

Citizens Advice response to the Help to Heat consultation



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Introduction

Citizens Advice

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain. The service aims:

- To provide the advice people need for the problems they face; and
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. Over 23,000 volunteers are involved with Citizens Advice.

We also operate the Citizens Advice Consumer Service. This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

In 2015/16 the Citizens Advice service in England and Wales advised 2.7 million people on 6.2 million problems. In Scotland, the Citizens Advice service helped almost 311,000 clients and dealt with over one million advice issues.

Across our GB network, we supported people with 162,300 energy related consumer problems and fuel debt issues, including 3,500 issues relating to Energy Company Obligation (ECO) and Green Deal, and 10,000 on Warm Home Discount. 27,900 clients were advised about an energy issue by the Consumer Service.

We are responding to this consultation in our capacity as the statutory consumer watchdog, drawing on the experience of our clients and on our externally commissioned research.

Fuel poverty

2.35 million households in England live in fuel poverty¹. This means that 1 in 10 households are either living in a cold home, or spending so much of their income on energy that they are pushed into poverty. We welcome the Government's commitment to tackling fuel poverty through energy efficiency measures, which will provide low-income families with warmer homes and lower bills. We support the interim target for England of ensuring that almost all fuel poor homes achieve an EPC band of at least Band E by 2020; and see the Help to Heat scheme as an important element in achieving that ambition. Its reorientation as a scheme should increase the proportion of supplier funding that is spent on fuel poor households.²

In that context, we support the transition year, and call on the Department for Business, Energy and Industrial Strategy to closely monitor and evaluate the scheme to ensure that measures are reaching those in the coldest homes and the deepest fuel poverty. However, we do not agree with the reduction in the size of the obligation. The amount of funding available within the supplier obligation is insufficient for meeting the statutory fuel poverty targets. The Department should set out how its wider plans for meeting its fuel poverty targets will be integrated with the Help to Heat scheme.

The supplier obligation

While we support the continuation of supplier obligation in the current context, it is not the most appropriate way to deliver energy efficiency measures to households in fuel poverty, or social and environmental policy in general. Suppliers are ill-placed to reach vulnerable households. They do not have sufficient links with the services and organisations that vulnerable and low-income consumers use. They cannot provide the back-up home repair services that are often essential before energy efficiency measures can be installed. Supplier funding is more regressive than funding measures through taxation, as low-income consumers tend to spend a relatively high proportion of their income on energy bills.

¹ National Statistics (2016) [Annual Fuel Poverty Statistics, England](#). The figure cited refers to 2014, however projections suggest that the proportion of households in fuel poverty will remain at "roughly the same level" (10.5%) in 2016

² Modelling by IPPR in 2013 suggested that 80% of the ECO funds spent every year (£433 million of £540 million) went to households that were not fuel poor. Institute for Public Policy Research (2013) [Help to heat: A solution to the affordability crisis in energy](#)

The performance of ECO has illustrated that suppliers choose which customers receive what support to meet their targets in the most cost-effective way. This encourages suppliers to focus on:

- Consumers able or willing to contribute towards costs, potentially ignoring the most vulnerable consumers with the greatest need
- Single measures, regardless of whether several measures would be appropriate for the consumer and property
- Urban areas and homes heated by gas, despite rural and off-gas households having higher rates of fuel poverty

Overall, the supplier-led model disincentivises the delivery of measures to households in the most severe fuel poverty. It may also increase the costs of delivering the fuel poverty targets and/or reduce the chance of meeting them³. These issues reflect the fact that supplier's incentives are not well-aligned with the delivery of an energy efficiency scheme and the competitive nature of the supplier obligation.

These evidenced issues with ECO mean that targets are necessary to ensure that the Help to Heat scheme meets its aims. We note that there is no target for fuel poor homes reached in the transition year and call for a minimum goal for overall numbers, as well as strict monitoring of delivery to fuel poor rural consumers and those in the most severe fuel poverty.

Help to Heat must put customers at its heart

As delivered through ECO, the supplier obligation has also led to a poor customer journey. Awareness of the measures on offer has been low; in part due to the lack of a strong brand⁴. This suggests that a large proportion of those who could benefit and would like to install measures, miss out simply because they are ill-informed. Our advisers and clients have found the scheme complicated to engage with⁵. There have been widespread issues with the quality of assessments and work,^{6 7} and consumer redress within the scheme.⁸

³ National Audit Office (2016) [Report on the Green Deal and Energy Company Obligation](#)

⁴ Among those who have had measures installed just over one in ten (12%) households were able to explicitly identify ECO, Department of Energy and Climate Change (2015) [Energy Companies Obligation \(ECO\) customer journey research](#)

⁵ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

⁶ Consumer Futures (2014) [Green Deal watching brief part 2: Written evidence submitted by Consumer Futures](#) (GRE0026)

⁷ Pye Tait Consulting for Citizens Advice (2015) [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#)

⁸ If assessment and installation standards fall short, energy and carbon savings - the fundamental rationale for these policies - are also risked.

Finally, there has been a lack of transparency over client contributions to the costs of measures⁹. There is evidence from delivery organisations, including our network, that fuel poor consumers have been left out of the ECO scheme as they cannot afford to contribute¹⁰.

These problems put consumers off engaging with the scheme and with energy efficiency more generally. It is important that suppliers use the transition year to simplify, streamline and improve the customer journey to ensure that consumers can engage with the scheme and receive high quality work. Better research into and evaluation of the customer journey is crucial to this¹¹. This may conclude that area-based approaches are more effective in reaching fuel poor houses in the long-term, as they reduce the need for individual customer engagement in a complex scheme.

Whatever the delivery method, a future fuel poverty scheme needs to facilitate clear, simple and credible offers to consumers, that can be tailored to individual circumstances. It should be designed with the consumer at its heart and to reflect how people actually think and behave. Moreover, there needs to be better monitoring of the performance of individual suppliers and their subcontractors, and greater penalties for poor customer service performance.

We welcome the changes to the standard eligibility criteria, and the introduction of flexible eligibility, which should encourage innovative approaches in identifying eligible households. Suppliers and relevant agencies should use the transition year to evaluate whether this approach does in fact lead to better targeting of fuel poor customers. They should trial approaches that would reduce administrative burden on the customers themselves, for example house by house assessment, or better use of data sharing and matching.

Beyond 2018

The 5 year supplier obligation is due to start in 2018, running until 2023. The government should consider moving from an obligation on suppliers to a levy. This would allow greater transparency and control of costs and, if shifted from bills to taxation, be more progressive.

If suppliers continue to fund most or all of the 5 year scheme, the Department should consider different approaches to delivery of the measures. There has

⁹ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

¹⁰ *ibid*

¹¹ Department for Energy and Climate Change (2015) [Feasibility study on Green Deal & ECO customer behaviour](#)

been wide support for such an approach, including from the Confederation of British Industry and the Energy and Climate Change Select Committee¹². The Department should consider shifting responsibility for at least a part of delivery from suppliers back to the state, or to other organisations who make credible bids for effective, targeted delivery, or the ability to leverage in other funding to drive larger, place-based schemes. To this end, we have suggested that up to 5% of the transition year fund be available to any organisation who can demonstrate an innovative approach to the delivery of energy efficiency measures to fuel poor houses. This fund could be focused on innovative schemes that tackle fuel poor homes in the private rental sector, where 1 in 5 households are in fuel poverty.

The eligibility flexibility for the transition year is a welcome recognition of the important role local authorities, charities and other organisations could play in identifying fuel poor households. The Department should consider allowing these third party intermediaries to take a role beyond identification and move into delivery of measures, particularly if they can prove their ability to leverage further funding to increase the overall reach of the Help to Heat scheme.¹³ In the context of the wider decentralisation agenda, the design of the scheme post 2018 should give greater regard to locally-led delivery of home energy efficiency programmes and area-based approaches (ABAs). Our report *Closer to Home* explores the possibility of Local Authorities taking a far greater role in the delivery of energy efficiency schemes, as has been the approach in Scotland since 2009-10.

