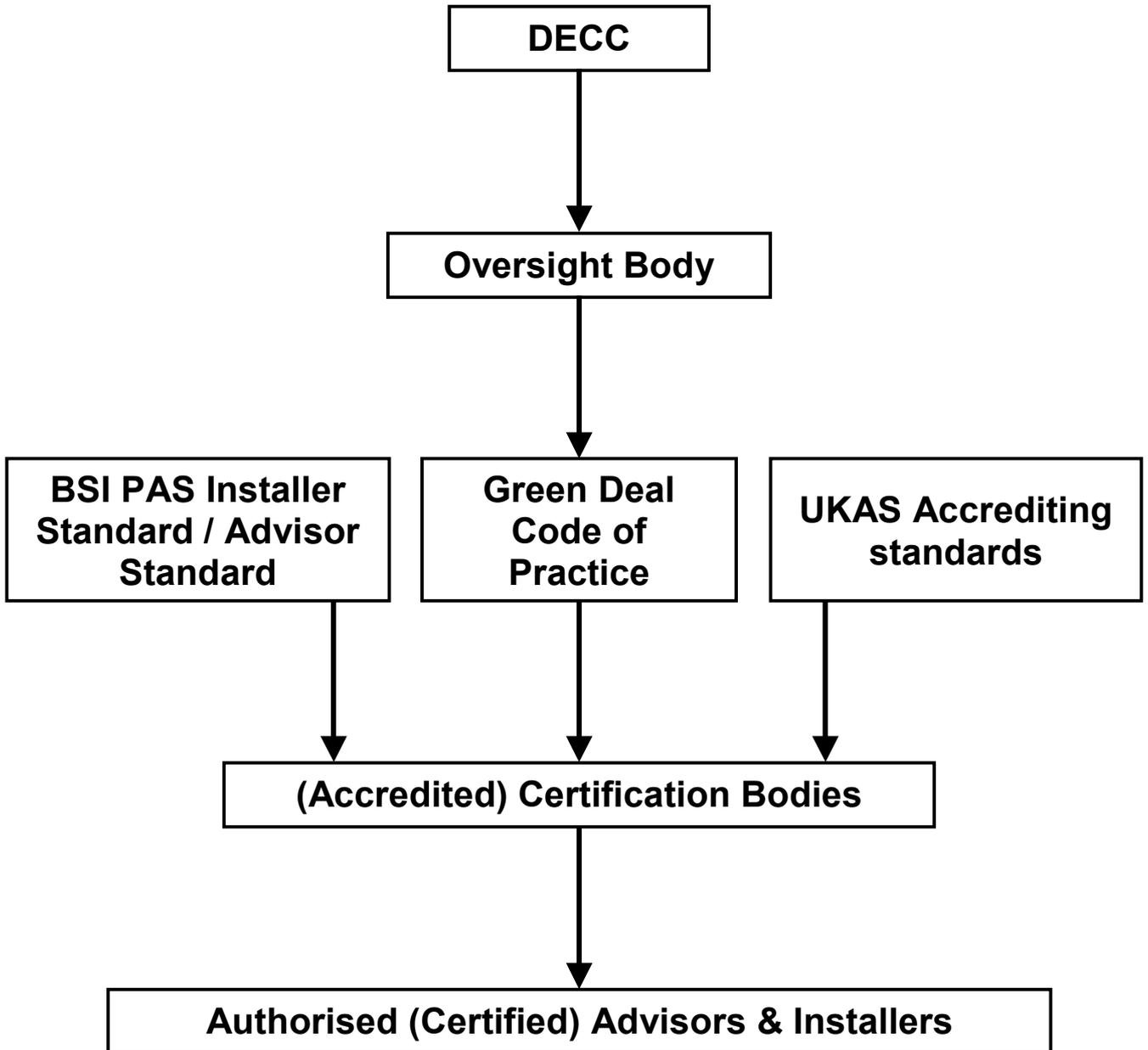
**Diagram 7: Potential business models for Green Deal installers**



**Green Deal Oversight Body: roles and responsibilities (with regards to installers)**

21. Effective oversight of the Green Deal will be essential to ensure there is robust customer protection. It will also enable us to gain useful information on performance, and market intelligence on future levels of demand and market developments, which can be fed into future policy development to ensure the Green Deal remains relevant and effective in delivering energy efficiency.
  
22. As mentioned in the chapter on assessment, there will be a number of functions which will need to be managed centrally to cover installers. These include:
  - Register and maintain a list of Green Deal certified installers.
  - Manage the review of the Green Deal installer scheme standard.
  - Liaise with UKAS over the accreditation of Green Deal certification bodies.
  - Manage and monitor compliance with the Code of Practice.
  - Issue and manage the use of the Green Deal Quality Mark.
  - Provide up to date details on authorised installers to the advice line in England and Wales and separately in Scotland.
  - Liaise with Sector Skills Council on keeping National Occupational Standards (NOS) up to date.
  - Manage advice, referral and redress when something goes wrong.
  
23. The diagram below sets out how, in practice, how we intend to deliver our proposals and ensure robust installer standards under the Green Deal.

**Diagram 8: Oversight and Accreditation of Green Deal Installers**



### **7.3 Installation Process**

24. For installation, a consumer can choose to go directly to a Green Deal provider who contracts the supply chain of installers, or they can go to an independent installer to carry out the work.
25. If a consumer chooses to go directly to a Green Deal provider, then the provider will co-ordinate the installation work. They will either contract in-house installers to carry out the work, or sub-contract to independent installers. The Code of Practice sets out requirements that installers must meet with regards to the installation process.

### **Sanctions and Redress mechanism**

26. It is proposed that customer complaints will be handled by Green Deal providers in the first instance. The intention is that all installers will be required to guarantee the quality of their works for a reasonable period. The Green Deal Provider will decide how best to take forward any complaint. The Green Deal Provider may instruct the installer to complete corrective actions. This may be set out in a contract between the Green Deal Provider and the installer.
27. If it concerns professional competence of the installer then the Green Deal provider may take the matter to the relevant certification body to investigate. Certification bodies will be required to have procedures in place for dealing with complaints against those they certify, including independent appeals processes. A certification body may remove certification of an installer, in which case the installer would also be removed from the register and no longer be able to install that measure under the Green Deal.
28. If a certification body fails to take necessary actions, then the Green Deal Provider could appeal to the oversight body. The oversight body has the power to investigate – or instruct UKAS

to investigate (as this may be a breach of the accreditation).

The oversight body can instruct certification bodies to carry out corrective actions. If the certification body still fails to do this, the oversight body can inform the Secretary of State of a potential breach. It will then be up to the government to decide what action to take under the powers set out in the Energy Act 2011.

29. The Energy Ombudsman Service and Financial Ombudsman Service will also provide points of redress for Green Deal customers.

### **Green Deal Installers and the Energy Company Obligation (ECO)**

30. The common approach to standards for ECO measures and for the Green Deal has already been stated in Chapter 2 on measures. This will be the same for installer standards. Thus, for example, the installation of heating systems and any energy efficiency improvements which energy companies wish to count towards their ECO will be required to be installed by those authorised under the Green Deal accreditation system [63] and the auditing and verification of the quality of the work done will be automatically captured through the Green Deal process. This will avoid creating two separate markets for companies to operate in, and support the accreditation system.
31. Where there is a scenario where measures are installed under the ECO, with no Green Deal interaction (finance), the installer is likely to be employed or sub-contracted by the ECO supplier. In this instance the energy supplier can be expected to handle any complaint against the installer (or the quality and standard of the work) under the terms of a contract for the installation of the qualifying action it has with the installer. In such a scenario a complaint made by a consumer is likely to be made to the supplier who can then be expected to investigate the matter and deal with according to terms its has agreed with its installer.

32. To help a consumer receiving a measure under the ECO (without any Green Deal interaction (finance)) understand how he or she can lodge a complaint against an installer or the quality and standard of the work, it is proposed that energy suppliers will be required to ensure that such consumers are provided with information at the time of installation on how to make a complaint about the installation process.
33. Similarly to the Green Deal, the energy supplier may take any complaint against an installer to the relevant certification body to investigate, if it concerns the professional competence of an installer.

### **Note [60]**

DECC commissioned three pieces of research, available at [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

### **Note [61]**

The aim of pilot programme is to develop the necessary procedures and competence to enable UKAS to accredit certification bodies to undertake certification of installers and/or advisors to the Green Deal requirements. Further information can be found at [www.ukas.com](http://www.ukas.com)

### **Note [62]**

In this instance, Government refers to the UK Government responsibilities in England only. Wales and Scotland have their own policies and programmes for supporting Apprenticeship provision.

### **Note [63]**

See, for example, articles 11(7)(e) and 13(4)(b) of the draft ECO Order accompanying the consultation document.

## Chapter 8: Payment Collection

### Summary of Chapter:

A fundamental precept of the Green Deal is that repayments should be collected through energy bills. This allows the charge to transfer automatically and allows us to build on the existing protections which cover vulnerable consumers if they run into difficulties paying their bills.

The Green Deal repayments will appear on the customer's electricity bill as a separate charge. The frequency at which a customer receives their electricity bill will not be affected. Customers with prepayment meters will also be able to benefit from the Green Deal. We will be using the annual energy statement received by domestic customers to convey information on the total amount of Green Deal charges paid since the last statement and the likely energy savings as reported in the Green Deal assessment.

As part of the Government's commitment to promoting competition in the energy retail market, we are proposing to introduce an 'opt-in' for smaller electricity suppliers. Electricity suppliers with less than 250,000 domestic and non-domestic customer accounts will not be obliged to collect the Green Deal charge. If they decide for commercial reasons they want to opt in to the Green Deal collection mechanism, they will be able to do so.

The Government is committed to protecting vulnerable consumers. In light of this we are proposing that all existing obligations in relation to debt and disconnection that are placed on electricity suppliers via licence conditions will be extended to cover the Green Deal charge.

### 8.1 Introduction

1. A payment collection mechanism for the Green Deal charge that delivers a low risk of non-payment, and is easily understood by

both present and future occupants of a property, is key to ensuring confidence in the scheme. Investment decisions will be made on the basis that the Green Deal charge will be collected via energy bills, which include energy suppliers using their existing tools to recover money owed. Green Deal customers will want information about their Green Deal plan to be provided in an easy to understand format and at regular intervals, particularly if they have taken on responsibility for a Green Deal when moving into a new property.

### **Policy approach**

2. In order to enable the collection of the Green Deal charge via energy bills, requirements will have to be placed on gas and electricity suppliers. The Energy Act therefore contains powers for the Secretary of State to modify licences, and associated documents, to include provisions regarding collection of the Green Deal charge and remittance to the Green Deal provider. These licences are issued and enforced by Ofgem. The draft licence modifications and changes to two industry agreements (the Master Registration Agreement and the Distribution and Connection Use of System Agreement) are attached to this consultation. Respondents are welcome to comment on these in addition to the specific consultation questions.
  
3. In addition we are proposing to establish a Green Deal Arrangements Agreement (GDAA) between energy suppliers and Green Deal providers, which would set out the respective responsibilities and obligations placed on each party. Accession to this Agreement would be binding on certain energy suppliers through a new licence condition and on Green Deal providers through the Green Deal authorisation scheme. A working draft of the GDAA is attached to this consultation. We would welcome comment on all aspects of the draft GDAA and we intend to continue developing the GDAA with stakeholders over the consultation period.

## 8.2 Payment collection route

4. There are three possible options for collecting the Green Deal charge via energy bills:
  - i. Collection via electricity bills only;
  - ii. Collection via gas or electricity bills;
  - iii. Collection via gas bills only.
  
5. When examining these options, the Government took into account the need to ensure as many people as possible could potentially benefit from installing energy efficiency measures in their properties via the Green Deal. This mitigates against collection via gas bills only because 4.3 million households and 1.8 million non-domestic properties are not connected to the mains gas grid. Excluding these properties is a particularly unattractive outcome given that the alternative energy sources used to heat these properties, such as heating oil or electricity, are more expensive than gas from the mains grid. Therefore, the Green Deal could be particularly attractive to these households and businesses. Collection of the Green Deal charge using option (i) or (ii) above would ensure that Green Deal finance was potentially available to 27 million households and 2.8 million businesses and organisations in Great Britain and these are therefore preferred over option (iii).
  
6. The Government recognises the importance to Green Deal customers of the link between the Green Deal charge and energy savings. For domestic customers many of the energy efficiency measures that are likely to be installed through the Green Deal will reduce space and water heating costs. For a majority of households this will be manifested by a reduction in gas consumption. This might therefore point to option (ii) (collection via gas or electricity bills) as the preferred collection route. However, in the Government's view, there are a number of negative practical considerations which make this option unattractive.

7. The Government was concerned with minimising the cost of collecting the Green Deal charge as this would ultimately be passed on to customers. Based on figures obtained from energy suppliers and corroborated using historical billing system upgrade costs in the water industry, option (ii) would increase the cost of changing billing systems to enable the collection of the Green Deal charge by around 50%, mainly due to energy suppliers frequently having separate billing systems for gas and electricity, so requiring changes to both systems. Such a large increase in implementation costs could only be justified if the case was compelling.
8. It is also likely that collecting the Green Deal charge via gas bills could create problems for vulnerable customers on a low income because gas usage is more seasonal than electricity. If the Green Deal charge was collected via gas bills, customers could face significantly higher summer gas bills than before the Green Deal plan was taken out.
9. As the majority of homes in Britain are heated using gas, gas bills are larger in the winter months than in the summer months. This results in a higher saving during the winter months after the installation of energy efficiency measures. A reduction in winter expenditure could be of particular value for vulnerable consumers. For customers on prepayment meters this would potentially reduce the risk of self-disconnection of gas during a time in the year when a lack of heating can have serious health impacts. If the Green Deal charge was collected via the gas bill this positive impact would be reduced as the charge would offset the winter savings.
10. Taking all these arguments together the Government believes that the Green Deal charge should be collected via electricity bills only (option (i)). There is further analysis of the payment collection route in the accompanying Impact Assessment to consolidate this view. The Government recognises that this option requires measures to be introduced to strengthen the link

between the Green Deal charge and energy savings. Several of the proposed billing requirements for the Green Deal charge, discussed in section 8.5, strengthen this link by helping domestic customers to see how the Green Deal charge on their electricity bill is matched or exceeded by a corresponding reduction in their gas bill.

### **8.3 Green Deal data requirements**

11. The Green Deal scheme will involve the need for a range of information to be collected and held by relevant parties for operational purposes as well as for monitoring and evaluation purposes. We are proposing that electricity suppliers be required to create the necessary infrastructure to hold the data in a central location through the establishment of a central charge database. However, the responsibility of ensuring that information connected with Green Deal plans is correct and up-to-date will reside with Green Deal providers.
12. This data infrastructure would be accessible by all suppliers and Green Deal providers. Suppliers would have a natural incentive to minimise the costs of establishing this infrastructure. This option would also minimise the transfer of Green Deal data when a customer switches supplier as all companies would have access to the data. This reduces the risk of data loss or corruption and would ensure compatibility with existing energy industry data systems.
13. In order to protect the privacy of Green Deal customers, access rights will need to be examined and introduced. We are proposing that DECC and the Scottish and Welsh Governments should be allowed to access anonymised data to assist in monitoring and evaluation purposes. Also, suppliers and Green Deal providers will only be allowed to use this data for Green Deal purposes and will be subject to the Data Protection Act 1998.

14. We are proposing that the data infrastructure will perform data validation and an automated check on whether the customer has any outstanding debt on their electricity account. The electricity supplier will not be required to divulge the amount of debt, just the existence of debt on the customer's electricity account. Our proposed debt threshold is £200 for domestic customers and £400 for non-domestic customers. Above this level the Green Deal provider would need to positively consent to the continuation of the Green Deal set up process. The threshold for domestic customers aligns to the existing threshold for prepayment meter arrears when switching suppliers.

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

**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?**

## **8.4 Collecting the Green Deal charge**

### **Green Deal information on electricity bills**

15. An important consideration for the Government in designing the Green Deal scheme is ensuring consumers have accessible information about their payments. It is important that customers are kept informed about the charge they are paying, but also that this information is balanced by a reminder of the savings that were estimated at the time the Green Deal plan was established. The Government also wished to avoid unnecessary complexity that could hinder consumer understanding.
16. For this reason we are proposing that only core Green Deal information should be mandated on customer bills and

statements. This will consist of the amount of the Green Deal payment to be placed after the electricity charge on the bills of customers who do not have the same supplier for gas and electricity. If the Green Deal customer receives gas and electricity from the same supplier, then we are proposing that the Green Deal charge is given alongside the charges for electricity and gas consumption. The unique ID for the Green Deal plan will be included adjacent to the payment amount. Also, to ensure customers know where to go to for any queries they have relating to their Green Deal plan, we are proposing that bills and statements include the telephone number and website address of the Green Deal remote advice service.

17. Domestic customers also receive, on an annual basis, additional information designed to help them understand their energy offer and explore alternative tariffs and suppliers. Commonly this information is given in the form of a separate annual energy statement. We are proposing, for domestic customers only, to introduce requirements on suppliers to include the following information on an annual electricity statement:
- a forecast of the Green Deal payments due to be paid over the next year;
  - the likely energy savings, as estimated when the Green Deal plan was established, split out into fuel types (gas, electricity and other fuels); and
  - for 'dual fuel' customers, a forecast of the likely cost of their gas consumption over the next year,

We could also include the date when the Green Deal repayments are due to finish and, if applicable, the amount of Green Deal payment arrears owing to the current supplier. This will be in addition to the annual credit statement provided by the Green Deal provider under section 77A of the Consumer Credit Act (Chapter 3, section 3.4). Your views on this would be welcome.

### **Frequency of bills and statements**

18. Electricity customers receive bills or statements at different intervals depending on their payment method. Domestic customers that pay for their energy use via monthly direct debit generally receive a statement every six months with details on the amount of energy used over that period and the charges and payments made to the account. We are proposing that six months should be the maximum interval between statements for direct debit customers with a Green Deal plan.
19. Currently customers that pay for their electricity using prepayment meters often only receive an annual statement. We are proposing that prepayment meter customers with a Green Deal plan should receive a statement at least every six months, with the same Green Deal information as customers who pay by direct debit. The reason for this change is that short-term tenants are more likely to receive this information if it is provided on a six monthly basis.

### **Customers paying by monthly fixed direct debit**

20. To ensure that a customer's monthly electricity and gas payments reflect their reduced energy consumption after installation of the measures, we propose that these payments should be reduced, at the request of the customer, by the net electricity savings (the savings on electricity consumption minus the Green Deal charge) and the gas savings respectively. These payments can then be subsequently re-assessed to more accurately reflect the customer's actual consumption.

### **Customers using prepayment meters**

21. Customers that pay for their electricity using prepayment meters will also be able to benefit from the Green Deal. It is envisaged that the Green Deal charge will be collected from prepayment meters using the arrears function – the Green Deal charge will

be added as 'arrears' on the meter which will be deducted from the balance in several small amounts over the course of each week. These Green Deal 'arrears' will be in addition to any arrears that a customer is currently paying through a pre-agreed payment plan. However, the total deducted from the meter will still be governed by the supplier's assessment of the customer's ability to pay (see section 8.10). This is an important protection for vulnerable consumers.

22. We also intend to ensure that the disclosure requirements (Chapter 6, section x) make clear to people moving into a property with a prepayment meter that they should contact their electricity supplier to ensure that the meter is reset at the start of their occupancy. Although in most cases this meter reset will happen automatically, by contacting their supplier the new occupant will avoid any risk of inadvertently paying for any Green Deal charges accumulated by the previous bill payer.

