

National Energy Action (NEA) response to BEIS Consultation: ECO – Improving Customer Protections



Action for Warm Homes

About National Energy Action (NEA)

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

Living in cold, damp and unhealthy homes continues to cause shocking levels of unnecessary hardship and premature mortality. Across the UK, at least 9,700 people die each year due to a cold home, the same as the number of people who die from breast or prostate cancer³. As well as the devastating impacts cold homes have on their occupant's lives, this problem extends to all of us; needless health & social care costs⁴, queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital⁵. NEA believes dramatically improving domestic energy efficiency levels remains the most enduring solution to addressing energy affordability⁶, however, we also know other key actions are required in retail energy markets to safeguard vulnerable domestic customers, particularly those living on the lowest incomes⁷.

Our Response

Consumer Protections

Given the stated aim to target low income, fuel poor and vulnerable households; NEA believes it is paramount that beneficiaries of the scheme receive adequate consumer protections. Government have assumed that there will be no household contributions made during the course of the policy⁸, however this practice is still allowed. Although outside of this consultation, this is still a major consumer protection concern of NEA. We therefore believe that household contributions must be capped and monitored rigorously by Ofgem. This can be captured on standard forms and would be useful to determine how successful the scheme is at targeting households in the deepest fuel poverty. This was a key observation of the National Audit Office (NAO)'s 2016 investigation into the Green Deal and ECO⁹, as well as the BEIS select committee report on Energy Efficiency¹⁰.

NEA supports the Government's attempts to drive up consumer outcomes within ECO. It should also resource the enforcement of quality against this accreditation. As noted above, this should be supported by ECO obligated suppliers communicating the support that is available through ECO in more consistent and assessable formats, installers providing adequate advice to maximise the benefits of the energy saving measures being installed and ensuring suppliers and contractors highlight how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from energy saving measures under the scheme. NEA also seeks for the Government (and Ofgem) to stipulate the need for obligated suppliers to uphold their obligations to treat their customers fairly and respond to the enhanced needs of those in vulnerable situations¹¹. This can be achieved by communicating the support that is available through ECO in more consistent and assessable formats¹², provide adequate advice¹³ to maximise the benefits of the energy saving measures being installed and ensure any contractors highlight how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from energy saving measures under the scheme¹⁴. These obligations need to be adequately reflected in the contracts that suppliers have with their partners that deliver the scheme on their behalf.

Answers to Consultation Questions on Consumer Protections

Question 1 - Do you agree with the proposal for the incorporation of TrustMark into ECO3 and, in particular, for installers to have to be TrustMark registered businesses to deliver eligible nECO3 measures, with the exception of Demonstration Actions and certain District Heating Systems (DHS) measures?

Yes. We agree with the incorporation of TrustMark, for installers to be TrustMark registered businesses and that the increased financial protection requirements should apply in respect of ECO energy efficiency measures.

Question 2 - Do you agree that incorporation of TrustMark into ECO3 is sufficient to demonstrate certification and compliance with the appropriate PAS standards?

Yes, we agree that this will be sufficient.

Question 3 - Do you agree that incorporation of TrustMark into ECO3 is sufficient to allow all solid wall, cavity wall and park home insulation measures delivered under the scheme to receive the relevant standard applicable lifetime?

Yes, we agree that this will be sufficient.

Question 4 - Do you agree that underfloor and room-in-roof insulation measures should be accompanied by a 25 year or more guarantee under the scheme which not only meets the TrustMark financial protection requirements that apply to all ECO energy efficiency measures but also as a minimum meets the TrustMark "appropriate guarantee" criteria?

Yes, we agree that these should be accompanied by a guarantee that reflects the lifetime of the product as stated in the ECO deemed scores. It is important that guarantees match the stated lifetime of each product in the ECO scheme.

Question 6 Do you agree that, to the extent they would apply to demonstration actions and certain DHS measures exempt from the TrustMark requirements, the current ECO3 requirements should be updated to move to the new PAS standards (PAS 2035:2019 and PAS 2030:2019) subject to similar transitional arrangements to those set out in paragraph 15 above?

NEA does not believe that the 19 month transition period is appropriate. This length of period will result in a two-tier market, where businesses with a focus on compliance decide to comply with new standards early, whilst others use the whole period. It is likely that delaying compliance will result in a competitive advantage, meaning poorer outcomes for customers than if the transition period was shorter.

Question 7 - Do you agree with our proposed amendment to remove the 400% uplift for replacement boilers delivered outside of the broken heating system cap?