While we support the focus on fuel poverty within the supplier obligation, we also note that this approach will decrease the carbon reductions the policy is expected to deliver, as the Impact Assessment shows. Domestic energy efficiency is a relatively cost-effective way of reducing carbon emissions, a cost that energy consumers too often pick up. The supplier obligation should not be the only element of a energy efficiency strategy. Since the end of the Green Deal, there is no low-cost finance available for able-to-pay consumers, except in Scotland.¹⁴ Without further policies or funding commitments on home energy efficiency, it is likely that the cost of meeting our carbon reduction commitments will increase, or it will become less likely that we will meet our commitment. As part of its broader strategy, the UK government should consider designating

¹² CBI (2015) [The future of the Energy Company Obligation](#) and Energy and Climate Change Committee (2015) [Home energy efficiency and demand reduction](#)

¹³ Centre for Sustainable Energy and Dr Joanne Wade for Citizens Advice (2015) [Closer to Home](#)

¹⁴ Our recently published report sets out the behavioural principles that should underpin any replacements for the Green Deal. Citizens Advice (2016) [Energising Homeowners](#)

home energy efficiency as a UK-wide infrastructure priority, as it is in Scotland, recognising the economic and fiscal impacts of such an approach.¹⁵

¹⁵ An ambitious energy efficiency programme can return £3 to the economy per £1 invested by central government; while domestic consumers could save over £8 billion per annum in total energy bill savings. Cambridge Econometrics and Verco (2014) [Building the Future: The economic and fiscal impacts of making homes energy efficient](#)

Question 1: Do you agree with our proposal to extend the current ECO by one year, while making improvements that transition to a longer-term fuel poverty focused obligation?

Agree.

We agree with the extension of the scheme, the move towards a longer-term fuel poverty-focused obligation, and the proposed transitional period. We do not support the reduction in the size of the obligation, given the investment needed to meet national fuel poverty targets, including that in the Fuel Poverty Strategy for England. Analysis by the Committee on Climate Change suggests that hitting the target would cost £18bn, or £1.2bn per annum to 2030¹⁶. The Help to Heat proposals represent annual spending on energy efficiency improvements in fuel poor homes of less than half that (£450m), although we expect this to rise (to £640m per annum) from 2018.

There is, therefore, a disconnect between the UK government's ambition to reduce fuel poverty and its policy and funding response, which we understand largely consists of the proposals under consultation. The National Audit Office report on the Green Deal and ECO noted that the Department has been unable to assess the impact of its schemes on fuel poverty, although we expect this to improve under these proposals and the post-2018 scheme. The government, in its response to the consultation, should set a target for the contribution the proposals are expected to make to meeting the fuel poverty target, and against which delivery can be benchmarked, and how progress will be measured. It should also set out how its wider plans for meeting its fuel poverty targets will be integrated with the Help to Heat scheme.

It is important that policy changes have adequate time for consultation, policy development and lead-in. This improves the quality of policy development and, in the context of a supplier obligation, provides certainty for the market that should lower costs across the supply chain. The proposals currently under consultation have a very short lead-in time: factoring in the time for the government response and guidance from Ofgem (which in turn will be consulted upon), we expect the details of the scheme will be confirmed very close to its launch date. This uncertainty is likely to increase costs across the supply chain, and it is energy consumers who will ultimately bear these costs. The short lead-in time may also affect the ability of third-parties to engage with the scheme, including those who may do so through Flexible Eligibility. The one-year transition period also leaves little room for policy learning to inform the design of the 5-year 2018 obligation.

¹⁶ Committee on Climate Change (2014) [Fuel Poverty Strategy Consultation Response](#) and [Fuel Poverty Strategy Consultation Response Annex](#)

Bearing this in mind, the Department should consider building in an iterative approach to the 5 year obligation, so that minor changes can be made in response to evaluation and learning. In particular, the policy may need to be adapted to make sure it is reaching households in fuel poverty, including fuel poor households in rural areas. The Department should also in place appropriate process and impact evaluation mechanisms so that data from the transition year can be used to inform the scheme in a timely way. In particular, they should look to capture the consumer experience of engaging with the scheme.

Question 2: Do you agree with the proposal to re-balance the obligations for 2017-18; by increasing the Affordable Warmth obligation by £1.84bn notional lifetime bill savings (provisional figure), increasing the Carbon Emission Reduction Obligation by 3.0 MtCO₂ (provisional figure), and not increasing the Carbon Saving Community Obligation?

Agree.

Given the budget constraints, we agree this proposal is appropriate. It gives increased focus to tackling fuel poverty, with a phased transition.

Question 3: Do you agree that the CSCO deadline should remain at 31 March 2017?

Agree.

No further comments.

Question 4: Do you agree that there should be no rural sub-obligation from April 2017?

Agree.

We agree that the CSCO rural sub-obligation should be ended, given it was not effectively targeting resources towards rural consumers in fuel poverty, while adding complexity, and therefore cost, to the scheme. However, it is important to ensure that rural households get support through Help to Heat. They are disproportionately likely to face high energy costs and fuel poverty, and have been less likely to benefit from schemes like ECO.

Organisations involved with delivering the scheme have told us there are particular barriers for householders in rural and particularly remote rural areas¹⁷. It appears that suppliers have focused on accessible rural areas rather than remote rural areas. In terms of both fuel poverty and carbon, a more important

¹⁷ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

distinction is between households on the gas grid and those off it. We agree that the changes proposed in the consultation, including the introduction of deemed scoring and limits on gas boilers, are likely to help direct delivery to rural areas. We also note that without a rural sub-obligation there is no guarantee that help will be directed to rural households.

The nature of a supplier obligation makes delivery patterns difficult to predict. We, therefore, ask the Department to set a benchmark for rural delivery, and actively monitor levels of support going to rural households. If delivery falls short of the benchmark level, action should be taken promptly to ensure measures are delivered to rural households. The Department should commit to making sure that any shortfall in delivery to rural areas is made up in the 2018 scheme through a mechanism which guarantees delivery.

More broadly, we do not think that the definition of rurality used by in the sub-obligation (and the consultation document) is sufficiently targeted to households in rural areas with the characteristics that necessitate specific support. The Office of National Statistics uses four categories of urban/rural areas:

- urban (population over 10,000)
- town and fringe
- village
- hamlet and isolated dwellings

The ONS defined the first as urban and the remaining three as rural. The Department has followed this split in the definition of rural in this policy. We think that the Department should instead use a definition of rural based on the last two categories, which will better target support at households in deep fuel poverty and facing the specific challenges associated with rurality.

Question 5: Do you agree with our proposals to introduce income thresholds for 2017-18 which take account of household composition for Tax Credits and Universal Credit?

Yes.

In general, we agree with this proposal. However, we recommend measures are introduced to mitigate the impact on some categories of client who may lose out as a result.

Most notably, Working Tax Credit (WTC) claimants with disabilities, or who are over 60, will no longer be eligible unless they also have a dependent child. Depending on the adjusted income threshold, they may also be ineligible unless they have more than one child or are living with a partner. The same applies to Universal Credit (UC) recipients in the same circumstances. People with

disabilities often have additional costs, including higher than average energy costs. In recognition of this, the Department should allow for this group to be included as part of the standard eligibility criteria.

It is also the case that under UC, many groups of clients will be worse off than they were under the legacy benefits and, in some cases, also less likely to qualify for Help to Heat. For example:

- Clients with disabilities who are working, and don't have limited capability for work, will not qualify for any additional disability element as they would have received in WTC, or in Housing Benefit. Therefore they will receive a lower rate of benefits and also less likely to qualify for Help to Heat under the revised criteria
- Working clients, or couples, with capital over £16,000 will not be eligible for UC and will have tariff income if they have capital between £6,000 (and £16,000). Therefore, they may not qualify for either UC or for Help to Heat, but would have received Child Tax Credits (CTC)/WTC, which had no capital rules.
- Clients with mortgage costs will lose their UC housing costs if they do any work (even one week's casual work) and then have to serve another 9 months waiting period. These clients may have qualified under the current system if on Income Support, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance and had a disability. They may not qualify under the new criteria depending on the number of children and the level at which the income threshold is set.

