

The Green Deal and Energy Company Obligation

Consultation Document

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General information

Purpose and context of this document

The Energy Act 2011¹ made provisions for the development of a Green Deal and a new Energy Company Obligation (ECO) to replace the existing Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP), which will both expire in 2012. The development of the Green Deal and ECO reflects the urgent need for a step-change in our approach to energy efficiency in existing domestic and non-domestic buildings. This will be critical to meeting our carbon emissions and fuel poverty targets.

This document has three main purposes:

- to explain the context for the development of the Green Deal and ECO;
- set out our proposals for the Green Deal and ECO and;
- highlight key issues, for consultation.

Alongside this consultation document we have published a number of other documents to give respondents the fullest possible understanding of analysis to date. These are:

- a detailed draft impact assessment
- the outputs of a number of customer insight studies commissioned by DECC which indicate the likely demand for Green Deal and the opportunities for higher take-up – the results of which have already been used to refine the policy proposals in this document and built into our economic model (used for the impact assessment).
- draft statutory instruments (SIs) and a draft of the Code of Practice for assessors, installers and providers, together with draft amendments to energy company licences and industry agreements and the draft Green Deal Arrangements Agreement. These are necessarily working drafts as we continue to consult on the policy but we are sharing them now to help illustrate how the current proposals might be reflected in legislation. They will need to be revised in accordance with the outcome of the consultation before being finalised and (in the case of the SIs and Code of Practice) laid before Parliament. We are also required by the Energy Act 2011 (and relevant earlier legislation) to consult on our proposals for ECO and on proposed licence and industry agreement modifications, and this consultation exercise gives effect to that requirement.

¹ A copy of Energy Act 2011 is available here
http://www.decc.gov.uk/en/content/cms/legislation/energy_act2011/energy_act2011.aspx

We would like to hear from a wide range of stakeholders including, in particular, organisations with an interest in operating within the proposed framework, and members of the general public who might be considering investing energy efficiency. The output from the consultation will help inform secondary legislation on both the Green Deal and ECO.

We will participate in a number of stakeholder led events in England, Scotland and Wales during the consultation period. In addition, we will host sector specific workshops. For more information on dates and venue of these events please see our website. For up-to-date news on the progress of the Green Deal and ECO, you can join our stakeholder mailing list at http://www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx.

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Respond by: 18 January 2011

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Territorial extent

This consultation is for England, Wales and Scotland.

How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments are also welcome. Where possible we would be grateful for evidence to support your views and proposals. When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.

We would prefer if you respond to the consultation online at:
https://econsultation.decc.gov.uk/decc-policy/green_deal_eco/

If you are unable to use this medium, a copy of the consultation response form is available electronically at www.decc.gov.uk.

Electronic responses can be emailed to:
greendealandecoconsultation@decc.gsi.gov.uk

Hard copy responses can be sent to the address above.

Additional copies

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Electronic copies of the consultation document, draft statutory instruments and impact assessment can be found on DECC's website at:
<http://www.decc.gov.uk/en/content/cms/consultations/>

Other versions of the document in Braille, large print or audio-cassette are available on request. Please contact us using the above details to request alternative versions.

Confidentiality and data protection:

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please make this clear when you send your response to the consultation. It would be helpful if you could explain why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as a confidentiality request.

We will summarise all responses and place this summary on our website at www.decc.gov.uk/en/content/cms/consultations/. This summary will include a list of names of organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance:

This consultation has been carried out in accordance with the Government's Code of Practice on consultation, which can be found here:

<http://www.bis.gov.uk/files/file47158.pdf>

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

DECC Consultation Co-ordinator

3 Whitehall Place

London SW1A 2AW

Email: consultation.coordinator@decc.gsi.gov.uk

Acronyms and abbreviations

APEL	Accreditation of Prior Experiential Learning
AW	Affordable Warmth
BIS	Department for Business, Innovation and Skills
BOE	Bank of England
BRE	Building Research Establishment
BSI	British Standards Institute
CCA	Consumer Credit Act
CCD	Consumer Credit Directive
CE	Conformité Européenne (European Conformity)
CERT	Carbon Emissions Reduction Target
CESP	Community Energy Saving Programme
CPD	Continuing Professional Development
CPI	Consumer Price Index
CO ₂	Carbon Dioxide
DCLG	Department for Communities and Local Government
DCUSA	Distribution and Connection Use of System Agreement
DEA	Domestic Energy Assessor
DEC	Display Energy Certificate
DECC	Department of Energy and Climate Change
DIY	Do It Yourself
ECO	The proposed new Energy Company Obligation
EOS	Energy Ombudsman Service
EPB	Energy Performance of Buildings
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificate
EU	European Union
FMB	Federation of Master Builders
FOS	Financial Ombudsman Service
FSA	Financial Services Authority
GB	Great Britain
GDAA	Green Deal Arrangement Agreement
GDAR	Green Deal Advice Report
GHG	Green House Gas
HVAC	Heating Ventilation and Air Conditioning
INCA	Insulated Render and Cladding Association
LATTS	Local Authority Trading Standards Services
MAC curve	Marginal Abatement Cost curve
MRA	Master Registration Agreement
MtCO ₂ e	Million Tonne Carbon Dioxide Equivalent

NOS	National Occupation Standards
Ofgem	Office of Gas and Electricity Markets
OFT	Office of Fair Trading
RdSAP	Reduced data Standard Assessment Procedure
RPI	Retail Price Index
SAP	Standard Assessment Procedure
SBEM	Simplified Building Energy Model
SME	Small and Medium Enterprises
SWI	Solid Wall Insulation
SWIGA	Solid Wall Insulation Guarantee Agency
UCPD	Unfair Commercial Practices Directive
UKAS	United Kingdom Accreditation Service
USA	United States of America
UTCCR	Unfair Terms in Consumer Contracts Regulations
VAT	Value Added Tax
WAG	Welsh Assembly Government

Preface

Upgrading the future of British homes and offices: families and businesses insulated from rising prices

British property is amongst the leakiest in the Western world. Too many people work in energy wasting offices or put up with ever rising domestic energy bills just to keep the living room liveable. That is uncomfortable and unaffordable for them and unsustainable for the environment.

The vision for the Green Deal and the new Energy Company Obligation (ECO) is an ambitious and far-reaching one. It's a world where the UK leads with a dynamic new energy efficiency market, with nationwide brands, local businesses and community organisations competing to deliver the best proposition for the consumer.

The Green Deal will put consumers back in control. By 2020, we will have seen a revolution in British property. Millions of us will live and work in greater comfort, through upgraded and insulated properties which do not cost the earth to heat, with smarter controls and meters helping us manage our energy use, and generating our own heat or electricity. Fewer of us will struggle with our fuel bills, unable to reach basic standards without spending a huge proportion of the weekly budget. And for many people this will mean a more attractive home – modern measures like external solid wall insulation can transform a tired pebble dash terrace into a tidy, smart façade; internal measures can be the catalyst for new render or repainting; replacing an inefficient boiler can be done easily whilst renovating the kitchen.

Because the Green Deal will reduce energy consumption, many more households will be able to hold down their energy bills even as energy prices continue to rise. Because the Green Deal is about catalysing private investment, it will boost growth and stimulate the economy.

For the country as a whole, properties leaking heat and money are also properties leaking carbon. The central rationale for the Green Deal is to reduce carbon emissions cost effectively. We know insulation is often the most cost-effective way to reduce carbon emissions from buildings. It is also often one of a package of improvements, including heating measures, needed to lift a family out of fuel poverty. Consumers will therefore be encouraged to take out a comprehensive package of measures. These measures should equip homes for the low-carbon future of 2050.

This is the vision for the Green Deal and ECO:

- i. An innovative policy designed around consumers;

- ii. A new, open and dynamic market for businesses; and
- iii. Investment driving economic growth;

Resulting in:

- iv. Less carbon emitted
- v. Fewer families in fuel poverty
- vi. Improved homes

i. Designed around consumers

Many energy efficiency measures save money straight away – so what is stopping us? Our research shows that people are unable to act because they cannot afford the upfront costs or they are unsure whether they can trust the quality of work. Previous Government schemes have been too top-down to take account of what consumers actually want. Green Deal changes all that. At its heart is an innovative new financial mechanism which eliminates upfront costs and provides reassurance that the costs should be covered by the savings. Allied to the finance are strong consumer protections including a Government-backed system of accreditation for impartial assessment, reliable measures and quality installation. Above all it will be consumer-led, creating a new and open market in which a diversity of firms will compete for consumer demand.

Upfront costs

Enshrined in the Energy Act 2011, the Green Deal allows for private companies to offer upfront energy efficiency investments and then recoup payments through energy bills. This simple idea has a significant effect. It means that consumers face no upfront costs, and also means that they only make the payments whilst they stay at the property, able to enjoy its benefits. As the charge is added to the electricity bill, it stays with the property and is taken on by the new bill payer as they move into their improved home. The Green Deal "Golden Rule", set out in legislation, specifies that any charge attached must be less than the expected savings from the retrofit (see chapter 4 for more detail). So the customer gets a cosier, more efficient home, at no upfront cost, that is expected to pay for itself.

Of course, not every measure will pay for itself for every household. Some homes, due to their construction type, are more complex and more expensive to improve and need measures like solid wall insulation which may not always meet this Golden Rule. Extra funding will be needed to make them affordable. Plus there are many low income and vulnerable households who cannot afford to heat their homes properly at the moment. These homes will benefit from measures like insulation and new heating systems not so much by saving money on their bills, as by ending up

living in warmer, healthier homes. To help the poorest and most vulnerable households, extra financial support will be needed.

That is why, as part of the new Green Deal landscape, the Government is putting in place ECO. Under this scheme the big energy suppliers will be legally obliged to provide exactly the kind of extra support that is needed to make sure that hard to treat homes, and the lowest income and vulnerable households, can benefit from the new arrangements.

Trust in the work

The second issue is the customer concern about the work itself. The Green Deal establishes a robust system stretching from the adviser who does a bespoke property assessment, to the measures recommended, to the installer who installs them, and the Green Deal plan which establishes the finance repayments alongside appropriate customer service guarantees. Each of these links in the chain is backed up by accreditation to give the customer the peace of mind they need. In particular, all Green Deal participants will need to carry a Quality Mark so that customers can see they are accredited to the standards of the Green Deal Scheme.

Awareness

Finally, and crucially, many people are simply not aware of the options. They do not know what could be done to their property or what a difference energy efficiency could make to their bills. Advertising campaigns have struggled to raise awareness effectively. However, the Green Deal changes the landscape. . It enables consumers to choose suppliers which can be held to the standards of the authorisation schemes, and to fund work using a new source of finance. For businesses, it opens up the energy efficiency market and potentially the micro-generation market too so they can use these innovations to offer exciting new packages to consumers. This is no longer the domain of energy companies dealing in light bulbs. Instead, this is a market where your local plumber, DIY chain or department store can get involved in promoting energy efficiency and low carbon energy generation. They might offer roof insulation alongside your boiler replacement, or suggest solid wall insulation when you're thinking about redoing the garden, or a full house retrofit when you're planning your kitchen upgrade. Businesses will be able to use their knowledge of their customers to offer them a tailored service, at a point in time which suits them. Alongside this, we will ensure there is an impartial advice service online and by phone so potential customers can turn to it as an impartial provider of answers to their questions, and a way of checking information they have been given. This advice will cover the various possible micro-generation technologies as well as energy efficiency measures.

Customer-led

The key to Green Deal is its diversity and flexibility. All Green Deal customers will benefit from a comprehensive and impartial assessment of their property, and will be able to shop around between different offers in the market place. Research told us some customers wanted to be able to part-pay capital costs upfront or top-up their investment. So under our proposals, customers can use the new Green Deal finance to pay for energy efficiency measures up to the limit of the golden rule or they can use it alongside their own investment where they want other home improvement measures which aren't expected to generate savings on their energy bill. ECO support will be available to support the availability of measures such as solid wall insulation, which is currently more expensive. Research also told us that some customers wanted the reassurance of being able to repay the Green Deal early; our proposals include this option whilst minimising the overall cost of finance.

Green Deal is also designed to enable firms to provide an integrated customer offer alongside other home improvement measures and potentially microgeneration measures which could be identified through the impartial assessment. The customer journey is designed to make it easier for customers to make confident decisions about upgrading their homes and offices. For some people, that means they will start off having a leading interest in replacing an old boiler or even replacing their kitchen or windows but be encouraged to look at a full range of improvements through impartial assessment and the availability of Green Deal finance to fund some of their costs.

This joined up customer proposition also extends to other Government financing schemes. Alongside Green Deal funded installations, we are confident many providers will offer other low carbon measures such as renewable heating and hot water systems (heat pumps, solar thermal panels) and on-site electricity generation. These would be supported by separate financial incentives which are already in place or are currently being put in place.

Needless to say, in order to make the customer journey as simple as possible, the complex behind-the-scenes detail needs to be right – that is why this consultation is structured around every step of the customer journey.

ii. A new market

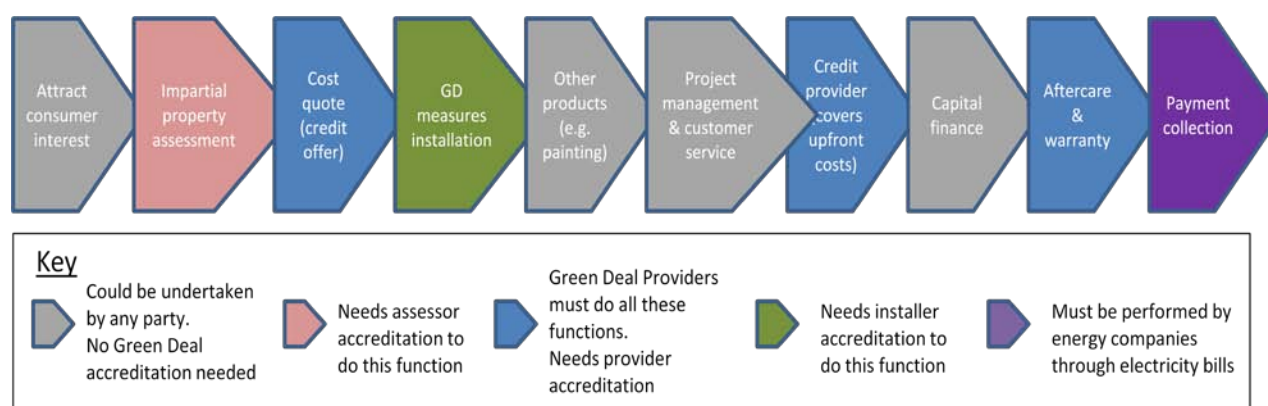
Green Deal can be a great offer for customers; it is also a great opportunity for firms to compete in a new market. Our analysis indicates that the Green Deal and ECO will drive billions of pounds of investment in energy efficiency measures over the next decade. We have been encouraged by the wide range of firms – large and small, specialist and generalist – as well as local authorities, social landlords, and third sector organisations who have engaged with Government over the last year and a half. We anticipate a diverse market with many different organisations playing

their parts. We will be looking at the impact on and take-up by micro-businesses of the Green Deal.

The Green Deal will only realise its full potential if the market is truly open and competitive, enabling both established players and new entrants to innovate around customer needs. That is why we are not proposing to mandate a single business model which all providers have to undertake. Other than the largest energy companies who will be mandated to collect payments, our approach is to:

- Protect customers by requiring work to be preceded by an impartial assessment by an accredited assessor, and undertaken by an accredited installer as a precondition of entering into a Green Deal plan;
- Require the appropriate level of accreditation for the function delivered;
- Allow organisations to decide for themselves which of these functions they want to perform and to decide which other organisations to partner with.

Diagram 1: summary value chain illustrating those functions which require additional Green Deal accreditation and those covered by existing consumer rights legislation.

