



Via email

CITIZENS ADVICE RESPONSE TO DECC CALL FOR EVIDENCE ON THIRD PARTY FINANCING FOR RENEWABLE HEAT

1. Do you agree that financing for renewable heat is currently a barrier to further growth in the domestic renewable heat market?

Please provide an explanation including any evidence with your response.

We agree that a lack of available finance for lower income households could be a barrier to further growth of the market. This could particularly be the case for those people living in off-gas, rural areas. A total of 3.9 million homes across Great Britain rely on other forms of heating to gas with rural customers more likely to be off-gas. In addition, the incidence of fuel poverty is much higher in those homes using non-gas forms of space and water heating¹. Therefore, there is potential for third party financing to help benefit low-income and fuel poor homes to replace less-efficient, more costly forms of heating in their homes with more effective renewable systems that are cheaper to run.

We would welcome regular assessments of the uptake of the RHI by different socio-economic groups (determined by postcode, if no other data is available) to provide evidence of current uptake, and therefore the current barriers.

2. Do you think that introducing third party financing would help overcome this barrier by increasing access to finance for renewable heating? Would this lead to increased numbers of installations that would otherwise not have occurred?

Please provide an explanation including any evidence with your response.

The introduction of third party financing has the potential to make the scheme much more accessible for households that would either be put off by the high-cost initial investment or those that would be unable to raise the finance for such an installation maybe through lack of access to consumer credit. Access to third party finance has the potential to ensure the scheme is much more equitable across different tenures and for customers with differing means, or access to, finance.

If the financing package is made accessible for all then it could undoubtedly lead to increased number of installations as we have seen with the Solar PV rent-a-roof style scheme. Evidence from the US shows that in 2013 third party finance made up 66% of the US residential solar market and a considerable part of the commercial market². However, UK data on third party financing for solar is lacking and it must also be

¹ Consumer Focus (2011), *Off-gas consumers: information on households without mains gas heating*, <http://www.consumerfocus.org.uk/files/2011/10/Off-gas-consumers.pdf>

² NREL (2014), *Banking on Solar: an analysis of banking opportunities in the US distributed photovoltaic market*, <http://www.nrel.gov/docs/fy15osti/62605.pdf>

remembered that the US market is more developed, that parts of it (e.g. California) have faced energy crises, and there will be differences in the incentive structure and credit culture. Interim figures from a recent consumer satisfaction survey on Solar PV undertaken for Citizens Advice has found that 12% of systems installed have been through the rent-a-roof model and a further 7% on finance³. While UK data is currently limited it may be that there is a way to better interrogate the data that is collected by Ofgem (such as that on the number of multi-site FiT claimants) to enable better evidence on the potential of the market.

There is also a question as to how attractive this type of finance is made to those customers that might benefit the most from more efficient renewable heating, those customers on low incomes or in fuel poverty. In our response, as Consumer Focus, to the Government's 2012 consultation on the RHI we highlighted that third party financing could be attractive to this set of consumers but that they would be much more likely to take up the available offers if they came to them via a trusted intermediary such as social enterprises, local authorities or RSLs⁴. We are very keen to see the involvement of trustworthy intermediaries to ensure the installation of heating systems is beneficial in the long-term, see our response to Q4.

3. From your perspective what are the main benefits of allowing RHI payments to be paid directly to third party organisations?

Please provide an explanation including any evidence with your response.

From Citizens Advice perspective the main benefit would be making the RHI much more equitable and accessible to a wider range of householders including those on low incomes or suffering from fuel poverty. With more efficient systems and reduced running costs, the RHI has the potential to reduce the energy bills of those customers on low incomes especially those in rural areas and off the gas grid. Fuel poverty is much higher among consumers using non-gas heating fuels in England, Scotland and Wales⁵.

In addition, in England and Scotland gas heating is least common in privately rented homes and so third party financing could be of a benefit to private tenants where levels of energy efficiency are also the worst. A combination of the required energy efficiency criteria under the RHI and the forthcoming PRS regulations for energy efficiency could therefore help to improve the overall running costs and comfort levels of privately rented homes.