The Department should make sure that the rules for flexible eligibility schemes facilitate access to support for these clients, and others just outside the eligible group, where at risk of fuel poverty or otherwise in need of measures.

Question 6: Do you agree with our proposal to adopt ten household composition types with relative income thresholds based on whether the household consists of a single person or a couple and whether they have one, two, three or four or more dependent children?

Agree.

In taking account of household composition, this should direct help to where it is most needed. However, we note it is likely to exclude many low-income single parents with one dependent child. The Department should make sure that the rules for flexible eligibility schemes facilitate access to support for these clients, and others just outside the eligible group, where at risk of fuel poverty or otherwise in need of measures.

However, we recommend that the calculation of household income excludes housing costs, as per the definition of fuel poverty. The current proposal, which includes housing costs will disadvantage low-income households in areas of the country with higher than average housing costs.

Question 7: Do you agree with our proposals to allow recipients of other eligible benefits (Income Support, Income-based Jobseeker's Allowance and Income-related Employment and Support Allowance) to continue to be eligible and to remove the additional sub-criteria in 2017?

Yes.

We welcome this change. It will bring all recipients of these 3 means-tested benefits into scope, instead of only those with children, illness or disability, and pensioners. This is welcome in itself. It should also make it easier to identify and verify that clients receive these benefits. However, as Universal Credit is gradually rolled out, fewer clients will receive these 3 benefits and will instead be subject to the new qualifying criteria for Universal Credit claimants.

Question 8: Do you think we should amend the eligibility requirements so that those in receipt of Guarantee Credit in Pension Credit continue to be eligible under Affordable Warmth but those only in receipt of Savings Credit should only qualify through CERO or if they meet the 'flexible eligibility' proposal?

Agree.

We agree with the Department's rationale for this change. However, we also note that clients receiving Savings Credit clients may only have a small amount of income above the PC (Guarantee credit) limit to qualify¹⁸. It is important therefore that flexibility eligibility schemes are in place, and are set up to deliver to households in this group who are at risk of fuel poverty, or vulnerable to the effects of a cold home for another reason.

Question 9: Do you agree with the proposal to extend eligibility to social tenure households with an EPC rating of E, F or G for their home, and for no additional benefits criteria or income thresholds to be required?

Agree.

We agree with extending eligibility to the worst rated social tenure households. Social housing tenants are more likely to be low-income and vulnerable than any other tenure. As such making improvements to E, F and G rated properties in the social sector are likely to contribute to the policy's central aim.

¹⁸ The maximum weekly Pension Savings Credit which can be paid is currently £13.07 to a single person and £14.75 to a couple

In general, social housing providers should regard energy efficiency improvements as business as usual. However, we appreciate that some may face barriers to improving their properties, particularly in multi-tenure blocks of flats where lack of collective agreement is an issue. Given incentives in the social sector towards improving energy efficiency, it is likely that any properties remaining below EPC rating D face considerable barriers to improvement. We support the inclusion of wall insulation and connection to mains gas or communal heating for this group. The inclusion of social housing could also help deliver area-based approaches in areas with mixed tenure. We also support the use of CERO funds to bridge gaps for private sector households where these would otherwise mean social and or fuel poor households could not benefit from communal measures.

However we recommend that the amount of support going to social housing is capped. Given that the proposal is untested, the potential for social housing providers to cofinance measures, and the institutional drivers in this sector, there is a risk that the obligation will go disproportionately to social housing, at the expense of the other tenures where greater sustained investment is needed. For example, 20% of households in the PRS are in fuel poverty, compared with 11% of Housing Association households¹⁹.

We note that homes in the private rented sector are more likely than those in the social sector to have the lowest energy efficiency ratings (E, F and G). As outlined in response to Question 39, we would like to see detailed plans for how those households will be helped in the consultation on the five year obligation.

Question 10: Do you agree an EPC would be an appropriate way of proving the efficiency banding of social housing, or whether alternative ways of evidencing may be sufficient in certain cases? Do you think any additional assurance should be required? If so, please provide details.

Agree.

This should be required to be funded by the social landlord, rather than adding to the scheme administration cost.

Question 11: Do you agree that measures delivered in new build homes should not be eligible under ECO from 1 April 2017?

Agree.

¹⁹ National Statistics (2016) Annual Fuel Poverty Statistics, England.

Given the higher energy efficiency standards in new build homes compared to the existing housing stock spending ECO funds on these homes would be an ineffective use of the limited resources available.

However, we note that the recent changes to Zero Carbon Homes policy have weakened energy efficiency standards for new build homes, a decision we consider detrimental to cost-effective reduction of carbon emissions and the interests of energy consumers.

Question 12: Do you agree with the proposal to allow flexible eligibility? If so, what proportion of the 2017-18 Affordable Warmth obligation do you believe that suppliers should be able to deliver using this flexible eligibility route? a) 10% b) 20% c) Other.

Agree. Other 30%

We agree with the proposal to allow flexible eligibility to help support both

- Consumers in fuel poverty but outside the eligibility criteria; and
- Consumers not in fuel poverty but vulnerable to the effects of a cold home, including elderly people and those with a health condition.

This will be a positive step if it is applied constructively, with appropriate safeguards to make sure support gets to consumers who need it, rather than simply a way to expand the pool of eligible consumers. It could help to plug gaps and iron out anomalies created by the change in the eligibility systems.

We appreciate the difficulty in setting a cap for this component of the obligation, particularly given the novelty of this proposal, and different considerations involved. We think the Department should set the cap at 30% given:

- 20% of households in fuel poverty are not covered by the eligibility criteria. However, the aim of flexible eligibility is to capture not just households in fuel poverty outside the eligibility criteria, but other households vulnerable to the impacts of cold homes and potentially to deliver to able-to-pay consumers in solid wall insulation projects
- Benefit changes relating to the introduction of Universal Credit will make many worse off, and in some cases, less likely to be eligible for Help to Heat as a result, as outlined in our response to Question 5
- A lower cap may unnecessarily limit engagement with the mechanism by third-parties, particularly given the challenges outlined below
- By limiting engagement, a lower cap could limit the variety of approaches that may develop and learning that the Department and others can draw from the operation of mechanism during the transition year, and therefore the development of policy from 2018

The consultation document states that guidance on the types of household to be targeted will be issued but no details are given at this stage, so it is not possible to comment on these. Our responses throughout the consultation, notably on the eligibility criteria, indicate some of the types of households we recommend are targeted. We also recommend the following types of household are included:

- Those in with E, F or G-rated properties and in the Private Rented Sector
- Those with health issues and those at risk of cold-related ill-health
- Those on low-incomes who are eligible for benefits but do not claim them

Given the novelty of the mechanism, monitoring and evaluation will be essential, particularly during the transition year. Given the short duration of the transition, the Department will need to do this in a timely manner to integrate learning into the design of the longer-term scheme from 2018. Monitoring and evaluation should cover - among other things - the mix of measures delivered through the mechanism, the profile of customers helped, the rationale for helping them (fuel poverty, vulnerability, or area-based delivery of external wall insulation), and the sub-criteria used to determine this. To be robust, timely and cost-effective, we recommend the Department evaluates the mechanism centrally, rather than each scheme carrying out an evaluation.

The flexible eligibility mechanism, and efficient delivery of the scheme more generally, will require the active participation of non-commercial organisations whose role is to help households who are vulnerable and/or may be at risk of fuel poverty. These bodies, for example, GPs, have multiple competing pressures on their time and resources. They will only engage with ECO if the households they refer have a reasonable chance of getting support.

Our experience has shown that advisers in our local offices can be put off referring households into the scheme because of lack of transparency and uncertainty about the help available, any client contributions required, the lack of information about the progress or otherwise of clients towards receiving help, and a poor customer journey in general²⁰.