### **Billing during property vacancy**

23. Currently the supplier is unlikely to issue an electricity bill when a property is vacant and electricity consumption is minimal. However, if a property has an active Green Deal plan associated with it, Green Deal charges will accumulate during vacancy periods irrespective of electricity consumption. In order to keep the cost of finance for the Green Deal low, we are proposing that the electricity supplier bills the owner of the property for the Green Deal charge during periods of vacancy, even if the charge for electricity consumption is zero.
24. To facilitate this, we are proposing that the central data infrastructure (see below) holds contact details for the owner of the property. The originator of the Green Deal would be asked to supply these details when taking out a Green Deal plan. The property owner would then remain liable for Green Deal repayments during periods of vacancy until the details are

updated following the transfer of the property to a new owner. We intend to work with the Law Society to encourage awareness of this requirement by conveyancing practitioners.

## **8.5 Passing on the Green Deal charge to the Green Deal provider**

25. We are proposing that the Green Deal charge be passed onto the Green Deal finance provider by the electricity supplier on a proportional (**pari passu**) basis. This ensures that if the customer pays the electricity bill in full the Green Deal charge will be passed onto the Green Deal provider. However, it also ensures that the electricity supplier is not required to pass on the full Green Deal charge if the customer pays less than the total being billed. In this situation the electricity supplier will be required to pass onto the Green Deal provider a percentage of the amount received that is equal to the Green Deal charge proportion of the bill.
26. Section 1.6 of the Energy Act stipulates that the electricity supplier will be collecting the Green Deal charge as agent and trustee of the Green Deal provider. After 72 hours from receiving a payment from the customer, we propose that the Green Deal portion of that payment (on a **pari passu** basis) is passed directly to the relevant Green Deal provider or nominated finance provider – their bank details will be held on the central charge database to facilitate this transfer.
27. In addition to payments, we are also proposing that the electricity supplier passes certain data items to the Green Deal provider and, if relevant, the nominated finance provider, for example the payment amount that was due to be made on the account and the period to which the payment relates. This will enable the Green Deal provider to issue annual and **ad hoc** credit statements to its customers (Chapter 3, section 3.4).

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

**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.**

**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?**

## **8.6 Smaller electricity suppliers**

28. The Government is acting to promote competition in the energy retail market and deliver a better deal for consumers. It recognises the important role that smaller electricity and gas suppliers play in driving competition in both the domestic and non-domestic energy supply markets. The Government is keen not to impose regulations (and therefore cost burdens) on smaller suppliers that might not otherwise be interested in facilitating Green Deals for their customers. In light of these considerations we are proposing a voluntary mechanism for smaller electricity suppliers to allow them to decide for themselves whether they wish to participate in collecting Green Deal payments for their customers. Your views on this are welcome.

29. Smaller suppliers that choose not to opt in at the launch of the Green Deal may opt in at any time subsequently. The Government is committed to ensuring that the 'opt in' process is quick and simple. However, Green Deal customers would be unable to switch to a supplier that has not yet opted in.

**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?**

### **Threshold for determining a smaller electricity supplier**

30. The Government is committed to designing any future frameworks to minimise disproportionate burdens on small suppliers and create consistency across the marketplace. Energy efficiency programmes can place significant fixed costs (e.g. administration and the costs of new systems) on suppliers. These costs weigh more heavily on small suppliers because they are unable to spread the fixed costs of compliance over a large customer base, and as such they cannot exploit economies of scale. As a result of this Government has already announced that it will increase the customer number threshold to 250,000 customers for participation in CERT and CESP (Carbon Emissions Reduction Target and the Community Energy Saving Programme) for the final year of these programmes; similarly, we are proposing to exempt suppliers with fewer than 250,000 customers from the Energy Company Obligation. The threshold for participation in the Warm Home Discount Scheme has also been set at 250,000 customers. In light of these changes we propose that the threshold above which collection is mandatory (and below which a smaller electricity supplier can voluntarily 'opt in' to the collection of the Green Deal charge) should be set at 250,000 domestic and non-domestic customer accounts.

**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.**

### **8.7 Electricity supplier administration fee**

31. The Government examined whether to introduce an administration fee, payable by Green Deal providers, to compensate larger electricity suppliers and smaller 'opted in' suppliers for the cost of collecting the Green Deal charge. If there was no administration fee payable then the entire cost of collecting the Green Deal charge would fall on the electricity

customers as a whole. The Government is keen to ensure that a significant proportion of the on-going costs are borne by Green Deal customers, as they will be the ones benefiting from the policy, with only a small proportion falling on electricity customers as a whole. We therefore believe that introducing an administration fee is a fairer outcome than no administration fee.

32. The Government examined a number of options for the structure of the administration fee. We are proposing that there should be a flat annual administration fee for each Green Deal plan, payable in four quarterly instalments. There is further analysis of the proposed administration fee in the accompanying Impact Assessment. Based on that analysis, we are proposing to set the administration fee at £3 per year per Green Deal plan.
33. We also propose to hold a review of the level of the administration fee three years after launch of the Green Deal. At this point, the cost incurred by electricity suppliers in collecting and remitting the Green Deal charge can be more accurately assessed.
34. The administration fee could also be made contingent on the successful collection, in whole or in part, of the Green Deal charge from the customer. Your views on this would be welcome

**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.**

## **8.8 Switching between electricity suppliers**

35. The Green Deal will not prohibit customers from switching to another supplier as long as the new electricity supplier has chosen to participate in the Green Deal scheme. A customer

will still be able to switch to an 'opted out' supplier (section 8.6) if they choose to repay their Green Deal plan early (Chapter 3, section 3.3).

36. Currently suppliers may object to a customer switching to a new electricity supplier if they have outstanding arrears. For customers using prepayment meters, however, debts of up to £200 can be transferred. We propose this includes the Green Deal arrears.

**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.**

### **8.9 Expiry, early repayments and changes to a Green Deal plan**

37. We propose that at least 14 days before the end of the Green Deal plan, the electricity supplier will need to inform the Green Deal provider and the customer in writing that they will stop collecting the Green Deal charge from a specified date.
38. Customers will be able to repay their Green Deal plan at an earlier stage if they wish (Chapter 3, section 3.3), either in whole or in part. This may decrease the repayment amount and/or bring the expiry date forward. If the end date for the Green Deal plan is changed, it must be at least 21 days into the future. This allows sufficient time for the 14 day notification period, as described in the previous paragraph, to take place.

### **Disconnection**

39. There will sometimes be a need for a property to be disconnected from its electricity meter, for example prior to

demolition or major renovation (see Chapter 10, section 10.3, for discussion for further requirements around these type of changes). In such an event where permanent disconnection occurs, the electricity supplier will not be able to collect the Green Deal charge (as result of the consequential deregistration of the meter point number). We propose, therefore, to prevent permanent disconnection of an electricity meter associated with an outstanding Green Deal plan. This would, for example, mean that full early repayment of the Green Deal plan will be required prior to demolition. However, urgent disconnection of the electricity supply will be allowed where it is required for health and safety reasons or other requirements set out in existing legislation. During this period, the Green Deal charge will continue to be payable.

40. This 'permanent' disconnection is different from temporary de-energisation (colloquially known as "disconnection") which is the ultimate sanction in some circumstances for non-payment of an electricity bill. In these circumstances, the Green Deal does not need to be fully repaid and industry practice on the recovery of arrears applies.

### **8.10 Green Deal charge arrears**

41. Existing licences and codes include a number of processes for the collection of arrears from consumers and several protections for vulnerable consumers who are struggling to pay. We are proposing that those processes required by supply licences, or that form part of business as usual practices, will apply equally to the collection of Green Deal arrears, including agreeing a repayment schedule and fitting a prepayment meter.
42. Although suppliers will be exempt from the need to hold a Consumer Credit Act licence when collecting Green Deal payments, consumers will still be protected (see Chapter 3, section 3.4). Suppliers' licence conditions already require, for

example, that they must take into account the customer's ability to pay when determining a repayment schedule and this protection will extend to Green Deal charge arrears.

Furthermore, we propose to include new licence conditions for Green Deal customers that will require suppliers to have regard to any guidance on debt collection issued by OFT and to issue arrears notices comparable to those required under section 86B of the Consumer Credit Act.

43. Occasionally electricity suppliers may choose to write off a customer's final energy debt, after the customer has left the property, when all routes for pursuing this debt have been exhausted. At this point, we are proposing that the Green Deal provider would have the option of either writing off the Green Deal arrears or continuing to pursue the outstanding debt. In either case, we are proposing that the Green Deal provider has seven calendar days to inform the customer which course of action they will be taking. This would not affect the continuing collection of Green Deal payments from that property.

### **8.11 Protecting vulnerable customers**

44. The Government wants every household to have the opportunity to access high quality energy efficiency measures, not only to cut emissions, but to also ensure that homes can be heated more affordably. Improving the energy efficiency of households across the country will help meet both of these objectives. The Green Deal will help households and businesses achieve lower energy bills than would have been possible without it. This can be achieved with no up-front cost making it an attractive prospect for all.
45. Low income and vulnerable customers who are unable to afford to heat their home may be able to receive additional support from ECO.

46. Despite this additional support, and the Green Deal being designed to keep customers energy bills the same or to reduce them, Green Deal customers (like any other customer) may occasionally find themselves having difficulty paying their energy bill, particularly if their circumstances change.
47. The Government believes it is crucial for all customers to receive adequate protection with regard to the payment of their energy costs and from disconnection of their energy supply. Energy suppliers have a licence obligation which prohibits them from disconnecting a domestic customer during the winter months (October – March) where they know or believe the customer is of pensionable age and lives alone or lives only with other pensioners or with persons under the age of 18, and to take all reasonable steps not to disconnect a domestic premises during the winter months if the occupants include someone of pensionable age, who suffers from a disability or is chronically sick.
48. Energy suppliers also have obligations set out in their licence conditions to protect domestic customers who are having difficulty in paying for their energy bills. They must take all reasonable steps to ascertain a domestic customer's ability to pay and take this into account when calculating repayments for outstanding charges. They must also offer the option of a prepayment meter where it is safe and reasonably practicable. All these consumer protections will extend to the Green Deal charge.
49. The larger energy suppliers have signed up to a voluntary agreement to never knowingly disconnect a vulnerable customer at any time of the year. We are working with energy suppliers to extend this commitment to cover the Green Deal charge.
50. The Government intends for the existing obligations on energy suppliers outlined in licence conditions for debt and disconnection to be extended to cover the charge for the Green

Deal. We are also working with the Department for Work and Pensions (DWP) to see how the Green Deal charge and any Green Deal arrears can be included as part of the Fuel Direct scheme. "Fuel Direct" is one of the items provided for in DWP's Third Party Deductions scheme. The scheme works by deducting a prescribed amount at the source from a customer's weekly benefit (currently £3.40) and paying it direct to the creditor until the debt is cleared and a further amount to cover ongoing consumption. It provides a backstop safeguard for customers who are experiencing difficulty in paying for their energy consumption.

### **8.12 Reporting on differences in charges**

51. As an additional element of customer protection, we are proposing to oblige electricity suppliers to report on any differences in their charges for Green Deal customers compared to non-Green Deal customers. We could also include a provision in licences which would ensure that the terms that a supplier supplies, or offers to supply, electricity would not discriminate between customers with a Green Deal plan and other customers. Your views on this would be welcome.

# Chapter 9: Delivering the ECO and Green Deal

## Summary of Chapter:

Whilst some measures will be funded solely by Green Deal finance, and some measures funded solely by suppliers fulfilling their obligations under the ECO, the Government would expect the majority of households to receive packages of measures jointly funded by a mix of the two funding streams. We want to ensure that this joint funding is "seamless" to the consumer and is done behind the scenes.

It will be crucial to an open and competitive energy efficiency market that access to ECO support is transparent, efficient and cost effective. To do this we propose the introduction of a market based solution, to help energy suppliers make a significant proportion of their ECO subsidy fairly available to those Green Deal Providers who can commit to delivering in a cost effective way.

The role of local authorities and other local partners is also likely to be crucial in ensuring effective and intensive delivery of the ECO and Green Deal in particular areas. The Government believes that many natural incentives will exist allowing effective partnership to form, and no particular regulatory requirements are needed to encourage this. The Government's Big Society agenda also has the potential to support local partnerships.

## 9.1 Introduction

1. We expect the Green Deal and the ECO frequently to work in tandem. For example, measures that save a large amount of carbon and deliver significant energy efficiency benefits, such as solid wall insulation, are currently expensive and unlikely to be deliverable within the Golden Rule alone [64]. Green Deal

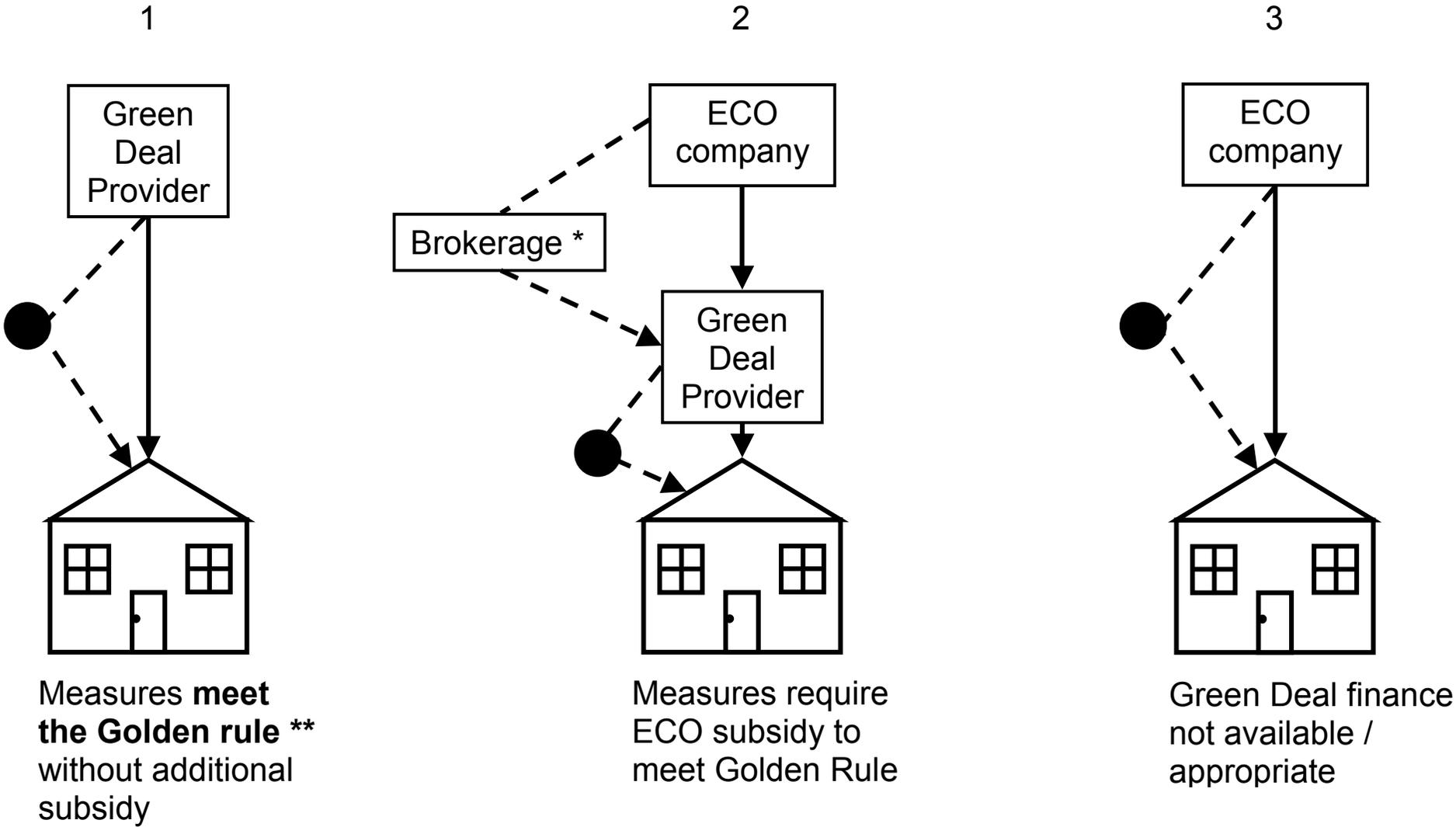
providers will therefore be incentivised to seek out contributions towards a measure from suppliers seeking to fulfil their obligations under ECO. Doing so is likely to bring the net cost of the measure within the terms of the Golden Rule, thereby allowing a Green Deal provider to put a more attractive offer to a customer and increase the number of Green Deals they are able to sell.

2. At present, we are not proposing for there to be a requirement on energy suppliers to combine their ECO subsidy with Green Deal finance (for either Carbon or Affordable Warmth objectives). We do not think it is necessary to do so because we believe the wider Green Deal-ECO context creates an incentive for energy suppliers to work closely with Green Deal providers. By proposing that energy suppliers receive the full carbon or cost saving benefits of a measure which they are involved in promoting and installing we expect to create an incentive for energy suppliers to find Green Deal providers with whom they can develop offers for measures which rely on a mixture of ECO and Green Deal finance. Allowing credit for the full carbon savings in this way also creates an incentive to promote packages which qualify for ECO points over those which do not. Since energy suppliers will want to meet their obligation at as low a cost as possible, they will be incentivised to leverage in as many other types of funding as possible, and in the case of the carbon obligation, this is primarily expected to be Green Deal finance (though other sources of funding are not intended to be excluded).
3. It will not, however, fall to the consumer to bring Green Deal finance and ECO together. We expect the details of how the two finance streams operate to be arranged behind the scenes. The consumer should see one seamless package and offer from a Green Deal provider.
4. But while the Green Deal and ECO can be expected to be very closely related and frequently expected to operate in tandem,

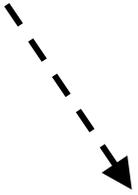
there will be some instances where they are likely to work independently. There are effectively three different scenarios for how ECO subsidy and Green Deal finance will drive the installation of energy efficiency measures. These are:

- **Green Deal finance only.** For example where measures, such as loft and cavity wall insulation for the generality of the population, meet the Golden Rule and can be confidently expected to pay for themselves with savings, Green Deal finance alone should be sufficient to drive delivery;
- **ECO support and Green Deal finance combined.** Delivering packages of measures where the household is not in a position to take out Green Deal finance without additional funding – for example packages that include SWI, and where the upfront costs are not fully met within the Golden Rule;
- **ECO support only.** ECO Affordable Warmth is targeted at low income and vulnerable households, and as such we expect that in most cases these households will receive full financial support through ECO for the measures. There may also be circumstances under the ECO Carbon Saving obligation where delivery is most appropriate and cost effective when not coupled to Green Deal finance. In these circumstances energy suppliers may choose to fund the installation of such measures, either entirely themselves or by drawing in funding outside of Green Deal finance.