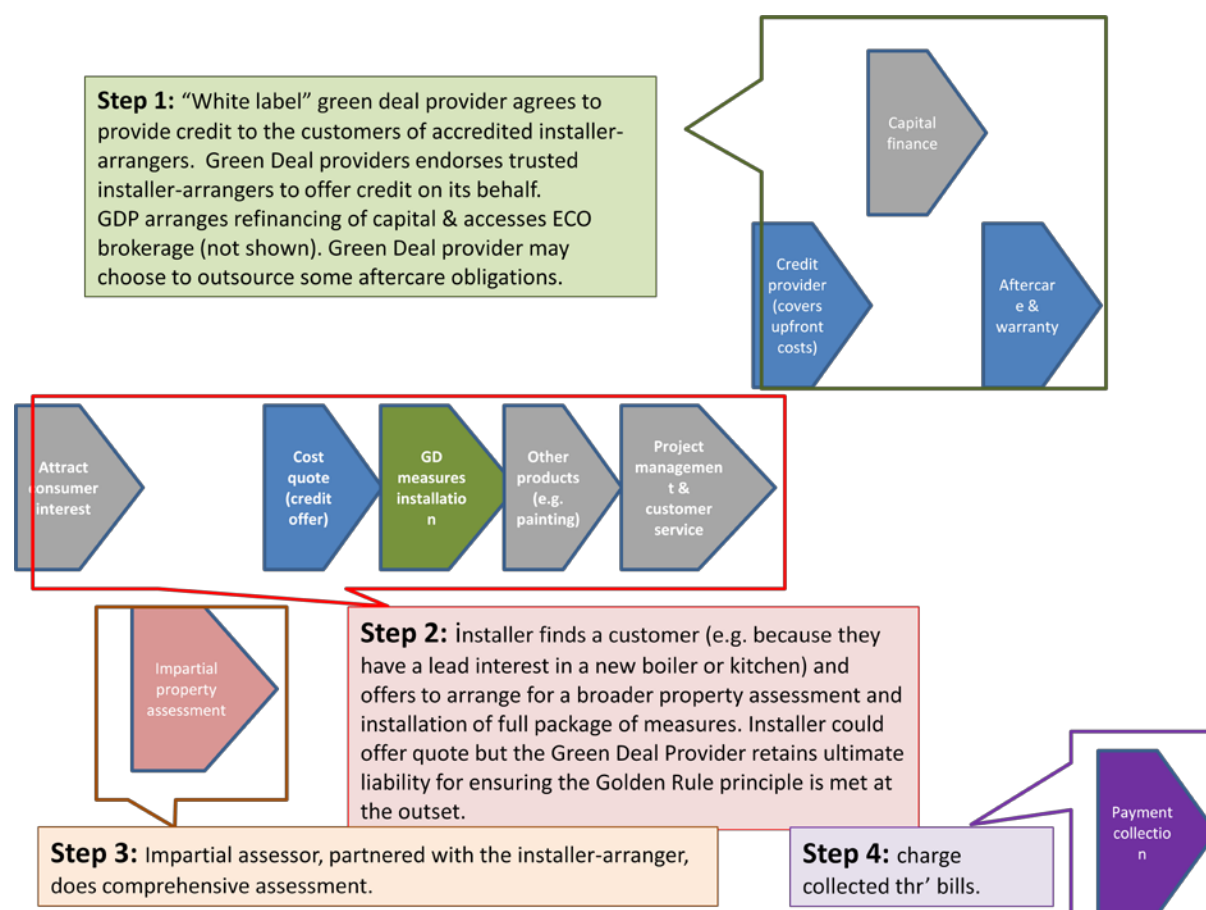


Of course, some firms will want to deliver every part of the value chain in-house through their own staff. Others will wish to specialise in one function at which they excel and partner with other specialist organisations to deliver other functions, as illustrated by Diagram 1.

One example might be a specialist installation firm which is very good at finding customers and fitting measures, but does not want to be a credit provider. Diagram 2 illustrates how as many as four or five different organisations can work together to deliver all parts of the value chain. The specialist installer concentrates on working with the customer to arrange work and on installing the full range of measures. The Green Deal provider concentrates on providing credit to customers, including accessing wholesale funding from the capital markets, brokered by the installer-arranger. This could be a "white label service", that is, able to be rebranded for marketing by another company. And, in this example, a separate firm undertakes the

impartial assessment – this could either be a contractor of the installer-arranger or a third party like a local authority or charity.

Diagram 2: Possible partnership model with specialist installer-arranger (red box) and specialist white label Green Deal provider (green box).



Opening up the market

This consultation sets out the steps we are taking to deliver the vision of a truly open and competitive market. Two of these are especially important:

- **Greater transparency and access to the support provided by the ECO, through a new "brokerage" function.** In many cases a Green Deal offer to the customer will need to include both Green Deal finance, and a measure of support from the new ECO. It's crucial that these two sources of finance can come together smoothly, and that all Green Deal providers can have confidence that, if they are putting together a genuinely value for money offer, they will have a fair chance of bringing in this ECO support. We are therefore proposing a brokerage function, where the needs of Green Deal providers to attract extra finance can be matched with offers of financial support from the ECO companies, on a fair and transparent basis.

- **Working with financial institutions to open up finance to the whole Green Deal market.** Green Deal providers will need access to substantial capital in order to offer improvements at no upfront cost repaid through a long-term charge on the electricity bill. We have engaged with a wide range of institutional investors like pensions funds, asset managers, and banks on developing long-term cashflow created by Green Deal that is low risk and financeable at scale. For example, we ran a series of roundtable discussions in the City of London earlier this year to discuss the viability of Green Deal as a financial investment and to develop thinking on issues such as the allocation of customer default risk.

Consultation with the finance community and potential Green Deal providers gives clear evidence that the provider market will look for off-balance sheet financing, and the ability to access finance from the capital markets, for example through the onward sale of Green Deal payments (e.g. securitisation of Green Deal receivables). Securitising Green Deal receivables will enable pension and insurance funds to invest in the Green Deal and in turn secure a low risk, long term income stream. The cost of raising finance from the capital markets will largely depend on how the level of risk associated with a Green Deal security is assessed by credit rating agencies, rather than the overall strength of a provider's balance sheet. Our engagement with the financial sector gives us confidence that finance can be raised at rates significantly lower than the cost of an unsecured personal loan. It also means that accredited providers should be able to raise finance on similar terms. We will continue to work with providers and financial institutions to monitor the supply of commercial finance to providers.

iii. Investment drives growth

Reinvigorating the market is good for customer choice but it is also good for economic growth. Rather than another government expenditure programme placing a drag on the economy by crowding out an efficient and competitive private sector, Green Deal is designed to draw in greater investment. Under the scenarios set out in our impact assessment, we estimate that over the next decade the market will have delivered billions of pounds of investment, sustaining hundreds of thousands of jobs.

Within the commercial sector, Green Deal could drive greater energy efficiency, allowing the same level of energy services to be produced for less energy input. Energy efficiency can enhance productivity for businesses, boosting competitiveness. As our impact assessment demonstrates, there is potential for resource efficiencies (including energy efficiency) which could save business £1.06 billion through the take-up of low or zero cost measures which pay back within a year.

iv. Reducing carbon emissions, improving energy security and supporting vulnerable customers

For all its customer benefits, Green Deal and ECO are underpinned by a pressing public policy rationale. The fundamental objectives for the Green Deal and ECO are to increase energy efficiency to drive reduced carbon emission, reduce dependence on scarce and volatile imported energy, and to help low income and vulnerable households to reduce energy costs and escape fuel poverty.

Carbon emissions

Climate change is one of the greatest threats to both UK and global security and prosperity. There is an overwhelming scientific consensus that climate change is happening, and that it is very likely to be primarily the result of human activity.

Without action to curb emissions, there is a very high risk of global warming reaching well beyond 2°C relative to pre-industrial times. Such unmitigated global warming would increase the risk of accelerated or irreversible changes in the climate system, such as initiating melting of the Greenland and West Antarctic ice sheets, leading to major sea level rise, or the release of large natural stores of methane from oceans or melting permafrost, which could cause further warming.

Our approach to avoiding the risk of dangerous climate change has at its heart the Climate Change Act 2008, which requires the Government to reduce greenhouse gas emissions by:

- Cutting emissions by at least 34% by 2020 and 80% by 2050 – below the 1990 baseline;
- Setting and meeting five-yearly carbon budgets for the UK during that period; and
- Requiring that those carbon budgets be set three budget periods ahead – so that it is always clear what the UK's emissions will be for the next 15 years – and setting the trajectory towards the 2020 and 2050 targets.

Devolved administrations also have ambitious targets. For example for Scotland the Climate Change (Scotland) Act 2009 sets a target to reduce greenhouse gas emissions by 42% by 2020 and 80% by 2050 (using a 1990 baseline). Wales' Climate Change Strategy confirms the Welsh Government's commitment to reduce greenhouse gas emissions by 3% per year from 2011 in areas of devolved competence (using a 2006-10 baseline).

Energy efficiency is one of the most cost-effective ways of tackling these challenges. The cheapest energy is the energy we do not use, and in a world of increasing

energy prices, market volatility and reliance on imports, being efficient with our energy has never been more important. All customers and businesses are looking to see how they can reduce their monthly bills, and energy efficiency is the obvious first choice.

The natural place to start is the UK building stock, which is among the most inefficient in the world and contributes a sizeable proportion of UK emissions. Emissions from buildings (non-domestic and domestic) were 93 MtCO₂e direct and 111MtCO₂e indirect (from electricity consumption) in 2009. This was 43% of total UK emissions in 2009. Carbon budgets will not be able to be met without reductions in emissions from the built environment. Energy efficiency could save 131 MtCO₂e (51 traded, 82 non-traded) and therefore contribute significantly to the UK emission reduction targets.²

The UK has one of the oldest housing stocks on average of any country in the world. 75% of non-domestic buildings were built before 1985, and nearly one third before 1940. We have lower energy efficiency for heating space than many other European countries, even allowing for outside temperature.

We know we need to reduce our emissions in order to combat dangerous climate change and meet the important targets of the Climate Change Act which take us towards a low carbon future. It's an opportunity for the UK to show leadership in innovation, and the Green Deal and ECO policy is a world first in reducing carbon.

Maintaining Security of Energy Supply

A core function of the government is to ensure that the UK has secure, clean and affordable energy, so that consumers and businesses have reliable light, warmth and fuel when they need it. However, the UK faces a series of risks to energy security, which are often global in nature. Increasing fuel costs means that we can no longer ignore the problems created by the energy inefficiencies of the UK building stock.

The UK is increasingly dependent on fossil fuel imports, with the result that the UK is becoming more exposed to risks from rising global demand, limitations on production and price volatility. These risks are unlikely to diminish in the short or medium term. Between 1998 and 2008, the UK became a net importer of gas and oil. Net exports of 60 Mtoe in 1998 became net imports totalling 30 Mtoe in 2008. This equates to UK production of oil and gas falling from 134% of national demand in 1998 to only 83% of demand in 2008. Recent published projections put this ratio at only 52% in 2020³.

² See Green Deal and ECO Impact Assessment (23 November 2011)

³ https://www.og.decc.gov.uk/information/bb_updates/chapters/production_projections.pdf

Making our buildings more energy efficient would help reduce UK energy consumption and demand. By reducing our demand for energy it would be easier to satisfy our fuel needs; it would reduce our dependence on imports of fossil fuels; and it would reduce our exposure to fuel price volatility.

Fuel poverty

Increasing numbers of families and households are struggling to pay their energy bills and stay warm. We estimate that this year up to 4.1m households will be in fuel poverty in England alone. Recent energy price rises are likely to have pushed even greater numbers into fuel poverty, potentially damaging households' quality of life and health, which can have wider costs for society. We are committed to tackling fuel poverty and supporting vulnerable customers to heat their homes at an affordable cost.

Household energy efficiency is a key factor. Fuel poor families face a choice of living in the cold, experiencing physical and social detriment as a result, or coping with unnecessarily high energy bills, caused by poorly insulated inefficiently heated homes. The cost of the measures needed to improve the fabric of the household often present a barrier to up-take, alongside social barriers which can affect households' ability to engage with commercial offers.

The Affordable Warmth target within ECO, introduced under the Energy Act 2011, will require energy suppliers to assist low income and vulnerable households by providing them with measures they need to stay warm and healthy, helping them to move out of fuel poverty on a sustainable basis. The Green Deal and ECO, particularly the Affordable Warmth obligation, will be a key strand of our strategy to help address the needs of low income and vulnerable customers from 2012 and to make further progress on tackling fuel poverty.

We announced in October 2010 that an independent review should be carried out to take a fresh look at the fuel poverty target and definition. We wish to focus available resources where they will be most effective in tackling the problems underlying fuel poverty. On 14 March 2011 the Secretary of State for Energy and Climate Change, Chris Huhne MP, announced that Professor John Hills had been requested to undertake this review. The Review published an interim report on 19th October 2011 and will publish its full findings in early 2012.

Thank you

It is unusual to *start* a consultation with a thank you to a broad range of stakeholders who have helped shaped our proposals. However, Green Deal and ECO have been developed collaboratively over the last eighteen months with a wide range of organisations, including:

- Regulators
- Local Authorities
- Energy companies
- Trade bodies
- Consumer groups
- Property owners
- Estate agents
- Finance companies
- Potential Green Deal providers
- Manufacturers
- Assessors
- Installers

In particular, we have benefitted from the work of a number of standing Green Deal Forums and working groups on finance and the energy company collection mechanism. For more information on the work of these groups and how to stay in touch with the Green Deal as it develops, please see the DECC website at: http://www.decc.gov.uk/en/content/cms/tackling/green_deal/gd_stakeholder/gd_stakeholder.aspx. We look forward to reading your comments on the proposals in this consultation, which will be used to help refine the statutory instruments.

A joint effort

This consultation has been developed with significant input from the Devolved Administrations in Scotland and Wales with the aim of seeking to ensure that, as far as possible, the UK Government's proposals reflect the unique legislative and social landscapes of these nations. The Devolved Administrations will continue to be involved in developing our proposals throughout the consultation and during their implementation.

Executive Summary

Our proposals

1. Although cost-effective abatement measures to tackle energy inefficiency are available in both the domestic and non-domestic sectors, we have Found that there are currently a range of market failures and barriers (see Preface) that prevent the uptake of these abatement measures. The Green Deal and ECO framework has therefore been specifically designed to address several of these market failures and barriers. It has also been designed to create additional incentives to drive demand.
2. The components of the framework are:
 - a government backed remote information and advice;
 - accredited and impartial advice and assessment of properties;
 - an accreditation framework for measures and products; supply chain analysis, and intervention to help create capacity;
 - an accreditation framework for finance providers;
 - low cost finance for energy efficiency measures
 - support through ECO for owners of hard to treat properties who might otherwise not be able to take up Green Deal finance
 - support through ECO for vulnerable and low income households for whom energy performance improvements would help heat their homes more affordably;
 - consent, disclosure and acknowledgement of Green Deal measures;
 - an accreditation framework for installers;
 - provision for collection of finance repayments through the electricity bill and remittance to Green Deal providers or nominated finance providers;
 - partnerships and localised delivery of the Green Deal and ECO to ensure that Green Deal finance and ECO support are seamlessly combined behind the scene;
 - a consumer protection regime to ensure that consumers are protected at every stage through the Green Deal and ECO journey;
 - ECO targets set at a level that will enable delivery against our objectives without overburdening energy companies and bill payers and;
 - monitoring and evaluation to inform future policy development.
3. We are aware that effective oversight of the Green Deal and ECO will be essential to ensure that customers are protected and that the activities of Green Deal participants are monitored to gather useful information on performance that could help improve delivery and help inform future policy. For this reason we are

proposing to appoint an independent body to monitor and oversee the activities of the different participants to the Green Deal and an ECO administrator to monitor and oversee the activities of energy companies in achieving their respective targets under the new ECO. Both bodies would be able to recommend Secretary of State action, where necessary.

4. The Green Deal oversight body will have the following functions:
 - overseeing the register of authorised Green Deal assessors, products, providers and installers;
 - dealing with applications for authorisation of Green Deal providers;
 - managing and monitoring compliance with the Code of Practice;
 - issuing managing the use of the Green Deal Quality Mark;
 - providing up to date details on authorised assessors, products, providers and installers to the advice line in England and Wales and separately in Scotland;
 - Managing advice, referrals and redress when something goes wrong; and
 - overseeing the Green Deal Arrangements Agreement (GDAA).
5. The ECO administrator is likely to have functions on the following lines:
 - determining which suppliers are within the scope of the obligation and calculating their obligations (in accordance with formulae set out in the ECO Order);
 - producing detailed guidance to energy suppliers on compliance with the Carbon Saving and Affordable Warmth targets within the scheme, including eligible measures and scoring of measures;
 - advising on suppliers' proposed schemes, where requested to do so;
 - checking and confirming activity undertaken by energy suppliers, and banking this activity to count towards each company's carbon and cost saving obligations;
 - auditing suppliers to check appropriate procedures and systems are in place to ensure that work carried out meets the scheme rules and to guard against fraud;
 - investigating breaches and taking enforcement action, where necessary; and
 - management of data and reporting as specified in the Order.

