

# Evaluation of the Community Energy Saving Programme

A report on the findings from the process and householder experience research streams

A research study conducted by CAG Consultants, Ipsos MORI and the Building Research Establishment

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The views expressed in this report are those of the authors, not necessarily those of the Department for Energy and Climate Change, nor do they reflect government policy.

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# Introduction

**This report summarises the key findings from an independent evaluation of the Community Energy Saving Programme (CESP). The research was commissioned by the Department of Energy and Climate Change (DECC) and undertaken by CAG Consultants, Ipsos MORI and the Building Research Establishment (BRE).**

## Research purpose

DECC commissioned CAG Consultants, Ipsos MORI and BRE to carry out an evaluation of CESP. The aim of the evaluation was to determine whether CESP was meeting its objectives, outlined below, and provide evidence to inform future energy efficiency policy design and implementation.

This report sets out the key findings and conclusions from two of the evaluation's three research streams: a process research stream and a householder experience research stream. The third research stream, a physical monitoring programme conducted by BRE, is ongoing and will conclude in 2012.

The purpose of the process stream, led by CAG Consultants, was to evaluate the processes involved in CESP, i.e. the mechanics of the programme – the 'how' part – that enable outputs to be achieved.

The key objectives of the householder experience research stream, undertaken by Ipsos MORI, were to understand householders' experiences of CESP, to understand householders' attitudes and behaviours to energy efficiency, to identify the drivers and barriers to participation, and to understand the impact of CESP measures for individuals and identify any behaviour change.

## Background to the research

CESP is an energy saving programme funded by an obligation on energy suppliers and, for the first time, on electricity generators. It has the twin objectives of:

- Significantly reducing the fuel bills of low-income households across Great Britain; and
- Improving the energy efficiency of the existing housing stock in order to reduce the UK's carbon dioxide (CO<sub>2</sub>) emissions.

CESP was designed to achieve these objectives through three key principles:

- Partnership working - forming, and utilising existing, local and community partnerships to drive delivery of energy efficiency measures;

- Whole house, intensive approach - developing innovative approaches to energy efficiency in homes using a whole-house approach through intensive action in specific areas (house-by-house and street-by-street); and
- Low income targeting - targeting areas of Great Britain that have significant concentrations of households in need of assistance, where improving energy efficiency should have the greatest impact on fuel bills and reducing fuel poverty while also delivering carbon savings (HM Government 2009, and DECC 2009).

The obligation began in October 2009 and will continue until December 2012. Around 100 schemes were initially expected, benefiting around 90,000 homes and saving nearly 2.9m tonnes of CO<sub>2</sub> emissions over the lifetime of the measures.

CESP's role is also to provide a 'bridge to the future', to enable government to learn lessons from elements of the delivery of the programme to inform future energy efficiency policy design and implementation beyond 2012 (DECC and CLG, 2009). Identifying the lessons learned from CESP has therefore been an important focus for this research.

## Research approach

The main research for the both the process and the householder experience research streams took place between April 2010 and April 2011. Supplementary desk research was undertaken over the summer of 2011.

The **process research stream** Involved:

- 8 workshops with CESP stakeholders: one with local authority officers; one with housing association (HA) officers; five CESP 'roadshows' involving representatives from energy companies, local authorities, HAs and other stakeholders; and a multi-stakeholder workshop to explore the emerging findings of the process research;
- In-depth interviews with 5 officials from DECC and Ofgem, followed-up by further correspondence during the research process;
- In-depth interviews with 16 representatives from the obligated parties, including British Gas, Drax, EDF Energy, E.ON, GDF Suez, Intergen, International Power Mitsui, npower, Scottish Power and Scottish and Southern Energy (SSE);
- In-depth interviews with 8 representatives from other national stakeholders, including the Energy Saving Trust Scotland, the Homes and Communities Agency, Eaga, the National Insulation Association, the Scottish Government and the Welsh Assembly Government;
- In-depth interviews with 53 delivery partners (including representatives from local authorities, HAs, installers, managing agents and energy companies) from 13 different 'case study' CESP schemes drawn from six of the obligated parties (referred to as Schemes A to M in this report); and
- An extensive literature review, incorporating reviews of programme-level literature, evidence from comparative schemes and ad hoc written evidence from various stakeholders, including Ofgem, the Carbon Action Network and the National Housing Federation.

From the **householder experience research stream**, this report includes the results of a study with residents in six separate CESP schemes, selected from the 13 process evaluation case study schemes. The study included a face-to-face survey with 342 respondents from across the six schemes and follow up in-depth interviews with 26 of the respondents. The 342 face-to-face interviews represented 52% of the address lists issued to the interviewers. The majority of respondents (331) had participated in the scheme and eleven had either refused or were unaware of it. The in-depth interviews, which were also completed face-to-face, included 23 participants and 3 non-participants. Both the survey and in-depth interviews were completed after the energy efficiency measures had been installed (see below for how this impacts the findings).

The third stream, a **'physical monitoring' programme**, will conclude in 2012. The programme is assessing a sample of refurbished dwellings across a number of CESP schemes on a before and after basis. The purpose of these tests is to assess the effectiveness of the refurbished measures in terms of increases in efficiency, reductions in fuel bills and improvements to thermal comfort.

### Limitations to this evaluation

Note that these findings focus on experiences gained from the first year and a half of CESP's operation, and so the case study schemes were some of the earlier CESP schemes. This was to enable the evaluation findings to feed into DECC's policy-making processes. Some of the challenges and issues identified by this evaluation therefore may have since been addressed as a result of stakeholders involved in CESP gaining experience of delivering the programme and responding to initial lessons.

For the householder experience research, the original intention was to do telephone interviews both before and after the CESP-funded measures were installed, but this did not prove possible due to issues around data protection in sharing the residents' details. Subsequently, the survey was completed face-to-face after the installations. While the revised approach may be considered less effective in measuring changes in attitudes and behaviours, the findings do provide some clear conclusions on the impact. Caution should be exercised when considering respondents' views about the initial stages of the programme due to the potential lapse in time between when they were approached to take part and the interview.

# Main findings

## Energy companies' approaches to delivering CESP

The approach and experience of the six suppliers (all of which are integrated with electricity generation arms) has been somewhat different to that of the four independent electricity generators involved in CESP.

In terms of scheme delivery, management of schemes can be split into three broad categories:

- **Energy company-managed:** typically, these schemes are funded, project managed and delivered by the energy company involved, often using the company's own energy services businesses to carry out installation;
- **Client-managed:** direct funding relationships, whereby the schemes are managed by either the relevant local authority or the HA, with the energy company funding the CESP measures and overseeing the carbon accounting, quality assurance and monitoring; and
- **Third party-managed:** these are schemes managed and delivered on behalf of the client and the obligated party by a third party organisation, typically a managing agent.