³ Forthcoming report for Citizens Advice by Future Climate & Purple Market Research analysing the Consumer experience of Solar PV installations in England & Wales (Interim survey results March 2015).

⁴ Consumer Focus (2012), *Response to DECC consultation on the Renewable Heat Incentive*, <http://www.consumerfocus.org.uk/files/2009/06/Consumer-Focus-response-to-DECC-consultation-on-the-Renewable-Heat-Incentive.pdf>

⁵ Consumer Focus (2011), *Off-gas consumers: information on households without access to mains gas heating*, <http://www.consumerfocus.org.uk/files/2011/10/Off-gas-consumers.pdf>

4. From your perspective what are the main risks of allowing RHI payments to be made directly to third party organisations?

Please provide an explanation including any evidence with your response.

Please also include any mitigating action that could be taken to reduce any perceived risks.

Given the wider customer base that third party finance would open up to the renewable heat industry there could be risks around the miss-selling of technologies to householders as has been the case with some “rent-a-roof” schemes for Solar PV. High pressure sales tactics⁶ have been well documented in the press and while they might be down to a few companies rather than the many such behaviour would be a concern to Citizens Advice especially those who might be more vulnerable to such selling techniques.

There is also a risk regarding the quality of systems installed with installers aiming to minimise their upfront costs by installing systems that would meet the minimum criteria that they would be assured would last as long as they receive their RHI payments. They could also seek to maximise their income from the RHI by oversizing systems, overestimating heat demand⁷, and failing to encourage consumers to maximise the fabric efficiency of their home. Citizens Advice believes further work needs to be done to establish actions that might mitigate against these risks, potentially through some form of declaration or continued warranty from the installer and the ability to recoup RHI payments if advice is found to be incomplete or inaccurate.

Finally, some level of risk is associated with ensuring the RHI payment is received for an installation. There have been instances in the past where technologies have been installed only for the householder to find out later that the installation does not qualify for payments. Protections need to be in place to ensure that consumers know only accredited installers will be able to attract the RHI payment and the risk should be borne by installation company/third party installing under these circumstances in case the installation does not qualify for RHI payments.

Citizens Advice appreciates that these risks already exist but there is a chance that with greater number of installations we will see more of these issues coming forward and we need to be assured that there are robust consumer protections and processes in place for dealing with potentially higher numbers of them effectively and efficiently.

⁶ While not classified as “high pressure sales tactics” our latest consumer survey of solar PV customers has found that a higher proportion of those who purchased on finance have been approached speculatively by installers. This proportion has been increasing steadily since 2011 and found to be 39% in 2014.

⁷ Citizens Advice has anecdotal evidence of gaming of energy performance certificates in relation to existing low carbon schemes, of which DECC and Ofgem are aware.

5. Is there a demand for third party finance? Are you or your organisation considering whether to develop and/or offer third party financing products for the Domestic RHI? (Please indicate if the information in your response is commercially sensitive and we will treat it accordingly).

Please provide an explanation including any evidence with your response.

We believe there is demand for third party finance as is evident from increasing numbers of organisations providing or seeking to provide this service. However, there are no official figures on the number of Solar PV or other renewable technologies installed using third party finance making it difficult to predict the level of demand with any degree of certainty. Citizens Advice believes that it is important this data is captured to help strategic planning for the future of renewable incentives to ensure best value for the consumer. We are also keen DECC or the RHI administrator is able to survey the views and experience of customers in order to improve policy effectiveness in future iterations.

6. What impacts might the introduction of third party financing have on your business or organisation?

For example if you are a social landlord or a community group, would you find third party financing an attractive alternative to traditional financing methods, or if you are an installer would you offer/signpost financing offers to consumers?

Please provide an explanation including any evidence with your response.

As an advice provider through our website, phone lines and our network of local Bureaux the expansion of the scheme into third party financing could see higher levels of enquires and/or complaints regarding renewable heating from consumers at the local level than is experienced presently. While we welcome the scheme being more accessible for a greater number and variety of consumers we will want DECC and the RHI administrator to provide advice content, and a clear pathway for the enquiries and complaints that are likely to emerge.

7. What impacts might the introduction of third party financing have for consumers? Will consumers find the right option of third party financing attractive?