While the introduction of deemed scores should help improve the customer journey, it needs to be accompanied by a better approach from suppliers and their contractors. This should be based on clear offers to the consumer and third-parties, and a better customer journey. These changes will be necessary to encourage the participation of these non-commercial organisations, whose expertise will be crucial in identifying fuel poor households. We recommend a

²⁰ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

guarantee that customers identified through flexible eligibility be provided help, without a requirement for a contribution, unless their property already has a D rating or above.

A more limited approach would involve a Memorandum of Understanding or similar agreement, that those referred will at least receive a survey. It would also guarantee that the supplier and/or their contractors involve the referring organisation throughout the process.

In addition, we also recommend the Department introduces an innovation fund to run alongside ECO. This will help answer questions about the best delivery model for future iterations of the supplier fuel poverty obligation. The fund would be open to any organisation who can deliver a proposal to spend the funding effectively. Credible proposals would show that the organisation has the capacity to reach households in the most severe fuel poverty, or hard-to-reach fuel poor households, for example those in remote rural areas or private-rented properties.

Bidding organisations could include local authorities, suppliers themselves acting outside of current ECO eligibility rules, or any other organisation (charity, healthcare delivery etc.) that can come up with a credible scheme approved by the Department. The money could be contingent on the schemes meeting a minimum target of fuel poor homes reached. Funding this approach would require a different model to ECO, potentially a small levy equivalent to a proportion of the overall obligation. However, as outlined in our response to Question 47, this could help address issues around the supplier threshold for ECO.

Question 13: Do you consider that solid wall insulation for non-fuel poor private tenure homes should be included under flexible eligibility, as described above? Please provide reasons, including views on whether this should be allowed for measure types other than solid wall insulation.

Agree.

We agree with the rationale given. We note that economies of scale mean it is often less cost-effective or even impossible to work around able-to-pay households with certain measures in certain circumstances. However, there should be limits to the proportion of the Affordable Warmth obligation that can be used in this way. Using flexible eligibility budget for non-fuel poor households will reduce the budget available for fuel poor customers. A limit could be sensibly done through a specifying maximum ratio of non-fuel poor consumers to fuel poor customers helped through any solid wall project. At least for the

transition year, we not see a strong enough rationale for extending this to any other measure type.

Question 14: Do you agree with the proposal to allow local authorities to determine whether some households are eligible through 'local authority declarations' in the way proposed?

Agree.

We consider option (i) the best way of achieving this. It will provide organisations involved with the scheme clarity on the approach being taken. It will also help deliver the timely monitoring and evaluation of the scheme needed, as discussed under Question 12. A standardised national approach, with local flexibility if required, would be advisable to minimise administration, speed up the verification process, and help suppliers and third-party organisations engage with local authorities.

As with similar initiatives, local authorities' capacity for engagement in flexible eligibility will vary considerably between local schemes. There is a strong likelihood that those who are better equipped take full advantage of this, while already worse performing local authorities do not engage. The Department should, therefore, monitor the number of local authorities engaging and the numbers and types of households they refer. As outlined in our response to Question 16, we expect activity from other third-party intermediaries may go some way to making this up. However involvement from both local authorities and third-party bodies will be necessary in each local area because of the unique knowledge of housing stock the former have.

Question 15: Do you consider that schemes involving other intermediaries should be allowed, as described above, in addition to local authority declarations? Please provide reasons, including whether there are any viable alternatives that meet the policy intent.

Agree.

Other non-commercial organisations, as well as local authorities, could add value to the flexible eligibility element of the scheme, and help suppliers meet their targets in a way that is cost-effective and works with the grain of wider initiatives to address poverty and health conditions.

Many charities and other bodies already have a significant role in identifying households under standard eligibility, for example through benefit checks as part of welfare or debt advice. They are also uniquely well-placed to identify individuals in fuel poverty who fall outside the eligibility criteria. They may also be able to identify those not in fuel poverty but vulnerable to the effects of a

cold home. Some bodies will have an understanding of an individual's health needs, their household make-up, their financial vulnerability, other relevant criteria, or a combination of these.

If local authorities have a monopoly on provision within an area this could unnecessarily restrict households ability access to flexible eligibility, particularly given variations in capacity between local authorities.

The Department should take steps to minimise administrative complexity, particularly given the short duration of the transition obligation, and the extremely short lead-in time. We do not consider that an entirely different verification process is needed for both third-parties and local authorities. The suggested approach of eServe approval of every scheme, appears potentially burdensome for both third-parties and Ofgem. This could mean that even small local charities would require eServe approval. This could potentially lead to a bottleneck for the delivery of flexible eligibility by third-parties, especially given the timescales involved. We suggest that in the transition year the Department or Ofgem collate a list of approved third-parties. This would probably be limited to LAs, larger charities and Clinical Commissioning Groups. Verification of organisations operating nationally, rather than specific local schemes would help reduce the administrative burden. Where possible we recommend that a standardised approach to scheme design and verification.

Question 16: Do you agree with the proposal aimed at limiting the delivery of qualifying gas boiler replacements (and not limiting other types of heating measure)? Please provide reasons and describe any preferred alternative proposal, if applicable.

Yes.

We agree that gas boiler replacements and repairs should be limited. Gas boilers were over-incentivised through Affordable Warmth ECO - 94% of HHCRO measures under ECO 1 were qualifying boiler replacements. There is some evidence that these were installed as the easiest way to meet targets, due to their relative ease of installation and consumer appeal, rather than because they were necessarily the most effective measure. Feedback from those involved with the delivery of the scheme indicates that many think the scheme has been too limited in the types of energy efficiency measure it supports, and failed to reflect the needs of the target group²¹. However, as outlined in our response to Question 18, we think the boiler cap should be higher than the proposed 25,000.

²¹ Responses to a 2015 survey by National Energy Action its member organisations involved with the delivery of the Affordable Warmth and Carbon Saving Communities schemes. The 70 respondents included local authorities, the supply chain and the third sector.

Question 17: Do you agree that only measures installed after a specified date should count towards the Affordable Warmth minimum, and that date should be 1 July 2016? Please provide reasons and describe any preferred alternative proposal, if applicable

Agree.

No further comments.

Question 18: Do you agree with the proposal to in effect limit the delivery of qualifying gas boiler replacements at a level equivalent to 25,000 boilers under the ECO extension? Please provide reasons and describe any preferred alternative proposal, if applicable.

Disagree.

We consider the cap too low and recommend the Department sets the gas boiler cap at a higher rate, for several reasons.

We understand the rationale for reducing the provision of boilers through the scheme. We do not consider that ECO a suitable delivery mechanism for boiler replacement in the long-term. Within the target group, ECO is unlikely to direct any boilers to those in most need, due to the tendency in a supplier obligation to target lowest cost/highest score projects and the (related) common requirement for client contributions. In the long-term, more comprehensive support is needed. However, until that is the case, we consider that more support is needed through ECO than is currently proposed. There should be a higher cap for qualifying gas boilers for the transition year and some provision for boilers in the 2018 scheme, at least initially. The minimum equates to a few thousand boilers for the larger energy suppliers. With carryover and current delivery patterns, it is possible that most or all of the boiler delivery target will be reached before March 2017.

We see little evidence that the need for support for boiler replacement among vulnerable and low-income consumers is significantly declining. Many boilers installed for low-income consumers under Warm Front are likely to be nearing the end of their working life. Many households will be unable to replace broken boilers without support or taking on debt that may be unsustainable. Although boilers are less cost-effective than other measures in terms of their contribution to the fuel poverty targets, in part because of their relatively short lifespan, they can make a substantial contribution to the comfort and affordability of warmth for householders in the medium-term. We note that there is some support for boiler replacement outside ECO, for example, supplier trusts. However, these are piecemeal and can be subject to long timescales.

The Department could provide this support and address some of the problems associated with boiler replacements

- Lifting the boiler cap for referrals where the householder is referred because of a health condition
- Banning householder contributions, which have often been required for boilers in order to help consumers in genuine need receive support. As outlined in our response to Question 37, the current requirements for householders to help pay for boilers appear to prevent access for consumers in the most need

These steps would also be likely to help engage third-parties, particularly in the health sector, in the scheme.