Government backed remote advice service

6. The Government will support a remote advice service which will consist of a telephone line and website. This will provide: independent and impartial information and support to consumers, businesses and the public sector; referral to accredited Green Deal assessors, installers and providers, and act as an entry point for those who may be eligible for extra support through ECO (see Chapter

- 5). It will also provide advice and referral to assist customers if something goes wrong that cannot be fixed by the Green Deal provider.
7. The advice service will be staffed with appropriately trained advisors who will also provide advice on wider energy efficiency topics e.g. Renewable Heat Incentive and Feed in Tariff. The Green Deal Code of Practice will require all professionals operating under the scheme to inform their customers about this government backed remote advice line and website. Any information or promotional materials supplied around the Green Deal must include the contact details of this independent advice service.

Accredited advice and assessment of properties (Chapter 1)

8. A qualifying assessment (hereafter referred to as a Green Deal assessment) of the fabric and use of a building (domestic and non domestic) is the entry point into the Green Deal. It will not be possible to enter into a Green Deal finance arrangement or install any measure under the Green Deal banner without a Green Deal assessment. The Green Deal assessment is designed to ensure that measures installed in a building are recommended as the most suitable for that building and can improve the energy and thermal performance of that building enough to be eligible for Green Deal finance. The assessment process also helps identify households that may be eligible for further support under the proposed ECO affordable warmth target.
9. A Green Deal assessment can only be carried out by an authorised Green Deal advisor, who for the purposes of the Energy Act and this document is referred to as a Green Deal assessor. To be authorised as a Green Deal assessor one would need to:
- meet the training and qualification requirements for Green Deal Advisors, currently in development.
 - be a registered member of a certification body which has been accredited by the government's chosen accreditation body, United Kingdom Accreditation Service (UKAS).
 - be certified by their certification body against the relevant standards and requirements set out in the Green Deal Code of Practice

Continued authorisation would be contingent on all Green Deal assessors continuously complying with the relevant parts of the Code of Practice and quality assurance requirements put in place by their certification scheme.

10. The Green Deal assessment tool will consist of an improved EPC. This will be based on an improved reduced data Standard Assessment Procedure methodology (RdSAP) in the domestic sector and building on existing Simplified

Building Energy Model methodology (SBEM) in the non-domestic sector. This document, along with a bespoke occupancy assessment and a summary report will make up the Green Deal Advice Report (GDAR). GDAR produced will be quality assured in line with certification requirements.

11. We expect that any measure promoted and installed by suppliers under the ECO Carbon Saving target would have had a prior Green Deal assessment which had identified the measure as appropriate for the property. We are also consulting on whether we should make provision for rare occasions which fall outside the typical scope of RdSAP, where a slightly different assessment process may be appropriate. In these circumstances, we propose that the ECO company would need to satisfy the scheme Administrator that a different assessment method was appropriate.
12. We would particularly welcome views on whether our approach to the assessment of non-domestic buildings is comprehensive and captures all non-domestic buildings and businesses for which Green Deal might be relevant.

Measures, products and systems (Chapter 2)

13. The Green Deal and the Energy Company Obligation (ECO) will work together to drive the installation of energy efficiency improvements, commonly referred to as “measures”. The focus of each will, be different and, as a result, so will the measures falling within their respective scopes.
14. A measure is a type of energy efficiency improvement made to a property, e.g. cavity wall insulation; a product is the actual product installed (which must fall with a category of measure), e.g. ABC plc Basic Cavity Fibre; and a system is a measure whose component parts are often assembled on site, e.g. external wall insulation systems. A measure must be recognised as being capable of improving the energy performance of a building before it can be considered for eligibility under the Green Deal and ECO. Only products which fall within a category of qualifying measure and are recommended as part of the Green Deal assessment can be installed with Green Deal finance or receive ECO support. A draft list of the qualifying energy efficiency improvements can be found at Annex A. The amount of Green Deal finance available for a measure will depend on the total estimated fuel bill savings it can generate: this is the Green Deal’s Golden Rule principle. We will encourage customers to take up packages of recommended Green Deal measures.
15. The “Carbon Saving Obligation” within the ECO is designed to focus primarily on supporting those households who live in hard to treat homes and cannot fully fund energy efficiency improvements through Green Deal finance alone. Solid wall insulation is the key technology which we see ECO supporting. We are

proposing that other measures under the carbon saving obligation will only be classified as eligible if they are promoted and installed as part of a package that includes solid wall insulation. Views are invited on these issues and in particular the policy for other measures for hard-to-treat properties.

16. Under ECO's Affordable Warmth obligation⁴ we are proposing to class as eligible any measure which will improve the thermal performance of a property, measured through a reduction in the expected cost of heating space or water in the property. We will be interested in respondents' views on whether minimum requirements should apply to ensure major insulation and heating measures are delivered. Suppliers are expected to deliver primarily heating systems and basic insulation measures under the Affordable Warmth Obligation.
17. Products and systems installed under the Green Deal or ECO must be quality assured. Only products that meet the requirements of the Green Deal Code of Practice can be installed. We propose to put in place a process from summer 2012 for manufacturers and suppliers to confirm that their products comply with the Code and are 'Green Deal ready'. Such products and systems will be listed by the Green Deal Oversight Body, who will act as the Green Deal administrator and oversee all activities under the Green Deal. A sample number of registered products will be spot-checked by the Oversight Body for compliance with the Code and could be struck off the list if they are found not to comply.
18. We particularly welcome views on the eligibility of measures specifically relevant to the non domestic sector, which are not already listed in the draft Green Deal (Specified Energy Efficiency Improvement and Qualifying Energy Improvements) Order⁵. Please note that those which are recommended during the consultation process must be proven to be able to improve the energy performance of buildings. Other key issues we are considering are:
- how to best ensure that innovations in new measures and improved product performance can be recognised in the measures framework;
 - whether the ECO carbon saving target should focus exclusively on solid wall insulation or should support other similar measures,
 - whether we should allow any measure under the ECO affordable warmth target as long it allows eligible households to heat their homes cost effectively.
 - whether product performance should be taken into consideration in the Green Deal financing mechanism.

⁴ In the accompanying draft ECO Order the "Affordable Warmth obligation is referred to as the "home heating cost reduction target" or the "home heating cost reduction obligation". The former is the overall target set for all suppliers whilst the latter is a supplier's individual component of the overall target. See articles x and y of the draft order.

⁵ See a copy of the order at http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

Green Deal Provider and the Green Deal Plan (Chapter 3)

19. The Green Deal provider is a key participant in the Green Deal journey as they provide the finance and arrange for the Green Deal measures to be installed. They are also the ongoing first point of contact for customer service enquiries after the Green Deal is complete. In order to operate as a finance provider under the Green Deal, a company must be authorised. Authorisation will be granted by the Secretary of State through an application process that will be managed on his behalf by the Green Deal Oversight Body. To become authorised as a Green Deal provider a company must:

- sign up to and comply with the Green Deal Code of Practice;
- sign up to the Green Deal Arrangements Agreement (GDAA)⁶ between Green Deal providers and electricity supplier;
- hold a valid Consumer Credit Act 1974⁷ (CCA) licence (if they wish to offer Green Deal plans for domestic properties) ;
- make appropriate provisions for protection for customers in the event the Green Deal provider becomes insolvent or loses its licence;;
- establish an appropriate independent conciliation process to help resolve customer complaints;
- pay the required fees to the Oversight Body for Green Deal authorisation.

20. Once the customer has their Green Deal assessment completed by an authorised Green Deal assessor, they will be able to take the outcome of the assessment to any authorised Green Deal provider for a quote for the finance and installation of one or more of the recommended measures. The Green Deal provider's quote for installing these measures will include the costs of the measures themselves, installation, finance and any other associated costs.

21. The Green Deal plan is the contract that sits between the Green Deal provider and the improver and bill payer (if different) at the property. The plan sets out the financial terms of the agreement such as the amount and duration of the instalments, and the applicable interest rate as well as any further obligations on the Green Deal provider or customer.

22. Green Deal plans for domestic properties will be regulated consumer credit agreements under the CCA and will therefore need to comply with all relevant CCA provisions. In addition, the Green Deal Provider will have to comply with other consumer protection legislation such as the Sale of Goods Act, the Consumer Protection from Unfair Trading Regulations (CPRs) and the Unfair

⁶ A copy of the GDAA and the Green Deal Code of Practice can be found here:
http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

⁷ See <http://www.ofs.gov.uk/about-the-ofs/legal-powers/legal/cca/>

Terms in Consumer Contracts Regulations (UTCCRs). Green Deal Providers wishing to provide Green Deal finance under regulated consumer credit agreements will need to be licensed under the CCA in addition to being authorised under the Green Deal framework. CCA licences will also be required by any person engaged in credit brokerage or other ancillary credit activities in relation to CCA regulated Green Deal plans, with the exception of energy suppliers insofar as they are merely collecting Green Deal payments or debts on behalf of Green Deal providers.

23. We would welcome views on the terms of the Green Deal plan, particularly on whether the length of a Green Deal plan should be limited to the guaranteed lifetime of the measures installed and the conditions around the early repayment of Green Deal finance.

The Golden rule (Chapter 4)

24. The Golden Rule is the fundamental principle underpinning the Green Deal. It limits the amount of Green Deal finance a provider can offer to the estimated energy bill savings resulting from the installation of measures under the Green Deal plan. The Golden Rule principle helps ensure that a Green Deal customer can reasonably expect their overall energy bill to be no higher than they would have otherwise been without a Green Deal, provided their energy consumption pattern does not increase.
25. The golden rule is important for two reasons. Firstly, it helps ensure that Green Deal customers should not face higher energy bills and therefore do not run into difficulties in paying. Secondly, it assures investors that the risk of default on Green Deal payments should be similar to the existing relatively low default rate on electricity bills.
26. The golden rule is based on a snapshot of estimated energy bill savings taken at the outset of the Green Deal plan. Customers should, however, have a reasonable expectation that the charge should not exceed savings throughout the lifetime of the plan and we are therefore proposing to place limitations on how the charge can vary in future years. Indeed, many plans will involve fixed amounts if the interest rates are fixed. In addition, we are setting out what can be included in a Green Deal plan as part of the Green Deal finance to ensure that Green Deal finance is used for the installation of energy efficiency measures and associated costs, as intended. We are proposing to place a limit on any cash advancement promotional offers a customer may receive.

Delivering equitable support and tackling fuel poverty through the Green Deal and ECO (Chapter 5)

27. The Green Deal and ECO have a significant role to play in tackling fuel poverty by helping households to improve the energy efficiency of their homes and reduce their heating costs. ECO's Affordable Warmth obligation has been designed to ensure that specific assistance can be provided to those households most in need of heating and insulation improvements. The proposed eligibility criteria for Affordable Warmth will ensure that support is provided to low income households who are vulnerable to detrimental health impacts of living in cold homes, and do not have access to alternative means of support.
28. We recognise that a referrals system could help energy companies identify those eligible for support under the ECO Affordable Warmth obligation. We intend to pursue a voluntary agreement with companies for agreeing the terms on which referrals provided by Government would be followed up. Referrals of customers who have indicated that they would like to receive measures could be generated during the Green Deal assessment process or passed on from the Government backed independent remote advice service. Should it not be possible to reach a voluntary agreement, we do have the option to direct companies to provide assistance to specific households⁸.
29. As suppliers are likely to recover the cost of delivering the ECO from consumers' bills, it is important to consider how the benefits of the obligation will be distributed, to ensure the scheme is delivered with a reasonable degree of equity. See section 5.3 for further discussion of equity under ECO.

Consent, disclosure and acknowledgement (Chapter 6)

30. Before the Green Deal can go ahead, relevant consents must be obtained for the measures to be installed and the Green Deal charge to be included in the electricity bill for the property. Consent to the charge will be required from both the electricity bill payer and the owner of the property (if different). Who must consent to the measure will vary depending on the property and the type of measures being installed, but may include the owner, the freeholder, and local planning authority. A redress framework is provided for circumstances where the correct consents to the installation of the measures were not obtained. Once Green Deal measures have been installed and signed off, the Green Deal provider will give the customer a Green Deal plan document and a new EPC.
31. As a property changes hands over time, responsibility for paying the Green Deal charge also changes. We intend to facilitate this change through disclosure of the Green Deal Plan via the provision of the EPC to potential future bill payers. The

⁸ See the new subsection (5)(bc) inserted into both section 33BC of the Gas Act 1986 and section 41A of the Electricity Act 1989 by section 65 and 66 of the Energy Act 2011.

EPC will contain key financial information about the Green Deal. So long as the existence of a Green Deal has been properly disclosed to a new bill-payer, the obligation to pay the Green Deal automatically transfers to them.

32. Disclosure should happen as soon as possible, but always before the potential bill payer has entered into a binding agreement to take on the property. We are building on the EPB regulations for disclosure of the Green Deal, to ensure that a potential bill payer sees the details of the Green Deal on the property in sufficient time to influence their decision. In most cases, this will be at the point that someone arranges to view the property.
33. In addition to disclosure, the person who is, for example, selling or letting out that property will need to obtain an acknowledgment in writing that the person taking on the property is aware of their responsibility to pay the Green Deal and the terms of the plan. We envisage this being a standard term in lease and sale agreements, or associated documents that form part of those agreements, and we are working with the Law Society to determine the most effective way to do this.
34. It is possible that an incoming bill-payer may wish to challenge whether they had the Green Deal charge properly disclosed. In these circumstances the proposal is that, they must continue to make payments while an investigation is undertaken and representations made. The customer can challenge their obligation to pay the Green Deal charge for non-disclosure reasons, or because the terms of the Plan were inaccurately disclosed. If appropriate, the Secretary of State has the power to order the Plan be cancelled, order refund of Plan instalments following non-disclosure and order the original bill-payer who failed to disclose the Plan to compensate the Green Deal provider for the costs of early repayment.
35. We would welcome views on whether our requirements for consent to both the Green Deal charge and measure provides adequate protection for parties to the Green Deal and whether our approach to consent breaches is equitable. It has been brought to our attention that the multi-party consent requirement to the Green Deal may act as a barrier to entry into Green Deal for certain types of properties. For this reason we have included a call for evidence on barriers to consent and welcome wider views on the likelihood of barriers resulting from the need to secure consent to the Green Deal charge or measure, supported by relevant evidence stakeholders feel should be taken into account. We are also keen to understand the scope for voluntary, non-interventionist solutions to consent barriers and welcome ideas and views on this.

Accredited Installers (Chapter 7)

36. Once a property has had an authorised Green Deal assessment, the finance for measures has been approved and the necessary consents obtained, installation is the next step. In order for the Green Deal and ECO to achieve their objectives, it is essential that installations are carried out to a high standard by trained, qualified and certificated installers, hereafter referred to as 'authorised' Green Deal installer.
37. We are proposing to make it mandatory for an installer to be authorised to operate under the Green Deal and ECO and to have been certified to have met a new Green Deal installer standard. Installers will need to carry the Green Deal Quality Mark, take full responsibility for the quality of their work and comply with the relevant requirements set out in the Green Deal Code of Practice.
38. The British Standards Institute (BSI) is currently developing the Green Deal installer standard with the sector, and this is scheduled to be published in early 2012. The installer standard will bring together existing standards in one place to ensure greater clarity and consistency of approach, as well as robust levels of monitoring and compliance.
39. As with Green Deal assessors, we are proposing to implement the Green Deal installer standard through certification bodies with a view to minimising burdens and costs by using existing structures. To ensure a robust and consistent application of the new standard, we have appointed UKAS as the independent third party body that will accredit the installer certification bodies. Once accredited, certification bodies will be responsible for ensuring installers meet the Green Deal standard and comply with the Code of Practice.
40. We are proposing that all Green Deal and ECO installations be underpinned by a comprehensive scheme of insurance backed guarantees, warranties and redress procedures should anything go wrong.