The suppliers' approach has been to use CESP as a learning opportunity for future energy efficiency policies and build on existing relationships with local authorities and HAs. Suppliers with energy services businesses have sought to direct CESP activity through these where possible and have therefore had a preference for energy company-managed schemes.

Suppliers without energy services businesses have sought to deliver at least some schemes in-house to maximise learning opportunities and have generally taken a more 'partner-led' approach to delivery. They were therefore more likely to be open to client-managed and third party managed schemes. Regardless of their preferred approach, however, all the suppliers reported that they have had to be pragmatic in delivering their obligation – delivering schemes through a variety of different management types - to ensure it is met.

On the whole, the energy companies<sup>1</sup> said they did not generally have a strong preference for working with a particular type of delivery partner (e.g. local authority or HA). In terms of tenure, however, schemes have tended to focus on social housing because this has provided more certainty in terms of carbon scores and bringing in match-funding (discussed further in the 'intensive area approaches' section below). None of the energy companies expressed strong preferences in terms of geographical targeting, although one said it had tried to achieve a spread of schemes across Great Britain, whilst another had tried to focus some schemes in its own customer territory.

The independent generators' approach has been to outsource their obligation by either contracting or trading it out. At least three of the generators contracted out all or part of their obligation. Their experience of CESP has not been positive and they believe their inclusion in

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<sup>1</sup> In this report, the term 'energy companies' is used to refer to all parties obligated under CESP.

the programme was inappropriate: their lack of in-house expertise on energy efficiency programmes and their lack of interface with household consumers were major challenges. A practical issue for them was that they were unable to nominate their contractor to represent them at CESP working group meetings organised by the Energy Retail Association (ERA). Also, under the legislation the contractor was unable to submit CESP paperwork straight to Ofgem on their behalf<sup>2</sup>. Ofgem said, however, that it has worked closely with the generators' nominated contractors outside of the 'formal' process.

## Developing CESP schemes

Progress in developing CESP schemes has been slow. By the end of June 2011, 201 scheme proposals had been submitted to Ofgem, a rate of approximately 9.5 submissions a month. This equated to around 50% of the total CESP target (Ofgem, 2011a). Based on this trend of scheme sizes, a further 200 schemes would be required to meet the overall target.

When interviewed, energy companies were seeking to submit the majority of their scheme proposals by around September 2011, to provide confidence on scheme delivery times and to allow for the banking and auditing of schemes post-completion. Ofgem reported that this hadn't happened however. The submission rate of scheme proposals will therefore need to increase significantly during the remainder of CESP.

The research found that the process for developing scheme proposals varied. Energy companies, local authorities, HAs, managing agents and other third parties were all reported to have initiated the development of scheme proposals. Both the energy companies and their potential delivery partners said that scoping out a scheme's potential can be resource-intensive and, in many cases, did not lead to a scheme being agreed and delivered. Even when schemes were successfully agreed, stakeholders reported that the process could take up to a year from initial discussions between potential partners to the start of a scheme.

## Challenges to developing schemes

Through the process research interviews and workshops, stakeholders identified a number of challenges to developing CESP schemes. The most common included:

- A lack of awareness and understanding of CESP amongst local authorities and HAs, attributed in part to a lack of awareness-raising, guidance and support for them by government;
- A range of funding issues, including: expectations from local authorities and HAs that CESP schemes would be fully-funded by energy companies, public spending constraints, the costs of additional works not being covered under CESP, local authority and HA investment plans being already committed to other priorities, and retrospective payments (whereby local authorities and HAs are paid only once measures are installed) leading to local authorities and HAs taking on significant financial risk;

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<sup>2</sup> Under *The Electricity and Gas (Community Energy Saving Programme) Order 2009*, only the obligated parties can formally notify Ofgem of a scheme.

- The significant amount of up-front housing stock data required in order to judge a scheme's viability, coupled with a large variation in the quality and quantity of housing stock information held by local authorities and HAs;
- The process required for approving schemes, which was regarded as slow by many stakeholders (see 'programme administration' section below);
- The dynamics between energy companies and delivery partners, which have presented challenges, such as a perceived lack of energy company transparency, a perceived lack of power or control over the negotiation process for local authorities and HAs, tensions about which supply chain should be used to delivery schemes (the energy company's or the delivery partner's), and cultural differences between energy companies and local authorities and HAs;
- Local authority and HA procurement rules. OJEU tendering processes have delayed or even halted progress in scheme development, and energy companies and other stakeholders believed that there had been an inconsistency in the way local authorities and HAs had interpreted procurement rules;
- The three-year CESP timeframe, which was considered too short and too challenging by many stakeholders; and
- A lack of key community-wide carbon reduction incentives for local authorities. Some energy companies, for example, believed that the abolishment of the Comprehensive Area Assessment and Local Area Agreements - through which national indicator 186 on community-wide emissions was used as a local authority performance indicator – had made finding local authority partners more challenging.

### **Local authority letter**

An additional challenge was the requirement in CESP that energy companies produce a supporting letter from the local authority as part of scheme submission documents, to encourage local authority involvement. Whilst most stakeholders said that local authority involvement in such schemes was beneficial in principles, they were less convinced that the local authority letter was the best way to ensure a local authority's involvement.

In many of the case studies examined in the research, the energy companies and their delivery partners reported that securing the local authority letter had been problematic. Some reported it had caused delays to scheme delivery and had even put scheme funding at risk. Ofgem noted that in August 2011 nearly 60% of the unapproved CESP schemes were being held up by the lack of a correct local authority letter.

Some case study interviewees said that the letter had helped to raise their local authority's awareness of their scheme, but beyond that, most could not identify any direct benefits brought about by the letter.

### **Success factors in scheme development**

Energy companies and scheme delivery partners identified a number of success factors behind schemes that they had successfully developed. These included:

- Building on existing relationships to facilitate the development of proposals;
- Good housing stock data, which has made assessing a scheme's viability, and scheme development, more straightforward;
- Local authorities and HAs who had officers with suitable expertise, experience and drive;
- Aligning CESP with existing stock refurbishment projects, thereby using CESP to enhance 'ready-to-go' projects; and
- Leveraging in external match-funding. Securing external funding, for example from the Arbed scheme in Wales<sup>3</sup>, had been critical for some local authorities and HAs to ensuring the viability of schemes.

## Community delivery partnerships

Forming, and utilising existing, local and community partnerships to drive delivery of energy efficiency measures was one of the key principles of CESP. DECC did not prescribe what form partnerships should take, but expected that local authorities would be 'at the heart' of these partnerships with energy companies. Local strategic partnerships, social enterprises, HAs and community groups were also expected to play a role (DECC, 2009).

In practice, the research found that local authorities and HAs were generally the key partnership organisations for energy companies. The key driver for energy companies working with HAs and local authorities was their role as social landlords<sup>4</sup>: they have easily-accessible housing stock, can provide or access match-funding, and offer credibility and expertise in engaging with their tenants.