Whilst NEA understands that ECO 3 is more focussed on energy efficiency measures, and that the 400% uplift is generous, we do not believe that completely removing the uplift would result in the optimal result. Instead, we think that reducing the uplift by up to half (i.e. to 200% or higher) would provide a good balance whereby ECO continues to provide good support for replacement boilers, as there is currently no other nationwide scheme to help households whose boiler has broken and have no other way to heat their homes. It should also be noted that the overall installation rate for ECO is currently extremely low compared to previous schemes, so it is unlikely that the current rules are stopping other measures from being installed.

Question 8 - Do you agree with our proposal to change the measure lifetime assumption for first time central heating measures to 20 years?

Yes. We believe that the lifetime assumption for central heating measures should be increased to reflect their expected lifetime. This should be 20 years at the very minimum. 30 or 40 years would more adequately reflect the real lifetime of such systems.

Question 9 - Do you agree that first time central heating (FTCH) should be eligible in PRS EPC Band F&G rated properties?

Yes, we agree that the PRS MEES cost cap is not currently large enough to cover the cost of first time central heating, and so this should be allowed in PRS EPC F&G rated properties. It is crucial that this is allowed so that the PRS MEES regulations can be as effective as possible. Without it, there will be too many houses that are not upgraded sufficiently due to a cost cap that is not high enough.

Question 10 - Do you agree that first time central heating (FTCH) should be included in the LA-Flex in-fill?

Yes, we agree with this proposal

Question 11 - Do you agree with our transitional arrangements for all proposed changes?

No. We believe that there must be a thorough impact analysis on how delivery will be affected by the proposed changes before regulations are changed.

Question 12 - The Government invites views on the general requirements set out in this consultation and the illustrative draft of the amending ECO3 Order, once available.

BEIS must make a full impact assessment as to how the proposed changes will impact the delivery of the scheme. It is unclear as to whether the combined changes would result in more, or fewer, installations that we currently see in an already underperforming scheme. It is difficult to comment on the combination of packages before this information is available.

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ NEA's recent joint briefing with E3G highlighted the UK has the sixth-worst long-term rate of excess winter mortality out of 30 European countries. Over the last five years there has been an average of 32,000 excess winter deaths in the UK every year. Of these, 9,700 die due to a cold home – the same as the number of people who die from breast or prostate cancer each year. The new analysis was released on Fuel Poverty Awareness Day the national day highlighting the problems faced by those struggling to keep warm in their homes. To read the press release and the full copy of the report visit: <http://www.nea.org.uk/media/news/230218/>

⁴ In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4 billion, and the total costs to society as £18.6 billion.⁶ Research by the BRE in 2013 suggested that if all of the English housing stock with a SAP below the historic average of 41 was to be brought up to at least the current average of 51 through heating and insulation improvements, the health cost-benefit to the NHS would be some £750 million per annum.⁶ Other estimates put the costs to the NHS of energy inefficient housing at £192 million (£35 million of which was in the private rented sector). Use of the BRE category 1 calculator put the estimated private rented sector costs to the NHS at between £37 and £674 million depending on SAP rating and occupancy level.

⁵ Elliot AJ, Cross KW, Fleming DM. Acute respiratory infections and winter pressures on hospital admissions in England and Wales 1990-2005. *J Public Health (Oxf)*. 2008 30(1):91-8.

⁶ NEA stresses to the UK Government the central importance of domestic energy efficiency remaining the most enduring solution to achieve collective goals; ending fuel poverty, a successful industrial strategy⁸, supporting small business growth in every region, helping to achieve carbon emissions reductions, improving local air quality, reducing health & social care costs whilst providing real benefits to households who are struggling financially. In this context, NEA has warmly welcomed the publication of the National Infrastructure Commission's (NIC) interim National Infrastructure Assessment (NIA). The interim NIA rightly identifies the need to urgently address the energy wastage in UK homes and states dramatically enhancing energy efficiency must be a key national infrastructure priority. NEA is also an active member of the Energy Efficiency Infrastructure Group who strongly support this approach. This approach is also currently supported by a growing number of Non-Departmental Public Bodies, academics, industry and NGOs. They all highlight why ending cold homes and reducing needless emissions via improving domestic energy efficiency must be a priority; no other form of investment can deliver so much.

⁷ NEA highlights that net disposable income after housing costs of a low income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.

⁸ BEIS ECO 3 Consultation Stage Impact Assessment, page 28 notes that given ECO 3's focus on low income, vulnerable and fuel poor households BEIS no longer assumes that householders' will continue to co-fund measures.