Payment collection (Chapter 8)

41. A fundamental component of the Green Deal is that repayments should be collected through energy bills. This allows the charge to transfer automatically and allows us to build on the existing protections which cover vulnerable consumers when they run into difficulties paying their bills. The basic principle we have adopted is that the payment collection mechanism ought to be an integral part of the overall energy bill and incorporate all the existing requirements and protections. To help ensure that the cost of financing the Green Deal is as low as possible, repayments will be collected from the customer via a charge on their electricity bill. This is operationally simpler because almost all households are on the electricity grid whereas many houses are off the gas grid. It also helps

protect vulnerable consumers and is designed to ensure that the risk of non-payment of the Green Deal charge is as closely aligned as possible to the historically low risk of non-payment.

42. Once payment has been received from the customer, suppliers will be required to pass on the monies on a *pari passu*, or proportional, basis to the Green Deal provider. The Green Deal repayments will appear on the customer's electricity bill as a separate charge. In most cases, the frequency at which a customer receives their electricity bill or statement will not be affected. Customers with prepayment meters will also be able to benefit from the Green Deal with their charge collected via the arrears function in the current generation of meters. We are proposing to use the annual energy statement received by domestic customers to convey information on the total amount of Green Deal charges that are due to be paid over the next year, and the likely energy savings as reported in the Green Deal assessment. This will be in addition to the annual credit statement provided by the Green Deal provider.
43. As part of the Government's commitment to promoting competition in the energy retail market, we are proposing to introduce an 'opt-in' for smaller electricity suppliers. That is, electricity suppliers with fewer than 250,000 domestic and non-domestic customer accounts will not be obliged to collect the Green Deal charge. If they decide for commercial reasons they want to opt in to the Green Deal collection mechanism, they will be able to do so.
44. We are proposing that all existing obligations in relation to debt and disconnection placed on electricity suppliers via licence conditions be extended to cover the Green Deal charge in order to protect vulnerable consumers.

Delivering the Green Deal and ECO (Chapter 9)

45. We expect the Green Deal and the ECO will frequently work in partnership. For example, measures that save a large amount of carbon and deliver significant energy efficiency benefits, such as solid wall insulation, are currently too expensive to be deliverable within the Golden Rule alone⁹. Green Deal providers will therefore be incentivised to seek out contributions towards a measure from suppliers seeking to fulfil their obligations under ECO. This is likely to bring the net cost of the measure within the terms of the Golden Rule, thereby allowing a Green Deal provider to put a more attractive offer to a customer and increase the number of Green Deal offers they are able to make.

⁹ For example, SWI that delivered an annual bill saving of £320 would be able to raise £3,730 in Green Deal Finance (based on a 7% interest rate and 25 year repayment term). If the SWI installation cost around £6,000, ECO support of £2,270 would be needed for the measure to meet the Golden Rule.

46. We propose that energy suppliers receive credit for the full carbon or cost saving benefits of each measure which they are involved in promoting and installing. We expect this to create an incentive for energy suppliers to find Green Deal providers with whom they can develop offers for measures which rely on a mixture of ECO and Green Deal finance. Since energy suppliers will want to meet their obligation at as low a cost as possible, they will be incentivised to leverage in as many other types of funding as possible. In the case of the Carbon Saving obligation this is primarily expected to be Green Deal finance, though other sources of funding are not excluded. Allowing credit for the full carbon savings in this way also creates an incentive to promote packages which qualify for ECO points over those which do not.
47. It will be crucial to an open and competitive energy efficiency market that access to ECO support is as transparent, efficient and cost effective as possible. To do this we propose the introduction of a market based solution, i.e. brokerage, to help energy suppliers make a significant proportion of their ECO support fairly available to those delivery agents who can commit to delivering in a cost effective way.
48. The role of local authorities and other local partners is also likely to be crucial in ensuring effective and intensive delivery of the ECO and Green Deal in particular areas. We believe that many natural incentives will encourage effective partnership to form, and no particular regulatory requirements are needed. The Big Society agenda also has the potential to support local partnerships.

Consumer protection (Chapter 10)

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

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

The second is where customers of Green Deal Providers are responsible for disputes, when they themselves have failed to meet their obligations. If people

haven't met these obligations, the Secretary of State can impose sanctions against them and ensure the person who is made worse off can seek redress.

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

Setting the ECO and target metrics (Chapter 11)

49. The overall ambition level of the ECO, when looking at its twin objectives of carbon saving and affordable warmth combined, will be set at a level equating to £1.3 billion per annum, and this will be translated into obligations for each ECO supplier under each objective over the course of the life of the scheme.. The two objectives of the ECO differ from each other such that each will require its own target metric. It is proposed that:

- the overall Carbon Saving target will use a metric based on annual tonnes of CO₂ reductions; and that this should be set at a level of 0.52MtCO₂/yr by 2015 (equivalent to 2.0MtCO₂/yr in 2022 pro-rata)
- the overall Affordable Warmth target will use a metric based on reductions in lifetime heating costs; and that this should be set at a level of £3.4 billion reduction in notional lifetime costs of heating for low income and vulnerable households by 2015.

50. Suppliers will gain credits towards their obligations for each package of eligible measures¹⁰ installed. Property-specific scores will be calculated through a similar SAP or RdSAP methodology used for Green Deal assessments with scores reflecting the modelled reductions in carbon and heating cost reductions.

51. We propose that the obligation should be placed on large energy suppliers, defined as those with over 250,000 gas and electricity customer accounts. This will avoid introducing barriers to the market for smaller energy companies expecting to grow.

52. A key issue under ECO is determining the size of the overall target. Greater levels of ambitions under ECO mean greater costs to energy companies and by extension greater costs to all bill payers. The proposal put to consultation represents our assessment of the optimum balance to be struck in this respect. Within this, we would welcome views on the proposed metrics and scoring mechanism, including whether ECO scores should be expressed, and targets set, in terms of annualised or lifetime savings of measure. We also encourage views on whether a move to a supply-volume basis for calculating obligations, rather than a customer account basis, would have beneficial effects. We would also welcome any evidence from consultees that would affect the estimation of the

¹⁰ Referred to in the draft ECO Order as a "qualifying action."

costs and benefits of the targets proposed, as set out in the summary sheet of the Impact Assessment.

Green Deal Monitoring and Evaluation, and ECO Administration (Chapter 12)

53. We propose to legislate to ensure that we have access to the information we need in order to monitor and evaluate the operation and effect of the Green Deal and ECO policies.

54. We are proposing that an action which an energy company intends to count towards their obligation has to be reported to the Administrator in the month following the installation being completed. Suppliers will also be required to provide information to the Secretary of State on costs incurred by energy suppliers in meeting their obligations, although we will not have powers to require information about how funds have been raised. We also propose to ensure annual public reports on progress of the scheme are produced.

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

56. For present and past obligations, including CERT and CESP, the role of Administrator has fallen to Ofgem in each case. However, the May 2011 DECC Delivery Review concluded that delivery of new programmes should be led by DECC unless there is a clear case for placing delivery with a particular body, with outsourcing where appropriate¹¹.

57. Consultees are therefore invited to give their views on the following two options for who should administer the ECO:

- Option i - Ofgem is the Administrator.
- Option ii - DECC is appointed Administrator, but outsources technical functions.

Associated documents: key issues

58. **Code of Practice for assessors, installer and providers:** we welcome views on the clarity and robustness of the Green Deal code of practice, which sets out the criteria that assessors, installer, providers and products and systems must

¹¹ <http://www.decc.gov.uk/assets/decc/about%20us/1656-delivery-review.pdf>

adhere to in order to be able operate under the Green Deal banner. Specifically we are looking for comments on the:

- authorisation requirements for assessors, installers and providers.
- quality assurance, monitoring and complaints handling procedures
- requirements for the provision of insurance backed warranties.

59. Licence modifications, industry agreement changes and the Green Deal Arrangements Agreement (GDAA): We propose to establish the payment collection and remittance mechanism through a combination of changes to the electricity supply licence, gas supply licence, electricity distribution licence, the Master Registration Agreement and the Distribution and Connection Use of System Agreement and the establishment of a GDAA between electricity suppliers and Green Deal providers. We welcome comments on the draft licence modifications, draft industry agreement changes and the draft GDAA.

60. Green Deal and ECO Impact Assessment (IA)¹²: the impact assessment combines a range of evidence and assumptions. We are keen to receive responses to the consultation that strengthen the evidence base for the Green Deal and ECO to enable the estimate of the policies impacts to be refined. We would welcome further evidence on energy efficiency measures' deployment potential, and the likely costs and benefits associated with these, as well as other impacts associated with detailed policy decisions around ECO and the Green Deal.

61. In additions to these specific issues and questions asked throughout the consultation document and the impact assessment, we also welcome views on any aspect of our proposals.

¹² See copy of the IA at http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

Catalogue of consultation questions

Chapter 1: Assessment

1. Do you feel the proposed requirements on Green Deal assessors set out in the main body and at Annex A of the Code of Practice are clear and robust enough to support the Green Deal assessment?
2. Can you think of any requirements that Green Deal assessors will need but that may not be covered by the suggested approach, combining National Occupational Standards (NOS) and Accreditation of Prior Experiential Learning (APEL)?
3. In proposing to allow for the market to determine payment of assessors and cost of assessment, are there any further requirements we should be placing on assessors or providers in relation to (a) payment of assessors, (b) the cost of the assessment, or (c) declarations from the assessor?
4. Do you agree with our proposed approach to third party assurance and enforcing compliance for those providing Green Deal assessments?
5. Should the current EPC validity period for property transactions be used for Green Deal purposes or is a shorter validity period more likely to meet the needs of the Green Deal process?
6. Do you think that the approach to identifying and assessing non-domestic buildings, based upon the requirements and tools for Energy Performance Certificates, will capture all non-domestic buildings and business sectors for which the Green Deal is relevant?
7. Are there alternatives to the simple approach to providing running cost savings in the non-domestic assessment that we should consider?

Chapter 2: Measures, products and systems

8. Which measures should be added to the list of qualifying measures in Annex A for non-domestic properties, and what evidence is there that these measures improve the energy performance of buildings?

9.	Will the existing Appendix Q process, which will allow new measures to be added to the Green Deal assessment tools, and to the list of qualifying improvements, support innovation in the market and how could the process be improved? In particular, what support could SMEs benefit from?
10.	What innovative ways can the government use to encourage uptake of a package of measures and could our existing proposals support this.
11.	Please provide views on the potential inclusion of hard-to-treat cavities (and potentially other measures of a similar type), and proposals for how properties might be accommodated in the ECO without excessive complication or perverse consequences.
12.	We propose that the ECO Carbon Saving obligation should be achieved primarily by promoting and installing solid wall insulation. Should any other measures be supported, and how would these be defined?
13.	For the ECO carbon saving obligation, we propose that any other carbon saving measures should only be eligible when delivered as part of a package with solid wall insulation. Do you have any suggestions for the criteria by which eligibility within packages should be restricted, explaining why you think any such restrictions should be included?
14.	We propose that <i>any measure</i> should be allowed under the Affordable Warmth obligation, provided it allows eligible households to heat homes more affordably. If you disagree, or feel there are risks to this approach, please explain and set out any restrictions you believe should be put in place.
15.	Do you have any suggestions for whether and how we should score, boiler repairs under the Affordable Warmth obligation, such that where repairs are more cost-effective than replacement systems, without significant impact on efficiency, these can be promoted?
16.	We are proposing that any heating measures should be allowed under the Affordable Warmth obligation, including for households off the gas grid, and extra incentives should not be put in place for air or ground source heat pumps. Do you have any evidence to bring to bear on the performance of heat pumps to improve the ability of vulnerable households to heat their homes affordably?

17.	To what extent can existing product lists, such as the list of Microgeneration Certification Scheme compliant products be used as the starting point for the Green Deal Products list?
18.	Do you agree that allowing enhanced product performance to be recognised in the Green Deal financing mechanism is useful? Do you have any specific views on how this approach could be implemented?
Chapter 3: Green Deal provider and plan	
19.	Are surety bonds the most effective, efficient way to ensure customers are protected in the event a Green Deal provider becomes insolvent or has their licence revoked. What should be the minimum requirements of a Green Deal surety bond be and how much should Green Deal providers be required to insure?
20.	Does our proposed approach to authorisation and oversight of Green Deal providers ensure the necessary standards of consumer protection and proportionate redress without creating barriers to entry into the market?
21.	How much weight should be given to the argument for placing financial responsibility for late payment with the payee?
22.	What are your views on the government's proposal of requiring Green Deal providers to offer insurance-backed warranties for the entire repayment period?
23.	What are your views on the government's proposals regarding changes to the Consumer Credit Act for Green Deal Plans?
24.	What are your views on the Government's proposals regarding consumer protections for those Agreements which do not fall within the scope of the CCA?
Chapter 4: The Golden Rule	
25.	Is it necessary to afford consumers additional protections and extra comfort where they take out green deal plans in excess of £10,000? If so, is the proposed protection of reducing the saving estimate appropriate and is the 5% figure the correct adjustment?
26.	Do you agree with the approach to the Year One charge that can be used in a Green Deal Plan?

27.	What would be the benefits of allowing Green Deal providers to vary the interest relating to a Green Deal plan in line with the most appropriate component of the fuel and light index?
28.	Do you agree with the proposed approach to how the charge can vary in subsequent years of a Green Deal Plan?
29.	Is £150 or 5% of the total Green Deal package (whichever is the least amount) an appropriate limit on the amount of cash incentives which can be offered by Green Deal providers?
30.	Do you agree our proposed approach to the Golden Rule principle strikes the right balance between ensuring the necessary consumer protection mechanisms are in place whilst not unduly stifling ambition and investment in the Green Deal?
Chapter 5: Delivering equitable support and tackling fuel poverty through the Green Deal and ECO	
31.	Do you agree that eligibility for Affordable Warmth measures should be restricted to households who are in receipt of the benefits and tax credits similar to the CERT Super Priority Group and who are in private housing tenures?
32.	We propose seeking a voluntary agreement with ECO obligated companies as to how they commit to following up referrals. Do you have any suggestions as to what this commitment should consist of?
33.	Do you have any evidence or views to put forward on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, are or are not likely to be distributed equitably to all income groups? If so do you think regulatory intervention is necessary to ensure a more equitable pattern of delivery and, in particular, do you have any comments on the likely effectiveness of setting a 'distributional safeguard' as a means of achieving this?
Chapter 6: Consent, disclosure and acknowledgement	
34.	Do you think the framework for consent for the Green Deal charge and measures provides effective protection for the parties involved?
35.	What is the best way to draw the future bill payer's attention to the

acknowledgement wording?

36. What will property professions need to do to assist with the effective discharge of the disclosure and acknowledgement obligations? If property professionals assume a duty to discharge these obligations on behalf of property owners, should they face the same consequences as the owners, where they fail to do so?

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

38. Do you think 30 days after receiving the first electricity bill is an appropriate time limit within which someone can dispute disclosure of the Green Deal?

39. Do you agree with the Government's approach to allowing Green Deal providers to require early repayment in certain circumstances?

Chapter 7: Installation

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

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

Chapter 8 : Payment collection

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

43. Do you believe that electricity suppliers as well as Green Deal providers should have the right to prevent customers from taking out a Green Deal finance arrangement if these thresholds are exceeded? Please give reasons for your answer.

44.	Do you think additional infrastructure is required to facilitate payment remittance?
45.	Do you agree with the proposed 72 hour period for the transfer of payments? If not, please suggest an alternative with appropriate supporting evidence.
46.	During this 72 hour period, should the electricity supplier maintain an account balance at least equal to the total value of Green Deal payments being held?
47.	Do you have an alternative suggestion for reducing the burden on smaller suppliers that would not lead to a potential reduction in the number of electricity suppliers available to Green Deal customers?
48.	Do you agree with the proposed threshold for the smaller supplier opt in? If not, please suggest an alternative threshold with appropriate supporting evidence.
49.	Do you agree with the proposed level of the annual administration fee? If not, please give reasons for your answer and, if relevant, provide additional evidence of likely cost impacts.
50.	Do you agree with retaining the existing £200 arrears limit (including Green Deal repayment arrears) for prepayment customers with a Green Deal plan? If not, please suggest an alternative limit with appropriate supporting evidence.
Chapter 9: Delivering Green Deal and ECO	
51.	Do you agree that stipulating strict regulatory quotas for partnering with specific types/numbers of third party delivery agents might be unduly burdensome, and the development of a brokerage model may be a more effective means of achieving the desired outcome?
52.	Do you agree that it is desirable that energy suppliers should have to fulfil some or all of the (carbon) obligation by spending money promoting measures through those organisations who are able to provide the most cost effective delivery options?
53.	Do you agree that we should seek a firm commitment from the ECO suppliers that they will use brokerage for a defined and significant percentage (e.g. 50%) of their obligation? If so, what level do you consider this should be?