However, early CESP partnerships had not tended to involve the wider types of organisations that DECC initially envisaged, although a good number had involved a managing agent working alongside the relevant energy company and local authority or HA.

Many delivery partners felt that longer timescales would have enabled them to take a more holistic approach to scheme delivery incorporating a wider range of partners. Time pressures on the delivery of schemes included: the three-year CESP timeframe, annual local authority and HA budget cycles, a desire from energy companies to have some completed schemes as quickly as possible, and weather-related delays to works. Some stakeholders suggested that greater incentives to involve wider partners were needed. As discussed above, the local authority letter was not believed to have worked as a mechanism for securing wider community involvement in schemes.

A number of delivery partners said that the lack involvement of wider groups had meant that schemes had missed opportunities to create the type of added value – such as benefit entitlement checks, health advice, fire safety checks, community action on the environment –

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<sup>3</sup> Arbed is a strategic performance investment programme run by the Welsh Assembly Government, [www.wales.gov.uk](http://www.wales.gov.uk)

<sup>4</sup> Note that only some local authorities own and manage social housing.

that DECC had initially anticipated. Nevertheless, there were many examples of CESP partnerships creating added value in other ways, such as local authorities and HAs identifying eligible householders, lending credibility to schemes, leveraging in match-funding and bringing wider community benefits (discussed below in the 'intensive area approaches' section).

Many of the delivery partners interviewed reported that their partnerships had generally worked well; the success factors and challenges in delivering CESP schemes are detailed below.

Some HAs and local authorities questioned whether partnerships between them and energy companies were always on an equal footing, however. Where the energy company wanted to use its own installation arm to carry out works, for instance, some were concerned that they did not have a say in bringing in local contractors and other groups into the delivery process.

Some stakeholders thought that in schemes where an energy company was both scheme funder and scheme contractor, particular tensions could arise. In one case study scheme, the HA had not been satisfied with the quality and speed of installations the energy company, but felt powerless to hold the energy company to account because it was also the main funder of the project.

Nevertheless, it should be noted that there were also many examples where energy companies had taken a hands-off approach to scheme delivery, handing the lead to the HA or local authority.

## Success factors

Delivery partners highlighted a number of factors for successful scheme delivery including:

- Appropriate expertise and knowledge within the relevant local authority or HA partner, such as strong project management skills, energy efficiency expertise, and construction knowledge and experience;
- Appropriate expertise and knowledge within the relevant energy company, such as experience of working with social housing stock;
- Identifying clear roles and responsibilities for each partner (in one scheme, for example, failure to assign clear roles and responsibilities between partners at the outset had led to accountability issues later in the project);
- Linked to the above, scoping out a clear works specification, including what works are required, which partner will do them and who will pay for them;
- Allocating funding for consequential and unanticipated works;
- Starting the scheme with pilot homes to test out the process and to educate householders;
- Good tenant liaison skills; and
- Good personal relationships between partners.

## Challenges and barriers

The delivery partners from the case study schemes also identified a range of challenges and barriers to scheme delivery. These included:

- Challenging delivery timescales, caused by annual budget cycles, the CESP timescale and weather-related delays;
- Inadequate planning for additional and unanticipated works and variations;
- Cash flow problems for local authorities and HAs, caused by retrospective payments by energy companies. In some cases, energy companies were not paying for installations until measures had been satisfactorily installed;
- Dealing with resentment from non-eligible householders from houses located just outside CESP areas;
- Gaining access to some households to carry out works;
- Delays caused by planning issues, such as seeking permission for solid wall insulation (SWI); and
- CESP's complex legislative requirements and the subsequent programme administration process, which were perceived to be bureaucratic (see 'programme administration' below).

## Engaging householders

Methods used by the delivery partners to engage householders in **social housing** have included: letters, open events, press releases and articles, newsletters, websites, leaflets and pilot houses.

The householder experience research suggests that letters were generally successful. The face-to-face survey found the majority of respondents (71%)<sup>5</sup> had received a letter informing them of the scheme. The in-depth interviews highlighted this as an appropriate method, and the high level of participation as measured in the survey (97%) supports this finding.

Delivery partners reported that take-up householders in social housing had been near universal. The householder experience research found that this was in large part because householders felt compelled to take part. Less than a third (31%) felt they were offered a choice as to whether they wanted to participate or not. For those who did make an active decision to take part the key drivers were having a warmer home and the opportunity to save money.

The small number of respondents (five) who had refused measures did so for a number of reasons which included: concerns about the distress and disruption works might cause; a desire by householders to keep their existing heating or insulation system; and physical issues

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<sup>5</sup> All respondents interviewed in the face-to-face survey (342)

with the property. Some respondents in the in-depth interviews who initially refused measures later changed their minds, because of seeing work being done in neighbouring homes or being persuaded by one of the delivery partners.

The process research revealed that delivery partners had identified a number of issues and subsequent lessons about householder engagement in social housing. They had found that the more householders were effectively consulted at the scheme's outset, the higher that levels of householder engagement, take-up and satisfaction would be. They emphasised the need to ensure that communication about works with householders is understandable and non-technical. Some also felt that engaging householders by giving them a choice over the measures (e.g. over the colour of external wall insulation) would increase their buy-in and interest. Delivery partners also highlighted the importance of managing the expectations of non-qualifying householders from neighbouring householders, to avoid householder dissatisfaction and resentment.

Throughout the research, stakeholders said that engaging **private households** had been a particular challenge. In the case study schemes, the key factor that had led to successful engagement and take-up from private households was that measures had been offered for free. This was rare in most of the schemes looked at during the research, however.

Other drivers for take-up from private householders included: seeing completed HA-owned properties and then wanting to have the same work done to their home; hearing about the benefits of the measures from their social tenant neighbours; and low interest loans for low-income householders in cases where the measures were offered at a cost.

In the case study schemes where private householder take-up had been less successful, delivery partners felt the key issue was affordability, perhaps not surprising given that CESP targets low-income areas.

Poor communication about the cost of measures to householders had also been an issue in one case study scheme. In this scheme, the multiple measure uplift had led to a paradoxical offer being made to private householders whereby the cost of a single measure being installed was higher than the cost of two or more measures. The energy company involved had since revised its approach, but it serves to highlight how the CESP scoring system has shaped the programme's delivery (see also 'scoring system and targeting' section below).

## Intensive area approaches

Government designed CESP to be delivered through intensive action in specific areas, sometimes referred to as the house-by-house, street-by-street approach. The intention was that schemes would entail engagement with every household in the area. DECC expected take-up rates of up to 65% of households in a CESP area<sup>6</sup> (DECC, 2009; HM Government 2009).

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<sup>6</sup> The eligible areas for CESP are defined as those Lower Super Output Areas with the lowest income decile under the Index of Multiple Deprivation (IMD) in England and the lowest 15% of Data Zones in Wales and Scotland (Ofgem, 2009).