Please provide an explanation including any evidence with your response.

The offer of third party financing is likely to interest consumers as the products on offer become more well-known and familiar. However, it is likely that in the beginning customers will be hesitant to sign-up to such schemes unless they are reassured that they are legitimate and safe by trusted intermediaries.

As part of new research currently being undertaken by Citizens Advice we have also found that customers who installed Solar PV via a rent-a-roof scheme got fewer quotes for PV systems for their homes compared to those who paid outright for their

systems⁸. This could be an issue for renewable heating systems due to the different types of heating system available, especially when combined with potential hard-selling techniques and miss-selling.

There is also a concern that systems sold to customers using third party finance might be of a lower quality than those sold privately. This is because the third party organisation will have no incentive to install a system with a lifetime beyond the 7 years in which they can receive RHI payments and they will be attracted to reducing their initial, upfront costs as much as possible. This is a big concern to customers who already know very little about these systems.

It is also worth noting here that our recent consumer satisfaction survey has found that many householders installing Solar PV have not undertaken their own checks to ensure installers are MCS & RECC accredited relying on the word of the installer⁹. This gives considerable cause for concern if DECC is relying on these schemes to provide a good level of consumer protection. We continue to ask for the development of a single consumer protection brand for low carbon technologies and their installation (which may sit in front of multiple technology, process or policy specific protection schemes).

8. To what extent would the introduction of third party financing benefit the fuel poor (i.e. by facilitating access to renewable heating systems that would otherwise be too expensive)?

Please provide an explanation including any evidence with your response, including whether any additional protections should be considered to protect fuel poor households.

Are there alternative actions we could take that would support the finance of renewable heat for fuel poor households?

Third party financing has the potential to benefit those suffering from fuel poverty by allowing them to install new, efficient and renewable heating systems provided they gain access to these offers. We would like to see further work undertaken by DECC to assess the extent to which fuel poor households can access renewable heating options and identify the best means for them to do so as third party financing may not be an appropriate funding vehicle for these households. As mentioned in our answer to question two, lower income and fuel poor households are more likely to access third party financing systems and thus the RHI if they are presented to them via a trusted intermediary.

Having access to the right information and advice will also be critical in building trust and understanding of what signing such agreements means. Some customers in fuel poverty might be reluctant to sign up to what are essentially credit agreements through fear or misunderstanding of how they are paid back. We believe it would be

⁸ Forthcoming report for Citizens Advice by Future Climate & Purple Market Research analysing the Consumer experience of Solar PV installations in England & Wales (Interim survey results March 2015).

⁹ Forthcoming report for Citizens Advice by Future Climate & Purple Market Research analysing the Consumer experience of Solar PV installations in England & Wales (Interim survey results March 2015).

beneficial for these customers if DECC were to establish a process for trusted intermediaries to facilitate access to renewable heating systems and the RHI for fuel poor households.

For fuel poor households and households where the occupant may be vulnerable in any way any party receiving RHI payments should be required to agree in the contract that they will inspect any system faults within 24 hours and that repair to these households will be prioritised. We are keen to see the development of repair and maintenance services across the market, but it is a particular necessity where consumers' health could be at risk from a loss of heating services and/or where consumers may find it difficult to find and negotiate timely and affordable services.

Given that fuel poor households tend to live in properties with some of the worst levels of energy efficiency it must be a prerequisite that these homes are provided with the appropriate energy efficiency measures, including financial support for such measures, prior to any renewable heat installation. Installers will need to be able to access, or refer, customers to the right financial support for energy efficiency. It will be critical to ensure that fuel poor households are as energy efficient as possible so that the system installed is a) working effectively and b) not costing more than it should to both install and run due to system sizing. This is more important for those suffering from fuel poverty as they will be less able to absorb any upward changes to their energy bills that could occur.

It will also be important to ensure that the systems in fuel poor households continue to work effectively because of the greater level of impact that fuel price rises have upon them. Our upcoming report found that 10% of households with solar PV installed were relying on the installer to check they are working properly while 9% fail to check at all¹⁰. This could be mitigated by ensuring these homes have heat meters and are provided with additional assistance to understand and check their heating system is working correctly.