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| 54. | Do you have any further comments on the detailed design of a brokerage, or any alternative mechanism that ensures the most cost effective delivery? |
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Chapter 10: Consumer protection

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| 55. | Do you agree that the Energy Ombudsman should have a role in helping customers secure redress in the Green Deal? If yes, what further powers will the Energy Ombudsman need to investigate compliance by Green Deal Providers and householders? If no, please explain why not. |
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Chapter 11: Setting the ECO and target metrics

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| 56. | Do you agree that targets of 0.52 million tonnes of CO ₂ per year saved, and £3.4 billion reduction in notional lifetime costs of heating by March 2015 represents the correct balance between ensuring high levels of delivery and minimising costs that could potentially be passed through to consumers? |
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| 57. | Do you agree with the estimated costing of this scale of ECO at £1.3bn p.a. as set out in the Impact Assessment? Do you have additional evidence on the costs and benefits of the proposed targets for consideration in further analysis? |
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| 58. | The division of the overall ECO between energy companies could be based on share of customer accounts, or sales volume. Do you have a preference as to which metric should be preferred, taking into account possible impacts on distributional equity? Please provide evidence for your views. |
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| 59. | We propose that savings calculated through the SAP-based Green Deal Assessment methodology be used as the basis for ECO targets and scoring. Can you envisage any undesirable or inadvertent effects, that this approach might result in? If so, please provide details and evidence. |
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| 60. | Should targets and scores for the Carbon Obligation and/or the Affordable Warmth Obligation be expressed on the basis of the annualised savings of measures or the lifetime savings? |
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Chapter 12: Green Deal monitoring and evaluation and ECO administration

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| 61. | Is there other information the Government should collect in order to enable effective monitoring, evaluation and reporting on the performance of the Green Deal and ECO? |
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62.	Should DECC be responsible for administering the ECO, with technical functions outsourced to the private sector, or should Ofgem administer the scheme? Please provide evidence to support your views.
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General comment	
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63.	In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?
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Chapter 1: Assessment

Summary of chapter:

A Green Deal assessment (referred to as a 'qualifying assessment' in the regulations) will act as the gateway to the Green Deal. It is required before entering into a Green Deal plan for finance or installing measures under the Green Deal banner. The assessment will be designed to ensure that only measures that are suitable for a particular building are recommended, and that those measures that are likely to be eligible for finance can be easily identified and consumers advised appropriately.

The assessment will be carried out by assessors who have demonstrated that they meet the requirements of the National Occupational Standards (NOS) developed by Asset Skills and agreed with industry and builds on the skills and knowledge currently required of assessors who produce Energy Performance Certificates (EPCs). We will also ensure that authorised assessors can be identified through a registration process.

Certification bodies will certify that an individual assessor or company employing multiple assessors is capable of providing the Green Deal advice and assessment to an agreed standard. To maintain consistent, high quality Green Deal assessments an independent organisation will verify the operation of certification bodies. The United Kingdom Accreditation Service (UKAS) has been appointed to carry out this function.

The assessment in both domestic and non-domestic properties will take into account the physical characteristics of the property and the way occupants are using energy. In the domestic sector the assessment will comprise an improved EPC assessment and in the non-domestic sector the assessment will build upon the EPC assessment. Both will include an occupancy assessment of energy use by the current occupier.

The Green Deal oversight body will act as the managing organisation for the participants in the Green Deal scheme across Great Britain. It will have a range of functions e.g. holding a register of qualified and authorised assessors. The oversight body will manage the:

- *Code of Practice* – containing a set minimum requirements for assessors and their certification bodies.
- *Scheme Standards* – against which assessors and their certification bodies will be required to operate when carrying out and monitoring the delivery of Green Deal assessments.
- *Quality Assurance* – of assessor certification bodies and those they certify

There will be strong redress arrangements in place to protect consumers should anything go wrong.

1.1 Introduction

1. Householders and businesses must be able to make well informed choices about the measures to install in their property if they are to have the confidence to take up the Green Deal. Indeed, consumer research carried out by DECC showed that this assessment process was one of the most valued aspects of the proposed Green Deal framework. A robust and impartial energy assessment of a property will provide this added confidence. It will also be able to set out broadly whether a measure or a package of measures is likely to pay back within its lifetime using the estimated energy bill savings associated with the installation of the measure(s). This energy bill savings estimate will be used as the basis for a quote and will help determine the maximum level of Green Deal finance attached to a given package of measures. By providing a standard assessment and clear recommendations to householders and businesses, a Green Deal assessment will also pave the way for the rest of the Green Deal process including the disclosure of the presence of a Green Deal to subsequent occupiers of a property.
2. The Green Deal and ECO frameworks have been designed to work together and share the same standards on assessment, installation and products and systems. This is because a Green Deal measure may be financed in part by a financial contribution made by an obligated supplier under the ECO. We recognise that in some cases customers will receive measures as a result entirely of supplier activity under the ECO. This gives rise to the prospect of a different type of assessment being performed but one where the standards associated with a qualifying assessment under the Green Deal should still be applicable.

Policy approach

3. Research carried out by DECC and the Department for Communities and Local Government (DCLG) into the EPC framework suggested that although the EPC regime establishes an existing assessment process for both domestic and non-domestic properties, it is, in the context of the Green Deal policy, desirable that the current EPC (and the process underpinning its production) be both improved and further developed if it is to function effectively under the Green Deal. Similarly the existing standards for accreditation, quality assurance, and enforcement that underpin the EPC regime were not designed with the Green Deal in mind and need to be strengthened to deliver the level of reassurance and redress required. Working closely with Other Government Departments (OGDs), notably DCLG, and with stakeholders, we are exploring how best to enhance the existing EPC framework to ensure that it effectively supports the Green Deal and ECO. In Scotland, a similar exercise is being undertaken.

4. The following sections consider the Green Deal assessors': functions, code of practice, qualification standards, employment, payment, liability/insurance arrangements and certification. They also examine: the Green Deal assessment process for both domestic and non-domestic buildings, the role of the Green Deal oversight body as it relates to assessors, the arrangements for consumer redress if things go wrong and, the assessment process for measures promoted under the home heating cost reduction target component of the ECO (sometimes referred to in this document as the "Affordable Warmth" target or obligation).

1.2 Green Deal Assessors

5. An authorised Green Deal assessor is the only person who can produce a full Green Deal qualifying assessment, which may result in the creation of a Green Deal plan (as set out in section 5 of the Energy Act 2011). It is proposed that an organisation or individual providing the services of a Green Deal assessor will only be authorised to act if they:
 - meet all qualification and accreditation requirements under the terms of the Energy Performance of Building Regulations 2007 (England and Wales) or are members of an Approved Organisation¹³ (Scotland.) (i.e. are qualified to produce EPCs);
 - meet the requirements to be set out in the NOS for Green Deal Advisors and;
 - are certified by a UKAS-accredited certification body against any relevant Green Deal standards and comply with all other requirements as set out in the Code of Practice.
6. In practice the individual's work will go beyond an assessment to providing advice to the occupant of the property being assessed and for this reason they are also referred to as Green Deal Advisors. However, for the purposes of legislation and this document Green Deal assessors are referred to throughout.

Code of Practice for assessors

7. Operating as a Green Deal assessor will also involve meeting all the applicable requirements of the Code of Practice, and in particular the annex relating specifically to assessors (annex A of the Code of Practice). The requirements in the code of practice are designed to ensure that any outputs they generate are robust and defensible. The Code also set out arrangements for consumer protection¹⁴ that must be adhered to by the assessor and other Green Deal

¹³ Approved Organisations are defined in the Energy Performance of Buildings (Scotland) Regulations 2008.

¹⁴ See customer service section of the Code of Practice for more details.

participants. As an authorised participant in the Green Deal, the assessor will be required to publicise that they are a member of the Green Deal financing scheme and will have permission to use the appropriate Green Deal mark covering those areas for which they are authorised to operate.

QUESTION 1: Do you feel the proposed requirements on Green Deal assessors set out in the main body and at Annex A of the Code of Practice are clear and robust enough to support the Green Deal assessment?

Training and qualifications for assessors

8. Green Deal assessors will need to have a mixture of technical knowledge, practical competence to produce the assessment and 'soft' skills to provide households and businesses with the advice they need to take informed decisions. The improved NOS for domestic and non-domestic energy assessors for producing EPCs will form the basis of the skills required for the Green Deal. However, the Green Deal assessor will need to do more than just an assessment of the fabric of the property. They will also have to produce an occupancy assessment, explain the Green Deal and the potential impact of the occupant's behaviour on projected savings and explore which package of measures is appropriate for them.
9. At the moment, we feel that no existing qualification fully meets the expected needs of the Green Deal marketplace. We are therefore building on the existing energy assessor NOS framework to develop a new national qualification¹⁵ for Green Deal assessors, using the existing qualifications frameworks. A qualifying assessor will have to meet minimum requirements for qualifications as set out by the new National Occupational Standards (NOS) for Green Deal assessors.
10. The NOS are being developed by Asset Skills¹⁶ and will include the necessary skills to: understand and explain how the Green Deal works; prepare for and carry out the fabric and occupancy assessments, using suitable tools for these assessments; produce a Green Deal Advice Report (GDAR) and explain this to the householder or business.
11. These skills will be set out in more detail as part of the qualifications framework. We are also considering allowing a process of Accreditation of Prior Experiential Learning (APEL) in which Awarding Organisations work with

¹⁵ The building blocks of national qualifications are National Occupational Standards (NOS), used to define the functions, skills, knowledge and behaviours required by particular roles.

¹⁶ Please see this link for more information on the work of Asset Skills
<http://www.assetskills.org/AboutUs/AboutUs.aspx>

individuals to map existing skills and knowledge against the content of the Green Deal Advisor NOS.

QUESTION 2: Can you think of any requirements that Green Deal Assessors will need but that may not be covered by the suggested approach, combining National Occupational Standards and Accreditation of Prior Experiential Learning (APEL)?

Employment of Green Deal assessors

12. The Green Deal assessor may be employed in one of several ways. They could be:
 - a salaried employee or sub-contractor of one or more Green Deal providers/installers;
 - an independent Green Deal assessor commissioned directly by a consumer;
 - a public/third sector official or representative of a civil society organisation funded (or self-funded) to deliver Green Deal assessments.
13. Consumer research carried out for the department has demonstrated a preference among consumers for independent advice that sets out options in an impartial way coupled with a desire for free advice. There is clearly a tension between the likelihood of achieving both in the marketplace so we need to require the correct minimum standards of service, whilst enabling consumer choice. To this end we believe it is essential that, whatever the employment route for the assessor, the assessment and advice provided must be impartial and free from any commercial considerations or other biases.
14. The Code of Practice will set out the requirements placed on assessors to act impartially when carrying out their assessment and providing recommendations e.g. carrying out a standardised assessment. The certification system will be responsible for monitoring this. Should any assessor or their certification body breach these requirements they may be required to put right any errors, compensate consumers and ultimately, may be struck off from practicing under the Green Deal.
15. We propose to allow Green Deal assessors to market their services in line with existing legislation dealing with doorstep selling and cold calling and avoiding pressure selling. Whilst DECC's consumer research reveal concerns about cold calling there are also legitimate advantages to its use as a way to increase consumer awareness and demand for the Green Deal, provided it is done appropriately. There are currently a number of pieces of legislation that regulate the way in which people must operate in this regard. The Unfair Commercial Practices Directive (UCPD), Doorstep Selling Regulations, Distance Selling

Regulations and the Privacy and Electronic Communications (EC Directive) Regulations all set out clear requirements for anyone marketing their services to consumers, both solicited (invited) and unsolicited (uninvited visits or 'cold calling'). As part of the Green Deal, all participants will need to ensure they comply with the requirements set out in this legislation as a condition of their authorisation. This will ensure that, for example, a vulnerable consumer being sold a Green Deal product will be protected from any sharp practices. It will also promote more desirable selling activities such as community-led doorstep sales to occur, activities that can help to reach people who may not be able to find out about opportunities through other means.

Payment of the assessor and price of the assessment

16. Section 3 of the Energy Act 2011 states that the Code of Practice issued for the purposes of the scheme may make provisions relating to:
 - the payment of Green Deal assessors;
 - the circumstances in which Green Deal assessors may charge customers for qualifying assessments of properties; and
 - the amount of any such charge.
17. We believe the framework we are putting in place in relation to qualifications, certification, the Code of Practice, and additional compliance and sanctions regime will ensure that the benchmark for the standards of Green Deal advice and assessment remains high. We are also keen to ensure that the market is able to innovate, compete and provide solutions in this area. Consumer research carried out by DECC suggests that a variety of payment solutions would ensure wider appeal. Some potential Green Deal providers are already indicating they are likely to offer assessments at no upfront cost as a way to engage with consumers. It is for this reason that we propose to leave the approach to the payment of assessors and the price of the assessment to the market at this stage. Once the Green Deal market is established we should be able to monitor how the market is operating and consider whether regulatory intervention is necessary at a later date.
18. We also intend to allow Green Deal assessors to provide additional services to consumers and businesses that go beyond the impartial role of the Green Deal assessor and the certification of that role. However, where such additional services are provided we propose to ensure that safeguards are built into the Green Deal assessor services certification framework and Code of Practice, setting out how those two roles should be distinguished. For example: that assessors should make consumers and businesses aware of any affiliation that they have with a Green Deal provider and any commission that they may receive for carrying out additional services; that any potential conflict of interest is declared; and that any breach of the impartiality of the assessment could

result in the withdrawal of an assessor's authorisation to practise under the Green Deal. We also intend to ensure that the consumer or business is provided with clear information and has confirmed that they have understood when services are a part of the impartial assessment, and when services are additional, such as the provision of a quote on behalf of a Green Deal provider, or information on further improving the wider sustainability of the property, beyond the scope of a Green Deal.

QUESTION 3: In proposing to allow for the market to determine payment of assessors and cost of assessment, are there any further requirements we should be placing on assessors or providers in relation to (a) payment of assessors, (b) the cost of the assessment, or (c) declarations from the assessor?

Liability/insurance arrangements for the assessor

19. Green Deal assessors will be required to have public liability and professional indemnity insurance that covers them to deliver more than a standardised technical process, as they will be required in some cases to make quite complex judgements about the suitability of measures, and provide tailored advice. As is common practice in similar policies, the insurance will need to cover the duration of the assessment and potentially a number of years likely to cover the duration of any finance agreement (e.g. 25 years), in case a claim is made in relation to the assessment at a later date. The requirement for appropriate insurance will be set out in both the Code of Practice and the Scheme Standard and will be enforced through the certification framework. .