Finally, one aim of the 2017-18 scheme is to allow for a relatively smooth transition between the current ECO scheme, where the vast majority of Affordable Warmth delivery has been through boilers, and the 2018 scheme, where the Department is suggesting suppliers will have to deliver entirely through insulation measures. The current boiler cap proposal would require a rapid increase in the provision of insulation (at least 10 times the current rate) for the Affordable Warmth scheme. Due to the short duration of the scheme, and given evidence from past schemes, this would risk a short-term spike in supplier costs and other delivery costs, which are ultimately borne by consumers. This risk could be reduced further by retaining some ECO funding for boilers post 2018.

Question 19: Do you agree with our proposal not to impose new limits on the level of installation of the following measures? a) Heating controls b) First time central heating c) Non-gas qualifying boilers d) Non-qualifying boilers e) Electric storage heaters f) Renewable heating g) Heat networks.

Agree.

However, given the over-incentivisation of boilers under Affordable Warmth ECO and the need to deliver a mix of measures that reflect the needs of fuel poor households, numbers of each measure delivered during the transition year should be monitored to inform limits for the 5 year obligation. This should also inform minimums for other measures, if appropriate.

The Department should also require that all new heating systems have a full set of heating control installed. We also recommend that for the 2018 scheme, minimum usability criteria for heating controls are introduced. Such standards are particularly important for a scheme targeting elderly and vulnerable consumers²².

²² Consumer Focus (2012) [Consumers and domestic heating controls: a literature review](#)

Question 21: Do you consider that heat network schemes funded or part funded by the supplier obligation should be required to include arrangements for consumer protection? Please state your views, including suggestions for appropriate consumer protection arrangements.

Any heat network scheme that receives funding from a Government-backed scheme, such as ECO or the RHI, should be required to make arrangements that provide consumer protection equivalent to that found in the regulated (gas and electricity supply) sector. These measures are essential given the nature of heat networks. Customers are typically tied into long-term contracts, usually 25 or more years, and are unable to switch suppliers or change to an alternative heating system if they are unhappy with the service. Heat networks are effective monopolies with little competition to force downward pressure on bills, leaving customers vulnerable to price increases. They often have high standing charges, which leave customers less able to manage their energy.

In the long-term, the Department should introduce a specific mandatory framework for protecting consumers using district heat schemes. As a short to medium term solution, we agree that requiring heat networks and heat suppliers join the Heat Trust is the appropriate, given that it provides minimum standards for heat providers and a clear right to redress for the consumer in case of any disputes. We are not aware of alternative scheme or arrangement currently available that is an adequate alternative. New heat networks should also be required to sign up to CIBSE's Heat Networks Code of Practice which covers the build and installation of the network.

Question 22: Do you agree with the proposal to allow insulation but not to allow boiler or other heating system replacements or repairs (of any fuel type) in social tenure properties, with the exception of first time central heating (including district heating) and renewable heat?

Agree.

Heating system replacement and repair is business as usual for social landlords and should not be subsidised through the scheme.

Question 23: Do you agree that we should retain a solid wall minimum within the scheme?

Yes.

Given the UK housing stock, delivery of solid wall insulation will be important in meeting both fuel poverty and carbon targets. Rural consumers and those in the deepest fuel poverty are more likely than average to live in a solid-walled property. Without a solid-wall minimum, it is possible that ECO would deliver

little or no solid wall insulation during the transition year, with little further work likely to be delivered outside the supplier obligation. This would be disruptive to the industry and would be likely to raise costs of the solid-wall insulation delivery that is required in the long-run. The National Audit Office's report on the Green Deal and ECO suggests that the reduction in solid-wall insulation through mid-scheme ECO reforms will increase cost-effectiveness in the short-term, but could increase costs in the long-term, because of the effects on the supply chain. The solid-wall minimum will help low-income households in solid walled properties during the transition year. In the longer-term, given high per-measure cost of solid wall insulation, the required delivery profile, the delivery challenges of the measure (the need to for street-by-street work and to work with trigger points). The Department should consider delivering solid wall insulation through a publically-funded scheme.

Question 24: Do you agree that the solid wall minimum is set at the right level?

Agree.

Given the budget and other constraints of the programme, minimum appears appropriate. Among other thing it will help maintain capacity during the transition year, or until a more significant solid-wall insulation programme is introduced. However, as suggested in our response to the preceding question, it is far below the rate needed to deliver on our fuel poverty and carbon targets in the long-term. For many homes, including those of many of those households in the deepest fuel poverty, solid wall insulation is the only effective way to improve its energy efficiency. The minimum may have implications for delivery in Scotland, where there is relatively little remaining potential for easy-to-treat properties and at least 400,000 fuel poor solid-wall properties in need of insulation.

Question 25: Do you agree that an in-use factor of 15% should be applied to party wall insulation measures delivered under CERO after 31 March 2017?

We do not have a strong view.

Question 26: Do you agree that party wall insulation measures installed after 31 March 2017 should support secondary measures?

We do not have a strong view

Question 27: Do you agree that the requirement for measures to be recommended on either a GDAR or a CSR should be removed from 1 April 2017?

Agree.

We agree with the Department's rationale. We note that the report from the National Audit Office on the Green Deal and ECO concluded that the design of ECO to work alongside Green Deal added to delivery costs. We therefore welcome the proposals throughout the consultation to remove unnecessary administrative requirements linked to Green Deal.

Question 28: Do you have views on whether any alternative requirements should be introduced in order to provide consumer advice, or ensure technical suitability of a measure prior to its installation? If so, what are they?

Yes.

On first sub-question, we think that consumer advice on energy efficiency in general needs improvement.

Consumers can't engage in energy efficiency if they don't know or understand enough about it. Recent research for Citizens Advice, with able-to-pay consumers, suggests that awareness and understanding of available measures is low. Greater engagement could be encouraged by improved information and advice provision. Currently, energy efficiency advice and information is often delivered in a piecemeal way. In some areas, there is a lack of sufficient impartial information for consumers.

Lack of effective advice also increases the risk of deliberate and unintentional misselling, which was the largest source of complaints under the Green Deal. Many of these complaints related to offers of free or subsidised measures, which suggest a link to ECO. The lack of a brand for consumers to identify approved traders has made it difficult for consumers to avoid cowboy firms.

An easily identifiable, comprehensive, trustworthy and long-term source of information on energy efficiency and renewable measures would be helpful not just for consumers seeking advice, but also for firms and advice agencies dealing with consumers. So too would better signposting to relevant advice sources where they exist, for example Home Energy Scotland. We expect to see this addressed in the medium- to long-term by the Advice and Guidance workstream of the Bonfield Review.

The design of ECO compounds many of these issues because it makes it difficult for consumers to find out what offers are open to them. Householders do not

want to spend time applying only to find they don't qualify. Some have become cynical by frequent changes to government schemes (again we expect this also to apply to fuel poor consumers)²³. Advisers have told us this makes it difficult to engage consumers with the Affordable Warmth scheme. In some cases, advisers have become reluctant to refer consumers to ECO because of the poor customer journey. This will make it more difficult and more expensive to engage consumers and deliver on fuel poverty targets.

To counter this, the Department needs to design policies to provide a consistent and clear offer to consumers. ECO has fallen short in this respect, not least because the offer to consumers can change rapidly according to market trends. In part, this is a feature of a supplier obligation as currently designed. Deemed scoring should ameliorate this issue to some extent, but not completely. It may help if client contributions are no longer required. Those involved with delivering ECO have told us that the customer experience of ECO and engagement in the scheme is undermined by the length of time it took for clients to receive a household assessment, confirmation that the work would go ahead and, then installation of any measures²⁴. There do not appear to be any enhanced performance guarantees - for example specifying a short timeframe to complete work - for vulnerable households or those in acute need of works. The Department should monitor the customer journey and the experiences of advisers and the supply chain during the transition year to understand to what extent this problem remains. The Department should also pilot other delivery approaches that could counteract this feature. One such approach would be a voluntary agreement among suppliers to provide a certain package of support to certain groups of consumers.