Finally, we do have some concerns regarding the potential for the old gas-fired heating systems to be replaced with renewable heating systems that might prove more costly to run for fuel poor households. Safeguards must be put in place that prevent the replacement of gas systems in fuel poor homes or these homes paying higher fuel bills as a result of the installation of renewable heating systems.

9. Do you think that there are any categories of organisation offering third party finance that should be ineligible for the Domestic RHI (for example an energy company or installer that has installed a renewable heating system under the Energy Companies Obligation Affordable Warmth scheme could be ineligible to claim RHI payments for that renewable heating system)?

Please provide an explanation including any evidence with your response.

It is the opinion of Citizens Advice that it is inappropriate for RHI payments to be claimed for an installed renewable heating system that has claimed carbon credit under the Affordable Warmth scheme within ECO. Allowing installers or third party organisations to claim for both HHCRO and RHI payments would be double counting

¹⁰ Forthcoming report for Citizens Advice by Future Climate & Purple Market Research analysing the Consumer experience of Solar PV installations in England & Wales (Interim survey results March 2015).

of the benefits and would also be unlikely to lead to any further financial benefit for the fuel poor householder.

10. Do you think the introduction of third party financing will make it easier for sellers of renewable heating systems to attract consumers, and to convert leads into sales? If so why?

No answer.

11. What other factors that influence the supply and demand of heating systems could be affected by the introduction of third party finance models?

Please provide an explanation including any evidence with your response.

No answer.

12. Please let us know (with reasons) your preference for which third party finance model (AOR, TPO or both) we should introduce with Domestic RHI.

Citizens Advice prefer the Assignment of Rights (AOR) model over that of the Third Party Organisation (TPO) as we believe it offers greater protection for the consumer because they will always own the system as well as having greater contractual control. However, it is important to note that a good degree of complexity remains that will require support for the customer. Such support should include, but is not limited to, advice regarding decisions around assignment of the rights to payment, reasonable assignment of payment splits, clarity on each of the parties obligations and reasonable maintenance schedules with costs (including managing inflation of ongoing costs).

13. Are you aware of any current or potential third party finance models that have characteristics that may not “fit” within either the TPO or AOR models outlined in this document (and that therefore may be ineligible for the Domestic RHI if only one of these models were introduced)?

Please provide details of these models.

No answer.

14. Do you think that those who finance systems but are not the homeowner should receive the same or a lower tariff than other participants in the scheme?

Please provide an explanation including any evidence with your response.

In the initial stages of rolling out the third party finance option we believe the same tariff is appropriate as there is a higher risk premium for those financing third party systems. Such a two-tier system could lead to householders who might benefit the most but can least afford to install such systems being unintentionally penalised. The tariff needs to be attractive to third party finance providers if they are to be expected to take on the risk and provide good offerings to householders, including the development of maintenance and repair services, especially those most vulnerable and off-gas.

However, we believe that it is perfectly reasonable to review this once the third party financing model has been in place for a set period of time and as such the risks and cost associated with that risk may well have fallen.

15. What additional barriers might be faced by those who wish to finance systems, but are not the homeowner? What barriers might they more easily overcome?

Please provide an explanation including any evidence with your response.

No answer.

16. What costs of capital and/or rate of return would those providing finance expect from investment in domestic renewable heat? (This information will be treated as commercially sensitive).

No answer.

17. What are the potential project development times for providers of finance on large roll-out projects?

No answer.

18. What are the potential financing/re-financing times for providers of finance on large roll-out projects?

No answer.

19. Do you have evidence or estimates that indicate that third party organisations should be counted separately towards degression triggers, potentially resulting in a different tariff over time to other ownership models?

Please provide an explanation including any evidence with your response.

While third party financing has been taken up to a significant degree in the US there are no official figures for the take up of third party financing for renewable systems in the UK. Initial figures for our upcoming report on solar PV systems 12% of respondents to our survey had systems installed via a rent-a-roof scheme while 7.1% had purchased systems using finance¹¹. For a more accurate figure, we ask that DECC requests figures from Ofgem as to the proportion of FIT payments that are paid to multi-site generators as a proxy for third party ownership.