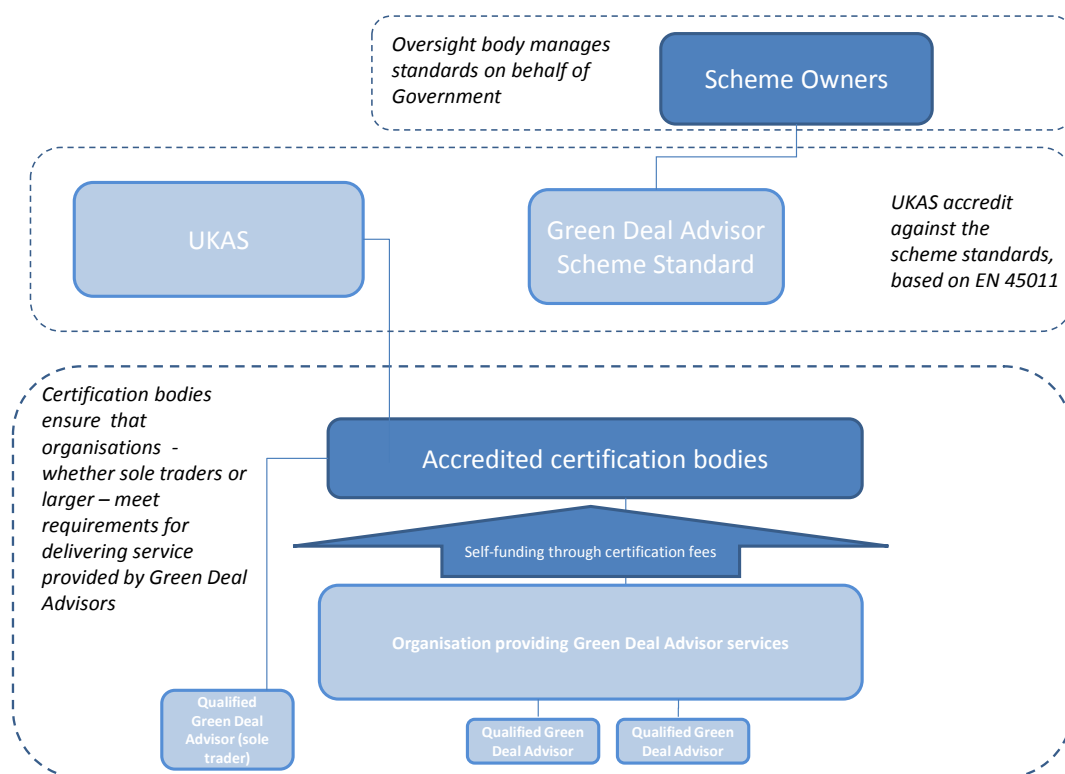
Quality assurance/certification of assessors

20. We propose that all companies/organisations providing Green Deal assessor services (which may be sole traders or organisations) should be certified by an accredited certification body. in line with Scheme Standard documents currently being developed. We have appointed the UKAS, the Government recognised national accreditation body, to independently accredit the certification bodies. UKAS has recommended that the most suitable standard to draw on for the assessor Scheme Standard is 'BS EN 45011', which covers the provision of a service, in this case the service provided by the Green Deal assessor. This will be the basis for developing the certification Scheme Standard documents, with additional requirements developed specifically for Green Deal.
21. Government would remain responsible as 'Scheme Owner' for the Scheme Standard documents that cover the service provided by assessors but their day-to-day management would be delegated to the Green Deal oversight body. The

Scheme Standard is currently under development but will incorporate specifications of the following:

- Assessors/their employers – setting out the requirements for assessor skills, qualification, ongoing Continuing Professional Development (CPD), registration, the requirement for them to adhere to the Code of Practice, and their relationship with the certification bodies and other reporting/oversight arrangements. Also sets out the requirements for robust management of the service provided by assessors and complaints handling.
- Certification bodies – setting out the requirements for their monitoring and quality assurance against the requirements for assessors/their employers and how they must act and report as an organisation themselves.

Diagram 3: Model of third party assurance and oversight of Green Deal assessors



QUESTION 4: Do you agree with our proposed approach to third party assurance and enforcing compliance for those providing Green Deal assessments?

1.3 Green Deal Assessment Process

Domestic buildings

22. The assessment for the domestic sector will be in two parts. The first part is an assessment of the fabric of the building resulting in an improved Energy Performance Certificate (EPC). This will use an improved Reduced Data Standard Assessment Procedure (RdSAP)¹⁷. We also intend to allow for a full SAP assessment for those properties where it is not appropriate to use RdSAP, where the necessary data is available and it is carried out by a full SAP assessor.
23. An existing valid EPC may be used as the basis of the Green Deal assessment. The current validity of an EPC for sale and rent is 10 years. This is in line with the requirements of the Energy Performance of Buildings Directive but is likely to be too long for Green Deal purposes, since the RdSAP assessment procedure used to produce the EPCs is updated approximately every 12 months. Therefore, we may need to provide for a specific validity for the Green Deal to be determined in the regulations.
24. The second part of a domestic assessment is an occupancy assessment. The occupancy assessment will take into account additional information about the way the current householder(s) uses the property and provide a better indication of whether the predictions in the EPC, which are based on typical energy use, reflect their actual use. This will enable the assessor to provide a more accurate indication of the likely suitability of the Green Deal to the current householder(s). This is important as the level of savings on the EPC will be used in the golden rule calculation. Our consumer research¹⁸ showed that this tailored advice was particularly appealing to households.
25. During the occupancy assessment, the assessor will also provide advice on the effect of behaviour on energy bills and will talk through the most suitable package of measures for the householder based on their preferences.
26. We propose to mandate a minimum standard occupancy assessment, but we will also allow the market to provide additional occupancy services outside of the Green Deal offer, provided they remain separate to the core impartial assessment. Only the core occupancy assessment (undertaken in accordance with the methodology specified in the Code of Practice) will form part of the Green Deal qualifying assessment and anything offered over and above this must be at the express commission of the customer.

¹⁷ SAP and RdSAP are used as the National Calculation Methodology, as specified by the Energy Performance of Buildings Directive. SAP and RdSAP are used to produce Energy Performance Certificates for new and existing dwellings.

¹⁸ A copy of the customer insight summary is available here:

http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

27. We are also considering whether to include a one page summary sheet as part of the GDAR, combining information from the EPC and the occupancy assessment, to highlight the key Green Deal messages for consumers and record any other advice provided. This approach is currently being tested with consumers.
28. Following the agreement of a Green Deal plan and the installation of measures, the EPC will be updated to reflect the details of the Green Deal plan, and the asset rating updated to reflect the improvement. This will be the responsibility of the Green Deal Provider and will need to be done by an energy assessor.

QUESTION 5: Should the current EPC validity period for property transactions be used for Green Deal purposes or is a shorter validity period more likely to meet the needs of Green Deal process?

Impartiality of the Green Deal Assessment Report (GDAR)

29. Trust is vital to consumer confidence and the integrity of the GDAR is a crucial factor in ensuring consumer confidence in the Green Deal. As such, the Green Deal assessment must be produced in a way that meets consumer expectations, i.e. one which focuses solely on the information and data generated by the assessment, and does not favour the products or commercial considerations of a particular company. We believe that the approach taken through the application of a standardised assessment methodology, backed up by stringent quality assurance and oversight arrangements will retain this impartiality, whilst allowing for a dynamic market to develop.

Non-domestic Buildings

30. While many smaller businesses can be much like domestic properties and can therefore be assessed in a similar way, the variety in non-domestic buildings means that the assessment method needs to be capable of dealing with greater complexity. Buildings that require a non-domestic assessment for the Green Deal will be the same as those buildings considered to be non-dwellings for EPCs and Display Energy Certificates (DECs)¹⁹.

¹⁹ The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 SI 2007/991, amended by SI 2007/1669, SI 2007/3302 and SI 2008/647. For certain cases where commercial properties within a block of dwellings the domestic assessment procedure may be used in accordance with the guidance at the this link:

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/nondwellingsguidance.pdf>

31. The assessment method will build upon the existing SBEM methodology for producing an EPC for non-dwellings and will require an EPC to be lodged as a part of the process. We expect that this approach will capture the vast majority of the energy efficiency opportunity that the Green Deal addresses in non-domestic buildings. In the case of buildings that may be exempt from the requirements to have an EPC on construction, sale or rent we expect that the Green Deal assessment may still be applicable and that a Green Deal assessor will be able to advise on this. In particular we recognise that places of worship and some agricultural properties are not currently assessed by the SBEM tool and we are considering means to allow their assessment for the Green Deal.

QUESTION 6: Do you think that the approach to identifying and assessing non-domestic buildings, based upon the requirements and tools for Energy Performance Certificates, will capture all non-domestic buildings and business sectors for which the Green Deal is relevant?

32. Green Deal providers or any qualified Green Deal assessor approached by a business customer are likely to undertake a scoping exercise (possibly without visiting the property) in order to give them an indication of suitability for the Green Deal. The nature of this exercise will not be mandated. However, if following the scoping exercise the provider or assessor does go on to undertake a Green Deal assessment, this must be carried out as described below.
33. The assessment will make recommendations for energy efficiency improvements and predict the likely energy savings. Whereas the domestic assessment will provide an estimate of the cost of the installation of the measure and hence the likely payback period, the costs for non-domestic properties are likely to vary significantly depending on the building in question and so only an estimate of the running cost savings will be provided, based on a simple representation of the business's marginal fuel tariff(s) or a default value. It is proposed that the tool will not represent the detail of the fuel tariffs, for example structured or variable tariffs. See Chapter 4 for details of how these figures will be used in developing a quote for a Green Deal Plan.

QUESTION 7: Are there alternatives to the simple approach to providing running cost savings in the non-domestic assessment that we should consider?

34. Non-domestic assessment will cover all potentially eligible Green Deal measures including no or low cost measures in this category. Whereas the domestic assessment will provide predicted savings on the basis of the fabric assessment, with more tailored information about suitability based upon the occupancy assessment, the non-domestic assessment will integrate these two

components, i.e. all advice and recommendations will be based upon the actual use of the building.

35. Whilst non-domestic Green Deal assessors will not be prevented from offering broader energy or sustainability advice, that goes beyond potentially eligible measures for the Green Deal, this will not be accredited under the Green Deal as this would require specialist skills from the assessor in order to provide advice for all building types and uses.
36. It is proposed that a methodology that builds upon the non-domestic EPC methodology will be used to produce a qualifying assessment for non-domestic properties. The current methodology for producing EPCs for non-domestic buildings, the SBEM, will be developed to allow for a Green Deal assessment, and for the assessor to model 'what if' scenarios for the implementation of energy efficiency measures in order to predict the likely energy savings. The Green Deal assessor will be able to adjust some of the standard assumptions currently made in the EPC and utilise information about the occupants' actual energy consumption. If the assessor is an approved DEC assessor, they may use a DEC as evidence of the actual energy consumption in the building, otherwise, and where this isn't appropriate, the method will allow for this information to be provided in an alternative form.
37. The ability to reflect the actual use of the building will enable the Green Deal assessment to produce more accurate predictions of the likely energy savings occupants could make by installing a Green Deal package. This will not affect the production of an EPC, which remains based on standard assumptions. Development of SBEM will be carried out in such a way that approved third-party EPC software providers will be able to develop their software in order that it may also be used for Green Deal assessments.
38. It is recognised that Green Deal assessors may be able to identify opportunities for energy efficiency improvements but where these relate to complex systems, or unusual applications, the expert knowledge required to deliver a reasonable prediction of energy savings may exceed that required of a generalist assessor. In these circumstances assessors will be able to draw on specialists as part of their assessment, in order to add the additional information required to produce the savings estimate. The certification standards for assessor will set out the guidelines and expectations for the use of specialists.

Lodgement of Reports

39. In the domestic sector, if a valid EPC already exists, the Green Deal assessor must be able to retrieve the underlying data from the EPC register. In England and Wales DCLG will be consulting on the best way of making this data

available to a range of interested parties and EPCs themselves will be freely available to the public from April 2012 unless the EPC holder has opted not to have that information disclosed. For non-domestic properties an EPC is naturally produced as part of the Green Deal assessment.

40. The entire GDAR will be provided to the consumer who can use it to shop around for a Green Deal quote. It is also intended that the GDAR for domestic and non-domestic sectors will be lodged on an appropriate register. (EPCs will continue to be lodged on the existing EPC registers, currently operated by Landmark in England and Wales and Energy Saving Trust Scotland in Scotland). The Green Deal Providers will need access to the register in order to make a quote and calculate eligibility of a proposed package of measures for Green Deal finance and ECO support. They will also need access in order to update financial information post installation (see disclosure in chapter 6). Lodging the reports on a register will also enable reports to be accessed by those who commissioned them and by those involved in the oversight and third party assurance of Green Deal assessor services. We are also considering options to allow different levels of access for different parties to the occupancy assessment since it may contain sensitive personal information.
41. Data must be stored in a format which makes accessing the results easy for a variety of potential users with different requirements. It is intended that the following groups will, among others, have access to certain data contained within the register(s)/ database:
 - The Green Deal report owner (the householder or business) – to assess their options and consider whether a Green Deal is appropriate and what package of measures they can install.
 - Green Deal providers - to provide offers to consumers based on the recommendations in the report, to develop specific quotes and to update the report with financial information once a GD plan has been agreed (see chapter 6)
 - UKAS and the accredited certification bodies – for quality assurance purposes
 - ECO suppliers, to enable them to validate the reported activities of their contracted installers; and to reduce transaction costs by facilitating searches and targeting;
 - The ECO Administrator, to enable them to validate ECO activity reported by suppliers and gather other data relevant to the monitoring, reporting and evaluation of the scheme
 - Local Authorities - to support them to evaluate progress on reducing emissions and tackling fuel poverty in their local area, and to enable them to target local activity to promote Green Deal take-up.

- Solicitors and estate agents acting on behalf of buyers and sellers to validate the EPC used in a transaction is up to date (for disclosure purposes)
- DECC and DCLG for monitoring and evaluation purposes.

Oversight body/managing organisation

42. As with Green Deal installer accreditation, we will require a body to administer and manage the registration of assessors and perform a number of other functions. In particular this body will:
- maintain the Green Deal Code of Practice, including the requirements of assessors;
 - maintain a register of authorised Green Deal assessors;
 - Issue the Green Deal quality mark to Green Deal assessors;
 - manage the review of the Green Deal assessor services Scheme Standard;
 - liaise with Sector Skills Council on keeping the NOS up to date;
 - liaise with UKAS over the accreditation of Green Deal certification bodies
 - record jobs carried out;
 - inspect/monitor a percentage of assessments, and other activities to inform evaluation and;
 - manage advice, referral and redress when something goes wrong and it cannot be resolved by other complaints processes.

Redress mechanisms in more detail

43. GDARs produced will be quality assured in line with certification requirements. The appointed accreditation body, UKAS, will be able to require certification bodies to ensure that any mistakes are rectified and that assessors hold sufficient professional indemnity and public liability insurance, with the ultimate sanction for assessors and certification bodies to be struck off.
44. Where consumers have specific complaints about levels of service they will be able to pursue this in the first instance with the organisation they commissioned their assessment from. This might be a Green Deal Provider or an independent assessor/organisation, who will be expected to investigate and remedy the situation. Complaints against individual assessors may be escalated to their employers and certification bodies for further investigation and possible sanctions against the assessor. Ultimately the customer can seek redress via the Energy Ombudsmen Service (see section 10.4), as with other complaints relating to a Green Deal Plan, when these have not been resolved by the Provider or other participants. Again, breaches of the requirements set by the

framework could result in the withdrawal of certification (if the assessor) or accreditation (if the certification body).

1.4 The Green Deal and Energy Company Obligation (ECO) – synergy in accreditation and assessments

45. Given the potential for a measure to be promoted and installed using financial contributions from suppliers under ECO and Green Deal finance it is essential that the schemes are designed to facilitate and accommodate this as far as possible. In particular, we want to ensure that where it occurs joint funding is “seamless” to the consumer. The single most effective way of ensuring that offers can be seamless will be to keep the design of ECO as simple as possible, allowing ECO companies and Green Deal providers to enter into mutually beneficial commercial relationships of their own design, and to market offers to consumers in the ways they consider most effective. Proposals for the establishment of a brokerage mechanism between ECO companies and Green Deal providers will also facilitate the development of seamless joint offers. An important further consideration is that measures delivered jointly under both schemes should not be subject to separate regimes in respect of quality, standards etc.
46. We believe there is no reason why standards for ECO measures should deviate from those for the Green Deal and every reason why they should be the same. This goes for all aspects of professional delivery, including the assessment. This drive for consistency suggests that, in general, ECO measures will need to have been signalled as appropriate under an assessment of the property which meets Green Deal standards. It will therefore be a condition of any measure promoted and installed by suppliers under the ECO Carbon Saving target that there has been a prior Green Deal assessment which has identified the measure as appropriate. (On rare occasions where a slightly different, e.g. a more full, assessment may be needed for an ECO measure, we propose that the ECO company will need to satisfy the ECO Administrator that the assessment provided was nonetheless appropriate).

ECO Affordable Warmth obligation and the assessment process

47. The proposed Affordable Warmth component of the ECO has been designed to provide measures to low income and vulnerable households to improve their ability to heat their homes. It is perhaps less likely that many of these households will be in a position to take out a Green Deal alongside their ECO support, and we expect that most households in this group will receive fully subsidised measures (further detail on this is available in the chapter 5). Energy suppliers will need to be able to show the value of delivering particular

measures in terms of a reduction in heating-costs to the households. An EPC will usually be sufficient to do this, although there are cases where an alternative assessment may be appropriate.