We understand that under ECO there was an agreement of this type involving the larger energy suppliers, but there has been little transparency on the nature or effectiveness of this. Another approach that it would be valuable to pilot would be mandated referrals, where suppliers are obliged to provide support to vulnerable consumers. This would be likely to encourage third-parties, particularly those in the health sector, to engage with the scheme.

Better advice is also needed in cases where consumers have a problem with work done under ECO. Currently, they often find it difficult to get things put right, less still to get compensation for problems caused by faults. Currently, standards of redress vary significantly between scheme. There is no specific

²³ Our recently published report sets out the behavioural principles that should underpin any replacements for the Green Deal. Citizens Advice (2016) [Energising Homeowners](#)

²⁴ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

redress process in ECO, as there was for Green Deal. Every consumer in this market should have backstop redress provision, through an Alternative Dispute Resolution body (or bodies). Despite the obligation being on energy suppliers, the Energy Ombudsman does not help consumers with complaints about quality in ECO. The existence of such an Alternative Dispute Resolution body should encourage better redress performance from their service provider and scheme operator further up the redress chain.

Combined with minimum standards for redress provision by service providers and scheme operators, this should provide a consistency of approach. It would also ensure that consumers can easily be made aware of and understand what redress they can expect, as well as ensuring no consumer is left behind.

Minimum standards for redress should be provided for through a Code of Practice, covering the use of the relevant ADR body and the behaviour of both scheme operators and service providers. This should include maximum timescales for each stage of the process.

Looking now at the second sub-question, on the technical suitability of measures. our work with the Bonfield Review indicates in many cases where installations fail, particularly installations of cavity and solid wall insulation, this is due to either:

- The measure being unsuitable for the property (for example cavity wall insulation in a home with poor brickwork and susceptibility to wind-driven rain); or
- The measure being inadequately designed for the property

Neither issue would be adequately addressed by the use of a SAP assessment or GDAR. This needs to be addressed more thoroughly through the development of standards, and the monitoring and compliance regime. This is addressed in our response to Question 36.

Question 29: Do you agree that from 1 April 2017 we should move to a system of deemed scoring, as described above, rather than the current bespoke RdSAP or SAP based property by property assessments? Please provide reasons, including details of any alternative proposals you would support, if applicable.

We support the introduction of deemed scoring on a per measure, per property basis. This could incentivise delivery of measures to off-gas grid households by varying scoring by heating fuel. Deemed scoring should also simplify the scheme, making it easier to providing an improved customer journey and reducing administration costs. While the previous scoring approach ostensibly

allowed suppliers to target the most cost-effective delivery profile, in practice there is some evidence that:

- It makes consumer engagement difficult as consumers cannot be offered a certain level of support before a full assessment is carried out;
- It increases the risk of abortive installations or wider projects; and
- Suppliers are favouring installations in larger properties over installations in smaller ones, due to the larger cost savings²⁵.

Any scoring system will be imperfect, and produce unintended outcomes at the margin. With deemed scores, the scores must be weighted correctly to avoid unintended outcomes. However on balance deemed scores are preferable to SAP/RdSAP-based scoring.

The introduction of deemed scoring should also simplify the delivery and administration of the scheme for suppliers and across the supply chain.

Question 30: Do you agree that savings for district heating system measures should be calculated based on bespoke SAP or RdSAP assessments, rather than deemed scores?

Yes.

As the consultation notes, district heating schemes vary widely, and we agree that deemed scores not appropriate for this measure. Given the unique characteristics of district heating (long-term contracts, lack of competition and customers unable to switch suppliers) encouraging and ensuring the most efficient systems possible is particularly important to prevent long-term customer detriment. We agree with the Department's suggestion for calculating the savings from district heating system installations based on SAP or RdSAP assessments.

Given the above, it is important that (RdSAP) are based on real-world performance data. The Department should work with stakeholders to ensure the assessment methodology reflects this.

Question 31: Do you agree that up to 5% of each supplier's measures should be granted automatic extensions for up to three months?

Agree.

²⁵ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

Question 32: Do you agree with removing the restriction on extensions where it is due to supplier administrative oversight?

Agree.

Question 33: Do you agree that we should introduce a mechanism for the trading of obligations between licensed suppliers?

Agree.

We agree that trading is likely to improve the cost-effectiveness of the programme and minimise impacts on the energy supply market in general. As per our response to Question 48, a trading mechanism help integrate small suppliers into the scheme. However, this would require modification of the current proposals to make sure the asymmetric position of the smaller suppliers were not carried through to the trading market, in the form of unfair price discrimination. This may require some kind of price limits.

Question 34: Do you agree that Ofgem E-Serve should approve trades, to ensure that energy suppliers can bear the consequences of non-compliance? Please provide reasons and, explain any alternative suggestions, if applicable?

No strong answer.

The arrangements must allow for clear lines of responsibility for verifying compliance. The Department should design these in such a way that trading is not unduly discouraged.

Question 35: Do you agree that the version of PAS 2030 cited in the ECO regulations should be updated to refer to the most recent version, following the anticipated updates to PAS 2030? Please provide reasons.

Agree.

A big area of consumer concern is substandard energy efficiency work. Problems related to cavity wall insulation installations are the most well-publicised but quality also falls short for other measures, assessments, system design and installation. We welcome the improvement of PAS 2030 within the context of the Bonfield Review, which we expect to help improve the quality of work carried out under ECO. We understand there are concerns among the supply chain about the PAS and that the latest version makes some progress in addressing these concerns. We see no justifiable reason for not using the newest version of PAS 2030 in ECO.

However, research carried out for Citizens Advice in 2015²⁶ showed concerns about the usefulness of PAS 2030 relate to primarily audit and compliance regime, rather than the standard itself. Our work with the Bonfield Review suggests the current combination of standards and monitoring and sanctions regime is not effective, in part because it is fragmented between and within schemes. There is no single body with responsibility for quality of work and little monitoring covering longer time scales. It is also unclear that intelligence from redress process is being effectively fed back into the enforcement regime. Guarantees have insufficient coverage and vary in quality significantly between schemes and in some cases contain generous exclusion clauses for the provider. There is little in the consultation that can be expected to improve this. We understand that audit and compliance will be addressed in a holistic way by the Bonfield Review. This should also deliver improvements to redress, as outlined in our answer to Question 28. However, any compliance framework established by the Review will not be ready for the 2017-18 transition year. In light of this, ongoing concerns about the quality of installations, and the serious consequences when quality does fall short, we recommend that Ofgem takes steps to improve the effectiveness of technical monitoring in ECO. It is also important and urgent that the Department works with the Bonfield Review to make sure the Review recommendations feed are fully integrated into the ECO from 2018.

Question 36: Do you agree that installation companies delivering measures which are referenced in PAS 2030 under the extension to ECO should be certified against the requirements set out in PAS 2030? Please provide reasons.

Yes.

PAS 2030 is an important part of the quality assurance regime for energy efficiency installations. We expect the latest version to help deliver improvements in quality. However, shortcomings in the audit and compliance regime mean that PAS 2030 does not guarantee a consistent level of quality. We expect these shortcomings to be addressed through the Bonfield Review by the introduction of the 2018 scheme. In the meantime strong technical monitoring requirements from Ofgem are needed to ensure that quality is delivered.

²⁶ Pye Tait Consulting for Citizens Advice (2015) [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#)

Question 37: Do you think there is value in collecting and publishing more information on ECO costs in the future? If you do, what information do you think should be collected and how should it be obtained?

Agree.