⁹ Ibid. NEA has also previously stated that improved transparency on this issue could be achieved with little additional administration in the short-term alongside the existing sign off process. It simply requires the supplier or contractor to record whether any contributions have been sought from the householder (and for which different energy efficiency measures and how they are paid for). The scheme administrator can then undertake a small follow up audit across different measures and geographic areas to make sure this information was accurate, then share this information so it is possible to advise households on whether different contributions are proportionate or whether a householder (or landlord) is being misled. Collecting this information in a predictable, periodic manner is critical to BEIS in order to determine accurate on-going delivery costs and whether to end contributions all together. As noted in our response, that this was key observation and recommendation of the National Audit Office (NAO)'s investigation into the Green Deal and Energy Company Obligation (ECO). This report stated there were "significant gaps in the Department's information on costs, which means it is unable to measure progress towards two of its objectives. The Department collects some cost information from households, suppliers and the brokerage platform. But the information does not show households' contribution to measures installed under ECO, nor how much each measure has cost suppliers. This means the Department cannot track accurately whether it is achieving its aims of improving harder-to-treat homes more efficiently and getting households to bear more of the cost of measures".

¹⁰ BEIS Select committee report 'Energy efficiency: building towards net zero' - <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

¹¹ These principles are set out in the Standards of Conduct (SLC 0 and SLC 0A). These are enforceable overarching rules aimed at ensuring licensees, and their representatives in the case of domestic suppliers, treat each domestic and microbusiness customer fairly. These broad principles relate to how suppliers behave, provide information, and carry out customer service processes. In the case of domestic consumers, the Standards also relate to how suppliers seek to identify each consumer in a vulnerable situation and respond to their needs.

¹² Whilst there is some information provided on what support ECO provides by energy suppliers, a number of Government-sponsored websites, consumer organisations, statutory bodies and charities etc, NEA believes there is a need to ensure that material is clear and consistent, does not confuse those in need of advice and that support on more complex issues is readily available and suitable for all households. The sources of advice discussed above are too numerous for an overall assessment within this response however BEIS should establish the extent to which current sources of information meet the criteria of comprehensive, impartial advice tailored to individual circumstances including the needs of low-income and vulnerable households, those who don't speak English as a first language, those with limited financial capability, limited internet access and where tenure and a landlord's stipulations require onward consent

¹³ The Energy Saving Trust has produced guidelines on providing effective advice to tenants. Energy Saving Trust, Guidance on Energy Efficiency Advice to Tenants, London: Energy Saving Trust, 2007 says that if advice is to be effective it needs to be specific to individuals and their circumstances and the distribution of general information (e.g. leaflets) is not considered to be energy advice. The areas where residents regularly need advice on installations are as follows; if the new system is replacing the main heating source (for example a heat pump is installed) it is necessary to explain not only the operation of that specific technology but the full system, including implications of changing controls (for example, how to work the programmer, setting room thermostats). If the new system is expected to save the household money, the advice/advice provider should be able to explain this in the context of the individual, for instance, how the new system will require changes in paying for fuel (for example, the most appropriate tariffs, changes to the amount the householder may have to pay through direct debit, to what extent the new technology will require a household that is off the gas grid to reduce or stop the delivery of solid or liquid fuels). The advice/advice provider should also be able to explain running costs of the new

system (for example, expected savings, inclusive of any expected comfort taking, the costs of servicing, the cost of using electric boost functions and how this might vary depending on the time of day/tariff and/or any need for supplementary electric heaters). The advice/advice provider should also be able to offer further advice and support (for example, other low-cost and no-cost measures that could be adopted, local and national grant and discount schemes, or who to contact for further advice or repairs. The advice/advice provider should offer follow-up visits/helpline for those customers who need further help after the installation process. Where advice of this nature is provided directly the practical results are hugely positive. Through the provision of advice, there is a key opportunity to both amplify the benefits of the technology and to maximise the experience of the initiative/programme that helped finance the project in general (Feed-in Tariff scheme, Renewable Heat Incentive, ECO or a local initiative). This in turn can have a positive impact on the take up of these schemes amongst friends, family and neighbours etc.

¹⁴ Energy suppliers offer a range of services but these are often poorly promoted as part of ECO by obligated parties or their suppliers and contractors. Without adding costs to the ECO scheme, obligated parties and their suppliers and contractors should be able to provide information on how households can register for priority services, get the best energy tariff, check if they can receive the WHD and hence benefit from the Safeguard Tariff, make a meter reading, benefit from a smart meter, how to maximise their income, contact their supplier to discuss energy debt, benefit from a carbon Monoxide alarm or free gas safety check.