48. There are some measures which suppliers might wish to deliver, such as repairs to heating systems under the ECO Affordable Warmth target²⁰, where a measure's potential to reduce the cost of heating a home will have to be determined without reference to an EPC, because, while an EPC recognises the presence of a boiler, the assessment process does not require a full test of the system to confirm whether the boiler is working (please see section 2.3 under ECO Affordable Warmth obligation - allowable measure in Measures chapter). In such cases, the energy supplier may choose to determine the measure's cost saving potential using an EPC assessor who is also qualified as Gas Safe, and therefore in a position to advise on or deliver repairs to central heating systems.
49. A requirement for a *full* Green Deal assessment, including both fabric assessment and occupancy advice, would not be relevant under the Affordable Warmth target where Green Deal finance is not being delivered, and might act as a disincentive to the delivery of basic measures in some households, for example, where a property would benefit from loft top-up insulation. Therefore we do not propose requiring suppliers to carry out a full Green Deal domestic assessment where measures are being promoted to a household under the Affordable Warmth target without Green Deal finance.
50. Government also wishes to ensure that low income and vulnerable households who are potentially eligible for qualifying measures being promoted to them under the Affordable Warmth target are provided with information on Affordable Warmth as early as possible in the Green Deal process. This enables eligible customers to avoid having (and potentially paying for) a full Green Deal assessment if the best solution for these customers does not involve Green Deal finance. The Government has sought to design a mechanism for 'filtering' such eligible householders into the ECO 'system'. Where a householder contacts the remote advice service the filtering should occur as part of this process but it is important that the assessment can also pick up those households who may be eligible for ECO support.
51. Whether the householder approaches an independent assessor, or one with links to a Green Deal provider, the assessor will be required under the Green Deal code to: ask the householder some basic questions to help indicate whether they may be eligible for additional support; make the householder

²⁰ This is referred to in the draft ECO Order accompanying the consultation as the "home heating cost reduction target" or the "home heating cost reduction obligation". The former is the overall target whilst the latter is part of the overall target which a supplier must achieve.

aware of ECO and the possible opportunity to receive financial support with measures; and provide the householder with the contact details of the remote advice service. Further information on the links between this advice service and ECO are provided in section 5.2 under referrals.

52. We are not seeking to limit the market and expect that energy companies will establish cost-effective mechanisms for identifying Affordable Warmth eligible households, including working with Local Authorities and developing partnerships with assessors and Green Deal providers who may share data with energy companies with the householder's consent. However, where following an assessment a Green Deal Provider decides not offer a Green Deal plan to the consumer, we will look to require the assessor to provide the customer with contact details for the remote advice service to explore whether they may be eligible for extra support.

Chapter 2: Measures, products and systems

Chapter Summary:

The Green Deal and the Energy Company Obligation (ECO) will work in combination to drive the installation of energy efficiency improvements, commonly referred to as “measures”. The focus of each will, however, be different, and as a result, so will the measures falling within each’s scope.

This chapter describes proposals for determining the qualifying measures for the Green Deal and ECO. Initial points to note are that:

- where measures fall within the Green Deal and ECO, both financing streams can combine to cover the up-front cost of the improvements;
- there are two proposed “obligations” under the ECO - the Carbon Saving Obligation and the Affordable Warmth Obligation and will have a different focus and cover different measures²¹;
- the Product Assurance proposals apply to products and systems installed through the Green Deal and/or the ECO;
- the Green Deal covers domestic and non-domestic properties, whilst the ECO covers domestic properties.

The Green Deal has been designed to finance, or part finance, the installation of a broad range of measures, products or systems. Provided “measures” have been “recognised”²² as being capable of improving the energy performance of a building, they are eligible for Green Deal finance. The Golden Rule is the principle which limits the amount of Green Deal finance that a provider can attach to the electricity bill to the estimated energy bill savings that are likely to result from the installation of measures under the Green Deal plan.

Only products which fall within a category of “qualifying energy improvement” recommended by a Green Deal Assessment can be installed with Green Deal finance. We will encourage customers to take up “packages” of recommended measures. The amount of Green Deal finance available can be calculated on the basis of the total estimated fuel bill savings for the “package” of recommended measures. The “Carbon Saving obligation” within the ECO is intended to focus on the delivery of insulation measures which will not be delivered by Green Deal Finance alone. This means harder-to-treat properties that require more complex

²¹ Although there may be some overlap.

²² See section 2.2 for an explanation of the term “recognised”.

solutions. Insulation systems for solid walls are expected to play a major role, but views are invited on the position of other measures that might need additional support.

We propose that non-insulation measures would only be supported under the Carbon Saving Obligation where delivered as part of a package that includes insulation for a harder to treat-property.

It is proposed that ECO's "Affordable Warmth obligation"²³ should allow for any measure which can demonstrate that it contributes to the objective of allowing households to heat their homes at a lower cost and therefore more affordably. Heating systems and insulation measures are likely to be the core focus. Views are invited on whether provisions should be put in place to ensure major measures are delivered to households under the Affordable Warmth obligation.

A measure will only be able to count towards²⁴ a supplier's ECO obligation where it is "additional", that is, it would not have been installed without a supplier promoting and installing the measure under the ECO. The intention is not, however, to preclude other sources of funding, particularly Green Deal finance, contributing towards the installation of the measure. Even where a measure is promoted and installed under the ECO with financial assistance from the Green Deal the intention is for the supplier promoting the measure to receive the full carbon or cost savings of the measure.

All products and systems installed under the Green Deal or the ECO (or both) must be quality "assured". Only products that meet the requirements of the Green Deal Code of Practice can be installed. A process will be in place from Summer 2012 for manufacturers and suppliers to confirm that their products and systems comply with the Code – that they are "Green Deal ready".

"Green Deal ready" products and systems will be listed by the Green Deal Oversight Body, whose services, we intend to procure. A representative sample number of "listed" products will be "spot-checked" by the Oversight Body for compliance with the Code and could be struck off the list if they are found not to comply.

²³ In the accompanying draft ECO Order the "Affordable Warmth obligation is referred to as the "home heating cost reduction target" or the "home heating cost reduction obligation". The former is the overall target set for all suppliers whilst the latter is a supplier's individual component of the overall target.

²⁴ A measure which counts towards meeting a supplier's ECO obligation is called a qualifying action in the draft order. A "carbon qualifying action" is a measure which will count towards a supplier's carbon emissions reduction obligation under the Order whilst a "heating qualifying action" is one that will count towards a supplier's home heating cost reduction obligation.

2.1 Introduction

1. Our ambition is to enable as many households and businesses as possible in Great Britain, to benefit from energy efficiency improvements in the most cost-effective way²⁵. In line with this ambition, the Green Deal has been designed to finance a broad range of energy efficiency improvements, and to promote the installation of these as a package.
2. The Green Deal is based on a key principle that certain energy efficiency improvements can pay for all or part of their installation cost through the resulting savings on fuel bills. Many improvements have the potential to create significant fuel bill savings. For example, by insulating the external wall of a solid walled three-bed semi detached house, savings of between £250 and £550 can be achieved.
3. The specific objectives of the measures framework are to:
 - ensure products installed with Green Deal finance and ECO support are high quality;
 - promote the installation of as many packages of measures as possible that will improve energy efficiency and as a result deliver deep cuts in carbon emissions;
 - drive innovation in new products and materials and;
 - help consumers understand how they can realise actual fuel bill savings over time.
4. This chapter describes the framework for determining whether a “measure” or package of measures can be financed under the Green Deal and/or is eligible for ECO support.

Policy approach

5. Working closely with industry representatives from a range of sectors, the Green Deal has been designed to finance the installation of a broad range of technologies that can improve the energy efficiency of the building stock in Great Britain.
6. Our approach to developing policy on the scope of the Green Deal and on product assurance has been to build on existing frameworks and standards as far as possible, and to develop the requirements in accordance with EU law. This means that in many cases, those wishing to supply into the Green Deal and ECO will have already met the requirements set out in the Code of Practice.

²⁵ The Devolved Administrations also have energy efficiency action plans. In Scotland, there is a target to reduce energy consumption by 12% by 2020.

2.2 Green Deal Measures

7. A Green Deal measure is an energy efficiency improvement made to a property which has been financed through the Green Deal²⁶. This includes part-financing, where a customer pays for some of the work up-front themselves. For example a customer may choose to pay for some of the cost of a replacement boiler themselves and finance the remainder through the Green Deal. Alternatively the household may be eligible to receive support through the ECO for certain types of measures. See section 2.3 for proposals on which measures the ECO will support.
8. This arrangement means that even those measures which do not yet create enough fuel bill savings to fully off-set their costs can still benefit from Green Deal finance.
9. Measures in this context refer to those which can be installed in homes and non-domestic properties. Although certain measures will be more appropriate to non-domestic buildings the broad principles set out below apply to both. See paragraphs 28 to 30 for the proposed approach to defining qualifying improvements for non-domestic buildings.

Measures qualifying for Green Deal finance

10. Measures which have been “recognised” as being able to improve the energy performance of buildings and generate fuel bill-savings, and have been specified by the Secretary of State as being qualifying energy improvements, can qualify for Green Deal finance²⁷.
11. The Green Deal (Specified Energy Efficiency Improvements and Qualifying Energy Improvements) Order will list the measures that are “recognised” in the Government’s Standard Assessment Procedure (SAP) for domestic properties as meeting this requirement. This is the “pool” of measures that Green Deal assessors will draw from to make property-specific recommendations.
12. The ability for a measure to create savings on the fuel bill is a crucial requirement. Without this, there is no possibility that the savings can be used to pay for the improvements.

²⁶ This does not preclude consumers from using aspects of the Green Deal framework, such as “Green Deal Ready” products and installing them using alternative financing routes.

²⁷ Paragraphs 22 to 26 discuss how DECC proposes to determine which measures can create fuel bill savings.

Box 1: Definitions

A “measure” means an energy efficiency improvement made to a property, for example, loft insulation, cavity wall insulation or replacement boiler.

“Product” means the product that is installed (falling within a category of qualifying energy efficiency improvement).

“System” means a measure which is made up of component parts which is often constructed or put together on-site, such as external wall insulation systems.

It is also worth noting that the Energy Act 2011 makes clear that the Green Deal may cover measures which generate renewable energy in a cost-effective way, as well as those termed “energy efficiency” measures.

Energy efficiency will often be used as short-hand for the types of measures which can lower energy bills and therefore be eligible for the Green Deal, even if not all such measures technically reduce energy use or increase its efficiency. For example, microgeneration will use renewable sources of energy (such as the air, sun and ground heat) to generate energy and this ultimately results in fuel bill savings.

13. The second requirement is that the measures must have been recommended during the Green Deal Assessment, to ensure the measures installed are appropriate for the building in question.
14. The level of fuel bill savings in a home or non-domestic property resulting from making an improvement will depend on many factors such as the type of building and what the measure is replacing. For example, if a person installs a package of measures including energy efficient glazing, the difference in the saving on the fuel bill will depend on the overall thermal performance of the building and how well the previous windows performed. As a result, the fact that measures may not create savings, or the same level of savings in every type of property or scenario, does not exclude them from Green Deal eligibility.
15. The amount of finance a package of measures can attract will be determined by the total estimated fuel bill savings that can be achieved in that type of property. The cumulative estimated savings for the package of measures will set the upper limit on the amount of finance available. The savings estimate will be set out on the EPC produced during the Green Deal Assessment and be used by the Green Deal Provider in order to work out how much finance can be offered under the Golden Rule and provide the customer with a quote.

16. This means that, where a package includes a measure which is particularly cost-effective, the Green Deal Provider may be able to rely on the savings likely to be generated by that improvement to finance some slightly less cost-effective improvements under the Green Deal Plan which would otherwise have required top up finance from another source.
17. Chapter 4 discusses the Golden Rule and chapter 3 sets out the role of the Green Deal provider in more detail. See also section 2.4 on proposals to enable the performance of products to be recognised for the purposes of the Golden Rule calculation.

Defining which “measures” can create fuel bill savings

18. Our proposed approach is to assume that measures which are recognised as improving the energy performance buildings have the potential to save energy and/or reduce the amount a customer has to pay to heat or generate energy in their building.
19. For domestic retrofits the Reduced Data Standard Assessment Procedure (RdSAP) assessment tool, used to produce EPCs for homes, already contains a list of approximately 30 measures which can improve the energy performance of buildings. The list of measures in RdSAP has been used to create the list of qualifying Green Deal energy improvements. Being modelled in RdSAP also means the measure can be recommended by Green Deal assessor.
20. It is important that the list of qualifying improvements can be added to as new measures come onto the market or new evidence of improved performance becomes available. There are certain measures which are not modelled in RdSAP, such as energy efficient taps and showers²⁸, that DECC’s Call for Evidence on the Costs and Benefits of Measures (March 2011) suggests have the potential to be included. See paragraphs 31-34 for how DECC intends to enable new measures to be added to the list on an annual basis.
21. DECC is also working with the Building Research Establishment (BRE)²⁹ and industry representatives to investigate whether District Heating systems can be incorporated into the Green Deal.

Non-domestic measures

22. The Simplified Building Energy Model (SBEM) will form the basis for the assessment of non-domestic properties (see section 1.3), and assessors have

²⁸ Which also reduce water consumption.

²⁹ The BRE currently administers SAP and RdSAP for Government.

much greater flexibility to recommend appropriate measures to reflect the wider range of non-domestic building types.

23. Our proposed approach is have a single list of qualifying energy efficiency improvements for domestic and non-domestic buildings. In some cases, recommendations will be similar in domestic and non-domestic properties, such as a shop converted from a dwelling. In practice, certain measures will not be recommended for different types of building, as they are not appropriate or are not modelled in the appropriate methodology (SBEM or SAP).

24. However, we invite consultees to inform us of other measures which have particular relevance for non-domestic buildings which are not already listed in Annex A³⁰. For example, Heating Ventilation and Air Conditioning (HVAC) systems, energy efficiency taps and showers³¹ and low energy lighting should make much more significant energy savings in larger non-domestic buildings due to the scale of the retrofit. Our intention is therefore to include low energy lighting, systems and controls in the non-domestic Green Deal. It is more difficult to model standard energy saving estimates for lighting systems and controls in domestic properties, and at present these measures are not included in RdSAP. . Energy efficient lighting can be recommended on domestic EPCs, and householders can fund these as part of the overall energy efficiency improvement package.

QUESTION 8: Which measures should be added to the list of qualifying measures in Annex A for non-domestic properties, and what evidence is there that these measures improve the energy performance of buildings?

The process for adding new measures to the list of qualifying improvements

25. A process for adding new measures to SAP already exists³², called “Appendix Q”. Through this process an organisation can apply to have their measure included. The performance of the measure is tested or verified and, if deemed appropriate, the measure is modelled in SAP.

26. Our intention is to use this mechanism to determine which new measures can create fuel bill savings and what the level of the savings estimate should be. Measures which make it through Appendix Q will added to the list of qualifying improvements in legislation and in RdSAP on an annual basis.

27. DECC will work with the BRE and industry to ensure that the Appendix Q process is reviewed periodically to ensure burdens are kept to a minimum. However, in

³⁰ List of Green Deal Qualifying Improvements.

³¹ Which also reduce water consumption

³² An “Appendix Q” process is also being developed for SBEM.

our view it is, appropriate that measures are subject to full and proper testing and/or independent verification of their performance for the Green Deal, as the savings estimates determine the level of finance available.

28. DECC will also develop a process to review the evidence on the costs and benefits of measures on an annual basis and to adjust assumptions in SAP and RdSAP as appropriate. We intend to create a new “modifications committee” of independent experts to make recommendations on the treatment of new measures and what changes to SAP and RdSAP need to be made.

QUESTION 9: Will the existing Appendix Q process, which will allow new measures to be added to the Green Deal assessment tools, and to the list of qualifying improvements, support innovation in the market and how could the process be improved? In particular, what support could SMEs benefit from?

Recommendations to the customer

29. Measures recommendations will be set out on an improved EPC produced during the Green Deal assessment. The measures recommended will differ from property to property. What is appropriate for a property depends on a number of factors including the type and age of construction and measures already installed.
30. The annual estimated energy savings for the measures and indicative costs will be given. This will help consumers see the benefits of making the improvements. The EPC will also be used by Green Deal Providers to see which measures have been recommended and the savings estimates. The EPC will include a “package” of measures that can potentially be financed through the Green Deal.