Most stakeholders interviewed for the evaluation supported the principle of area-based approaches. Many believed that this approach was cost-effective, led to economies of scale and efficiency of delivery, and also had the potential to deliver a range of wider benefits for the area.

In practice, CESP schemes have been – as the rules determine - delivered in a concentrated area. However, delivery partners had mixed views on whether CESP had actually enabled or incentivised them to take intensive area action in a comprehensive manner, and many stakeholders felt that schemes were often not achieving the density and take-up rates first envisaged by DECC.

One of the key issues raised by stakeholders was that private households had either not been targeted in schemes, or where they had, take-up had been low. This view is supported by Ofgem figures, which show that measures were being promoted to private households in just over a third of proposed schemes at the end of 2010 (Ofgem, 2011b). Evidence from the case study schemes suggested that promotion to private households could vary from a comprehensive approach involving all private households in a CESP area, to a less strategic approach, offering a package to interested private householders but with the main focus of the scheme remaining the social housing stock.

Stakeholders cited a number of key barriers to engaging private households including:

- Uncertainty of take-up rates, and therefore uncertainty about the carbon scores that could be achieved through promoting measures to private households (especially compared to social housing where take-up was typically near universal);
- A lack of match-funding (compared to social housing where the landlord has typically provided or secured match-funding for measures for its own stock);
- Higher transaction costs (in other words, needing to deal with potentially hundreds of individual home owners compared to social housing where energy companies can deal with just one large stock owner);
- Affordability, with many private householders unable or unwilling to contribute to the cost of measures; and
- The lack of availability of second measures in private households. Stakeholders felt that many private households would have already installed some energy efficiency measures like loft insulation or boiler upgrades, decreasing the likelihood of a multiple measure uplift under the CESP scoring system, and thereby diminishing the attractiveness of treating the household.

Another key issue to achieving an intensive area-based approach, raised by all types of stakeholders, was the use of Lower Super Output Areas (LSOA) and Data Zone boundaries to determine where CESP activity took place.

Specific issues raised by stakeholders included:

- LSOA and Data Zone boundaries did not naturally align with community boundaries. In some cases, for example, they had cut through housing estates, rendering one half eligible, the other half not;

- The rigid definition of CESP boundaries. Delivery partners would have preferred to have seen greater flexibility in the how CESP areas were defined, to avoid anomalies whereby boundaries could split streets and even semi-detached buildings, and to enable schemes to be designed around locally-relevant community boundaries, such as housing estates. Suggestions included allowing up to 10% of properties in the scheme to come from neighbouring CESP areas, or allowing local authorities or HAs to self-certify CESP-eligible areas through demonstrating that a certain percentage of households are housing benefit claimants;
- The Index of Multiple Deprivation (IMD), used to select LSOAs and Data Zones for CESP, was perceived to be out of date by some stakeholders, and as a result they argued that some poorer areas had missed out; and
- Qualifying for the density area uplift could be a 'postcode lottery'. If social landlords' homes were spread across several LSOAs, for example, they might not receive the density bonus, whereas a social landlord with a concentration of stock in the right LSOA would benefit financially from the density uplift.

Other barriers to delivering CESP in an intensive area-based way included:

- The view amongst some stakeholders, particularly energy companies, that the area density uplift, set at 25%, did not provide a strong enough incentive to achieve maximum density in an area; and
- Difficulties experienced by energy companies, managing agents and local authorities in engaging with multiple landlords where the social housing in a CESP area was owned by several HAs.

### Wider benefits

DECC anticipated that intensive area-based approaches would lead to wider benefits for the areas targeted, such as benefit entitlement checks, greater community engagement, environmental activity and householder behaviour change (DECC, 2009; HM Government, 2009).

Delivery partners from the case study schemes identified a number of wider benefits resulting from CESP schemes, such as:

- Significant regeneration and aesthetic improvements to the area as a result of the works;
- A perceived increase in community pride (mainly by delivery partners rather than householders);

The works themselves had also led to directly to local economic benefits in some cases, such as local employment and training, the use of local trades of other businesses, as well as knock-on benefits for local shops in the areas concerned.

However, the research found little or no evidence of many of the wider benefits that DECC had envisaged. Some delivery partners thought that schemes could have achieved greater success in realising such wider benefits if there had been more time to engage community groups and

to identify and create synergies with other projects. Some HAs and local authorities also felt that there had been missed opportunities to support local supply chains in cases where energy companies had used their own installation arms.

## Delivering measures and the whole-house approach

CESP was designed to encourage a whole-house approach to delivery and to focus refurbishment on hard-to-treat properties, particularly those that did not benefit from CERT, such as those requiring SWI (DECC, 2009; HM Government, 2009).

The CESP scoring system has encouraged the energy companies to favour just a small number of the 15 eligible measures. Broadly speaking, their preference was to install solid wall insulation coupled with a second measure. Ofgem figures show that the most prevalent measures in schemes submitted by the end of 2010 were external solid wall insulation (81% of scheme submissions), heating controls (65%) and boiler replacements (62%) (Ofgem, 2011b). In most cases, delivery partners felt that measures had been selected largely based on what was needed on the properties.

Ofgem figures and stakeholder interviews suggest that most households in the early CESP schemes would receive at least two measures, although the figures are not completely conclusive. Ofgem reports that 132 of the 142 schemes submitted by December 2010 contained more than one qualifying action (Ofgem, 2011b). But these figures apply to schemes as a whole, and do not show what percentage of households in those 132 were due to be in receipt of more than one action.

Nevertheless, delivery partners believed that the scoring system had incentivised them to deliver multiple measures in households. The second measure uplift was deemed to be particularly important for making schemes cost-effective for energy companies and partners, and was considered to provide a very strong incentive for delivering more than one measure in a household.

In the case study schemes, most delivery partners felt that the scoring system had enabled them to choose the measures they wanted to install. However, there were a few instances where the CESP rules or scoring system were deemed to have prevented measures being included. In two of the case study schemes, for example, delivery partners said the scoring system had deterred them from choosing measures they had wanted to select. These were: Home Energy Advice (HEA), fuel switching, single glazing replacement and micro-generation measures.

The HEA measure was a particular source of frustration for stakeholders. The inclusion of HEA was strongly supported in the CESP consultation given its potential to reinforce behavioural changes and support the savings made by the physical measures (DECC and CLG, 2009). However, very few schemes have included the measure because delivery partners felt that the requirements and paperwork for doing so were too onerous to complete, especially in return for a relatively low carbon score compared to other eligible CESP measures.

A challenge to achieving a whole house approach was a perceived difficulty by stakeholders in finding households with second measures. In the social housing sector, stakeholder reported that many landlords had already installed a range of energy efficiency measures, for example as a result of Decent Homes. For some stakeholders, this had created a 'bad landlord paradox' whereby landlords who had not previously carried out energy efficiency works on their

properties were more likely to be attractive propositions to energy companies as they were more likely to have properties with eligible second measures.