Diagram 9: Delivery routes for ECO and Green Deal (see Key on next page)



**Key to Diagram 9:**



Alternate delivery route



Delivery agents may sub contract with accredited installers

\*

Enables Green Deal providers to access ECO subsidy:  
see brokerage section

\*\*

The Golden Rule: see chapter 4

## 9.2 Access to ECO for third parties delivering energy efficiency

5. Given that we expect the ECO and Green Deal finance markets to be closely interlinked, it is important to design ECO in a way which not only makes sense for the policy in isolation, but contributes to our objectives for the new Green landscape overall. We want to work towards ensuring that ECO helps deliver:
- **Competition** – with a broad and dynamic market for energy efficiency delivery, with a range of Green Deal providers, fairly competing on price to attract ECO support.
  - **Transparency** – an open market that: allows potential Green Deal providers to assess the market and if appropriate decide on entry strategies, and gives those already in the market certainty they can fairly compete with others.
  - **Market efficiency** – a market with low transaction costs and administrative burdens for all parties.
  - **Cost effectiveness** – energy suppliers delivering ECO at the lowest possible cost, thereby reducing the impact on customer energy bills

### Potential risks

6. We cannot yet know exactly how the obligated energy suppliers will behave in response to their ECO. However, given that we believe that a large number of expensive measures such as solid wall insulation will require ECO subsidy as well as Green Deal or other finance, the small number of energy suppliers who will be responsible for fulfilling the ECO have the potential to exercise a large influence over the Green Deal market. Potential behaviours that would impede the objectives noted in paragraph 5 include:

- ECO suppliers disproportionately funding their own internal Green Deal activity. This might happen where an energy supplier was both an ECO company and a Green Deal provider. It might prefer to provide ECO subsidy to its own Green Deal transactions, because this was simpler, and/or because this would allow it to grow the Green Deal side of its business and gain market share at the expense of Green Deal providers with no such access to funding;
  - ECO suppliers only partnering with a small number of Green Deal providers. This might happen because energy suppliers would find it easier to communicate with a small number of Green Deal Providers – probably large, established players at national level - allowing them better to control their risk exposure, and potentially allowing them to develop a shared brand.
7. Although the energy supplier behaviours set out above might represent an efficient way in the shorter term for energy suppliers to achieve their individual obligations, over time it is the emergence of a diverse and competitive Green Deal provider market that offers the best guarantee of cost-efficiencies all round, including ultimately lower costs of delivery for ECO itself. Behaviours as described above would make it more difficult for newer or smaller players to establish a foothold, and would act against the development of this competitive market. While there may always be some inherent limits to the overall range and diversity of the Green Deal provider market, we want to ensure that ECO introduces no additional barriers.
8. In fact, however ECO suppliers might ultimately choose to act, even the risk or the perception that they might behave in this way could lead to problems. Potential Green Deal entrants might choose not to enter that market given the uncertainties. Thus - while some energy suppliers may understandably argue that their own self-interest will lie in exploring **all** cost effective delivery solutions, whether or not they are in-house or third-party

- the Government does not think it is acceptable to do nothing and simply wait to see what pattern of behaviours develops. A solution must be found which can demonstrably give confidence to potential Green Deal providers that they will have a fair degree of access to ECO subsidy.

### **Options to address risk**

#### **1: Require Suppliers to deliver through third parties**

9. One option for Government to tackle this issue would be to require and/or incentivise energy suppliers to, for example, discharge all or part of their obligation through measures delivered in partnership with third party delivery agents, or specific types of delivery agent – for example Green Deal providers, smaller rather than large providers, providers in particular areas of the country or of particular types, and so on. Powers exist for Government to set such targets, and could be exercised when needed. However, setting binding targets in regulation would be difficult to calibrate precisely. The Green Deal market does not yet exist, and any targets set might prove to be unrealistic in practice, or risk imposing excess costs on ECO suppliers with no certainty of creating an open, competitive market. For this reason, Government does not at this stage propose to examine this option further.

#### **2: Preferred solution – Brokerage**

10. Instead of introducing a requirement which left suppliers to identify delivery agents without any constraints, the Government is attracted to introducing a market based solution to help suppliers make a significant proportion of their ECO spending fairly available to those Green Deal Providers who can commit to delivering in a cost effective way. This could be achieved through a brokerage system that brings together energy suppliers and Green Deal providers in an open market, via an online portal, where ECO "points" that energy suppliers require

to meet their obligation are traded for ECO subsidy.

Government could propose that suppliers meet a given percentage of their obligation by partnering with a given number of Green Deal providers identified through the brokerage.

However, this would pose similar problems to option 1, the Green Deal market does not yet exist and this would be difficult to calibrate precisely. Furthermore, suppliers could all opt to partner with the same small number of delivery partners.

11. The Governments preferred option would therefore be to propose that suppliers make a significant proportion of their ECO spending fairly available to those Green Deal Providers who are, for example, able to deliver in the most cost-effective way. If a brokerage mechanism was arranged in a transparent way it would encourage Green Deal Providers to compete on price. Therefore Government would not have to set a predefined limit on the number or types of players that suppliers had to partner with, but rather allow the market to function with the most cost effective delivery agents receiving ECO support. A further step that the Government is considering is making the brokerage operate on a blind basis, ensuring price is the only variable driving competition (quality would of be ensured through the Green Deal framework) and the suppliers would have increased certainty of meeting their obligation as cheaply as possible, whilst minimising impact on consumers energy bills. Provided that the ECO suppliers were constrained to, or committed to, delivering a significant proportion of their obligation through such a mechanism, it is likely to introduce liquidity and transparency into the Green Deal market, whilst assisting ECO suppliers meet their obligation as cost effectively as possible.

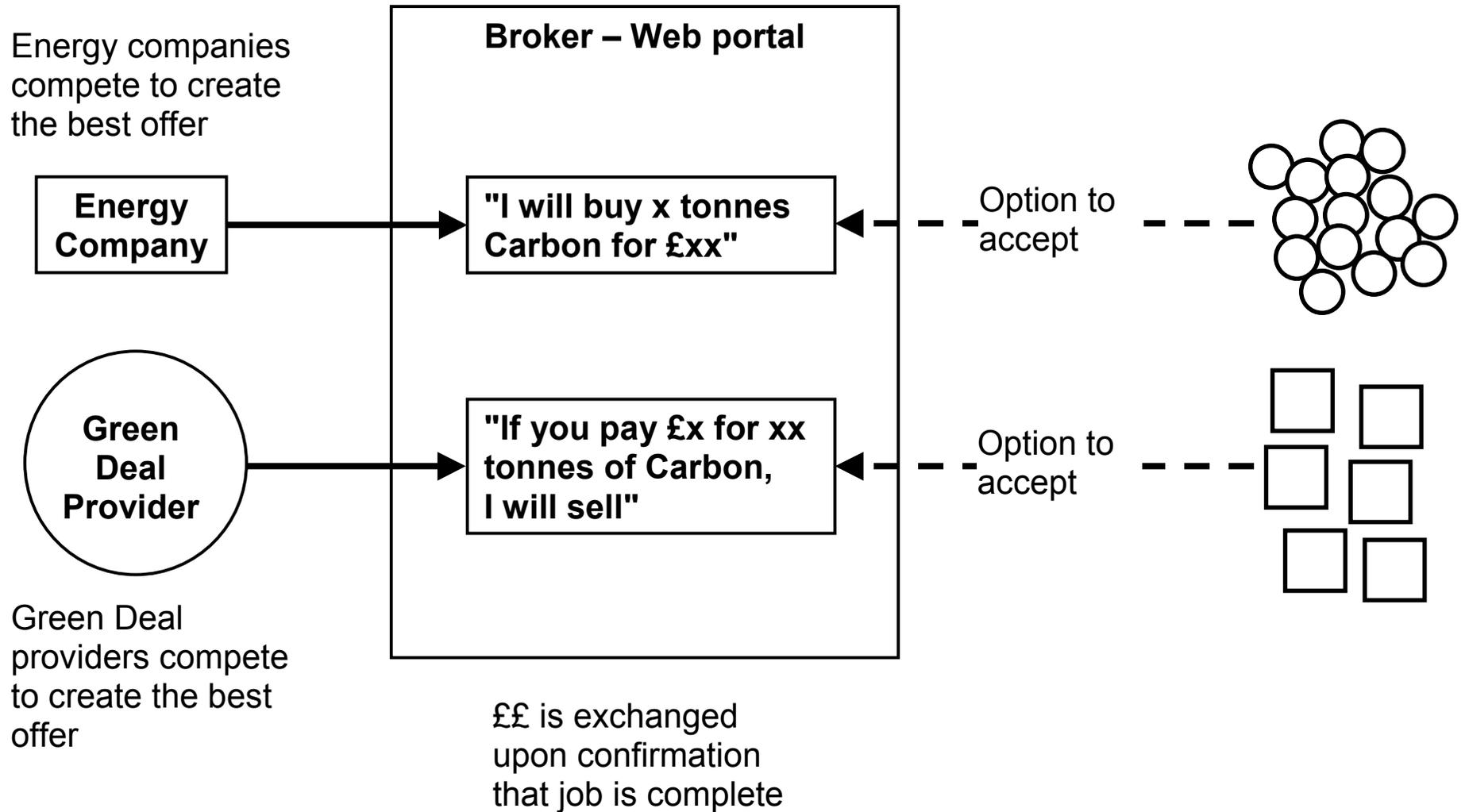
**QUESTION 51: Do you agree that stipulating strict regulatory quotas for partnering with specific types/numbers of third party delivery agents might be unduly burdensome, and the development of a brokerage model may be a more effective means of achieving the desired outcome?**

**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?**

12. As described above, there are various forms that such a brokerage could take (an example is illustrated below). Each form raises different issues. Some issues are, however, common to any design of brokerage and need to be further explored. For example how frequently should carbon be traded, and would potential contracting parties be anonymous. The Government has been working with the energy suppliers and other interested stakeholders to explore how the mechanism might work.
13. DECC has already benefited from input from the energy suppliers, brought together by UKBCSE, and is setting up a wider steering group to develop these ideas further and agree a detailed specification for a brokerage that meets our objectives set out above and satisfies the requirement that energy companies must **promote** measures [65]. The group's terms of reference and membership list will be published shortly on the DECC website. While the Government is willing to consider alternative suggestions which would achieve the same policy outcomes, it believes that a brokerage mechanism currently appears to be the most effective method, and is looking for commitments from the energy suppliers that they would channel a significant part – perhaps 50% - of their obligation through it. We do not propose requiring suppliers to use the brokerage for 100% of their obligation so that they may form partnerships that build 'shared brands' etc. In the event that no brokerage mechanism on these lines develops, or one is developed but proves through subsequent monitoring not to achieve the desired outcomes in practice, then the Government will consider potential regulatory solutions.

14. In developing ideas for a brokerage mechanism, the Government has focused on the carbon saving aspect of ECO as this is the element where we anticipate a close relationship between the ECO and the Green Deal. However it is not ruled out that an effective mechanism might also offer opportunities for the delivery of Affordable Warmth measures.

Diagram 10: Illustrative example of brokerage mechanism



**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?**

**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?**

### **9.3 Enabling partnerships and supporting localised delivery**

15. As well as wanting to combine ECO spending with Green Deal finance, energy suppliers and Green Deal providers are also likely to adopt localised approaches to delivery, as this can create opportunities to bring delivery costs down. It will create beneficial circles of engagement - where a critical mass of consumers within an area take-up measures, there will be an increasing likelihood that others would too. The evidence emerging from CERT and (in particular) CESP is that intensive activity within a particular area will often produce economies of scale, increased take-up and allow measures to be delivered at lower cost.
16. The Coalition Government's Big Society agenda has the potential to support local partnerships. The Big Society is about putting more power in people's hands locally, in particular through empowering communities by giving councils and local neighbourhoods more power to take decisions and shape their areas. It is also about opening up services to enable charities, social enterprises and co-operatives to complete to offer them. One initiative under the Big Society banner is for 5,000 'Community Organisers' who are being trained to work closely with communities to identify local leaders, projects and opportunities. Where communities decide to initiate local energy

efficiency projects under the Green Deal/ECO, Community Organisers will be able to support them.

17. The Localism Bill currently going through Parliament will also provide councils with new freedoms to act to meet local needs and priorities. For example, it contains a 'general power of competence' which will give councils freedom to act in the interest of their local communities. It will provide local authorities with all the same powers that an individual generally has, i.e. enabling them to do anything apart from that which is specifically prohibited. While it is too soon to judge how councils might respond to this, it could help ECO and Green Deal delivery by enabling councils to develop more innovative ways of delivering energy efficiency and in providing potential local 'incentives' for residents to take up offers.

### **Local delivery and the role of Local Authorities**

18. Localised approaches will be facilitated where key local organisations, in particular the Local Authority, are active players in the agenda. Local Authorities may play various different roles within the Green Deal as a whole, including acting as Green Deal providers themselves [66]. But in respect of the ECO they are likely to act as partners, adding value by, for example, providing information on local housing stock, and endorsing and helping market company activity, using their position as a trusted interlocutor with households to increase local acceptance and take-up.
19. Many Local Authorities are already well advanced in planning for the Green Deal and ECO. To support, understand and encourage this activity, Ministers announced during the Energy Bill debates in Parliament the intention to retain the Home Energy Conservation Act (HECA) 1995 in England. This provides a mechanism for Local Authorities to report on activity to improve energy efficiency in the residential accommodation in

their areas. Much of the effectiveness of HECA will lie in the guidance that we are developing and aim to publish in spring next year. For example, the new HECA guidance is likely to ask Local Authorities to report on how they plan to engage with the Green Deal and the future Energy Company Obligation (ECO).

20. The Government is keen to encourage street by street roll-out of the Green Deal and ECO, and believes that close partnership with local authorities will be key to this. We have considered various possible approaches to the role of local authorities in ECO:
- Stipulating that local authorities must be actively engaged in and approve all plans for ECO activity in their area
  - Stipulating that authorities must at least be consulted on ECO activity
  - Making no regulatory requirements, but leaving partnerships to be formed on a voluntary basis
21. An important consideration in respect of the first option is that it could amount to placing a positive duty on local authorities (as well as on ECO suppliers). This would arguably be inconsistent with the Government's preferred approach of localism, under which authorities are broadly empowered to take their own view of how to prioritise their resources. Where an authority was willing and able to invest resourcing, this would not be a problem, but by the same token the regulatory requirement would add no value; where an authority was less keen on being engaged, the requirement would oblige them to conduct activity, and therefore spend resource, in ways which would have to be met by local or central Government funds. Where an authority is not yet willing or able to play a full partnership role in delivering energy efficiency in its area, it is also unlikely that a bare regulatory requirement to approve energy supplier plans would have much effect in equipping them to do so.

22. The second option is, broadly, the one currently in place under the CESP scheme and in this respect, the evidence of the CESP evaluation [67] is crucial. Whilst the evidence is in many ways anecdotal and qualitative, rather than quantitative, it seems clear that where an effective partnership exists between suppliers and local authorities, the requirement for a consultation letter adds little if any value. Where a local authority is a less active partner, the requirement for a consultation letter can sometimes become an obstacle to rapid progress – a pure piece of bureaucracy which could hold up delivery on the ground.
23. Thus, while the Government strongly supports partnerships between authorities and energy suppliers, it believes the most appropriate form for these to take is one that is willingly entered into by the particular participants themselves, in the light of the mutual advantages that partnership would bring. We do not therefore believe there is a case for Government to stipulate any particular regulatory requirements.

### **9.4 Devolution and ECO**

24. ECO extends to Great Britain, however the landscape for energy efficiency and fuel poverty activity is different in each of the administrations: England, Scotland and Wales. For example, aspects of the fuel poverty policy are devolved matters, and each nation has a slightly different target and different policy approaches.
25. The Scottish programme to deliver heating measures is delivered in an integrated way through their Energy Assistance Package (EAP) and the Home Insulation Scheme. Households call an advice centre, managed by EST, and are filtered to relevant support depending on their energy efficiency needs and eligibility for extra help, including being referred for a benefit check to an energy supplier for free insulation if they are in the CERT priority group and for heating systems and/or insulation if

they meet relevant criteria on age or benefit or tax credit entitlement.

26. On 1 April 2011, the Welsh Assembly Government's Fuel Poverty Strategy (Nest) replaced the Homes Energy Efficiency Scheme (HEES). Nest has been specifically designed so that it can offer support to the most vulnerable people in the most hard-to-treat properties with a wider range of energy performance improvements than is currently available through HEES. The Welsh Assembly Government also operates the area-based Arbed scheme (meaning 'Save' in Welsh), which is aimed at upgrading the energy efficiency of some of Wales' most deprived communities.
27. The Government sees no reason why the existence of such area-specific schemes should impact on the design of ECO, which is likely to be most cost-effective if it retains one single set of rules across Great Britain. It is possible that the existence of centrally funded programmes in certain areas could sometimes act as a form of joint funding, serving to attract ECO support towards those areas, but the Government does not propose to correct for this effect in the design of ECO. Provided always that ECO support satisfies the "additionality test" discussed in chapter 2, it will not matter whether the source of any joint funding alongside the ECO contribution is public or private. Of course, devolved administrations may separately want to consider issues of additionality and value for money when setting the rules for their own fuel poverty schemes.
28. In order for the DAs properly to consider their own programmes in this way, it will be essential for them to have access to ECO and Green Deal monitoring information. Access to monitoring information for GB Governments is discussed further in Chapter 12.
29. It has further been suggested that the Welsh and Scottish administrations should have the right to be consulted by ECO

suppliers before the suppliers commence activity in their areas. In the Government's view, this is likely to be an unhelpful provision. No equivalent obligation to consult either national or local Government is being proposed in respect of English activity; such an obligation would be difficult to frame with any precision and is likely to introduce delay; and a regional disparity in treatment might have the effect of encouraging suppliers to concentrate their activity, at least initially, in areas where no such regulatory burden existed, and thus be counter-productive to Welsh and Scottish interests.

### **Note [64]**

For example, SWI that delivered an annual bill saving of £320 would be able to raise £3,730 in Green Deal Finance (based on a 7% interest rate and 25 year repayment term). If the SWI installation cost around £6,000, ECO support of £2,270 would be needed for the measure to be fully fundable under the Golden Rule.

### **Note [65]**

Section 41A(2) of the Electricity Act 1989 and section 33BC(2) of the Gas Act 1986 require a supplier to meet a target set through the promotion of energy efficiency measures. It is therefore a legal requirement of eligibility that a measure is promoted by a supplier. This requirement would need to be satisfied in the design of any brokerage scheme and indeed needs to be satisfied for all eligible measures under ECO.

### **Note [66]**

An information note, "Local Authority and the Green Deal" has been published alongside this consultation. A copy of which can be found here

[http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

**Note [67]**

[http://www.decc.gov.uk/en/content/cms/funding/funding\\_ops/cesp/cesp.aspx](http://www.decc.gov.uk/en/content/cms/funding/funding_ops/cesp/cesp.aspx)

## Chapter 10: Consumer Protection

### Summary of Chapter:

Consumer protection and business confidence in the Green Deal will be central at every stage. Consumers will be protected throughout the Green Deal process. This chapter gives an overview of those protections, which are covered in more detail in the relevant chapters. If something does go wrong for the customer, clear and accessible mechanisms to enable redress will be vital to underpin these protections.

There are two main areas where something could go wrong with a Green Deal. The first is when there is a problem with the installation, the measures installed or the terms of the Green Deal plan. In both cases the Green Deal Provider is responsible for trying to put the problem right. If required, Green Deal providers will compensate the customer, and seek redress from their installers or assessors through commercial contracts. If the Green Deal provider, assessor or installer is found to breach the conditions of the Green Deal authorisation scheme, including the code of practice, the Secretary of State can impose sanctions.

The second is where customers of Green Deal Providers are responsible for disputes, when they themselves have failed to meet their obligations. If people haven't met these obligations, the Secretary of State can impose sanctions against them and ensure the person who is made worse off can seek redress.