Our view is that at this stage separate degression triggers are unnecessary and could penalise those customers unable to afford to buy systems outright or using other forms of finance. They will also add a further layer of complexity to the RHI system making it more difficult for customers to understand the differences between purchasing systems using different types of financial product.

¹¹ Forthcoming report for Citizens Advice by Future Climate & Purple Market Research analysing the Consumer experience of Solar PV installations in England & Wales (Interim survey results March 2015).

Finally, we would hope that the removal of upfront cost would help reduce the cost of systems, and therefore prompt degeneration across the market.

20. Are there any other changes which DECC should make to the degeneration system in relation to the introduction of third party organisations to ensure that it achieves its objectives of managing spending on the domestic RHI as effectively as possible?

For example could the time limit for claiming RHI be reduced for third party organisations from a year to three months from the installation/commissioning date or the heating system? Should there be a maximum number of applications from each third party per quarter?

Please provide an explanation including any evidence with your response.

Given that it is in the interest of third parties to claim their RHI as soon as possible from the date of commissioning in order to receive a potentially higher payment and avoid degeneration we think it unnecessary to reduce the time limit for claiming. However, if the tariff should reduce between installation and claiming then any potential financial impact to the consumer must be made clear prior to installation and again once the claim is made.

With regards to introducing a maximum number of applications for each third party supplier per quarter further work should be undertaken to understand what impact this might have on the quality and cost of systems installed. Citizens Advice would want to be reassured that setting limits on suppliers would not lead to reduced competition and so reduce the potential for overall downward pressure on quality system costs.

21. Are there any technologies that we should not extend third party financing to?

Please provide an explanation including any evidence with your response.

We see no reason to limit third party financing provided all technologies are covered by MCS and RECC accreditation and processes. Given anecdotal evidence of gaming of ECO funding, reported to us in our recent Call for Evidence, we recommend a higher level of audits in relation to minimum insulation standards. We are concerned that systems could be oversized, or minimum insulation standards missed, leaving consumers paying higher than expected fuel bills in the longer term.

22. Should we limit levels of deployment of third party financed models for a specific technology by capping the number of installations or budget available?

Please provide an explanation including any evidence with your response.

We see no reason to limit levels of deployment from third party financed technologies given the uncertainties around the number of installations that will be subject to third party funding from 2016 when the new framework would be expected to go live.

23. Are there any other restrictions that you would place on the technologies that can be used in third party financed projects?

Please provide an explanation including any evidence with your response.

It would be inappropriate for third party financing to be used to fund a replacement heating system where the modelled fuel bill of the system is higher than that of the current system.

In addition, we are concerned that the availability of finance means consumers are not under pressure to shop around for lower cost systems, or negotiate price. Consumers, and the RHI administrator, should have transparency over the cost of the system and the return paid to the service provider.

24. Would it be overly restrictive to only enable payments to either a single third party organisation (which might be a company or an individual investor) or to a third party organisation and the homeowner (i.e. not allowing multiple third parties to receive payments)? Why? Should there be a cap or restriction on the number of owners allowed?

Please provide an explanation with your response.

We believe it would be sensible to limit the payments to a maximum of two parties, one being the homeowner. Enabling the allocation of payments to more than two separate parties runs the risk of over-complicating the process as well as adding additional administration costs to the process.

25. If multiple owners are enabled, would a “nominated owner” system as described above be acceptable? If not, what other administrative process would you prefer, bearing in mind the need to manage costs and maintain administrative simplicity?

Please provide an explanation with your response.

We are of the opinion that the “nominated owner” system would be acceptable.

26. Should third party organisations be allowed to sell on their ownership of a heating system? Why?

Please provide suggestions on how you think this should work in practice.

While we understand that there may be circumstances in which this might be a necessary option, any permission for the third party organisation to sell on the ownership of a heating system could have serious implications. This would especially be the case if the TPO model is employed and the homeowner doesn't own the system until the end of the contract. There are anecdotal examples of homeowners with PV systems who don't know who owns their system, causing problems when they come to sell or re-mortgage their homes.