Some landlords also felt that the scoring system had prevented them from taking a holistic, whole-house approach. They had identified a number of energy efficiency measures for their stock, such as insulation improvements to communal areas and to balconies in blocks of flats, which were outside the scope of CESP and therefore had not been included in the scheme.

As highlighted above, SWI was the most prevalent measure in early CESP schemes. Stakeholders thought that this focus on SWI had provided a valuable learning opportunity and had stimulated the SWI market. Some stakeholders said that the planning process could sometimes be a barrier to delivering SWI, with two of the case study schemes reporting that this had caused delays. Stakeholders suggested that there has been an inconsistent approach by local authority planning departments about whether, and in what circumstances, planning permission was required for SWI.

### Delivering measures: householders' experience

The householder survey and in-depth interviews found that the majority of respondents were satisfied with the installation process, yet a notable minority were dissatisfied. Most survey respondents found the workers friendly and approachable (85%) and considered them reliable and trustworthy (84%)<sup>7</sup>. These findings were backed up by the findings from the in-depth interviews.

However, some survey respondents were dissatisfied with the care and attention the workers showed to their homes and belongings (17%), and the amount of disruption caused by the installation process (16%).

The survey found the most common reason for dissatisfaction with the installation process was the mess created, and the failure of workers to tidy up or take care with possessions. Other reasons for dissatisfaction raised in both the face-to-face survey and in-depth interviews included an inability to communicate with foreign workers; lack of access to certain parts of the home; delays in the work; and excessive noise levels.

Half of the survey respondents (51%)<sup>8</sup> said they received some advice on how to control their heating systems. However, they were less to receive energy saving advice for other household appliances. The in-depth interviews found there was also scope to improve the quality of the energy saving advice provided.

The level of advice that survey respondents in different schemes claim to have received varies considerably. This is important as it correlates with the degree to which respondents claim to have benefited from CESP, in terms of homes that are easier and cheaper to heat. The higher the level of advice they said they received the more likely they were to feel they had benefited from the scheme.

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<sup>7</sup> All respondents in the face-to-face survey who had received a CESP-funded measure (331).

<sup>8</sup> All respondents in the face-to-face survey who had received a CESP-funded measure (331).

## Impact of CESP on householders

Overall, the majority of respondents in both the householder survey and in-depth interviews said they have benefited from the scheme. However, the degree to which they benefited often seemed to be dependent on how well they understood how to use their heating systems effectively as well as any energy saving advice they have received. This highlights the importance of effective communications in supporting the householder in realising the benefits of energy efficiency measures.

Over three quarters of survey respondents<sup>9</sup> agreed that their homes felt warmer since the energy saving measures were implemented. The majority of respondents across all schemes felt their home was warmer but those respondents in scheme A were least likely to agree. The qualitative research suggests this could be linked to a lack of information about the schemes and the measures delivered, as well as knowledge of how to use the heating controls effectively.

The householder survey found that the measures were perceived as effective in making it more affordable for them to heat their homes adequately. Over three-quarters of householders (77%) agreed with the statement that the new measures had enabled them to heat their homes to an adequate level. This figure increased to 100% of those who said they had found it too expensive to heat their homes before the measures were installed<sup>10</sup>.

The householder survey found most respondents who had measures installed were unsure whether this had led to a change in their heating expenses (64%). However, 25% said they had seen a decrease in their heating expenses while 11% said they had seen an increase in the past year<sup>11</sup> (N.B. this does not control for other factors which may have had an influence on heating expenses going up or down; average domestic energy prices increased during this period). Interestingly the findings suggest a correlation between ability to save and recall of advice on energy efficiency. In one scheme where the majority of householders recalled receiving advice on how to heat their homes efficiently and how to control their heating system, the proportion who felt their heating bills had gone down was 38% compared to 13% who felt they had risen<sup>12</sup>. Across the schemes, of those householders who believed they had saved money on their fuel bills, most attributed it to the measures (82%)<sup>13</sup>.

There was evidence from the in-depth interviews that some respondents who had not realised any cost savings were not using their heating systems effectively. A few householders explained they were unable to understand the instruction manuals for their new system. This highlights the need for better instructions / communication on measures.

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<sup>9</sup> All respondents in the face-to-face survey who had received a CESP-funded measure (331)

<sup>10</sup> All respondents in the face-to-face survey who felt it was too expensive to heat their home before the measure was installed (113)

<sup>11</sup> All respondents in the face-to-face survey who had received a CESP-funded measure excluding those from schemes B and E, which relied on electric heating systems (235).

<sup>12</sup> All respondents in Scheme D responsible for paying the fuel bill (69).

<sup>13</sup> All respondents in the face-to-face survey who had saved money on their fuel bills (60).

Around one in five respondents (19%) said they had spent less on electricity compared to the same period a year ago<sup>14</sup> (N.B. domestic electricity prices increased on average in this period). These respondents mainly attributed this saving to the scheme measures (76%)<sup>15</sup>.

The householder survey found that around half of all respondents claimed to have reduced their use of fuel<sup>16</sup> in the past. In the absence of a pre-wave it is difficult to measure the extent to which this is in response to CESP or existing concerns around minimising fuel costs and waste. However, the survey data shows that reported action on reducing fuel use was higher amongst those who had received energy saving advice. The in-depth interviews also support the idea this reduction is in response to the CESP measures. These respondents spoke about using their heating less, or at a lower temperature, as a result of the measures that they had received.

Again almost half of all survey respondents claimed to have reduced their electricity use in the past<sup>17</sup>. The in-depth interviews found that respondents were often already generally conscious of saving electricity, but the scheme had not prompted them to change their behaviours in any other ways (other than for heating).

## Scoring system and targeting

There were mixed views on the CESP scoring system. Most stakeholders thought it had been successful in promoting a whole house approach and incentivising key measures such as SWI, as outlined above. Most stakeholders, however, thought that scoring system was too complex. They said that this complexity had:

- Meant it had taken a long time for energy companies and delivery partners to understand how CESP would work;
- Been a barrier to local authorities and HAs engaging with CESP as it was difficult to understand;
- Made it difficult for energy companies to calculate what offers they should make to local authorities and HAs, and for local authorities and HAs to understand the potential value, in terms of carbon scores, of their housing stock; and
- Created uncertainty for energy companies and delivery partners about what carbon scores would be achieved in each scheme, as scores could only be banked once schemes had been completed and Ofgem had audited and verified the installation of measures. In some cases,

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<sup>14</sup> All respondents in the face-to-face survey who had received a CESP-funded measure and was responsible for paying electricity bills (330).

<sup>15</sup> All respondents who said they had spent less on electricity in the last year (62).

<sup>16</sup> All respondents in the face-to-face survey excluding those from schemes B and E which relied on electric heating systems (244).

<sup>17</sup> All respondents in the face-to-face survey (342).

this had the knock-on effect of local authorities and HAs being uncertain what payments they would receive for the scheme, as funding was linked to carbon scores.