When the Secretary of State imposes a sanction in relation to non-compliance with Green Deal obligations, there will be a right to appeal against it.

## 10.1 Introduction

1. We are proposing that the life of a Green Deal Plan is only limited by the warranted lifetime of the measures installed and could extend to 25 years, or more in some cases. Consumers will need to be confident in the Green Deal at different stages in its life, whether as the original improvers of properties using the Green Deal, or as bill payers for properties with a Green Deal charge added to their electricity bills.
2. This part of the consultation explains how the Green Deal will protect the interests of customers, and in so doing also protect the interest of businesses and investors, operating in this new market at different stages of the Green Deal customer journey and different stages in the life of the Green Deal Plan. These protections are consistent with the Government's approach to better regulation, as they are based on existing regulation and on a new industry-led management framework to support the Green Deal.

### Policy approach

3. Consumer protection policy in the Green Deal uses existing legislation and regulatory arrangements as much as possible to minimise additional burdens whilst providing a robust consumer protection regime.
4. In the following section we have set out an overview how customer confidence will be supported throughout the Green Deal journey. This means that many of the areas touched on here are covered in more detail elsewhere in the document: where this is so there are signposts to the other relevant sections.
5. Where customers are assisted through the Energy Company Obligation (ECO) and a Green Deal Plan is not taken out for that property, we expect energy companies to deliver consumer

protection and redress to the same standard as for the Green Deal and as outlined in the Green Deal code of practice. Failure to comply with any applicable conditions is expected to result in the measure being ineligible for the purposes of a meeting a supplier's ECO and may result in the Administrator for ECO imposing sanctions in respect of the failure.

### **10.2 Protecting Consumers in selling the Green Deal and supporting confidence when choosing the Green Deal**

#### **Government backed Advice and Referral**

6. Whilst the Green Deal is market driven and we expect the majority of advice and information to come from Green Deal participants, it is crucial that consumers have the opportunity to access independent advice about the new Green Deal. DECC's Green Deal consumer research shows that customers are keen to receive independent advice at the start of the process, after any assessment and be helped to consider the suitability of their property. The advice line and website, discussed in the Introduction, will provide this. It will not provide financial advice.
7. The advice line and website will provide basic information about the obligations and protections that are part of the Green Deal, as set out in Green Deal Code, and then refer customers on to the appropriate body should they need to pursue the matter in more detail. There will be separate advice lines for England and Wales and Scotland. We expect all professionals operating under the Green Deal to promote the Green Deal and inform their customers about the independent Green Deal advice line and website.

## **Selling the Green Deal to householders**

8. To promote maximum uptake, we would like to allow all Green Deal market participants to be able to sell through all means permitted under existing consumer protection law.
9. Experience of earlier energy saving retrofit programmes delivered by the energy companies shows that area-based approaches, targeting particular types of households, can be more effective at increasing take-up. This is particularly important given the need to identify those customers who may be eligible for ECO subsidy. Area based approaches often involve techniques such as cold calling and door step selling. DECC's consumer research does reveal concerns about door step selling, but these methods are legitimate provided the necessary safeguards are in place and in some circumstances can help to raise consumer demand.
10. We also understand from our research with consumers that people are concerned about the independence of assessors. To meet these concerns, the Code of Practice will require assessors to provide an impartial assessment of the property, using the government's approved methodology. Assessors will not be able to recommend the products of companies they work for or are affiliated to if they are not the appropriate measures. Furthermore, all Green Deal participants will be required to disclose who they are working for as part of their Customer Charter. Green Deal assessor and installer details will also be held on a central register so consumers will be able to check that they are legitimately using the Green Deal logo and abiding by the Code of Practice.

## **Energy assessment and Green Deal advice**

11. The first step towards getting a Green Deal will be to get an objective assessment of the property, which will cover the property's potential to save energy and how the customer might

benefit based on their particular circumstances. This assessment will also set out those measures likely to be eligible for Green Deal finance.

12. Customers and Green Deal Providers will be able to have confidence in the energy saving assessments they get from Green Deal Assessors because the assessment (which will include energy generation potential) will be underpinned by: a robust qualification and authorisation framework for Green Deal Assessors; robust energy assessment methodologies; and strong redress should anything go wrong. This is discussed further in Chapter 1 on Assessment.

### **10.3 Setting up a Green Deal Plan to improve the building**

#### **Consumer credit protections**

13. Green Deal Providers offering Green Deal Plans in the domestic sector will require a consumer credit licence. This will give domestic customers protection under the CCA through, for example:
  - protection from mis-selling
  - cooling off periods;
  - regulated collection of instalments; and
  - statement requirements.
14. Where Green Deals are offered to organisations and companies, the situation is more complex. Both scenarios are covered in Chapter 3 on The Green Deal Provider and the Plan.

## Consents

15. In signing up to a Green Deal Plan the customer will need to ensure they have the appropriate consents in place for the charge and for installation of the agreed measures. Requiring that proof of the appropriate consents is provided to the Green Deal Provider protects property owners and current energy bill payers as well as future owners (who may be required to remove measures in the future if the correct consents were not obtained), and also reduces the risk of costly disputes. Consent is discussed further in Chapter 6, Consents, Disclosure and Acknowledgement.

## Installation

16. Energy saving measures that are paid for using the new Green Deal Finance mechanism can only be installed by Green Deal authorised installers. Installers' work will have to meet new Green Deal standards for all installations and be supported by appropriate insurance-backed, warranties and guarantees. The measures installed will also need to have be certified as meeting minimum standards. More detail on the installation process and the new Green Deal standards is provided in Chapter 7, Installation.

## Green Deal Provider obligations

17. Green Deal Providers will need to be authorised. The authorisation framework will require them to abide by a new Green Deal Code of Practice (a draft of which is published with this consultation) **[68]**. This covers every stage of the customer journey and the whole life of the Green Deal plan.
18. Amongst other things, Green Deal Providers will be required to:
  - only use Green Deal authorised Assessors and Installers;

- only offer a Green Deal Plan to install measures as recommended by an independent authorised Green Deal Assessor; and
  - only offer Plans that meet the Golden Rule for the property.
19. The Green Deal Provider should be the first point of contact for a customer who has an issue with any aspect of their Green Deal Plan. More details of the requirements for Green Deal Providers are provided in Chapter 3, The Green Deal Provider and the Plan.

### **Confirming the Green Deal Plan**

20. Payments for a Green Deal will only commence after the measures have been installed to the specification agreed between the provider and the customer, after the energy company has notified the consumer that payments are about to commence through their electricity bill. That gives consumers the opportunity to object if the measures have not been satisfactorily installed.
21. The Green Deal Provider will be responsible for ensuring that an EPC is updated to reflect the new improvements installed and to include details of the Green Deal Plan. This will facilitate disclosure of the Green Deal to subsequent bill payers and protect consumers by ensuring they are informed about a Green Deal on a property before they take it on. The use of the EPC within the Green Deal is covered in more detail in Chapter 1, Accredited Assessment and Chapter 6, Consents, Disclosure and Acknowledgement.

### **Collecting Green Deal Plan instalments through energy supply billing**

22. Suppliers will be responsible for collecting the Green Deal charge and passing it on to the Green Deal Provider or their

financiers. There are already significant customer protections built into the collection of domestic energy bills and our policy approach is to extend these to cover the collection of the Green Deal charge; including arrangements around when a supplier can disconnect.

23. From a customer perspective, energy supply billing and collection of the Green Deal Plan charge by the electricity supplier will be regulated by OFGEM and they will have recourse to the Energy Ombudsman if any disputes over the amounts to be collected cannot be resolved with the Green Deal Provider and the supplier. The Energy Ombudsman will refer the complaint to the Financial Ombudsman Service if this is more appropriate. We are ensuring that collection of the Green Deal Charge is broadly equivalent to that required under the CCA. Payment collection is covered in detail in Chapter 8, Payment Collection.
24. The relationship between Green Deal Provider and the energy companies will be governed by a new Green Deal Collection Remittance Agreement (essentially a multi-party agreement between the Providers and the energy suppliers). This will be contractual and commercially enforceable through the courts.

### **Enabling the Green Deal Plan to transfer to the next energy bill payer**

25. Subsequent bill payers are protected under the Green Deal, as they will know about a Green Deal on the property before they take it on. It is a legal requirement for the EPC to be provided to those taking on a green deal property prospective buyers and tenants. This should be sufficient to ensure disclosure of the Green Deal Plan. There is also an obligation to secure an acknowledgment from future bill payers that they will be liable to pay the green deal charge and that they will be bound by certain terms of the plan. Disclosure and acknowledgement is covered

in more detail in Chapter 6, Consents, Disclosure and Acknowledgement.

### **10.4 The procedure should anything go wrong**

26. If something does go wrong for the customer, clear and accessible mechanisms to enable redress will be vital to underpin these protections. We know from DECC's Green Deal consumer research that people will expect to go to the provider in the first instance if they have a problem, but they also want to see a government backed service they can go to if their complaint is not resolved effectively by the provider. Compliance with the various obligations under the Green Deal and the ability to seek redress, are both supported by the sanctions introduced by the Act. The sanctions are necessary to secure the compliance of all involved with their obligations, as this will minimise the incidence of problems or disputes and therefore the need for redress.

#### **How sanctions support the Green Deal**

27. Our general approach to protect consumers is to ensure effective enforcement of Green Deal standards, building on existing systems, while minimising new regulatory burdens. Our proposals for assessors and installers do not contain any civil sanctions. Instead they rely on the Green Deal Provider managing their supply chain. Therefore the framework avoids the need to impose civil sanctions in the vast majority of circumstances.
28. Our underlying principle is that if someone fails to meet their obligations, and another person is made worse off because of that, then this person should be protected and able to seek redress to put things right. In some circumstances, the ability of the Secretary of State to impose sanctions will be vital to secure

the compliance necessary to underpin consumer protection and business confidence.

29. There are two main areas where something could go wrong with a Green Deal. The first is when there is a problem with the installation, measures installed or the terms of the Green Deal plan. In this case the Green Deal Provider is responsible for trying to put the problem right. If required, Green Deal providers will compensate the customer, and seek redress from their installers or assessors through commercial contracts. If the assessor or installer is found to breach of the Green Deal code of practice or framework regulations, their Certification Body will take the appropriate action. If the Green Deal Provider is found to be in breach, the Secretary of State can impose sanctions.
30. The second is where other people with an interest in a Green Deal Plan fails to meet their obligations. This could happen if, when they first improve the building with a Green Deal, they do not obtain the permissions or consents they need to have the work done, or they do not have agreement from the person who will be paying the electricity bill to also pay the Green Deal. It could also happen if they do not tell the next person they sell or rent the building to about the Green Deal. Again, if people haven't met these obligations, the Secretary of State can impose sanctions against them and ensure the person who is made worse off can seek redress.
31. Provided those working in the property market build the Green Deal provisions into their usual business in the way we expect, ensuring the EPC is provided, for example, then levels of non-compliance should be very low. However, there will inevitably be instances where through negligence or mischief, these provisions are not complied with and provisions for sanctions and redress are necessary to deal with these and to act as a deterrent for the future.

## How it will work

32. When a domestic bill payer has a problem with the Green Deal Plan on their home, or the measures that have been installed, they should always go to their Green Deal Provider in the first instance. This is discussed further in Chapter 3, The Green Deal Provider and the Plan. Green Deal Providers will be well placed to resolve customer complaints through their commercial contracts with assessors and installers. How the sanctions and redress system will work with regards to these bodies is discussed further in Chapter 1 on Assessment and Chapter 7 on Installation.
33. As far as the customer's complaint is concerned, if the Green Deal Provider (and their Independent Conciliation Service) cannot resolve the issue, then they will refer their customer to the Energy Ombudsman (EOS) or Financial Ombudsman Service (FOS), as appropriate. Customers can approach the relevant Ombudsman directly if they wish. We are working to ensure the appropriate mechanisms are in place to ensure the ombudsmen services are sharing information where necessary.
34. If someone is concerned that the person who arranged the Green Deal should not have done, because they did not get the right permissions and consents to the Green Deal in the first place, then provided they have a legitimate interest in the property, they can raise this issue at any time. If the problem is alleged non-disclosure of the Green Deal Plan, or disclosure of a Green Deal Plan that appears to be different to the one they are now paying the charge for, the time period to complain about this will be limited. These matters should be taken up with their Green Deal Provider, or the EOS. This issue is discussed more in Chapter 6, Consents, Disclosure and Acknowledgement.

## **The role of the Energy and Financial Ombudsman Services**

35. The two Ombudsman services will transfer cases between them dependent on the nature of the complaint. Where the case is clearly financial, about the terms of the plan, or its administration, and concerns possible breaches of the CCA, the case will be dealt with by the FOS. In this case the FOS can require redress for a customer using its existing powers.
36. When the EOS receives cases, or has cases referred to them, they will investigate and report the facts to the Secretary of State. The report will set out where there has been non-compliance. The EOS has existing powers to investigate and can require information to be provided by energy companies regarding their supply and billing of energy to their customers. The Green Deal will be part of those same billing arrangements. In addition, the Green Deal Code will require participants to cooperate fully and supply any necessary information to the Ombudsmen. We will work with the EOS and OfGEM to define the further powers that may be required, to require information and the full co-operation of previous Green Deal Plan customers, Green Deal Providers and others involved in setting-up the Green Deal, or those with an interest in the property.

**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.**

## **Redress**

37. Provided the facts demonstrate that the bill payer has a legitimate complaint then the Secretary of State can require the Green Deal Provider to cancel the Green Deal Plan at that property. At the same time, the person at fault will be required to compensate the Green Deal Provider for the full amount they

lost in writing-off the Plan at the property (this will obviously not apply when the Green Deal Provider themselves has been found to be at fault). It will be the responsibility of the Green Deal Provider to collect this compensation.

38. When disputes like this arise in the non-domestic sector, the customer will approach the Green Deal Provider, but will rely on the commercial arrangements to pursue redress through the Courts, rather than through the EOS.

### **Civil penalties**

39. Green Deal providers may be liable to pay civil penalties if they are found to be in breach of the Green Deal Code of Practice or framework regulations. This sanctions regime will closely mirror the existing regime available to the Office of Fair Trading for breaches of the Consumer Credit Act. In setting civil penalties for Green Deal Providers, both the severity of the breach and the a proportionality of any penalty will be tested. More detail on this can be found in Chapter 3, The Green Deal Provider and the Plan.

### **Appeals**

40. When the Secretary of State imposes a sanction in relation to non compliance with Green Deal obligations, there will be a right to appeal against it. While it will be for the judiciary to determine the most appropriate route for appeal, the Government is minded to allow for a right of appeal to the First Tier Tribunal (FTT), in the General Regulatory Chamber. Following judicial advice, we will work with the Ministry of Justice and the Scottish government to decide handling and procedures. The Tribunal will hear appeals across Great Britain
41. The right of appeal will protect individuals or organisation found to be in breach of the framework regulations and then subject to

a sanction or civil penalty imposed directly by the Secretary of State. We will work to ensure this right of appeal is self-financing through fees payable and the award of costs and expenses. Appeals will be made in writing but the Tribunal will have discretion to offer an appeal hearing in person.

42. We will work with Ministry of Justice and the Scottish Government to determine this in detail, but initial grounds for appeal will include:

- the severity and impact of sanction and / or civil penalty when these could be regarded as disproportionate;
- reasonable belief that evidence used by EOS misrepresents what happened; and
- can provide proof of evidence that was not considered by EOS.

43. When there are sufficient grounds for appeal and the appeal is allowed to proceed by the Tribunal, the relevant sanction will be suspended pending the outcome of the appeal. The Tribunal will be able to confirm or withdraw the original sanction, impose a different sanction, or send the decision back to the Secretary of State, and to award costs. Sums will be recoverable through the same process used by the First Tier Tribunal.

### **Note [68]**

[http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

# Chapter 11: Setting the ECO and Target Metrics

## Summary of Chapter:

This chapter is about the overall ambition level of the ECO, and how this translates into obligations for each ECO supplier over the course of the next decade. It is proposed that the ECO delivers:

- 0.52 MtCO<sub>2</sub>/yr by 2015 (equivalent to 1.95 MtCO<sub>2</sub>/yr in 2022 pro-rata)
- £3.4 billion reduction in notional lifetime costs of heating for low income and vulnerable households by 2015

We anticipate that delivering these outcomes will require an annualised investment by energy suppliers of ~£1.3bn

The proposed currency – or metric – of those targets is also described. The two objectives of the ECO differ from each other such that each will require its own target metric. It is proposed that:

- the overall carbon saving target will use a metric based on annual tonnes of CO<sub>2</sub> reductions; and
- the overall affordable warmth target will use a metric based on reductions in lifetime heating costs.

It is proposed that suppliers will gain credits towards their obligations for each package of eligible measures **[69]** installed. Property-specific scores will be calculated through the same RdSAP methodology as used for Green Deal Assessments (see Chapter 1), with scores reflecting the modelled reductions in carbon and heating cost reductions. It is intended that alternative methodologies for assessing carbon or cost savings will be permitted where they have been agreed with the Administrator.

We welcome views on the proposed metrics and scoring mechanism, including whether ECO scores should be expressed, and targets set, in terms of annualised or lifetime savings of measures.

We propose that the obligation should be placed on large energy suppliers, defined as those with over 250,000 gas and electricity customer accounts. However, views are also invited on whether a move to a supply-volume basis for calculating obligations, rather than a customer account basis, would have beneficial effects.

### **11.1 Introduction**

1. This section considers some key structural features of the obligation – how much should we expect ECO to deliver and by when; who should be obligated under it; how their obligation should be set, and how targets and the cores of measures that meet those targets should be calculated.

### **11.2 Length and size of the ECO**

2. CERT and its predecessors have traditionally been established as three-year schemes, although the current CERT scheme has been extended to the end of December 2012 from 31st March 2011. This approach of having three year schemes has come under criticism for creating a 'stop-start' effect on delivery, as suppliers complete their obligations before the end of the target periods and then a hiatus ensues. Transitional arrangements, such as the ability to count over-achievement of one phase towards the target of the next, have helped to smooth-out delivery between schemes. However, there are strong arguments in favour of setting a long-term obligation. This will, in principle, give the energy companies some flexibility as to how they choose to meet their obligation. It will also, importantly, provide a strong signal both to them and to the wider supply and delivery chain, including the Green Deal market, that it is worth making the necessary medium and long

term investments to support delivery of measures (particularly relatively novel measures such as solid wall insulation) on a large scale over time. Some stakeholders have in the past noted that the relatively short-term, "stop/start" nature of obligations such as CERT has proved unhelpful for the development of the supply chain.

3. Against this, it is almost inevitable that, over a very long period of time, conditions may change such that some re-calibration of the target as a whole or in terms of its constituent rules may be appropriate. This may be particularly true given the expected close connection between the ECO and the Green Deal finance market – which does not yet exist, but which will be developing in parallel with the early stages of ECO. It has also been suggested that the energy companies under current schemes have sometimes been able to "game" the rules, exploiting loopholes faster than the Government or the ECO Administrator is able to close them. The example of the very high numbers of CFLs distributed under CERT is often cited in this context. Furthermore it could be argued that locking the scheme firmly in to one set of rules from the outset, for a long period, might allow energy companies to look for solutions which suited them financially but were less appropriate to the underlying social policy objectives of the scheme. As discussed in chapter 12 (on Green Deal Monitoring and Evaluation, and ECO Administration), the Government will expect better and more frequent monitoring information under ECO than under related current schemes, and may therefore be better equipped to make well-informed changes over time, but "gaming" remains a concern. Finally, as discussed in the Impact Assessment, it may be that a very long term obligation could increase the level of economic rent within the scheme, increasing costs and potentially leading to greater pass through costs to consumers for the same level of delivery. Shorter obligations or interim targets would reduce economic rent and reduce costs.