If third party organisations are allowed to sell on their ownership then it is essential adequate consumer protections are put in place and that the seller and new owner

makes Ofgem aware of the sale with the new owner registering their ownership with Ofgem. In addition, the homeowner must not be worse off due to the sale of the system to a new third party organisation. In particular, repair and maintenance services must remain in place to the completion of RHI payments.

27. If third party financing is introduced, who should complete the RHI application form?

- **The homeowner**
- **The third party organisation**
- **A combination of the homeowner and the third party organisation, each completing respective sections**

Would this differ between the TPO and AOR models?

Please provide an explanation for your answer.

A combination of the homeowner and third party organisation would be preferable in order that both parties can demonstrate they are taking this on jointly and understand their responsibilities under the scheme. This should be the same for whichever model is deployed.

28. If third party organisations are introduced to the scheme, what changes to the application and accreditation process should be made for social landlords using third party financing? Would this differ between the TPO and AOR models?

Please provide an explanation and any evidence with your response.

No answer.

29. Would you be in favour of introducing a “pre-application review” or similar process to social landlords for third party organisations as outlined above?

Please provide evidence and examples for your answer.

We agree that a pre-application review would be a sensible step and would support such a process for all third party financed systems to mitigate ineligibility risks for all consumers.

30. What other information, advice or suggestions do you have for measures to simplify and lower costs for the application and accreditation process for third party organisations?

Please provide evidence and examples for your answer.

No answer.

31. If third party financing is introduced, who should be required to meet each obligation and should any new obligations be introduced? Why? Would this differ between the TPO and AOR models?

Please consider the list of current obligations in Appendix B in your response.

If third party financing of either model is introduced the ongoing obligations should be the responsibility of a combination of the homeowner and the third party given that some of the obligations will be out of the third party organisation's control such as allowing access to the property, keeping records of biomass purchases and keeping meters in good order. The annual declarations would also need to be a combination of both the third party organisation and the homeowner but the third party could collate and submit the annual declaration in order to be sure of continued payments.

32. What changes to existing powers or additional powers do you think that Ofgem might need in order to accredit applications and administer the scheme if either AOR or TPO were introduced?

Please provide an explanation including any evidence with your response.

Citizens Advice wants to ensure that customers purchasing systems via a third party organisation have the highest standard of protection. Further work should be undertaken by DECC to establish which consumer protection legislation applies to third party organisations leasing heating systems in this way, this should include legal advice and clarity on the cancellation period and remedies to system or customer service complaints.

Ofgem should have the power to cease payments if a system is reported as not working properly. The payments should stop until the situation has been investigated and rectified. Ofgem should also have powers to support customer claims for compensation where their bills have increased due to the incorrect installation of a renewable heat system.

We would also like to see greater emphasis on the installation of insulation in properties receiving the RHI and the levels of insulation being audited. While we appreciate there is a cost to this, it could be reduced over time once evidence points to quality insulation installations being the norm.

Citizens Advice would like a full briefing on potential risks and pathways to resolution prior to the launch of such a scheme.

33. Are you in favour of Ofgem having the power to request to view contracts between the homeowner and third party organisation as part of the accreditation process?

Please provide an explanation including any evidence with your response.

We support Ofgem having this power but query why Ofgem should not be provided copies of these contracts as standard. Providing copies of contracts to Ofgem would demonstrate transparency helping to ensure that installers and third party organisations are giving consumers fair contracts and facilitating greater consumer protection. If this is not going to be the case then we believe a periodic audit of contracts should be undertaken as a minimum in order to understand what customers are agreeing to and to be able to amend the scheme as necessary as part of ongoing reviews.

34. Are you in favour of the homeowner and/or occupier of the dwelling having the right to contact Ofgem and for Ofgem to have the authority to stop payments if notified of a dispute between the homeowner and third party organisation (e.g. if the third party organisation has agreed to maintain the system but has not done so). Please provide evidence for your answer. Can you think of any other potential disputes that might require this type of action?

Please provide an explanation including any evidence with your response.