For these reasons, stakeholders felt that the restrictiveness and complexity of the scoring system had been a barrier both to scheme delivery and to getting schemes started in the first place.

In terms of targeting, CESP schemes have focused predominantly on social housing, as discussed. The UK Government had originally envisaged it would be targeted at all households regardless of tenure.

In terms of regional coverage, Ofgem figures show that by the end of 2010 Scotland and London had disproportionately low amounts of scheme proposals compared to the numbers of eligible areas they have, whereas in the East Midlands and the North East, the opposite is true (Ofgem, 2011b).

There is no requirement on the energy companies to report the split between rural and urban activity. However, the energy companies said that the number of rural schemes had been very low because of a lack of eligible CESP areas in rural locations, and because of the preference under CESP to target social housing, which tends to be more concentrated in urban areas.

No information is collected on the income of actual recipients of measures, making it difficult to judge how effective CESP has been in reaching low-income households.

In terms of fuel poverty, analysis by BRE of 2009 English Household Survey (EHS) data, indicated that 22.4% of households in the bottom 10% of the IMD composite<sup>18</sup> in England were in fuel poverty compared to the national average of 18.4%. These figures indicate that the IMD is an imprecise proxy for identifying areas of fuel poor households, and cannot be used to determine what proportion of recipients of CESP measures will have been fuel poor households.

## Resourcing and costs

The research was not able to assess the overall costs of CESP, due to commercial sensitivities. However, two out of the three energy companies who discussed overall costs in the research interviews thought that the total costs of CESP would be higher than DECC's estimate of £377m (DECC, 2009).

In terms of the proportion of costs met by delivery partners, the CESP Impact Assessment assumed that the costs on the energy companies would be £311m (82% of total CESP costs). The Impact Assessment said that this would involve the energy companies meeting most of the

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<sup>18</sup> Note that the 2009 EHS data does not include the IMD income indicator used to determine CESP areas. The analysis used instead the IMD composite indicator. The income domain has a high weighting in the IMD composite indicator and is closely correlated with many of the other components (e.g. employment) so this should be a reasonable first proxy in the absence of the specific IMD income indicator used by CESP. Indeed, BRE analysis of 2005-07 EHS data using the IMD income indicator used in CESP showed not dissimilar results, finding that just over 20% of CESP targeted households were in fuel poverty, against a national average of 15%.

direct costs of the measures (totalling £298m), as well as spending £13m towards administration costs. It anticipated that able-to-pay customers, local authorities and community groups would make a £65m (17%) contribution to the costs of CESP, and that this would be “financial or in the form of local knowledge or local action on the ground” (DECC, 2009:11).

The evaluation findings suggest, however, that the total financial contribution from the energy companies to schemes has been far lower than anticipated. Delivery partners and other stakeholders said that energy company contributions towards the direct costs of measures had varied between 10% and 100%. In three of the eleven case study schemes that had responded to questions about scheme costs, the energy companies had contributed 65% or more. In one scheme the contribution was 45%, in six schemes the contribution was between 20% and 31% and in the other scheme the contribution was 10%. One of the energy companies reported their contribution could vary from 40% to 100%. One said that some schemes are 70% to 80% funded by them but that these schemes were very few and far between. Another said that they would not provide 100% funding in any scheme and that their normal contribution was around 15% to 30%, although that could rise depending on a scheme’s carbon score.

In addition, local authorities and HAs said that they had normally met the costs of (often necessary) additional and consequential works, beyond the direct cost of the measures themselves, and these have further increased the proportion of overall scheme costs that they have met.

Smaller than expected scheme sizes could be one reason why energy company contributions to individual schemes is lower than expected. Broadly speaking, energy companies had set themselves £/CO<sub>2</sub> targets and had pitched offers on the basis of these. However, as discussed elsewhere in the report, the energy companies had found that the scheme size, and therefore a scheme’s estimated carbon score, was typically far lower than predicted in the CESP Impact Assessment. As a result, funding offers have also been lower.

The size of the financial contributions might also be a reflection of the competitive nature of CESP, which encourages energy companies to meet their obligation in the most cost-effective way possible. On this basis it would be in their interests to find partners willing to contribute to the direct costs of the measures in order to minimise their own. Many stakeholders interviewed predicted that energy company offers would become more generous as CESP progressed and the pressure to find enough schemes to meet their obligations increased.

In terms of administrative costs, energy companies said that the overall costs of CESP had been higher for them than they had under CERT. Scheme development costs were often high as significant time and resources could be spent scoping out a scheme’s potential and negotiating with potential delivery partners. Administration and management costs for scheme delivery were also considered to be high by delivery partners.

Overall, energy companies put the increased administration costs down to the complexity of CESP and the scale at which schemes are delivered. An energy company could not simply contract a managing agent or installer to deliver measures equivalent to one million tonnes of carbon, as they theoretically could with CERT for instance.

There was little consensus amongst stakeholders on the overall cost-effectiveness of CESP. CESP was generally regarded as more expensive than CERT, but most stakeholders recognised that was because the measures involved are different. Some stakeholders said that

the area-based nature of CESP had led to economies of scale and efficiencies in delivery. There was less agreement, however, on the cost-effectiveness of the whole-house approach.

## Programme administration

Many stakeholders thought that the administration of CESP had been problematic. They believed this was in part due to the complex legislative requirements set for CESP, but also because of the way Ofgem had interpreted and dispensed with these requirements.

A key concern for the energy companies and many of their delivery partners was the scheme approval process. There had been large delays between initial scheme submissions by energy companies and eventual scheme approval by Ofgem. By August 2011, Ofgem reported that just over 200 schemes (50% of anticipated CESP schemes<sup>19</sup>) had been submitted, whilst just over 40 of these schemes had been approved (20% of total submissions, 10% of anticipated schemes).

The reasons given for these delays are complex and often conflicting. From the energy companies and their delivery partners' perspective, a number of inter-related causes had contributed to issues with the scheme approval process. These included:

- A much greater number of schemes to process than first envisaged, as a result of individual scheme sizes being smaller. Four times as many schemes are likely to be delivered under CESP than first expected;
- A lack of sufficient resources within Ofgem to deal with the greater than expected scheme numbers, as well as the tasks required to effectively administer CESP;
- A lack of technical expertise within Ofgem, which some stakeholders felt had hampered their ability to process the complex information required. Ofgem noted that they had ready access to external technical expertise, and that the complex technical issues raised by CESP had proved challenging even for these specialist external advisers;
- The complexity of the programme, both in terms of the scoring system as well as the technical issues involved in delivering CESP measures, which has made administration challenging for both Ofgem and for the energy companies alike;
- A perception by stakeholders that Ofgem not had been fully prepared to meet the administration requirements of CESP at the programme's start, for example by scoping out what evidence it would require energy companies to provide, and ascertaining how CESP would operate in relation to other programmes and policies. Ofgem noted that they had delivered the administrative arrangements for CESP within a very short time-frame, set by the legislative timetable;
- A lack of certainty and inflexibility about the rules and requirements for CESP; and

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<sup>19</sup> Ofgem calculates that as many as 400 schemes will be required to meet the CESP required, based on the trend of scheme sizes to date (Ofgem, 2011).