4. Balancing these various considerations, the Government has a strong preference to:
  - make a clear commitment that the ECO will be in place for the long term – 10 years - and that ECO will be set at a consistently ambitious level over this period;
  - within this broad level of ambition, set a specific statutory target to be achieved by March 2015
  - consider the need for interim targets, or delivery minima and maxima, to ensure a reasonable profile of delivery within the obligation period.
5. When considering the scale at which the overall ECO targets should be set, there are a number of trade-offs to be made. Clearly, greater levels of ambition will deliver more improvements on the ground, help to achieve targets both across the UK and specific to each of the Devolved Administrations. A greater level of ambition will:
  - Deliver greater direct carbon savings
  - Provide greater support for the fuel poor
  - Provide a larger economic stimulus, supporting more jobs in the energy efficiency industry
  - And provide a greater reduction in energy use leading to larger reductions in energy bills (discussed further below)
6. Greater levels of ambition for ECO may also drive or accelerate reduction in the costs of delivering energy efficiency improvements by providing a strong signal to the supply chain to invest and innovate.
7. However greater levels of ambition will lead to greater costs to energy companies, which could be passed on to consumers' bills. In addition, it is in the nature of an energy company obligation delivering major energy performance measures that, while all consumers pay through their energy bills, only a

proportion will benefit from measures. However, in a competitive energy supply market, companies are incentivised to meet their obligations at the lowest cost to themselves, thus minimising any costs passed through to their customers and maximising their chance of retaining or attracting customers.

8. After weighing up the costs and benefits we propose that targets would be set at the following levels, these are covered in further detail in the Impact Assessment [70].

**Table 3**

<b>Carbon Saving Target</b>	<b>Affordable Warmth Target</b>
2015 statutory target – 0.52 million tonnes of CO <sub>2</sub> per year saved	2015 statutory target £3.4 billion reduction in notional lifetime costs of heating

9. We estimates this Carbon target could drive the delivery of 380,000 homes with solid wall insulation by March 2015 and 1.5 million homes by 2022.
10. We anticipate that the Affordable Warmth Target will provide assistance to a minimum of 325,000 households by the end of March 2015. Suppliers could deliver the target in a variety of ways. One method to model this delivery is to base it purely on assuming energy companies support only the most cost effective individual measures, and this method suggests that the target could be met through the delivery of 270,00 heating systems and 70,000 basic insulation measures. How suppliers choose to fulfil their target on the ground will depend on their delivery strategies. Government would welcome views on how the mix of measures delivered will be affected factors such as consumer demand, knowledge about particular measures, the ease and timescale over which they can be installed, the scoring metric for the Affordable Warmth Target and the existing capacity within the supply chains for these measures.

Continuing with a similar level of commitment out to 2022 for Affordable Warmth could deliver measures to around 1 million households by 2022.

11. The Impact Assessment also sets out estimates of the cost to the energy companies of meeting obligations of this size, and discusses the considerable uncertainties around these estimates. It concludes that costs could be of the order of £0.53bn/yr - £3.09bn/yr, looking at the widest range but with a central estimate of £1.3bn. We expect around 25% of this cost to be directed towards meeting the Affordable Warmth target and 75% directed towards meeting the carbon target. Government has considered the trade-offs involved and, on the basis of its current estimation of costs, considers the targets proposed to achieve the optimum balance between achieving the ECO's aims and limiting the costs passed on to energy consumers. Evidence on costs and benefits gathered during the consultation will be considered to determine the size of ECO targets set for the energy suppliers.

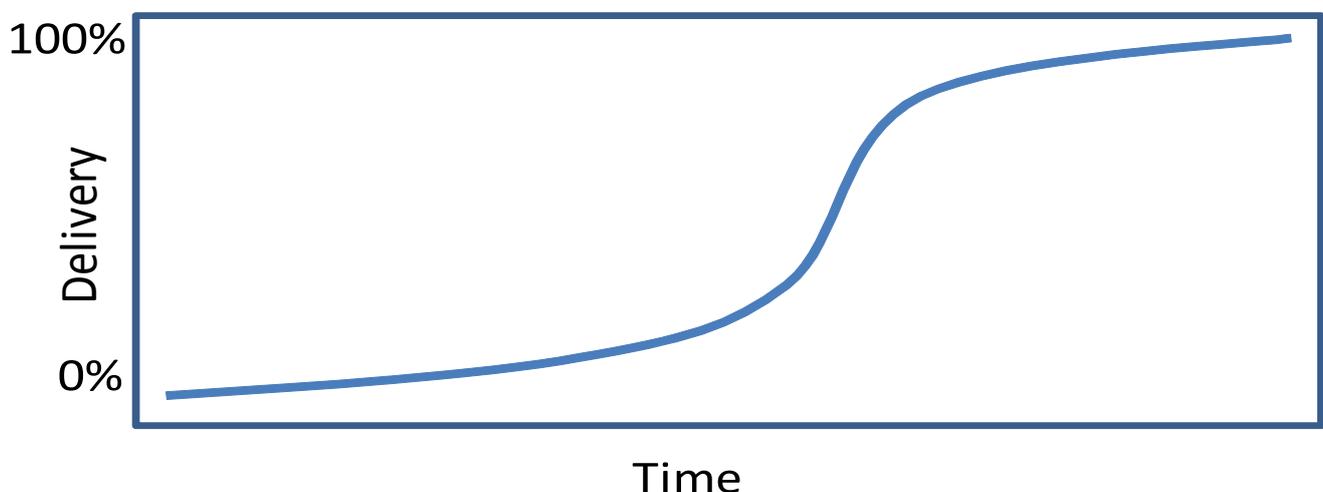
**QUESTION 56: Do you agree that targets of 0.52 million tonnes of CO<sub>2</sub> per year saved, and £3.4 billion reduction in notional lifetime costs of heating by March 2015 represent the correct balance between ensuring high levels of delivery and minimising costs that could potentially be passed through to consumers?**

**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?**

### Interim targets - Carbon Saving obligation

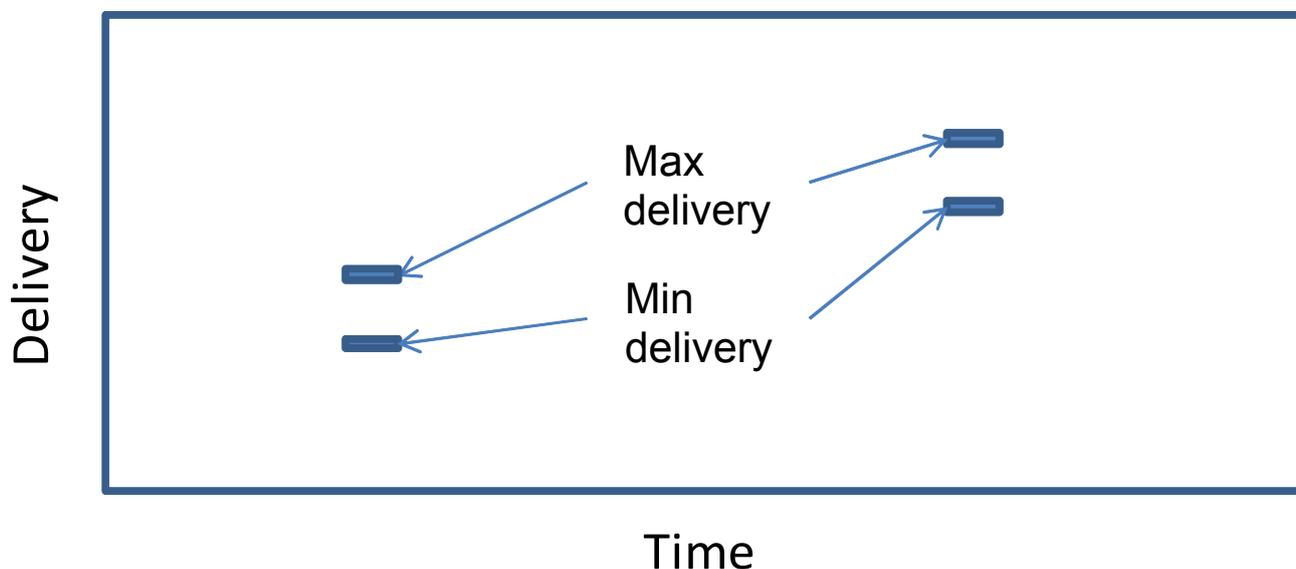
12. As noted above, the Government proposes that the ECO should be for a period of 2.5 years. If we left energy companies to decide the pace at which they delivered the ECO we would expect them to gradually build up their levels of delivery, particularly in relation to the carbon target. This is largely due to the changing cost profile of delivering Solid Wall Insulation (SWI). Because SWI is a relatively small industry in the UK, initially delivery is likely to be relatively expensive, and it is only with time and as the scale of delivery increases, that market innovation, learning, and economies of scale will bring costs down. Furthermore, the costs associated with outlaying capital may encourage the energy companies to hold off spending for as long as possible.
  
13. However, notwithstanding the above, energy companies may choose to ramp up delivery well before the end of their obligation, to make sure they meet their obligation in good time. This would result in a reduction in delivery levels towards the end of the ECO period

**Diagram 11: An illustration of the this behaviour is represented below**



14. Although such a delivery curve might represent the most cost effective way for the energy companies to deliver their obligation, this delivery pattern presents a number of issues. Firstly, with little to no ECO subsidy available to the Green Deal market, in the early stages, delivery of measures that do not in themselves entirely meet the Golden Rule (such as solid wall insulation) would be severely limited. Secondly, if energy companies have total control of the supply curve, other players in the market, including the supply chain, will have few signals or certainty of future activity, making planning difficult; and a rapid scaling up of delivery capability followed by a drop in activity is likely to have a negative impact on the supply chain.
15. To deal with these issues we could set interim targets within the obligation period, effectively setting a trajectory that companies must follow. For example; an early interim target one third into the obligation would ensure a strong start to the Green Deal and provide advance signals to the supply chain of levels of activity which will be supported; and a second interim target two thirds of the way into the ECO would provide further long term certainty of future delivery. However, rather than simply setting a minimum or absolute target level, interim targets could require suppliers to achieve a rate of delivery that falls within a minimum and maximum range. The minimum thresholds would ensure early activity and the maximum thresholds would both give certainty that a long term market will exist and would reduce the potential for cost increases associated with economic rents (see the accompanying Impact Assessment for a more thorough analysis).

**Diagram 12**



16. Any interim targets would need to take into account a realistic rate of growth that the insulation industry can be expected to achieve, and also would need to ensure a trajectory that achieves the objective of providing strong market signals.
17. Whether these issues need addressing in regulation may depend upon responses to the questions above.

### **Interim target - Affordable Warmth**

18. The provision of heating systems (mainly gas central heating) and basic insulation through the Affordable Warmth obligation is likely to take place in a relatively mature market compared to more novel technologies such as solid wall insulation (which we have proposed should be the focus under the carbon saving target). The same risks are therefore unlikely to exist of companies delaying efforts to meet their targets in order to benefit from reduced supply chain costs. Government does not therefore consider it necessary to take any action to ensure early delivery.

19. In contrast, Government does wish to ensure that the target is not over-delivered and exhausted in its early stages, and that a certain minimum amount of heating assistance is available in each year of the scheme for low income and vulnerable consumers, while still providing the energy companies with the flexibility to deliver the target in the most cost effective manner. Government would welcome views on how this could best be achieved, for example Government could set minimum levels of activity which must take place in each year of the obligation.
20. Under ECO, the Administrator and the Secretary of State are likely to have access to more complete information than under current schemes (see chapter 12 on Green Deal Monitoring and Evaluation, and ECO Administration). This will allow the Government to monitor the success of the scheme, both in terms of measures delivered, costs of delivery and equity. As a general rule, we propose to provide Parliament with progress reports annually. We will hold a formal review of the ECO involving the devolved administrations in 2014 to with a view to setting longer term targets.

### **Flexibility between the Affordable Warmth and Carbon Saving targets**

21. Providing energy companies with some flexibility to trade off progress towards one of their two obligations against progress towards the other, effectively allowing over delivery of one obligation and under delivery of the other, would reduce the costs on energy companies. It would allow companies to be more relaxed if towards the end of the obligation period, they have offers or projects which look like they might take a company past its target. However this flexibility would come at the price of certainty for Government and the supply chain that a fixed level of outcome was going to be achieved. Also it is very likely that if flexibility is allowed, over delivery of one obligation is more cost effective than finishing the remainder of the other

obligation. Therefore effectively it is very likely that all the scope for trading between obligations would be used in one direction.

22. Therefore Government do not propose to incorporate any mechanism which would allow excess achievement under one of the carbon saving or affordable warmth obligations to count towards the other obligation. However where one energy supplier can cost effectively deliver more than their target under a particular obligation, we propose to allow that company to trade any over delivery with other obligated energy companies, allowing them to under deliver on the same obligation.

### **Determining obligated energy companies**

23. The obligation will be set on the those energy companies who have a clear link to domestic consumers. Generating companies will not be obligated (indeed, they are now outside the scope of the primary legislation); and the Government also believes that transporters of gas and distributors of electricity (although they are in principle within scope) should not be obligated. The obligation will therefore fall on suppliers of gas and electricity to the domestic (household) market. These suppliers have a direct link to consumers in the context of spending money on energy which will help them to market ECO measures and reduce the costs of delivery.

### **Thresholds [71]**

24. In determining which particular companies should be included, the Government is conscious of the need to avoid placing disproportionate burdens on smaller companies, who may be less well placed to shoulder the overheads of meeting an obligation due to their smaller size, and who might therefore be dis-incentivised from entering, or growing their role within, the energy supply market.

25. The Government recently consulted on the issue of the appropriate threshold below which companies should be exempted from various current environmental obligations. The Government concluded that 250,000 customers represented an appropriate threshold. This consultation did not cover the position of ECO, whose design and scale were at that point unknown, and we therefore welcome further views and evidence on this question in the light of the further detail on ECO provided in this document. However, in the absence of compelling evidence to the contrary, the Government is likely to take the view that the arguments in favour of a 250,000 threshold that were recently accepted in respect of existing policies will also apply to the ECO.
26. For an energy company with both gas and electricity customers the figures would be added together to determine whether they had reached the 250,000 threshold. Where a company has dual fuel customers these would count as two separate customer accounts (as the threshold is relates to market share, and a dual fuel customer contributes to market share of both gas and electricity markets).
27. However, existing policies have limited life-spans, whereas the timescales for the ECO are likely to be such that there is a realistic prospect of some small suppliers reaching the threshold during the lifetime of the scheme. For a large and potentially costly obligation such as the ECO, there may be an incentive for smaller energy companies to try to stay just below the 250,000 customer threshold (with undesirable effects on competition in the supply market) if there is too great a cliff-edge effect where they receive a very large obligation once they recruit the one extra customer who takes them beyond the threshold. One approach to mitigate this risk is to calculate the share of the overall obligation each companies is obliged to deliver based on their number of customers over and above the 250,000 threshold. However following this approach may introduce extra costs passed through to bill payers if energy companies

increase their tariffs to reflect the marginal extra obligation cost they assume from each new customer above the threshold. This issue is discussed in more detail in the accompanying Impact Assessment.

28. To ensure that the market for energy supply remains competitive and companies are not unduly disadvantaged compared to their competition, the overall obligation will be split between eligible companies in proportion to their share of the supply market. Calculation of market share would (subject to the issues discussed below) be based on customer numbers. For example if only three energy companies (companies A, B and C) were in the energy supply market and their customer bases were, 250,000, 500,000 and 1,000,000 customers respectively, Company A would not receive an obligation; the obligation of company B would be based on the 500,000 customers ; and that of company C on 1,000,000 customers. This would lead to company B being obliged to deliver one third of the overall target and company C obliged to deliver two thirds.

### **Realigning the target each year to allow for fluctuations in market share**

29. The supply market is dynamic and the absolute and relative positions of the various companies within it will change over time. To reflect this, the Government proposes that at the end of each year the Administrator will gather information on customer numbers and calculate shares of the obligation for the calendar year ahead (the first year being a special case where the obligation is calculated for a 6 month period.) The calculation of shares for the year ahead –in effect, building up a company's total lifetime obligation through a series of yearly blocks – should ensure that for every individual year the overall target shared out between companies is equal to a share required that year to remain on track to deliver the whole obligation by the end of the period. Note that we are not proposing that companies are

required to deliver an amount on an annual basis, just that the size of their overall obligation is built up year on year.

30. Once a company has received an obligation in respect of one year, even if the following year it drops to below the threshold, it will retain the obligation it has already received. Additionally if a company with an obligation drops below 250,000, its obligation does not get reduced, it just has no extra obligation added in the following year. This approach of building up obligation in yearly blocks should allow companies to have certainty that their obligation will not decrease (and that therefore they can invest in delivering it fully) and allows companies to project forward and anticipate what their obligation may total by the end of the ECO period.
31. As with current equivalent schemes, in determining which companies are caught and the size of their obligation, we propose to take account of all linked companies, rather than looking at specific supply licences in isolation. For example, a company may (hypothetically) have 10 licences and trade under two different company names, but we would not want this to allow it to remain below the threshold for inclusion in the scheme if as an overall entity it effectively controlled a large share of the market.

### **Customer number or sales volume**

32. A supplier's obligation is currently based on customer numbers and so represents to energy companies a fixed cost per customer. We do not know exactly how energy companies recover these costs from their customers – and **would very much welcome any evidence that the companies are prepared to share with Government on this point.** However, in a competitive market, the most simple assumption would be that energy companies build these costs into their pricing structures in relation to the way the obligation level is calculated.

That is, costs incurred in meeting their CERT obligation, which is calculated on the basis of customer numbers, would be assumed to be passed on to the consumer base evenly with consumers paying the same absolute amount per fuel, regardless of their consumption level. This means that, even at modest consumption levels - where consumers have little scope to be energy efficient or are already being energy efficient - they contribute the same amount as customers with high consumption.

33. Government is unable to control how energy companies pass on the costs of meeting their obligations, and cannot therefore guarantee that any particular method of setting the obligation would result in any particular impact in the real world. But it has been suggested that ECO could be structured according to sales (i.e. kWh supplied) to help improve the equity of the obligation. An obligation based on energy supplied, if it were passed through as to consumers on a per unit of energy consumed basis, would be more progressive on average, as high income households with typically higher consumption profiles would pay more in absolute terms as part of their energy bills to fund the programme. In turn, on average, people in lower income deciles would pay less as their energy usage tends to be lower. An obligation based on kWh supplied could also provide a stronger incentive to high-use consumers to become more energy efficient and manage their energy use through take up of measures offered under ECO and Green Deal. This would help reduce their energy charges, including what they pay to fund the programme.
34. Of course, these averages mask variation in the patterns of energy use within income groups. For example, vulnerable groups who spend a significant amount of time at home, because they are of pensionable age and/or due to limited mobility, will require higher energy usage to keep their home warm, especially in hard to treat housing. A perverse consequence of determining a supplier's share of the ECO by

energy usage could therefore be that, for a minority of low income and vulnerable households, costs passed through onto their energy bills could be higher than on a per customer account basis.