The National Audit Office report on Green Deal and ECO noted that there are significant gaps in the Department's information on costs, which means it is unable to measure progress towards its objectives, to support the development of policy and deliver value for money. Given consumers pay for this scheme, it is in their interest that it delivers value for money. We therefore reiterate the recommendations from the NAO that the Department should monitor households' contribution to measures installed under ECO and:

- The cost of each measure: To track the programme against its objective of driving down the costs of improving harder-to-treat homes
- Suppliers' performance: The Department's information is not sufficiently detailed for the Department to understand performance, or to identify examples of good practice that it could be shared to improve it
- Detailed administrative costs: The aggregate information the Department receives does not allow for an understanding of administrative costs and how they can be reduced

Monitoring of cost contributions from householders and other third-parties is important for two reasons. Firstly, it is necessary to assess the overall cost effectiveness of the programme, not just its cost effectiveness in terms of expenditure by suppliers and the Department.

Secondly, there is evidence that customer contributions were a widely required under Affordable Warmth ECO. Those involved with delivering the scheme reported to us that the average contribution for the basic replacement of an energy efficient boiler was £200-£600²⁷. However, they also reported that there were large variations in the figure depending on the installer or the size of the property. One obligated supplier suggested a variation of up to £500 depending on property size. Other delegates reported contributions of £800-£1700 for boiler replacement. Participants also reported that if the boiler replacement was not a straightforward 'one in, one out' replacement and required major replacements or upgrade work to the full heating systems (new radiators, pipework etc), the contributions regularly sought could be much higher: between £1200 up to £3000. The level of household contributions also appears to have varied throughout the phases of the scheme.

²⁷ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

Advisers told us that many householders in the target group had difficulty financing the contributions required from them, there was limited common support available to fill this gap. Some householders in the target group were unable to access ECO support because of the requirement for client contributions. There has been a lack of transparency on client contributions, which along with the large and hard to predict variations has made it difficult for advice agencies to confidently refer customers into the scheme.

To improve access the scheme for those with the highest need, we recommend the Department set limits on contributions. No contributions should be required where someone is on an out-of-work benefit or earns less than 16k.

Short of this, the Department should require all obligated suppliers publish, on their website, the contribution they require for each measure/household type. This would provide transparency on costs for householders and third-parties. This should also drive down cost contributions, through more effective competition between suppliers and reputational drivers.

In terms of direct cost monitoring, we understand the Department informed the Public Accounts Committee that it was planning to collect evidence on costs, and that this may be on a sample basis. The alternative - which we favour - would be to collect comprehensive cost data, through the administration of the scheme.

To do this, the Department could use one of two approaches, both of which we consider feasible, subject to an assessment by the Department of the administrative burden and the relative cost-benefit of the approach:

- Using the customer sign-off of projects to include a declaration of costs paid by the consumer. This may not capture co-financing by other third-parties; or
- Requiring suppliers to report on any cost contributions for work they carry out directly and require this information is provided by contractors delivering the scheme on their behalf..

It is important for cost monitoring to start during the transition year, so cost information is available to inform the development of the scheme from 2018. The transition year also provides an opportunity for the Department to refine the approach to cost monitoring

Question 38: Do you agree that, with the exception of the Affordable Warmth minimum requirement, the new scheme rules being proposed should be introduced for measures installed from 1 April 2017?

Agree.

Although as per our response to Question 1, the short lead-in time is problematic and the Department must take steps to mitigate this impact as appropriate.

Question 39 Government invites views on whether we should introduce any additional rules to incentivise greater delivery to areas with higher delivery costs? If so, please set out how this should work

Reliance on suppliers delivering ECO scheme as they find most cost-effective will incentivise delivery in areas where they can achieve the required ECO scores at the lowest cost and discourage delivery in areas with a high cost-to-points ratio. This is supported by feedback from organisations involved in delivering the scheme who told us there are particular barriers to accessing support for households in certain property types (private rented sector, smaller properties) and geographical areas (particularly remote rural areas)²⁸.

On rural households, as per our response to Question 4, we expect the introduction of deemed scores and limits on gas boilers to help delivery to off-gas rural households. We also recommend the Department monitors delivery to remote and sparse rural areas, not just all localities defined as rural under the ONS definition.

Private rented sector properties are more likely than other tenures to be rated E, F or G and to be the deepest fuel poverty²⁹. Feedback from ECO suggests the scheme is less likely to reach these properties because of the tenant's attitudes towards the landlord's willingness to install measures and expectations of resulting rent increases and/or the split-incentive problem, particularly where co-financing is required. This reflects findings from other research on this area³⁰. We would like to see detailed plans for how those households will be helped in the consultation on the 5-year obligation.

Question 40: Should a brokerage mechanism be continued? Please provide reasons and, if responded 'yes', what value do you think a brokerage mechanism could add in the future?

We can see both pros and cons for consumers from the continuation of brokerage. We welcome the idea behind the policy: to cost-effectively match supply and demand in the energy efficiency market, and make it easier for new

²⁸ Feedback from organisations involved with delivering Affordable Warmth ECO (local authorities, third-sector intermediaries, energy suppliers, and the supply chain) collected by National Energy Advice on behalf of Citizens Advice (2016, unpublished)

²⁹ *ibid*

³⁰ for example, Sheffield Hallam University, Centre for Regional Economic and Social Research (2016) [Energy \(In\)Efficiency: Exploring what tenants expect and endure in the private rented sector in England. An evidence review](#)

entrants to enter the market, where delivery patterns often reflect past institutional arrangements. This should lower costs for consumers who ultimately pay for the scheme. We continue to see this as a valid argument for brokerage. However, we are also aware of the opposing arguments, around quality and local delivery. We are aware of concerns from those involved with the delivery of ECO that prices under brokerage are low and that this increases the need for client contributions and decreases the likelihood of support getting to those consumers who need it the most. We understand how brokerage may foster delivery models that lower costs but lead to poor consumer outcomes. We do not have the evidence to determine the balance between the benefits and drawbacks of brokerage. In particular, we do not have strong evidence of how different delivery models compare in terms of cost and consumer outcomes.

This highlights a wider tension in this policy between delivering measures at low cost and delivering high-quality support to those who need it. Brokerage appears potentially to magnify this tension but does not cause it. Rather, it is a feature of the supplier obligation model. The policy itself must be designed to deliver quality work, which will be cost-effective in the long-term, not just in terms of the Department's budget, but across society and the economy.

We assume that there is a fixed cost, to the taxpayer, via the Department, for running the brokerage mechanism. This may be small but may be considered significant in the context of very low levels of trading (as has been the case in the past), or if the benefits of brokerage are judged to be limited.

Question 41: If a brokerage mechanism continued in the future, what eligibility criteria and due diligence checks should be carried out to enable access to a range of organisations?

As per our response to Question 40, we are not in a position to provide a detailed response to this question. We expect organisations directly involved in brokerage will be better placed to do so. Elsewhere in the consultation, we have outlined (Questions 25 and 36) our views on the quality assurance and consumer protection regime for ECO and its shortcomings. One key issue is a lack of appropriate checks and sanctions in relation to quality of work. We think that these issues apply across ECO and beyond and not just to work sold through brokerage. They, therefore, should be addressed in an industry-wide way.. However, in the meantime, we recognise there may tend to be lower standards of quality for work delivered through brokerage. There may, therefore, be a case for enhanced eligibility criteria for brokerage participants, regarding quality of work and customer service, and potentially wider business practices. Depending on the Department's evidence, a risk-based approach to

technical monitoring could justify increased audits for work sold through brokerage.

Question 42: In addition, should access for an individual organisation be reviewed for any reason (eg at certain intervals or for certain behaviours)?

Yes / No / I do not have a strong view

Yes.

See answer to Question 41

Question 43: Is brokerage a barrier to local delivery? Please provide reasons and, if 'yes', explain how it is a barrier and your recommendations (if applicable) for how we could remove the barrier(s) to improve local delivery under brokerage?

As per our response to other questions on brokerage, we are not in a position to provide a detailed response to this question. We expect organisations directly involved in brokerage will be better placed to do so. However, as also detailed above, we are aware of concerns from those involved with the delivery of ECO that brokerage limits local delivery. If these concerns are substantive, and the Department is in a better position to judge this, then it suggests that brokerage is less suited to a more fuel poverty focused obligation and we, therefore, anticipate that substantial changes would be needed. However, for the reasons outlined above, we are not able to detail what these would be.