- A view that Ofgem has been 'over-bureaucratic', requiring too much detail from energy companies in scheme submissions. A common criticism from energy companies was that Ofgem could come back to them several times with questions on schemes despite thinking they had submitted all the information Ofgem wanted in the initial submission proforma, a process which could take several months. Ofgem said that the level of detail required is to facilitate compliance with the legislation and provides certainty when it comes to banking carbon scores.

Ofgem reported that:

- It is the complexity of the programme, rather than the administration process itself, that has been the cause of the delays. Their role has been to ensure that the requirements of the legislation are met;
- The quality of scheme submissions from energy companies was sometimes poor and submissions often lacked important details. This required them to seek further clarification, often more than once, to ensure that proposals were in accordance with the scheme requirements. Ofgem noted that throughout CESP, the majority of work on submissions has been with the energy companies. In August 2011, Ofgem reported that around 70% of the unapproved schemes had actions for the energy companies;
- CESP as an innovative pilot programme inevitably raised new, unforeseen and complex technical issues, which took time and effort to resolve. For instance, the diverse nature of low income housing stock has required a range of sometimes novel and challenging solutions that have needed to be accommodated within the CESP scheme rules; and
- The energy companies had sometimes found it difficult to meet the legislative requirement of getting a signed letter from the appropriate LA, with over half of unapproved schemes being delayed by the lack of a correct local authority letter.

Other programme administration issues cited by energy companies and delivery partners included:

- Continual revisions by Ofgem to the CESP carbon calculator;
- Delays from Ofgem in producing a promised U-value calculator for non-solid walls; and
- Inconsistencies between the methodology used by Ofgem for the banking spreadsheets and for the carbon calculator.

Ofgem noted, however, that it is not required to provide any of these tools to the obligated parties. They are internal tools, which they share with the companies to facilitate the administration of the scheme.

Suggestions from stakeholders for improving the programme administration process, now and under future schemes, included:

- Developing a simplified scoring system in future legislation;
- Creating clearer, easy-to-interpret legislation;

- Building in early review point for the ECO, or having an initial 6-12 month pilot period, to allow initial bugs to be ironed out;
- Improved communication from the programme administrator, for example by disseminating FAQs to common questions and issues; and
- Better 'customer service', making the process more transparent and easy to understand, for example by having an 'account manager' who looks after the administration of particular schemes from start to finish. Ofgem and DECC said that this suggestion had been considered subsequently, and that the obligated parties had decided not to pursue it.

## Role of government

Stakeholder comments about DECC's role focused around two issues:

1. The communication and promotion of CESP. Some stakeholders felt that DECC could have done more to communicate and promote CESP to potential delivery partners by:
  - Being clearer about what CESP was and what it would entail; and
  - Making provision for support and guidance for local authorities, HAs and other potential partners.

The CESP roadshows, held by ERA and DECC, were well received in this regard, but it was felt they would have been more useful had they been held earlier in the process. DECC noted, however, that they were held at a time when all participants had first hand experience of CESP that they could share.

2. The energy companies recognised that DECC had sometimes played an important brokering role. Some would like DECC to have played this role more often, but felt DECC had been constrained by a lack of capacity. The energy companies also said they would have liked DECC to have spent more time with Ofgem to iron out issues in interpreting the CESP legislation.

In Wales, the Welsh Assembly Government's approach to raising awareness of the programme to help local authorities and HAs take advantage of the opportunities it could provide was widely praised by the energy companies.

# Conclusions

## To what extent is CESP achieving its objectives?

### Is CESP reducing the fuel bills of low-income households?

LSOAs and Data Zones with the lowest incomes under the IMD have been used to target the poorest areas in England, Scotland and Wales for CESP measures. Government's assumption behind this was that households receiving measures would be on low incomes.

No monitoring has taken place under CESP of the income of actual recipients of measures, meaning it is difficult to say with confidence how many CESP recipients are on low incomes. It is also not certain what proportion of recipients of CESP measures have been fuel poor households.

Evidence from the householder experience research findings does suggest, however, that CESP measures have helped reduce the fuel bills of some households, regardless of income. The survey found that although most respondents had not seen a change in heating expenses, a sizable minority said they had spent less on heating in the previous 12 months, in a period when energy prices increased, on average. The proportion of those saving was highest when participants recalled receiving advice on heating their home efficiently, and on how to control their heating system. This highlights the potential importance of home energy advice in realising fuel bill savings. This conclusion was backed up from findings from in-depth interviews.

It can also be concluded from the survey findings that even where respondents did not save money they felt able to heat their homes to an adequate level, including those who said they had been unable to do so before installation of measures.

The physical monitoring stream of the evaluation, due to be completed in 2012, will provide further evidence on fuel bill savings in CESP-recipient households.

### To what extent is CESP improving the energy efficiency of the housing stock?

At the time of the evaluation research, only a very few schemes had been completed. There had therefore been very little data from delivery partners about the effect of CESP measures on the housing stock.

Many of the delivery partners interviewed assumed that CESP had had a very beneficial effect on recipient homes, and this was confirmed by research with householders. The measures involved, particularly SWI, are known to provide substantial energy efficiency benefits. Once more CESP schemes have been completed and banked with Ofgem, their figures will be available to provide government with a picture of the assumed energy savings from CESP, based on the numbers of each measure installed.

There may be differences between the assumed carbon savings of measures and their actual achieved energy savings. The evaluation's physical monitoring stream will provide concrete data on the actual energy saving benefits of CESP measures in recipient households.

## Has CESP been delivered through community partnerships?

One of the key principles of CESP was that schemes should be delivered in geographical communities through partnerships of energy companies, local community organisations and local authorities. In practice, the process research found that the membership of delivery partnerships was narrower than DECC had anticipated.

In nearly all cases, the key partner for an energy company had been a local authority or HA. The driver for energy companies working with them was their role as social landlords: they have easily accessible housing stock, can provide or access match-funding and provide credibility and expertise in engaging with their tenants.

The research found very few examples of CESP partnerships that involved the wider types of organisation that DECC had initially envisaged, such as social enterprises, community groups and local strategic partnerships. Some stakeholders suggested that longer timescales would have allowed a more rounded approach to involving partners. Others posited that greater incentives to involve wider types of partners were needed. One of the key mechanisms to encourage community partnerships was the requirement that energy companies produce a supporting letter from the local authority for each CESP scheme, but most stakeholders interviewed felt it had not worked in this regard.