35. The considerations are complex and are discussed in more detail in the accompanying Impact Assessment, but there is a case that a change to a kWh basis would have less regressive effects if suppliers do indeed pass costs of obligations on in the way that they are levied. We would welcome views. In the event that it was decided to move to such a basis, the figures discussed earlier in this chapter on setting and apportioning the obligation would need to be "translated", but the same governing principles would apply. As a very rough guide, a 250,000 customer account threshold might equate to around 1 TWh/yr of electricity supplied or 4 TWh/yr of gas supplied.

**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.**

### **11.3 Target metrics**

36. For the ECO to deliver outcomes as cost effectively as possible, it is important that the target metrics reflect the policy outcomes we wish to see as closely as possible. So the target for reducing CO<sub>2</sub> emissions should use a currency that reflects, as closely as possible, the real-world CO<sub>2</sub> reductions achieved; and the Affordable Warmth target should be defined in a way that directly reflects the cash savings being delivered on people's bills.
37. It is also desirable to adopt a scoring mechanism that integrates with the Green Deal Assessment processes to give Green Deal

Advisors the information they need to build packages of measures.

38. At present under CERT measures are scored on the basis of lifetime CO<sub>2</sub> savings. These carbon scores are calculated using the BREDEM model, for a set of reference circumstances for each measure. The use of reference circumstances means that the savings calculated are typical but do not take into account the specific details of the property into which the measures are being installed. This has the advantage of simplicity, for any given type of property, the ECO carbon value of installing a particular measure can simply be read off the relevant table. Adding extra, property-specific precision would have meant that the scores would better reflect the actual outcome of installing the measure (in terms of carbon emissions reduction) and could have helped drive delivery towards the most cost effective package of measures. However, this additional precision may add cost.
39. Under the ECO we are expecting a range of more significant and expensive interventions to be delivered and we would expect that the impact of these measures on carbon emissions would vary significantly from house to house. We therefore propose to require a property-specific assessment using the same methodology and assessor accreditation standards as used for the Green Deal assessment (see Chapter 1). Green Deal assessments are likely to be undertaken in many cases where ECO support is to be provided, which means that all the information needed for scoring ECO measures will be available. This should help to drive the delivery of the most cost-effective measures, directing support to the situations where it can generate the largest impact. This approach will also introduce further consistency between the ECO and Green Deal.
40. ECO measures will in general be long lasting, meaning that usually more than one occupier of the building will see the benefits of the measures installed. It therefore makes sense to

base calculations on standard occupancy patterns rather than attempting to take specific household circumstances into account. It is true that for measures delivered under the Affordable Warmth obligation standard occupancy patterns may not provide an accurate representation of actual energy use by eligible households as many households who are eligible will under-heat their homes to save money. But our policy objective is to allow these households to heat their homes more affordably, enabling them (if they prefer) to live in a warmer home rather than necessarily make bill savings. Therefore again it makes sense to consider the cost of heating to a standard occupancy level and how much ECO measures would reduce this cost (this is represented in the metric as a reduction in the **notional** lifetime cost of heating a home) even though the benefit of the measures may be experienced not as bill savings but as improvements in warmth.

41. For these reasons we propose to require energy companies, for the measures that they are supporting in each home, to use a bespoke calculation of the savings that those measures would generate in that home assuming standard occupancy patterns. This figure can be derived from a Green Deal compliant property assessment (see Chapter 1). In expressing the target, we propose that the Carbon Saving target is set in terms of achieving an annual CO<sub>2</sub> reduction and the Affordable Warmth target is set in terms of achieving a reduction in the notional lifetime cost of heating a home.
42. There may be circumstances where RdSAP or SAP is not the most appropriate way of accurately assessing the savings which improvements would deliver. In circumstances where this is the case we propose to allow other bespoke calculation models to be used if they can be reasonably expected to give a more accurate assessment. Use of any alternative models would need to be agreed with the Administrator.

### **Mechanism for scoring measures**

43. The score awarded to suppliers for a given package of measures would be determined by the reduction in CO<sub>2</sub> emissions or heating costs it achieves in the property. The fabric assessment stage of the Green Deal Assessment, which uses the SAP methodology, would establish the baseline CO<sub>2</sub> emissions and heating costs for the property. The assessment will also reveal the impact that the ECO eligible measures would have on the established baseline. The CO<sub>2</sub> or heating cost reductions identified by the fabric assessment would translate directly into the score awarded to supplier for the package. Any measures installed as part of a wider Green Deal package, which were not eligible for ECO, would not be included in the score.
  
44. The use of the SAP methodology to calculate scores will create natural incentives for suppliers to target the sorts of properties that currently emit the most carbon or are the most expensive to heat. This is because insulation measures result in a percentage reduction in a property's heat losses. So the greater the absolute heating demand, the greater the absolute savings.

### **Annual or lifetime savings?**

45. The SAP methodology which will underlie the ECO scoring system generates projected savings on an annualised basis, but there would be clear advantages for the Carbon and Affordable Warmth objectives, in terms of helping to ensure the delivery of the most cost-effective measures - in factoring in the expected lifetime of measures, since this would align the scores measures receive as closely as possible to the extent to which these measures contribute to the policy outcome of reducing carbon emissions or fuel bills. However, this will add complexity and this needs to be considered against the benefits. In addition, it is important to take account of the uncertainty of the accuracy of lifetime assessments (which, if incorrectly specified, will

potentially introduce distortions by over or under-estimating the lifetime impacts of particular measures, although estimated lifetimes would still improve the fit to policy outcomes. Lifetime versus annual savings is less of a concern for the CO<sub>2</sub> target, as all measures would have similarly long lifetimes. These issues are discussed in more detail in the Impact Assessment, and we would welcome views on whether ECO scores should be expressed, and targets set, in terms of annualised or lifetime savings of measures.

Example "measure journey" for the installation of a solid wall job, and an affordable warmth heating system, showing how their score would be derived, and how it could be lifetime-ised.

**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.**

**QUESTION 60: Should targets and scores for the Carbon Saving obligation and/or the Affordable Warmth obligation be expressed on the basis of the annualised savings of measures or the lifetime savings?**

**Note [69]**

Referred to in the draft ECO Order as a "qualifying action."

**Note [70]**

Both the Carbon Saving and Affordable Warmth targets could be set in terms of annualised or lifetime savings of measures. The target levels shown here are based on annualised CO<sub>2</sub> savings for the Carbon Saving target, and lifetime heating cost savings for measures under the Affordable Warmth target.

**Note [71]**

Articles 4, 7-10 of the draft ECO Order reflect the policy proposal discussed here.

# Chapter 12: Green Deal Monitoring and Evaluation, and ECO Administration

## Summary of Chapter:

The Government proposes to legislate to ensure that, where this is not already available, it has access to the information it needs in order to monitor and evaluate the operation and effect of the Green Deal and ECO policies.

This chapter sets out:

- the rationale for where we propose information should be collected or provided;
- what information we consider necessary for the UK Government and Devolved Administrations to monitor and evaluate the operation and effect of the Green Deal and ECO;
- arrangements for ensuring that, under ECO, suppliers provide timely and more detailed information to the Administrator and to Government than under current schemes such as CERT, including financial information about the costs to them of delivering measures; and
- options for who should be responsible for administering and enforcing the ECO.

Government also proposes to ensure annual public reports on progress of the scheme are produced.

## 12.1 Introduction

1. The Green Deal and ECO are new and innovative programmes, which government intends to monitor and review to ensure they

are working as intended. New data and reporting mechanisms are necessary to do this. For ECO in particular, given the scale of investment and potential impact on energy bills, there will be significant public interest in how suppliers deliver their obligations. Existing arrangements for data and reporting under the current obligations therefore need to be extended to allow Government to better understand, report on and, if necessary, revise the operation of the new schemes.

### **Policy approach**

2. The overarching intention is to ensure that data requirements placed on all participants adhere to the following three principles - the requirement should:
  - not place undue burdens on participants, which could translate into increased costs for consumers;
  - be sufficient to enable government and devolved administrations to understand and evaluate the operation and effect of both programmes; and
  - support transparency: government will be able to report on both programmes in a coherent and timely manner.
3. The ECO differs from the Green Deal in two key ways that will mean slightly different data and reporting mechanisms are required. Firstly, the ECO involves defined targets against which obligated companies' progress must be verified and reported on by the Administrator. Secondly, the cost of delivering ECO will be largely socialised, the impacts of which will need to be evaluated robustly.

### **12.2 Details of data requirements**

4. To ensure effective monitoring and evaluation of both the Green Deal and ECO a range of data will need to be collected by different participants and passed to an appropriate body for

collation and evaluation. Table 4 describes the operational information (to be held by relevant Green Deal/ECO participants) we propose should be made available for these purposes.

5. Taking information from already existing operational systems enables DECC to meet the twin aims of ensuring that participants are not overly burdened with collecting data, whilst at the same time ensuring that DECC has the quantity and quality of data to ensure robust analysis to be made.

Proposed areas of information to be collected for reporting, monitoring and evaluation of the Green Deal and ECO:

**Table 4**

<b>Property Details</b>	For example address, type of property, heating and fuel type, build date.
<b>Property details if not a household</b>	For example, nature of building (industrial classification), size of business
<b>GD Assessment details</b>	All information relating to the assessment and recommended measures
<b>Installation details</b>	What and when is installed
<b>Scoring details</b>	For example, carbon savings and heating cost reductions attributed to each installation
<b>Nature of the household</b>	For example, type of tenure; receipt of means-tested benefits and tax credits etc that relate to eligibility for different types of ECO support.
<b>Offer details</b>	All information relating to the Green Deal Plan, including any ECO subsidy and financial arrangements
<b>Post installation</b>	For example payment information, complaints information

**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?**

**12.3 ECO reporting arrangements**

6. The existing CERT and CESP schemes have been criticised in regards to the range, regularity and quality of data available for reporting and other purposes. Members of Parliament, local authorities, the media and public have consistently requested information that has not been available. This has included, for example, information relating to scheme costs, regularity of reporting and house types benefitting from measures.
7. The UK Government and Devolved Administrations will therefore want access to better and more frequent data detailing activity conducted under the new Obligation. To this end, the Energy Act 2011 provides additional powers for the Secretary of State to acquire information in relation to compliance and reporting purposes under ECO.
8. The new powers will allow the Secretary of State to require the provision of more detailed information on energy suppliers' delivery of ECO; to define how the information should be provided and how often. The information obtained under these powers can also be shared with Scottish and Welsh Ministers to help them review the operation and delivery of the ECO in their respective territories.
9. For example, in a change from the current CERT reporting requirements where suppliers report on a quarterly basis, we are proposing that an action which an energy company intends to count towards their obligation has to be reported to the Administrator in the month following the installation being completed. This will ensure a more up to date picture of what is being delivered and where. This notification should provide the

information necessary to confirm that the supplier has delivered a qualifying action and the score that action should be awarded. It will also enable the Administrator to publish frequent statistical updates on delivery. Suppliers will also be required to provide information to the Secretary of State on costs incurred by energy suppliers in meeting their obligations, although we will not have powers to require information about how funds have been raised. This enhanced information will be available to the Secretary of State and should facilitate the provision of more detailed and accurate progress reports to Parliament on at least an annual basis. Considerations of data protection will of course be paramount, and it will be necessary to respect the commercial confidentiality of some of the cost information that suppliers will provide. Information may therefore need to be published on an aggregated basis.

10. Similar powers are also available relating to the operation of the Green Deal [72], including through the Statistics of Trade Act 1947. This gives the Secretary of State powers to obtain extensive information from companies for the purposes of statistical analysis and to carry out a government department's functions. However, the intention is that DECC will 'harvest' the data it needs to monitor and evaluate the Green Deal from the existing operational data requirements. As such, there will be no specific requirement for Green Deal participants to provide data to DECC to meet a specific reporting schedule in the way described above for ECO.

## **12.4 Administration and enforcement of ECO**

### **Functions of the ECO Administrator**

11. The Energy Act 2011 amends the enabling powers for ECO [73] in section 41A of the Electricity Act 1989 and section 33BC of the Gas Act 1986 so that the Secretary of State can appoint an Administrator for the ECO. Ofgem are the default Administrator,

but the Secretary of State now has the power to appoint another person to be the Administrator. Efficient and effective administration of the scheme will help to ensure its smooth running, minimising overhead costs to energy suppliers and, in turn, costs passed on to consumers. The Administrator will monitor compliance with the scheme rules, ensuring carbon and energy bill savings are genuine.

12. The Administrator of the ECO is likely to be responsible for functions on the following lines:

- Determining which suppliers are within the scope of the obligation and calculating their obligations (in accordance with formulae set out in the Order);
- Producing detailed guidance to energy suppliers on compliance with the scheme, including eligible measures, scoring of measures and compliance with the Affordable Warmth obligation;
- Advising on suppliers' proposed schemes, where requested to do so;
- Checking and confirming activity undertaken by energy suppliers, and 'banking' this activity to count towards each company's Carbon Saving and Affordable Warmth obligations
- Auditing suppliers to check appropriate procedures and systems are in place to ensure that work carried out meets the scheme rules and to guard against fraud
- Investigating breaches and taking enforcement action, where necessary
- Management of data and reporting as specified in the order.

13. For present and past obligations, including CERT and CESP, the role of Administrator has fallen to Ofgem in each case. However, the May 2011 DECC Delivery Review concluded that

delivery of new programmes should be led by DECC unless there is a clear case for placing delivery with a particular body, with outsourcing where appropriate [74].

### Who should administer the ECO?

14. As explained above, the Secretary of State now has the ability to continue with Ofgem as Administrator of the ECO, or to appoint another party as Administrator (including himself) [75]. The full range of options considered are as follows:
- i. Ofgem is the Administrator;
  - ii. DECC is appointed Administrator, but outsources technical functions;
  - iii. DECC administrates in-house;
  - iv. other Government agency appointed as Administrator; and
  - v. private sector body appointed as Administrator.
15. Options i and ii are considered viable, and are discussed further below. Option iii is not considered possible as DECC does not have the range of specialist skills to undertake all the functions of the Administrator in-house, and is not consistent with the Delivery Review recommendations to look to outsource where appropriate. We have been unable to identify another public body, other than Ofgem, that would have the necessary expertise to carry out the tasks listed above (Option iv). We also discounted the option of appointing a private company Administrator (Option v), as this would not be in accordance with the expectation of the Delivery Review that DECC would lead delivery, unless there is a clear case to the contrary.
16. Consultees are therefore invited to give their views on the following two options for who should administer the ECO:
- **Option i - Ofgem is the Administrator.** Ofgem, through their E-Serve arm, have considerable experience of

administering energy efficiency and other schemes. This means they have systems in place that can be adapted to meet the requirements for administering the ECO as well as staff with relevant skills. They already have strong links with the energy suppliers through their existing work and their broader role regulating the energy market. Their regulatory arm also means that they could undertake enforcement activity under the ECO.

- **Option ii - DECC is appointed Administrator, but outsources technical functions.** In line with the findings of the Delivery Review, administration by a combination of DECC officials and outside companies contracted to DECC would provide greater accountability to DECC Ministers, a key policy objective. It could also help to maximise value for money by introducing competition for the outsourced functions. While private companies would not have the same experience as Ofgem in administering energy efficiency schemes, bringing new players into the scheme could also bring opportunities for innovation.

Under this option, we would need to include a new enforcement regime in the ECO secondary legislation to allow the Secretary of State to take enforcement action [76]. As a matter of principle we believe that enforcement activity should be carried out by the same person who administers ECO. We believe that separating these functions is likely to create a more complex mechanism for enforcement whereby the Administrator would have to refer matters to whoever was appointed to carry out enforcement action.

### Next steps

17. DECC has conducted an initial market testing exercise with Ofgem and a sample of private sector companies to ascertain if the market had the capacity and interest to fulfil the administrative functions for the new ECO and the relative costs

of the options. This exercise was conducted without prejudice to any future procurement. While this market testing confirmed that outsourcing could be a viable option, it did not provide sufficient evidence on which to base a decision on who should be the Administrator.

18. Therefore, in addition to seeking views on the options through this consultation, we will in parallel seek more detailed proposals on administering the ECO from the private sector, through a competitive tender process, and from Ofgem [77]. In running this parallel process, we will ensure that we are open with all parties about how these processes will operate and that the eventual decision is evidence-based.
19. We will use this process to gather detailed evidence on, amongst other things, relative costs and value for money, available expertise and opportunities for innovation. This will inform our comparison of the pros and cons of outsourcing administrative tasks to a private company versus appointing Ofgem as Administrator, bearing in mind that we must make a fair comparison between the proposals received, i.e. only comparing services that both Ofgem and a private sector company can provide. We anticipate starting the tender process in November. We will then be bound by the timetables of the OJEU process, and should be in a position to make a final decision by June 2012.

**QUESTION 62: Should DECC be responsible for administering the ECO, with technical functions outsourced to the private sector, or should Ofgem administer the scheme? Please provide evidence to support your views.**

### **Transition from CERT & CESP**

20. The current energy company obligations, CESP and CERT, end on the 31 December 2012. There is a strong incentive for

suppliers to ensure they complete the necessary activity to achieve their obligation in good time before the end of the scheme, given the penalties which could be imposed for failure.

21. If companies do seek to meet their obligations early, and activity under ECO (and potentially under the Green Deal more widely) takes some time to ramp up to optimum delivery capacity, there is potential for a hiatus in activity and a risk of interruption in the roll-out of household energy efficiency measures in late 2012.
22. The Government's proposal that Green Deal and ECO should begin formally from October 2012, before CERT and CESP end, will help to mitigate this risk of a hiatus. This will ensure that there is a formal transition period when both old and new schemes are in operation, incentivising obligated suppliers to continue delivering energy efficiency measures prior to and during this transition period. Energy suppliers will therefore be able to deliver ECO measures from October 2012 however ECO targets have been calculated based on delivery from January 2013. This will allow energy companies to control their costs and ensure that there is no short period where costs passed through onto consumer bills reflect concurrent obligations.
23. Government is also clear that such a transition could have a role in helping to bring forward the delivery of measures and drive capacity building for the Green Deal and ECO. Therefore Government proposes that suppliers should be allowed to count overachievement on their CERT and CESP targets towards their ECO obligation, where the measures installed would meet the requirements of the ECO.
24. This will help to sustain and drive the supply chains for energy efficiency measures. It could also have the added value of allowing suppliers the flexibility to deliver projects with long lead times (e.g. CESP schemes) knowing these projects could be counted against ECO targets if they are not delivered within the time constraints of existing schemes.

25. To provide clarity to suppliers on the type of measures which could be "carried forward" and ensure that they have confidence to continue delivering measures in late 2012, the following transitional rules are proposed:
- all activity resulting from overachievement on CERT and CESP targets could only be accredited to those parts of ECO where energy suppliers could prove their activity was compliant with ECO eligibility criteria. For example, measures which were to be counted against the Affordable Warmth obligation would have to have been installed in households who met the eligibility criteria for Affordable Warmth support;
  - any Solid Wall Insulation installed under CERT after 1 January 2012 could be carried forward as part of any overachievement of a supplier's overall CERT obligation;
  - any CERT Super Priority Group activity installed after 1 January 2012 could be carried forward as part of any overachievement of a supplier's SPG obligation;
  - any CESP measures installed after 1 January 2012 could be carried forward as part of any overachievement of a supplier's obligation; and
  - carry-over must meet full ECO scheme rules (i.e. accreditation etc) if installed once ECO is in force (i.e. from proposed 1 October 2012 commencement date).
26. Government recognises that limiting carry-over to only those measures which meet ECO targeting rules, may mean that households who do not meet the eligibility criteria for ECO do not receive measures as part of suppliers overachievement of their CERT and CESP targets.
27. Allowing for carry-over for highly cost effective measures installed to non-SPG households would, however, result in

ongoing subsidy for measures that we expected Green Deal finance to support.