Yes, Citizens Advice considers this an appropriate consumer protection in circumstances whereby the customer is having difficulties in obtaining redress from any third party organisation. Situations in which this should be appropriate includes but is not limited to:

- Maintenance contract not adhered to by third party;
- System not working properly;
- Failure of third party to respond to customer in a timely manner regarding a system issue; and
- Failure of third party to meet obligations required for receipt of RHI payment.

We would of course expect the customer to provide evidence of such issues, and we would work with Ofgem to agree what evidence is appropriate for different issues.

35. What additional measures (if any) beyond those already in the Domestic RHI and delivered through MCS and RECC would you introduce to protect consumers? Do social landlords require different consumer protection?

Please provide an explanation including any evidence with your response.

No answer

36. To what extent do you think that the RHI scheme should regulate or restrict the contracts between consumers and third party organisations? Do you think financing packages should be allowed to include:

- **By back/out (option to terminate contracts early)**
- **Flexible duration (less than 7 years)**
- **Service and maintenance contracts**
- **Consumer protection code**
- **Restrictions around biomass use and sourcing**
- **Another option (please advise)**

Please provide evidence and examples for your answer.

Citizens Advice agrees that all of the above should be allowable within finance packages, except flexible duration, but that they should also include the following:

- Service and maintenance contracts must be reasonable setting out best practice for required servicing and maintenance, clearly setting out costs from the outset including limiting the level of future price rises to inflation only and clearly stating what the customer can expect from the service and maintenance agreement including replacement of parts and labour costs.
- Biomass use and sourcing should be restricted to suppliers from the sustainable suppliers list.

- Clearly set out the reporting responsibilities of the householder and the third party organisation.
- Ahead of the signing of any contract the third party organisation should be obligated to provide the consumer with information showing the difference in cost between their financial package compared to the upfront cost of the system if purchased outright or if purchased using other forms of finance including personal loan or extension on a mortgage. They should also provide details on the value of the RHI payments that the homeowner will forgo as part of the agreement.
- Any contract should make the consumer aware of the potential impact of the new system on their electricity bills, especially if they are moving from a non-electrical form of heating to an electrical one.
- Likely energy costs to be saved should also be shared with the householder to help them identify if there might be problems with the system.
- Any contract should also set out a clear process for redress in the event of an issue including the independent help available.

Contracts between homeowner and third party must not run contrary to consumer rights under the law.

Citizens Advice does not support flexible duration as we want maintenance and repair services to be provided under the contract.

37. Would organisations that are already offering finance under the current Domestic RHI Regulations switch to using TPO/AOR third party models if they are introduced? If not, why not?

Please provide evidence for your answer.

Citizens Advice would prefer that all organisations offering finance under the current arrangements move to using the final model introduced to ensure that customers receive a high level of consumer protection. By having all financial offerings follow the same model it will also help to build a greater level of consumer confidence in this new type of RHI product.

38. Should any consumer protection measures that are introduced for TPO/AOR third party finance models, be extended to those who continue to use existing models?

Please provide your suggestions for the best method to achieve this.

If the consumer protection measures introduced for the TPO/AOR models are of a higher standard then as far as legally possible they should be extended to those remaining on existing financing models.

39. Are you aware of any impacts on the Domestic RHI, its participants and industries or potential participants, or the wider environment that are not already listed above?

Please provide evidence and examples for your answer.

No answer.

40. Are there any other measures you think we should be considering as part of introducing third party financing into the Domestic RHI?

Please provide evidence and examples for your answer.

No answer.

Non-domestic RHI questions

41. Would the payment to a third party direct, further to an assignment of rights to payments, provide useful flexibility in the non-domestic scheme? What barriers could this help to overcome? What sorts of business model may it help/allow to develop?

Please explain your answers.

No answer.

42. What impact on deployment in the non-domestic sector might the flexibility to assign right to payments such that a third party is paid direct have?

Please explain your answer and provide evidence where possible.

No answer.

43. Are there technologies or sectors to which the assignment of rights to payments may be particularly useful, or if there are specific types of consumer in relation to which it would most likely be used?

Please explain your answer and provide evidence where possible.

No answer.

44. Are there any other factors that should be considered as part of determining whether there is a case for introducing the assignment of rights to payments into the non-domestic RHI?

Please elaborate.

No answer.