Whilst many of the delivery partners interviewed reported that their partnerships had generally worked well, some stakeholders also questioned whether partnerships between HAs/local authorities and energy companies were always on an equal footing. The role of the energy company as both the scheme funder and the scheme contractor in some cases had caused particular tensions according to some stakeholders.

## Has CESP driven intensive area action?

CESP was designed to be delivered through intensive action in specific areas. Government believed that this approach, and CESP's emphasis on partnership working, would also lead to wider community benefits.

Most stakeholders were supportive of the principle of area-based action promoted under CESP and saw it as a cost-effective means to deliver whole-house treatments, which can also deliver wider community benefits.

In practice, CESP has led to schemes delivered in a concentrated area. Stakeholders were less convinced that CESP had driven truly intensive area action, saying that schemes were often not achieving the density and take-up rates envisaged at CESP's outset. Energy companies and delivery partners reported that the area density uplift has not always provided a sufficient incentive to achieve maximum density.

One of the key issues was that many schemes were not being delivered equally across different tenures. Measures were being promoted to private households in just over a third of proposed schemes at the end of 2010. Even in schemes where private households had been targeted, delivery partners said that take-up could be low and approaches could vary significantly. The case study schemes indicated that this promotion to private households could

involve anything from a comprehensive approach to involving all private households in a CESP area to a much more ad hoc approach to engaging private householders.

The research revealed a number of barriers to involving private households in schemes: uncertainty about take-up rates, a lack of match-funding for measures, higher transaction costs, householder affordability and difficulties in identifying second measures. Future energy company obligations will need to provide sufficient incentives to promote measures to private households if all low-income households, regardless of tenure, are to benefit.

Another key issue to achieving an intensive area-based approach was the use of LSOA and Data Zone boundaries to determine where CESP activity took place. Stakeholders felt that they didn't align naturally with community boundaries and were too rigid in their definition. If they are to be used in future energy company obligations, stakeholders would prefer to see greater flexibility in the application of the boundaries in order to avoid anomalies and to enable schemes to be designed around locally-relevant community boundaries.

Have CESP schemes delivered wider benefits, beyond fuel bill savings and energy efficiency improvements? In short, they have, but only to a point. Stakeholders highlighted, for example, that CESP schemes have resulted in regenerative or aesthetic improvements, increases in community pride, and direct local economic benefits. Many schemes, however, had not delivered the types of wider community benefits envisaged by DECC, such as benefit entitlement checks, health advice, fire safety checks and community environmental action.

### Has CESP incentivised a whole house approach?

One of the key principles of CESP was to encourage a 'whole-house approach' to delivery. CESP was also designed to be geared towards 'hard-to-treat homes', particularly those that did not benefit from CERT, such as those requiring SWI. How has this worked in practice?

Delivery partners believed that the scoring system has incentivised them to deliver multiple measures in households. The second measure uplift was deemed to be particularly important for making schemes cost-effective for energy companies and partners, and was therefore considered to provide a very strong incentive for delivering more than one measure in a household. CESP has encouraged energy companies to favour a small number of the 15 eligible measures, generally SWI coupled with a second measure.

CESP seems to have enabled delivery partners to select the measures they wanted to install, but there were a few instances where CESP rules had acted as a barrier to measures being included. The requirements for the HEA measure, for instance, were deemed too onerous for it to be included in many schemes. This is unfortunate given the finding from the householder experience research highlighting the importance of advice in realising fuel bill savings.

The scope of measures eligible under CESP had also limited the degree to which a holistic approach to energy efficiency improvements could be taken. Many social landlords, for instance, would like to have included actions such as energy efficiency improvements to communal areas in blocks and the replacement of poor quality F-rated boilers.

Finally, there were concerns that CESP had rewarded less pro-active social landlords because their stock was more likely to be eligible for the second measure uplift. Some stakeholders suggested that future policies should promote whole-house completion the whole house, so

that pro-active landlords and householders they would not be disadvantaged for having already installed measures.

## Stakeholder learning for future policy

Throughout the evaluation process, views were sought on stakeholders' overall learning from CESP. The box below summarises what stakeholders regarded as the key positives from CESP, the key issues, and their suggested lessons and improvements for future energy efficiency policy and obligations.

Stakeholder learning from CESP	
Positives	Suggested lessons and improvements
Strong support for the principle of area-based action	Use a more flexible means of defining area boundaries, avoiding the rigid application of LSOA and Data Zone areas Possibly introduce separate lists for eligible urban <u>and</u> rural areas, to encourage rural action Greater incentives to ensure that low income <u>private</u> households benefit
Whole-house approach to delivery is right in principle	Increased flexibility and freedom to put together a package of measures and solutions tailored to the stock in question Reward pro-active property owners by focusing on <u>completing</u> whole houses
Focus on SWI and hard-to-treat properties has been good Reliance on cavity and loft insulation has been broken	Continue to heavily incentivise SWI
Local authorities and HAs have been encouraged to improve their housing stock condition data	Build a centrally-held and accessible database on stock condition data
Wider community benefits have been achieved (but not as far-reaching as expected)	Provide longer timescales for future obligations, so that synergies can be identified and maximised
Important partnerships have been built, which will continue into the future (but partnerships	Greater incentives to involve wider community groups, beyond local authorities and HAs Introduce an incentive for community-wide action on

Stakeholder learning from CESP	
quite narrow)	carbon reduction for local authorities, to replace NI 186
Focus on low income areas important	Continue to promote social value as well as carbon saving Find an improved means of targeting low income and fuel poor communities
CESP has been a good learning opportunity e.g. testing large-scale SWI installation CESP has helped to kick-start the SWI market	Pilot schemes like CESP can be used to test and kick-start energy efficiency technologies
Issues	Suggested lessons and improvements
Scoring system and rules too complex	Make future obligations simpler, more transparent and more flexible
Delays and bureaucracy in CESP administration	Simplify legislation for future supplier obligations, build in more flexibility for programme administrator Ensure sufficient resources, capacity and expertise is in place for the programme administrator Clarify roles of DECC and Ofgem in delivering future supplier obligations
CESP timescales are challenging	Create an obligation with a longer timeframe, with scope for review at an interim stage
Poor communication about programme, and lack of support and guidance for delivery partners	Make early announcements, with sufficient detail, about content of forthcoming policies, backed up with engagement with all key sectors that are expected to be involved in delivery Make it clear to all sectors what the expectations will be and what the funding arrangements are Provide support, guidance and engagement with all key delivery partners, not just the legally obligated parties
Standards and guidelines for measures not always clear	Develop consistent, industry-recognised standards for key measures like SWI
HA and local authority procurement systems were a barrier to scheme development	Raise awareness of local authority and HA procurement systems to obligated parties Explore development of a mechanism, such as a national framework contract, that can overcome procurement

## Stakeholder learning from CESP

	issues
Costs of additional works not taken into account	Build in, or account for, the costs of additional works into future obligations (not just the direct costs of measures)

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