28. Some suppliers have requested that Government provide, in effect, an extension of the current CERT and CESP obligations. We are not minded to accept such a request. We have not received any convincing evidence to suggest that the targets set under either programme should be extended and can see no advantages for doing so.

**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?**

**Notes [72]**

Energy Act 2011. Section 3 (3) C.

**Notes [73]**

In section 41A of the Electricity Act 1989 and section 33BC of the Gas Act 1986

**Notes [74]**

<http://www.decc.gov.uk/assets/decc/about%20us/1656-delivery-review.pdf>

**Notes [75]**

See for example section 65(3) which inserted a new subsection (2A) into section 33BC of the Gas Act 1986. New subsection (2A) makes clear that the Secretary of State can appoint himself to be the Administrator or can appoint a specified body to be so.

**Notes [76]**

The draft ECO Order accompanying this consultation includes a set of enforcement provisions. These are indicative in nature and of the type a third party Administrator may have to rely on for enforcement purposes.

**Notes [77]**

It should be noted that Ofgem cannot bid for contracts under current legislation, so cannot take part in the competitive tender.

## Glossary

Accreditation of Prior Experiential Learning (APEL)	APEL is the accreditation of prior experiential learning, that is, the award of credit for learning based on prior experience or relevant qualifications, which can count towards new qualifications.
Affordable Warmth	The Affordable Warmth obligation would be set in terms of heating cost reductions and targeted exclusively at an eligible group of low income vulnerable households living in private housing and identified through certain means tested benefits or tax credits. Eligibility would be similar to the CERT Super Priority Group.
Asset Skills	Asset Skills is the Sector Skills Council for facilities management, housing, property, planning, cleaning and parking. They are led by employers to improve the skills of the workforce, they raises performance, productivity and competitiveness. They work with business, public and professional bodies and learning providers to ensure the training employers need is available to meet their current and future skills requirements.
BRE	The Building Research Establishment (BRE) is a former UK government establishment (but now a private organisation, funded by the building industry) that carries out research, consultancy and testing for the construction and built environment sectors in the United Kingdom.

BSI PAS Standard 2030	Publicly Available Specification (PAS) is a sponsored fast-track standard driven by the needs of the client organizations and developed according to guidelines set out by the British Standards Institute.
Building Regulations	The Building Regulations (specifically Part L) set the minimum energy efficiency standards that any newly constructed home must achieve. Revisions to Part L came into effect in October 2010 and these ensure that a house built today will be at least 40% more energy efficient than one built before 2002. There is an additional target for all new homes to be zero-carbon from 2016.
CERT	The Carbon Emissions Reduction Target (CERT) requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO <sub>2</sub> emitted by householders. CERT, the third supplier obligation phase, was introduced in 2008. On 30th July 2010, CERT was extended from March 2011 to December 2012 with a new higher target and significantly refocused around supporting insulation.
CERT Super Priority Group	A set of households where at least one of the occupants is in receipt of one of a number of qualifying means-tested benefits or tax credits (including Pension Credit and Child Tax Credit below an income threshold).

Climate Change Act (2008)	The Act makes it the duty of the Secretary of State to ensure that the net UK carbon account for all six Kyoto greenhouse gases for the year 2050 is at least 80% lower than the 1990 baseline, The Climate Change Act provides for a carbon budgeting system that caps emissions over five-year periods, with three budgets set at a time. The first three carbon budgets will run from 2008-12, 2013-2017, 2018-2022.
Climate Change Agreements	Energy intensive industries may receive an 80% discount from the Climate Change Levy against agreed targets for improving their energy efficiency or reducing carbon emissions. Climate Change Agreements (CCAs) set the terms under which eligible companies may claim the levy reduction.
Climate Change Levy	The Climate Change Levy (CCL) is a tax on energy delivered to non-domestic users in the United Kingdom. Its aim is to provide an incentive to increase energy efficiency and to reduce carbon emissions.
Community Energy Saving Programme (CESP)	CESP targets households across Great Britain, in areas of low income, to improve energy efficiency standards, and reduce fuel bills. There are 4,500 areas eligible for CESP. CESP is funded by an obligation on energy suppliers and electricity generators. It is expected to deliver up to £350m of efficiency measures.

Competent Person Scheme	Competent Person Schemes (CPS) were introduced, in England and Wales, by the Government to allow individuals and enterprises to self-certify that their work complies with the Building Regulations as an alternative to submitting a building notice or using an approved inspector.
Consumer Credit Act	The Consumer Credit Act provides a framework to protect consumers when dealing with those engaged in consumer credit and/or ancillary credit businesses, and requires such traders to hold an appropriate consumer credit licence issued by the Office of Fair Trading.
CRC Energy Efficiency Scheme	The CRC is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large non-energy intensive public and private sector organisations. These organisations are responsible for about 10% of the UK's emissions.
DEC	Display Energy Certificates (DECs) show the actual energy usage of a public building (the Operational Rating) and allow the public to see the energy efficiency of a building. This is based on the energy consumption of the building as recorded by gas, electricity and other meters. The DEC should be displayed at all times in a prominent place clearly visible to the public. A DEC is always accompanied by an Advisory Report that lists cost effective measures to improve the energy rating of the building.

Domestic property	A building or part of a building intended to be occupied as a dwelling.
DUKES	DECC publishes the Digest of UK Energy Statistics as a source of energy information. It contains a comprehensive picture of energy production and use over the last five years, with key series taken back to 1970.
Energy Act 2011	The Energy Act has been designed to provide for a step change in the provision of energy efficiency measures to homes and businesses, and make improvements to our framework to enable and secure, low-carbon energy supplies and fair competition in the energy markets.
English Housing Survey	The survey collects information about people's housing circumstances and the condition and energy efficiency of housing in England. This includes a physical inspection of a sample of 16,150 occupied or vacant dwellings, which is spread over two years.
EPB Regulations	The Regulations require an Energy Performance Certificate (EPC) to be made available to the owner or to the prospective buyer or tenant when a building is constructed, marketed for sale or rent and that air-conditioning systems are to be regularly inspected. The Regulations also require large public buildings providing a service to and frequently visited by the public, to display a Display Energy Certificate (DEC).

EPC	<p>EPCs show the energy performance rating of buildings. They are required whenever a building is constructed or marketed for sale or rent. EPC records the energy efficiency of a property, providing a rating of the energy efficiency and carbon emissions of a building on a scale from A to G, where A is very efficient and G is very inefficient. EPCs are produced using standard methods with standard assumptions about energy usage so that the energy efficiency of one building can easily be compared with another building of the same type. This allows prospective buyers, tenants, owners, and occupiers to see and compare information on the energy efficiency and carbon emissions from a building, so they can consider energy efficiency and fuel costs as part of their investment decision. The certificate includes recommendations on ways to improve the home's energy efficiency to save money.</p>
Feed in Tariff	<p>A policy mechanism offering long-term contracts to renewable energy producers, typically based on the cost of generation of each different technology. The tariffs are payments to anyone who owns a renewable electricity system, for every kilowatt hour they generate. Tariffs became payable in April 2010. The tariffs apply to technologies in sizes up to 5 megawatts.</p>
Green Deal Code of Practice	<p>The Green Deal Code of Practice sets out the criteria that assessors, products and systems, installer and providers must meet and adhere to in order to be able operate under the Green Deal banner</p>

### Living in Wales Survey

The Living in Wales Survey was carried out for the Welsh Assembly Government. It is the main source of information on households and the condition of homes in Wales. The annual survey was carried out from 2004 to 2008.

### Microgeneration Certification Scheme

Microgeneration Certification Scheme (MCS) - The MCS developed by DECC aims to: help build a rapidly growing Microgeneration industry based on quality and reliability; make a substantial contribution to cutting the UK's dependency on fossil fuels and its carbon dioxide emissions; provide consumer confidence that products and installers meet and continue to meet robust standards and grow the Microgeneration industry.

### MPAN

A Meter Point Administration Number, also known as MPAN, Supply Number or S-Number, is a 21-digit reference used in Great Britain to uniquely identify electricity supply points such as individual domestic residences. The gas equivalent is the Meter Point Reference Number.

National Occupation Standards	NOS describe what an individual needs to do, know and understand in order to carry out a particular job role or function. They are national because they can be used in every part of the UK. Occupational because they describe the performance required of an individual when carrying out functions in the workplace, i.e. in their occupation ( as a plumber, police officer, production engineer etc). They are Standards because they are statements of effective performance which have been agreed by representative sample of employers and other stakeholders and approved by the UK NOS Panel.
Non-domestic property	A building or part of a building that is not a dwelling.
Office of Fair Trading	The Office of Fair Trading is a non-ministerial government department of the United Kingdom, established by the Fair Trading Act 1973, which enforces both consumer protection and competition law.
OFGEM	The Office of Gas and Electricity Markets (Ofgem) is the government regulator for the electricity and downstream natural gas markets in Great Britain.
RdSAP	The Reduced Data Standard Assessment Procedure (RdSAP) was introduced in 2005 as a method of assessing the performance of existing dwellings. It is one of the UK's national calculation methodologies in calculating the energy performance of buildings.

Renewable Heat Incentive (RHI)	The Renewable Heat Incentive in the first phase will offer long-term tariff support to the non-domestic big heat users. The second phase of the RHI scheme will see it expanded to include more technologies as well as support for households. This transition will be timed to align with the Green Deal.
SAP	The Standard Assessment Procedure (SAP) is the UK Government's national calculation methodology for assessing and comparing the energy and environmental performance of dwellings. Its purpose is to provide accurate and reliable assessments of dwelling energy performance that are needed to underpin energy and environmental policy initiatives.
SBEM	The Simplified Building Energy Model is a software tool developed by BRE that provides an analysis of a building's energy consumption.
Scottish House Condition Survey	An annual publication which combines 3 years' data to provide key analysis of the physical condition of Scotland's homes as well as the experiences of householders at Local Authority level.
Smart Meters	The rollout of smart meters will be a major national project. It will replace around 53 million gas and electricity meters. They will provide consumers with near real-time information about energy use, and more accurate bills.

UK ETS

The UK Emissions Trading Scheme was a voluntary emissions trading system created as a pilot prior to the mandatory European Union Emissions Trading Scheme which it now runs in parallel with. It ran from 2002 and it closed to new entrants in 2009

UKAS

The United Kingdom Accreditation Service (UKAS) is the sole national accreditation body recognised by the British government to assess the competence of organisations that provide certification, testing, inspection and calibration services.

# **Annex A: List of Green Deal Qualifying Improvements**

Air source heat pumps  
Biomass boilers  
Biomass room heater (with radiators)  
Cavity wall insulation  
Cylinder thermostats  
Draught proofing  
Energy efficient glazing  
External wall insulation  
Fan-assisted replacement storage heaters  
Flue gas heat recovery devices  
Ground source heat pumps  
Heating controls (for wet central heating system and warm air system)  
High efficiency gas-fired condensing boilers  
High efficiency replacement warm-air units  
High thermal performance external doors  
Hot water cylinder insulation  
Internal wall insulation  
Lighting systems, fittings and controls  
Loft or rafter insulation and loft hatch insulation  
Mechanical ventilation with heat recovery  
Micro combined heat and power  
Micro wind generation  
Oil-fired condensing boilers  
Photovoltaics  
Roof insulation  
Room in roof insulation  
Solar water heating  
Under-floor heating  
Under-floor insulation  
Waste water heat recovery devices attached to showers

## Annex B: Green Deal disclosure information on EPC

### Details of the Green Deal Plan attached to this property

This property has benefited from a Green Deal. Details are listed below. For more information on this plan contact the Green Deal Provider. Updated: 11 September 2012. Valid until 16 May 2013.

**Green Deal Provider:** AAA Energy Suppliers Ltd  
020 1234 5678  
www.website.co.uk

**Unique Green Deal Plan Identifier:** GB70739582GT

### The following measures were installed using Green Deal finance:

Loft insulation  
Double glazing

Some of these measures may require maintenance or specific care. For more information go to [www.GDProvidercareinfo.com](http://www.GDProvidercareinfo.com)

<b>Installed</b>	April 2013
<b>Estimated to save</b>	£49 (estimated in April 20113)
<b>Current charge</b>	£45 per month / £540 per year
<b>Outstanding balance</b>	£1,500
<b>Repaid by</b>	June 2019
<b>Interest rate</b>	5.4%
<b>Variable / fixed</b>	Tracks Fuel and Light index. Charge varies in line with this.

All relevant consents for the work and the charge were in place when this Green Deal was taken out. You are advised to check that no alterations have been made to this property that would damage the effectiveness of these measures and that measures have been maintained in accordance with the Green Deal Provider user guides. These measures may be covered by warranties (parts and labour) while there is a charge on them.

There are circumstances in which this Green Deal Plan may need to be repaid early. These include: the meter point being removed, demolition, the property being converted from non-domestic to domestic use, [additional triggers from GD Providers e.g. subdivision of the property.]

**Further information can be found on the Green Deal Plan.**

**If on a prepayment electric meter, customers need to check with their energy supplier that the Green Deal charge is not in arrears and notify the energy supplier that they re now responsible for it.**

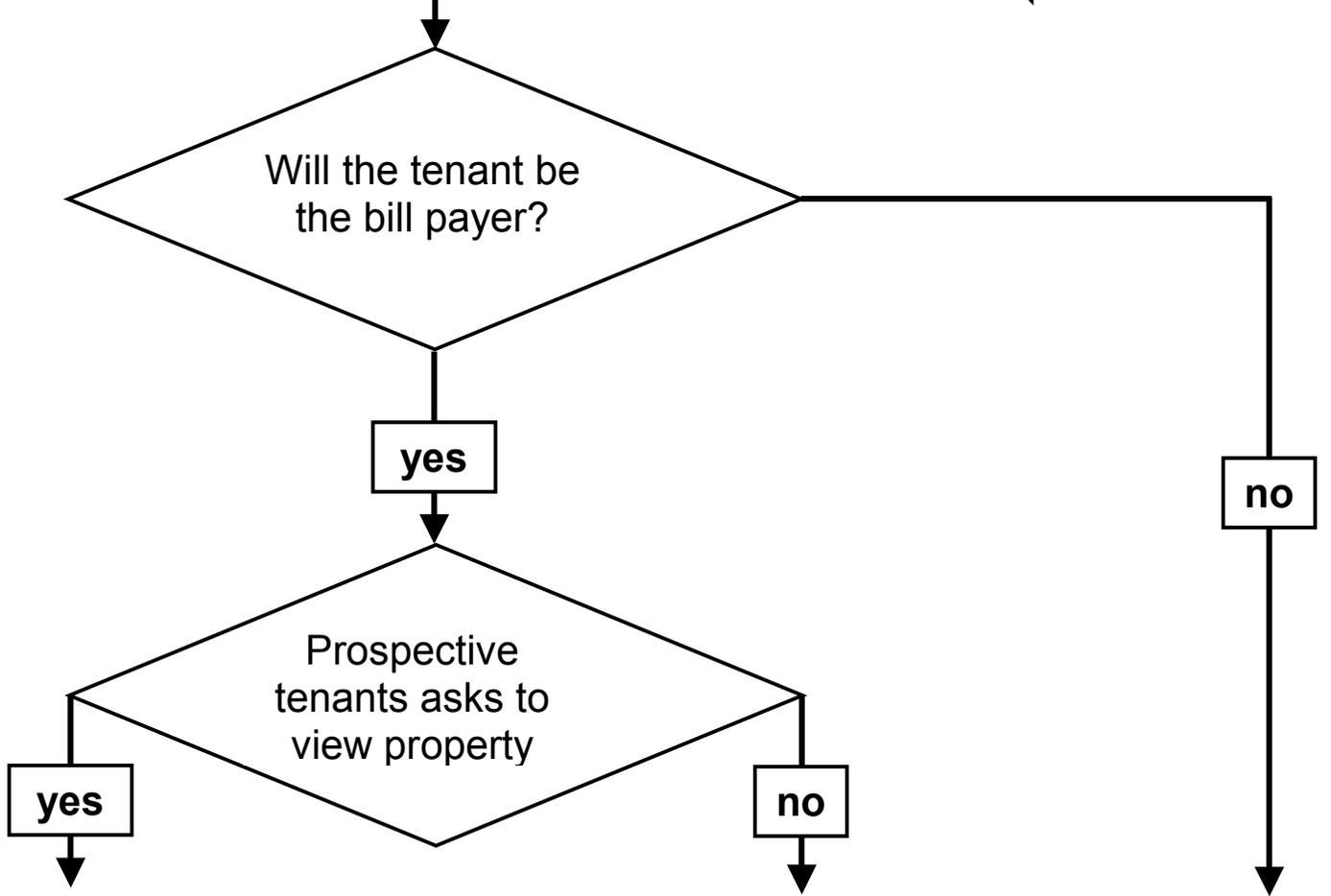
# **Annex C: Diagram Showing Green Deal Disclosure and Acknowledgement Process for Rented Properties**

(see next three pages)