Question 44: Does the current performance rating system provide the assurance of quality and delivery needed? Please justify your response and, if 'no', what changes would you recommend?

No.

A rating system could have a role in delivering quality if it drives business away from low-quality providers to higher-quality providers and/or internalises effective checks and sanctions. This only happens if there are strong wider incentives for providers to deliver high-quality work. It is not clear that this is the case. If concerns raised by the Department in the previous questions are well-founded, this indicates that the rating system is not providing sufficient assurance of quality. Furthermore, a rating system is a flawed quality assurance mechanism for this market, particularly for a double-blind trading platform where large volumes of work can be traded. If energy efficiency work falls short, the consequences can be costly, difficult to rectify, and with severe consequences for those affected. An appropriate quality assurance process for this market will contribute towards making sure work is done right first time and

that any problems are quickly identified and rectified. A rating system does not fulfil this role.

Question 45: If brokerage continued, would you recommend any substantial changes to its design to better reflect the future fuel poverty focus?

Yes.

As per our response to other questions on brokerage, we are not in a position to provide a detailed response to this question. We expect organisations directly involved in brokerage will be better placed to do so. However, we are aware of concerns from those involved with the delivery of ECO that brokerage increases the need for client contributions and decreases the likelihood of support getting to those consumers who need it the most. If these issues are substantive, and the Department is in a better position to judge this, then it suggests that brokerage is less suited to a fuel poverty focused obligation. We anticipate that substantial changes would be needed to make it more suitable.

Question 46: Government invites views on the aspects of the future supplier obligation (eg measures, scoring, objectives) where a Scottish scheme could diverge from the GB-wide scheme without increasing the administration or policy costs unreasonably.

We recognise that it is important to ensure that, as intended, devolution delivers better targeting of ECO to reflect circumstances in Scotland, while at the same time is fair to consumers across all GB countries. We do not consider that different approaches in GB countries should create insurmountable differences which would outweigh the benefits to consumers.

It is important here to recognise the differences between Scotland and other GB countries:

- In Scotland there are increasingly limited opportunities for delivery of the lower cost insulation measures on which Help to Heat is likely to concentrate. Further, where unfilled lofts and cavities do exist in Scotland, our research shows they are concentrated either in rural and remote areas or in multi-tenure blocks of flats. In both cases, average costs of delivery will very likely be greater than in other GB countries. In contrast, the more immediate challenges in Scotland are around the installation of solid wall insulation and the provision of affordable heating for consumers without access to mains gas.
- The Scottish Government, in common with the Welsh Assembly Government, continues to provide public sector funding for targeted energy efficiency and fuel poverty programmes. The reduction in the

value of ECO means that Scottish programmes are now approximately double the value of Scotland's share of the nominal value of ECO, which we assume will be in the order of £57 million.

- Individual suppliers will have different relative numbers of consumers in England and Scotland.

Our discussions with Scottish stakeholders suggest that the most effective option would be to transfer the Scottish share of ECO funding to the Scottish Government to support their wider programmes, which would be expanded as a result. We recognise that this may not be practical.

However, an alternative could be for Scottish Government programmes to deliver measures, which could then be sold to suppliers at an agreed cost, reflecting the notional costs of measures calculated by the department. In this case, the Scottish Government would effectively act in the same way as a private contractor at present, but with much greater targeting of measures towards households at greatest risk of fuel poverty. Alternatively, suppliers who wished to operate through the traditional approach could continue to do so, as long as they met new Scottish Government criteria in relation to targeting.

This approach would have the additional advantage minimising poor marketing practices and attendant consumer confusion (as highlighted earlier in our response). It would also provide greater certainty for both consumers and third-party advisers that a referral would lead to the installation of measures.

Mechanisms to ensure additionality would be needed. However, the administrative burden on suppliers would be minimal.

Should this approach work in Scotland, it would be possible for it to be rolled out in other GB countries or English regions, in line with our proposals above to better target ECO funding towards fuel poor consumers. With measure costs capped at the notional costs and administration likely to be less expensive than under traditional delivery, this should not add to costs borne by consumers.

Question 47: When would you consider that differences between an English and Welsh scheme and a Scottish scheme could be detrimental to the operation and competition of the United Kingdom-wide energy market?

There are some circumstances where the differences between an England/Wales scheme and a Scottish scheme could impact on the operation and competition of the UK-wide energy market.

However, if the model proposed in our response to Question 46 was adopted these impacts would be minimised. Delivery costs in Scotland would be capped and the additional administrative burden for the Scottish scheme would be minimal.

The impacts would also be minimised if all suppliers are required to deliver the Scottish proportion of their ECO obligation in Scotland. This would address the asymmetric impacts on suppliers operating both within and outside Scotland. These would be a bigger issue if the traditional delivery model was maintained for the Scottish scheme, given the compliance regime this would need and the risk of variation in the actual costs of delivery, against the notional spend.

Whatever delivery model is used, we believe these issues are either surmountable or likely to be marginal and will not outweigh the benefits of more flexible delivery as outlined in our response to the preceding question.

Question 48: Do you believe there is any justification for changing the customer number threshold in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes', describe any actions you recommend in relation to addressing the proportionally higher fixed costs that may be borne by smaller obligated suppliers.

Yes.

Without additional changes to the obligation, we recommend the threshold continues as currently designed. However, we recommend that the Department develop an alternative proposal that requires smaller suppliers pay a fair share towards the cost of tackling fuel poverty in a way that does not incur high fixed costs.

In terms of competition, the question of whether the exemptions were distorting competition was considered by the Competition and Markets Authority (CMA). They concluded that the thresholds were not unreasonably limiting competition. We are, however, aware of the shortcomings of the current approach in terms of fairness. Some consumers will be paying for the scheme through their bills while others will not. Given switching patterns, it is likely that customers of small suppliers (those not paying for the scheme) will on average be wealthier than customers of large suppliers.

To lower the threshold within the current design of the obligation, more would need to be done to help small suppliers overcome their higher proportional fixed costs and easily and cost-effectively discharge their obligation. The proposal for a platform for suppliers to trade obligations (Question 33) could go some way to providing small suppliers with an easy route into the scheme, but additional measures would be needed to make sure they do not face unfair price discrimination.

However, if the supplier obligation was a levy, rather than a direct target, this would largely address the issue of higher fixed costs. Elsewhere in our

consultation response we have recommended the introduction of an innovation fund to test new delivery approaches. A charge on smaller suppliers, proportionate to the costs of delivering ECO, could be levied to fund this. This could run alongside a continued supplier obligation for larger suppliers but would allow smaller suppliers to make a proportionate contribution to the delivery of the fuel poverty support, while avoiding unwelcome fixed costs. Additionally, we note the fact that customers of a small supplier can still get help under ECO from another supplier and would expect this to continue if the levy approach suggested above were put into practice.

Question 49: Do you believe there is any justification for changing the taper for newly obligated suppliers in the future obligation (2018 onwards)? Please provide specific reasons and evidence and, if you responded 'yes', describe how you recommend amending the taper.

Yes..

See response to Question 48.

Question 50: Under current and previous supplier obligations, are there barriers in scheme design inhibiting innovation in delivery models and technologies?

Yes.

A supplier obligation itself can be an obstacle to delivery. The competitive supplier obligation model encourages delivery that is cost-effective in year one, but may not be cost-effective over the longer-term.

The National Audit Office, in its report on the Green Deal and ECO, stressed that the Department should 'consider the long-term impact of its decisions on the overall progress towards increasing energy efficiency'. It is not clear that the consultation document does this. A supplier obligation does still have some strengths. However, we suggest the Department pilots new or alternative delivery approaches, through suppliers or otherwise, to allow for consideration of a broader range of approaches for delivery of the fuel poverty obligation from 2018 onwards. This should be done through an innovation fund as set out in our answer to Question 12. The Department should also explore mandated referrals, where people in certain at-risk groups are guaranteed support. Assessing alternative approaches is likely to have particular value given the distinct challenges of a fuel poverty-focused scheme, when compared to past supplier obligations.

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