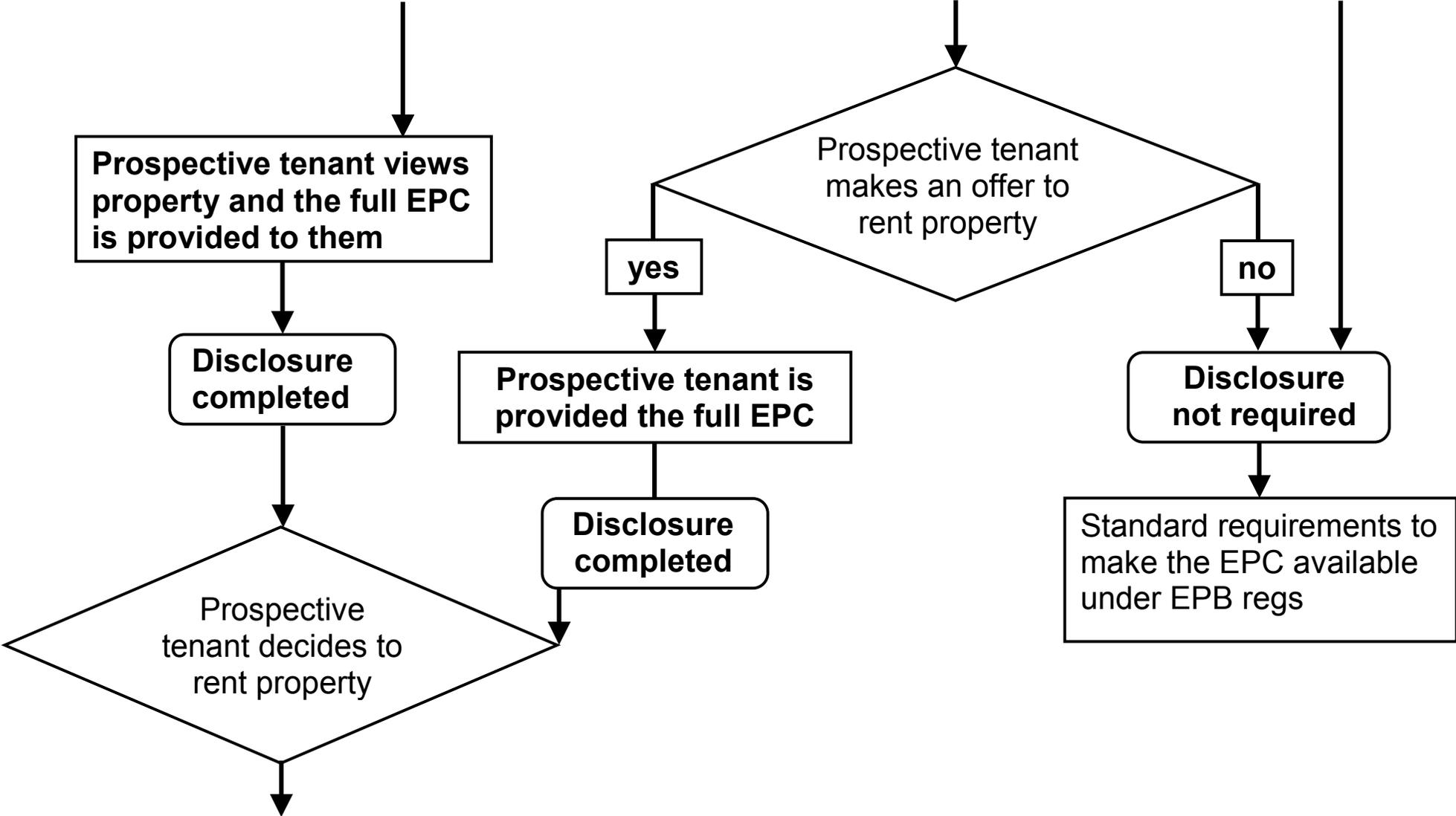
**Property marketed for RENT**

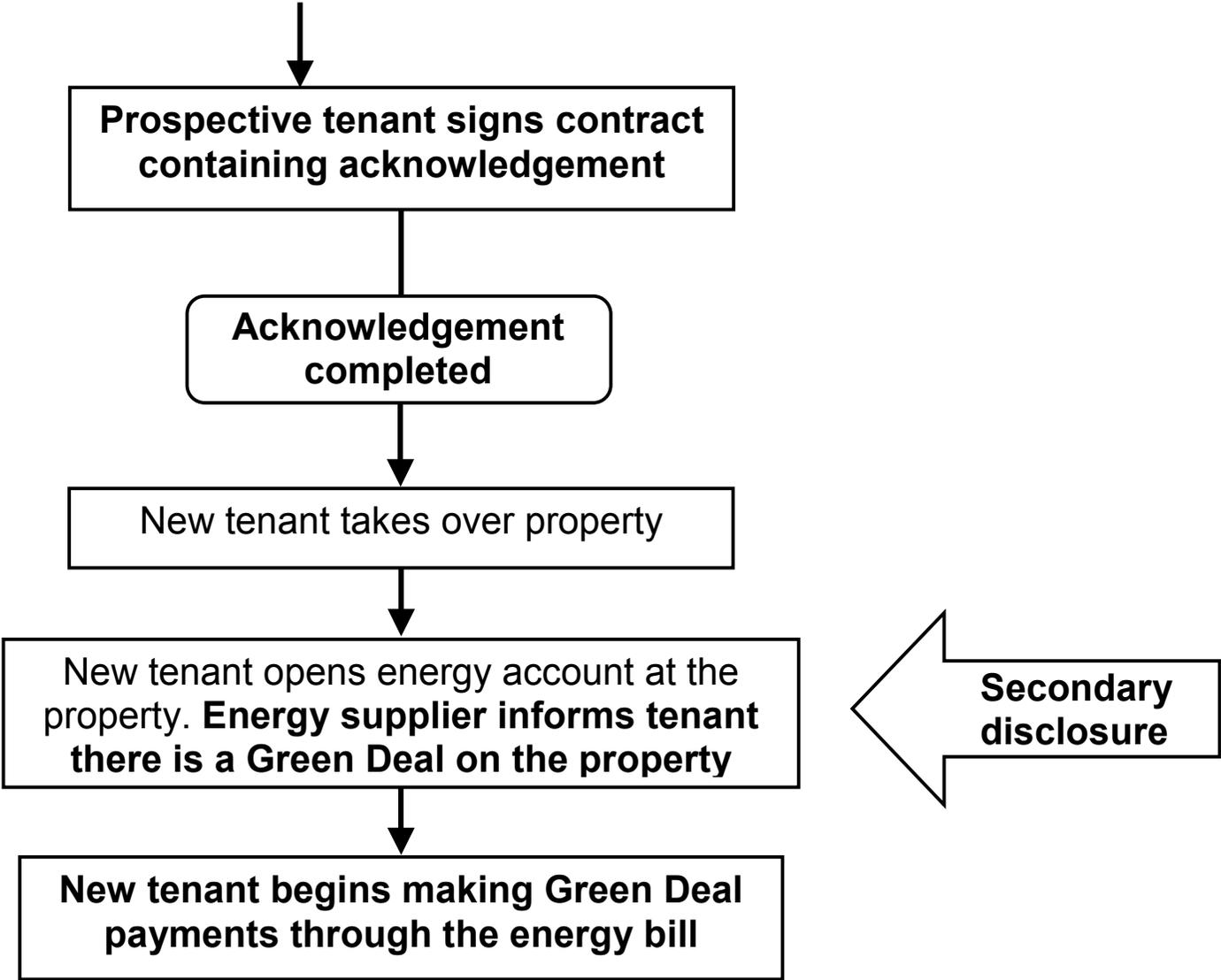
Landlord decides to rent property. Landlord / Agent downloads the latest EPC and markets the property with the **first page of the EPC**

**Initial disclosure**



[continued on next page]





## Annex D: Policy Options For Installer Accreditation

- i. Two policy options were considered for accrediting installers:
  - direct accreditation of individual installers - by asking installers to demonstrate they meet an introduce Green Deal-specific standard
  - independent accreditation of existing trade certification bodies (rather than individual installers), who already certify their members to current standards, to a new Green Deal-specific standard.
  
- ii. While **Option 1** would offer the highest level of accreditation and assurance, it would also be the most burdensome and time consuming if every individual installer has to be accredited. We believe this would be disproportionate and is also likely to be the most costly approach (and create a potential barrier to entry – particularly for SMEs). Our preferred option is **Option 2**. There are currently around 35 certification bodies representing some 900,000 installers, covering trades which are likely to be covered by the Green Deal. This would significantly reduce bureaucracy, timescales and potentially costs. Once accredited, it would be the responsibility of certification bodies to ensure their members meet the Green Deal standard and Code of Practice.

## **Annex E: Approach to Creating The Installer Standard**

As the standard will need to be set as early as possible in 2012 so that installers can be certified in time for Green Deal launch, it was agreed to contract the British Standards Institute (BSI) to develop a Publicly Available Specification (PAS) for energy efficiency refurbishment. The PAS route was chosen because it is the most responsive approach, allowing regular updates every two years.

BSI is the UK Government's national standards setting body, so has significant standard-setting experience and independence. The BSI process will help achieve consensus among all stakeholders. The resulting PAS would be available for use by all, but would be owned by BSI, not Government – but Government would be able to request updates and amendments when required. The success and credibility of the PAS rests for a large part on the composition of the Steering Group and Review Panel. Therefore, BSI and DECC worked together to ensure there is an equal and fair balance of stakeholder groups during the development process.

BSI have set procedures for developing PAS standards. This includes the establishment of a Steering Group representing key stakeholders from industry and its own consumer protection teams. The Steering Group drive the development of the standard and approve the final PAS. BSI published the draft PAS for public comment on their website between 3-24 October 2011, with a final PAS being published in January 2012. The draft PAS can be found at <http://drafts.bsigroup.com>

# ANNEX F: Legal Basis Of The Green Deal And ECO

## Chapter 1: Assessment

The Energy Act 2011 provides the legal basis for assessment to underpin the Green Deal. Specifically:

- Section 3 of the Energy Act 2011 gives the Secretary of State powers to make regulations to authorise persons to act as Green Deal assessors and regulate the conduct of those assessors.
- Section 4 sets conditions for the 'qualifying' assessment of property and how it must be carried out by an authorised Green Deal assessor. Only authorised Green Deal assessors will be able to make recommendations about energy efficiency improvements as part of the assessment.
- Sections 31 and 32 give the Secretary of State powers to delegate certain functions related to the operation of the Framework Regulations to a public body. With an amendment to allow delegation to a public or private body.

The legal basis for Energy Performance Certificates (EPCs) is provided by the EU Energy Performance of Buildings Directive [78]. The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 (EPB Regulations) transpose the Directive into legislation in England and Wales. In Scotland regulations were made through building standards legislation and the Energy Performance of Buildings (Scotland) Regulations 2008. The Regulations set conditions for the production of EPCs and requirements for their contents.

## **Chapter 2: Measures, product and system**

Sections 1(4)(b), 2(4) – (7) and 7 of the Energy Act 2011 provide the legal basis for the measures framework.

Section 1(4)(b) makes it a requirement of a green deal plan that any energy efficiency improvements made to a property must be 'qualifying energy improvements' specified by the Secretary of State in a statutory instrument. Section 2(4) – (7) partially defines the term 'energy efficiency improvements' and provides the basis for the Secretary of State to designate certain additional measures as energy efficiency improvements.

The Green Deal (Specified Energy Efficiency Improvements and Qualifying Energy Improvements) Order 2012 will list the measures that constitute qualifying energy improvements and which can therefore be financed under the Green Deal. The measures listed in the Order can be found at Annex A.

Section 7 provides powers to make requirements in relation to the quality of products that may be installed under the Green Deal. These requirements are set out in Annex D of the Green Deal Code of Practice.

Existing powers in the Gas Act 1986 and the Electricity Act 1989, as amended by the Energy Act 2011, provide the legal basis for the defining which measures should be eligible for ECO support.

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

Energy Act 2011

- Section 1 (4) (d) sets out the conditions that must be met for a plan to qualify as a Green Deal plan.
- Section 3 requires the Secretary of State to make a scheme in the framework regulations to authorise persons

- to act as Green Deal providers and regulate the conduct of those providers.
- Section 3 also allows the Secretary of State to impose sanctions on authorised Green Deal Providers for non-compliance with the conditions of authorisation.
  - Section 4 provides that one of the conditions to an arrangement qualifying as a Green Deal plan, it must be offered by someone who is authorised to act as a Green Deal provider.
  - Section 5 sets out certain requirements regarding the terms of green deal plans, and provides the power to set out additional requirements as to the permissible terms of the plan in the framework regulations.
  - Section 6 (2) also states that the Secretary of State can require in regulations that the bill payer must consent to the amount of the instalments, and the interval at which and time for which they are to be paid. It also provides that the Secretary of State can make provision as to the terms of the plan which will bind or benefit that bill payer and any subsequent bill payers.
  - Section 31 gives the Secretary of State the power to delegate certain functions related to the operation of the Framework Regulations to a public body. Section 32 allows the Secretary of State to arrange for functions connected to the authorisation scheme to be exercised by any person (including a private body) on the Secretary of State's behalf.
  - Clause 35 on appeals requires the Secretary of State to provide the right of appeal to a relevant court or tribunal against any sanction imposed by the Secretary of State or any delegated body.

Where the Secretary of State makes regulations extending to Scotland, clause 39(8) of the Bill provides that if the regulations

include devolved matters the Secretary of State must obtain the consent of the Scottish Ministers. In other cases, the Secretary of State must consult the Scottish Ministers.

The CCA provides protections to customers accessing credit. The Energy Act 2011 made some modifications to the CCA to allow the Green Deal to operate effectively. Specifically:

- Section 25 ensures that all Green Deal plans which are wholly for business purposes are not regulated under the CCA;
- Section 26 exempts energy suppliers from the need to have a consumer credit licence in respect of the collection of Green Deal payments. This is to avoid burdening suppliers with the need to apply for an OFT licence, when they are already licensed and regulated by OFGEM;
- Section 27 allows someone other than the Green Deal Provider to provide the statements that are necessary under the CCA;
- Section 28 exempts Green Deal Providers from having to issue arrears notices. As collection of the Green Deal is through energy companies, they will be sending bills and reminders for payments, rather than Green Deal Providers;
- Section 29 puts in place special early repayment provisions for Green Deal credit arrangements. Green Deals of particularly long lengths may be entitled to charge higher compensation than is currently allowed under the CCA, in line with the Consumer Credit Directive; and
- Section 30 provides a power to amend the CCA in consequence of provision made by or under the Green Deal chapter of the Energy Act 2011. This is a power we can use, following consultation with BIS and the OFT, if further amendments to the CCA prove necessary.

## **Chapter 4: Golden rule**

Section 4 of the Energy Act 2011 also sets out requirements relating to the Golden Rule principle. Green Deal providers must have:

- given an estimate of the savings likely to be made if the improvements are carried out
- given an estimate of the period over which the savings are likely to be made
- meet any requirement in the regulations concerning the relationship between (i) the estimated total of the proposed instalments and the estimated savings, and (ii) the period over which the measures are estimated to work and the period over which the instalments will be taken.

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

The Energy Act 2011 has established the basis for the consents, disclosure and acknowledgment policy outlined in this document. Specifically with regard to consents:

- Section 5 – 'Terms of Plan etc.' requires the improver to confirm that any necessary permissions or consents have been obtained in respect of the improvements.
- Section 6 – 'Consents and redress' allows for circumstances where the improver is different to the bill payer and the bill payer changes over time, and redress where consent to the improvements was not obtained.

And with regard to disclosure and acknowledgement:

- Section 8 - Confirmation of Plan requires that a document or documents containing information in connection with the Plan is produced or updated;
- Section 9 - Confirmation of Plan: supplementary provision for England & Wales gives the Secretary of State powers to amend the EPB Regulations and the Building Regulations

- 2010 (the Building Regulations) where the Secretary of State specifies the EPC as the vehicle for disclosure under clause 8(4);
- Section 10 - Confirmation of Plan: supplementary provision for Scotland gives the Scottish Ministers powers to amend the Energy Performance of Buildings (Scotland) Regulations 2008 ("the EPB Scotland Regulations") where the framework regulations specify that the EPC is to be used as the disclosure vehicle;
  - Section 11 - Updating information produced under section 8 provides for regulations to detail the circumstances when these documents (i.e. EPCs) should be updated;
  - Section 12 - Disclosure of Green Deal Plan in connection with sale or renting out requires disclosure of Green Deal Plans by the property owner when the property is to be sold, rented or licensed;
  - Section 13 - Disclosure of Green Deal Plan in connection with other transactions etc provides for regulations to require disclosure in other circumstances not falling within clause 12;
  - Section 14 - Acknowledgment of Green Deal Plan on sale or letting out requires a person selling or letting out a property to secure that a contract for sale, rent or license includes an acknowledgment that the bill payer at the property is liable for the payments under a Green Deal Plan and that certain terms of the plan are binding on the bill payer at the property; and
  - Section 15 - Acknowledgment of Green Deal Plan in connection with other transactions etc provides for regulations to require an acknowledgment is given that the bill payer at the property is liable to make payments under the Green Deal Plan and that certain terms of the plan are binding on the bill payer at the property in cases that do not fall within clause 14.

## **Chapter 7: Installation**

The Energy Act 2011 provides the legal basis of installer authorisation to underpin the Green Deal. Specifically:

- Section 3 gives the Secretary of State powers to make regulations to authorise persons to act as Green Deal installers and regulate the conduct of those installers.
- Section 7 sets conditions for the installation of improvements, including a requirement that the person carrying out the installation of improvements is authorised to act under the framework regulations as set out in Section 3. The carrying out of the installation must meet the standard specified in the code of practice.
- Sections 31 and 32 give the Secretary of State the power to delegate certain functions related to the operation of the Framework Regulations to a public or private body.

## **Chapter 8: Payment collection**

The Energy Act 2011 has established the legal basis for delivering the payment collection mechanism to underpin the Green Deal. Specifically:

- Section 1(6) of the Energy Act 2011 requires the Green Deal payments to be made to the relevant energy supplier through the energy bills;
- Section 2(9) gives the Secretary of State powers to define the meaning of "energy bill" and "relevant energy supplier";
- Section 2(10) allows the Secretary of State to set out who is to be treated as the bill payer in cases where there is no energy being supplied to the property;
- Section 3(3)(f) provides the Secretary of State with the power to introduce a mandatory agreement between the Green Deal providers and energy licence holders;

- Section 17 provides the Secretary of State with the power to modify the electricity and gas supply and distribution licences administered by the Office of the Gas and Electricity Markets (Ofgem) for the purpose of introducing a Green Deal charge collection mechanism; and
- Section 18 to 20 provide the Secretary of State with the power to modify the electricity and gas supply and distribution licences to make provision for: default in Green Deal payments; the provision of information by suppliers to customers in respect of the Green Deal; and consumer protection provisions required for the Green Deal. The clauses also convey the power to modify industry codes to introduce these requirements.

### **Chapter 10: Customer service**

Consumer protection in the Green Deal has its basis in several legal provisions relating to the rights and responsibilities of:

- Green Deal participants;
- property owners, landlords and bill payers;
- Green Deal Providers; and
- energy suppliers when collecting Green Deal Plan payments.

The Energy Act 2011 has established the legal basis to require property owners and Green Deal participants to meet various obligations to protect the consumer. Specifically:

- Section 3 provides for Framework Regulations to require all Green Deal participants to abide by a Green Deal Code;
- Section 5 – requires the improver to confirm that any necessary permissions or consents have been obtained in respect of the improvements;

- Section 6 provides for circumstances where the improver is different to the bill payer and the bill payer changes over time, and redress where consent to the installation of measures was not obtained.
- Section 8-11 set out the requirements on confirming the Green Deal Plan before payments can start and on updating Plan information; and
- Section 12 - 16 provide for a disclosure and acknowledgment mechanism to ensure that those coming to a property are aware of the green deal and acknowledge their responsibility to pay the charge.

The Consumer Credit Act 1974 ("CCA") provides protections to customers accessing credit. Clauses 25-30 of the Energy Act 2011 made some modifications to the CCA to allow the Green Deal to operate effectively.

In addition, the Government is modifying electricity supplier licences in a number of ways to facilitate the operation of the Green Deal, including to provide protection equivalent to the CCA when suppliers are collecting Green Deal payments.

### **Chapter 11: Setting the ECO and target metrics.**

Section 41A of the Electricity Act 1989, section 33BC of the Gas Act 1986 and section 103 of the Utilities Act 2000 contain the powers for imposing an ECO. Broadly, these powers enable the Secretary of State, by Order, to impose an obligation on electricity and gas suppliers to achieve a carbon emissions reduction target. These powers have been amended and extended by provisions in the Energy Act 2011 which, amongst other things, allow the setting of a specific Home Heating Cost Reduction target (generally referred to in this consultation document as the "Affordable Warmth" target); provide greater flexibility in respect of targeting the obligation(s) at

specific types of household and property; and allow for more detailed monitoring and reporting information.

## **Chapter 12: Green Deal Monitoring and Evaluation, and ECO Administration**

Section 3 of the Energy Act 2011 includes powers to place data requirements on the participants in the Green Deal. The Statistics of Trade Act 1947 gives the Secretary of State power to obtain extensive information from suppliers for the use of statistics analysis and to carry out a government department's functions.

In addition, in relation to ECO, section 71 inserts new powers into the Utilities Act 2000 to enable the Secretary of State to gather any such information as required for, amongst other things, to decide what sort of provision may be included in a future ECO order and to review the operation and effect of a future ECO order. Relevant information obtained may be disclosed to the Devolved Administrations for similar purposes.

### **Note [78]**

The directive can be found here <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>



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URN: **11D/886**