Promoting a “package” approach

31. Package approaches have the potential to deliver significant savings to consumers on their energy bills. The recommendations on the EPC will promote the installation of the full package of measures recommended. Green Deal Assessors and/or Providers will also be asked to provide their Green Deal customers with an official advice leaflet on the additional benefits of installing packages of measures and making energy efficiency improvements in an appropriate order. We are working with the supply chain to see how “all in one visit” approaches to installation can be supported.
32. The consumer may experience less disruption if a full package of measures is installed in one visit. However, it is recognised that there will be circumstances where the installation of a full package of measures is not appropriate, for example, where a highly disruptive installation does not fit with other changes to

the property. For example, some people may feel internal wall insulation would not be sensible soon after a new kitchen has been fitted (although in the future we will want Green Deal to be a consideration before other work).

33. The framework allows for customers to choose to install measures over time and to take out more than one Green Deal. In this situation the Green Deal Provider should set out how this approach would affect the amount of finance that would be available.

2.3 ECO eligible measures

34. Energy companies will receive credit towards their ECO obligations for funding the delivery of energy efficiency measures. However, it is crucial that the policy supports the delivery of measures which make a real and substantial difference to households and which would not have been delivered without ECO support.

Carbon Saving obligation - Measures

35. Previous government programmes have driven significant delivery of the cheaper insulation measures like loft and cavity wall insulation. However, opportunities still remain for these extremely cost effective technologies and Green Deal will allow households to insulate their homes with low cost cavity wall and loft insulation at no upfront cost.
36. Almost a quarter of GB homes either have solid walls or are of a construction type suitable for the various types of SWI and this technology could help reduce UK emissions considerably. However uptake has been very low as a result of the much higher upfront costs, including the 'hassle' costs, and limited support from government programmes.
37. When a household takes out Green Deal finance to cover the costs of making their home more energy efficient, the costs and benefits of the technologies stay with the occupiers of the home, while financial assistance provided for measures under ECO is likely to be funded through a cost passed on to all bill payers. To ensure the costs to all energy consumers are minimised, there is an argument for designing ECO in such a way as to ensure that Green Deal finance supports as high a proportion of the costs of technologies as possible (effectively defined by the Golden Rule) and that ECO financial assistance is focused on those measures and situations where Green Deal finance alone will not deliver. Government recognises that Green Deal finance may not be appropriate for all households, particularly low income and vulnerable households who tend to

under-heat their homes. The ECO Affordable Warmth obligation³³ has been designed to provide support to these low income and vulnerable households.

38. We are proposing that (for households who are not eligible for Affordable Warmth³⁴) ECO should not cover those measures which can readily be fully funded by Green Deal finance such as loft and standard cavity wall insulation (hard to treat lofts and cavity walls are discussed further below) as these measures are likely to be delivered by Green Deal finance alone. In fact these highly cost effective measures are likely to form the core component of any Green Deal package.
39. An alternative approach would be to allow some ECO subsidy to be directed towards low cost loft and cavity wall insulation. This approach might promote earlier delivery of these very cost effective measures, bringing forward cost effective carbon savings. Under the central demand scenario modelled for Green Deal and the ECO, allowing ECO subsidy for these measures would displace Green Deal finance meaning more of the costs would be passed through to all bill payers rather than falling on the direct beneficiaries; but if demand were low then support for these measures would bring about more cost-effective activity as a whole. There is also a risk that individuals would hold out for ECO support in the future meaning ECO targets could effectively act as a cap on delivery of loft and cavity insulation. We will consider these issues further during the consultation and welcome views on the best approach to deliver overall value for money.
40. Evidence in the impact assessment suggests that the next most cost effective carbon saving measures after those which are fully fundable by Green Deal finance are insulation systems for solid walled homes. We recognise that some other construction types exist throughout Great Britain which are not of solid wall construction but which are hard to treat and which do lend themselves to solid wall insulation (including both internal and external wall insulation).
41. There may be a role for ECO to help deliver other socially cost effective measures which cannot be fully financed by the Green Deal if such hard to treat measures could be distinguished at the point of assessment and would not undermine the Green Deal.
42. Focusing the ECO carbon saving target on solid wall insulation should lead to a similar market transformation to that already seen for lower cost technologies, increasing consumer awareness, scaling up delivery rates and driving down costs, while ensuring that quality standards remain high. As delivery costs come

³³ This is referred to in the draft ECO Order accompanying this consultation as the “home heating cost reduction target” or the “home heating cost reduction obligation”. The former is the overall target set on all suppliers whilst the latter is the individual proportion of the overall target distributed amongst individual suppliers.

³⁴ Further information on ECO Affordable Warmth measures is covered below.

down, a larger proportion of the cost of each solid wall insulation job can be funded by Green Deal finance meaning a smaller ECO contribution will be needed, reducing the cost of the policy and the impact on all household energy bills.

43. Following a 'whole house' approach presents another opportunity to deliver more cost effectively. Specifying a suite of improvements for the same property at the same time means that improvements can be tailored to each other. This would avoid for example, an expensive, high output heating system being installed just before the heat requirements of a house drop due to a package of insulation being installed.
44. This approach also allows cost efficiencies in delivery to be identified. It is far more cost effective to install solid wall insulation and to upgrade glazing at the same time rather than to treat these as two separate jobs. However we do not want to create a possible perverse incentive for households to take out a very small amount of SWI as a route to leveraging in ECO subsidy for extra measures. To avoid this, we propose that, subject to the considerations above, the ECO Carbon Saving Obligation should only support solid wall insulation, or packages of measures which include solid wall insulation, and that where a package is delivered, the solid wall insulation must improve at least 50% of the exterior walls of the property which at the time of the installation are capable of receiving such treatment. Furthermore we propose that other measures within the package must be installed within 6 months of the SWI.
45. We further propose that within packages, support and ECO credit should only be attracted by measures which reduce the heat loss from a home rather than all possible energy efficiency measures, as previous obligations have done. This would translate to measures that improve insulation and air-tightness levels, thus ensuring that the ECO focuses on what is widely seen as the first step in the hierarchy for reducing building emissions: reducing energy demand.
46. To ensure ECO only supports measures that are both appropriate and additional we propose that all ECO carbon saving measures must also:
- have been recommended as a suitable improvement measure during an assessment of that property (for example, a Green Deal assessment);
 - be "fixed" improvements to the property and not easy to remove or take out of service;
 - be installed by people with the appropriate Green Deal accreditation;
 - be accompanied by appropriate advice to the household on the proper way to maintain and use the energy efficiency measure, to ensure carbon savings are achieved.

QUESTION 10: What innovative ways can the government use to encourage the uptake of a package of measures and could our existing proposals support this?

Hard to treat cavities

47. Experience from the Community Energy Saving Programme, CESP³⁵, and evidence from the Impact Assessment, suggests that there are a number of cavity wall properties the installation of which would be socially cost effective, but do not pay for themselves through the Green Deal either because of high ‘hard to treat’ installation costs or high individual ‘hassle costs’.
48. In hard to treat cavity cases the best way forward may be cavity filling using non-standard products or techniques or to provide solid wall insulation. Such cases may well occupy an equivalent space on the MAC curve to “normal” solid wall insulation (see section 5 of the accompanying Impact Assessment), that is to say, they can almost but not quite pay for themselves and there is a case to allow a measure of ECO subsidy to tip the balance.
49. However, such properties are by definition not straightforward, and an initial assessment may classify them simply as cavity wall properties, making it difficult to be clear without further investigation whether solid wall insulation is the most appropriate technology or whether more technically complex cavity wall insulation is the most cost effective solution. Including such properties within the ECO risks complicating the scheme.
50. In considering ways in which the ECO might be broadened to support cavity wall installations that would not be fully fundable by Green Deal finance, it needs to be clear how such installations could be identified at the GD/ECO assessment and how their inclusion would impact on demand for the Green Deal.

QUESTION 11: Please provide views on the potential inclusion of hard-to-treat cavities (and potentially other measures of a similar type), and proposals for how properties might be accommodated in the ECO without excessive complication or perverse consequences.

ECO Affordable Warmth obligation – allowable measures³⁶

³⁵ CESP is the obligation placed on electricity generators and energy suppliers under the Electricity and Gas (Community Energy Savings Programme) Order 2009 (S.I. 2009/1905)

³⁶ Allowable measures are what are referred to as “qualifying actions” in the draft ECO Order. Two types of “qualifying action” exist: a “carbon qualifying action” which contributes towards a supplier’s carbon emissions reduction obligation and a “heating qualifying action” which contributes towards a supplier’s home heating cost reduction obligation.

51. Given the objectives of the Affordable Warmth element of ECO to provide support to low income and vulnerable households who are struggling to stay warm, we propose including measures which allow such households to heat their home more affordably, i.e. at less cost.
52. In practice, the key improvements which are most cost effective at making a substantial difference are new heating systems and low cost insulation measures. However, the costs associated with these measures will preclude many low income and vulnerable households from being able to make the necessary upgrades to the fabric of their homes. Our analysis suggests³⁷ that heating and insulation will be, and should be, the most frequent measures delivered, although we do not propose to have a prescribed list of eligible measures.
53. Of course, only measures which can demonstrate their benefits via the means described in Chapter 1, which will form the basis of the ECO Affordable Warmth scoring methodology, will be able to be accepted by the ECO Administrator. The intention will be to ensure that only measures which are fixed improvements to the property such as gas boilers, cavity wall or loft insulation, and not easy to remove or take out of service, such as lighting products or shower heads are delivered, and to ensure product and installation quality standards are met. By not prescribing a list of measures, this does allow lower cost measures such as draught exclusion and hot water tank jackets to be promoted. However, we would only expect these to be delivered alongside more major insulation and heating measures. We would welcome views on whether a prescribed approach would be a better means of ensuring major measures remain the primary focus of the scheme.
54. While the current SAP methodology does not recognise any improvement brought by repairs or replacements to existing boilers (as the current SAP methodology makes no distinction between functioning and non-functioning heating systems – if the system is present, then it is classified as operational), repairs and replacements clearly make an important contribution to enabling households to heat their homes. Where boilers can be easily repaired, this is potentially a far more cost-effective means of enabling the household to heat the property more affordably than replacing the boiler altogether. There is therefore a good case for ensuring repairs can be counted as eligible measures, which could be done by allowing a proportion of the “points” value of a new boiler to be scored where a heating system has been repaired. Any boiler repairs would need to be assessed and carried out by a Gas Safe engineer.

³⁷ Citation needed

55. Households who are not connected to the gas grid can still benefit from heating and insulation measures under the Affordable Warmth target. The Government recognise the potential benefits of promoting lower carbon heating sources, as an alternative to more traditional off-grid heating fuels, in these cases. However, at present, we do not have sufficient evidence³⁸ that ground or air source heat pumps provide a cost-effective and efficient solution for supporting the group of households that will be the focus of the Affordable Warmth target. Therefore we propose that while heat pumps and other low carbon heating sources should be eligible options, there should be no additional incentive supporting their delivery over more traditional approaches. We would welcome evidence relating to the reliability of renewable heating sources at reducing the amount households need to spend to heat their homes.

QUESTION 12: We propose that the ECO Carbon Saving obligation should be achieved primarily by promoting and installing solid wall insulation. Should any other measures be supported, and how would these be defined?

QUESTION 13: For the ECO carbon saving obligation, we propose that any other carbon saving measures should only be eligible when delivered as part of a package with solid wall insulation. Do you have any suggestions for the criteria by which eligibility within packages should be restricted, explaining why you think any such restrictions should be included?

QUESTION 14: We propose that *any measure* should be allowed under the Affordable Warmth obligation, provided it allows eligible households to heat homes more affordably. If you disagree, or feel there are risks to this approach, please explain and set out any restrictions you believe should be put in place.

QUESTION 15: Do you have any suggestions for whether and how we should score, boiler repairs under the Affordable Warmth obligation, such that where repairs are more cost-effective than replacement systems, without significant impact on efficiency, these can be promoted?

QUESTION 16: We are proposing that any heating measures should be allowed under the Affordable Warmth obligation, including for households off the gas grid, and extra incentives should not be put in place for air or ground source heat pumps. Do you have any evidence to bring to bear on the performance of heat pumps to improve the ability of vulnerable households to heat their homes affordably?

³⁸ Cite

Joint funding and “additionality”

56. It is inherent in the energy company obligation model that companies will normally deliver their obligations in the most cost-effective manner, reducing costs to themselves and positioning themselves more competitively in the energy supply market. They will therefore look to lever in joint funding for measures. Depending on tenure, this could be funding from the household, most likely in the form of Green Deal finance, funding from landlords (private or social); or even funding from local government or other government programmes such as energy efficiency programmes run by the Devolved Administrations.
57. Previous obligations suggest that the scope for such joint funding from lower income households (such as those proposed for the Affordable Warmth group) may be much less than from other households. While the availability of Green Deal finance may affect this position, for modelling purposes we have made the cautious assumption that Affordable Warmth measures will be 100% subsidised by the ECO suppliers. However we do not propose that this should be a regulatory requirement and there could be benefits if suppliers reduce the socialised cost of the obligation through securing joint finance.
58. There are some arguments for crediting the energy company with only a proportion of the savings an energy efficiency measure generates, this proportion being dependent on the level of funding they provided. However, when funding is provided through Green Deal finance the costs and the benefits of energy efficiency stay with the same household. When funding is provided under ECO, the costs are assumed to be passed on to all energy bill payers, while the benefits reside just with the households who receive measures. It therefore makes good sense to maximise Green Deal finance and minimise ECO contributions wherever practical. Providing only proportional credit for proportional funding would not drive this behaviour.
59. We therefore propose that energy companies should be able to jointly fund measures and receive full credit for the carbon or cost savings which the measure produces regardless of the proportion of funding that they contribute to its installation. This will encourage energy suppliers to both drive down delivery costs and to lever in supporting funding wherever possible. However, it is a fundamental feature of the legal and policy architecture of an obligation of this sort that it should create genuinely additional activity. Therefore it should not credit companies for activity which would have happened in the absence of the ECO.
60. In administering the scheme, it is important that the Administrator is satisfied that the ECO contribution is indeed material to the installation of the measure. It should be noted that additionality is a test which cannot be met when there is an

absolute regulatory requirement for the measure to be installed in any event. However, it can be met where a regulatory requirement is less than absolute, as the ECO contribution may then still have been necessary for the measure to be installed.

2.4 Green Deal and ECO Product Assurance

61. The product assurance requirements for the launch of the Green Deal and the ECO will not go beyond what is needed to help ensure that products installed with Green Deal finance are safe, durable and perform as intended. The proposed approach is to rely on existing standards, frameworks and legislation as far as possible, and to drive innovation.

62. The Green Deal Code of Practice will require products installed with Green Deal finance (including ECO support) to meet all relevant legal requirements such as Building Regulations. All products must already comply with existing legal requirements, however by specifying this in the Code of Practice, we are making clear that the requirements in the Code do not supercede or replace existing legal requirements.

63. The requirements in the Code fall into three main categories:

- We intend to make certain practises which industry already routinely carries out, such as “system-testing” and “Conformité Européenne (European Conformity) CE marking”, a Green Deal requirement help maintain standards and make the market for lower quality products less attractive;
- Where products already fall within the scope of another UK certification scheme, such as the product testing requirements in the Microgeneration Certification Scheme (or equivalent), they will have to fulfil the level of testing and certification specified in that Scheme;
- We intend to establish a mechanism for demonstrating compliance with the Code of Practice and to help provide greater clarity on which products can be installed with Green Deal finance.

CE marking

64. CE (European Conformity) marking harmonises the testing and certification requirements for certain construction (and other products on the market) at the European level. CE marking requires a declaration of the characteristics of a product, including for example safety requirements, thermal performance, resistance to fire or structural strength.

65. Levels of “third party” assurance and certification required vary between measures and are set at a European level based on the risk the products pose (e.g. fire doors have high testing requirements). Discussions with industry representatives suggest that many products already have CE marking. Voluntary CE marking will be made mandatory shortly after the launch of the Green Deal from July 2013.

66. We will require all Green Deal products and components that are or will be subject to mandatory CE marking from 2013 to have CE marking. For manufacturers who are not currently CE marked but will be required to do so from July 2013, this means that if they want their products to be eligible they will need to “go early” and obtain a CE marking before it becomes mandatory. This is a pragmatic way to ensure that the basic characteristics of products used in the Green Deal are known to the installer and that the product has been subject to a harmonised assessment process.

Product certification for products without a harmonised European testing requirements

67. There are a small number of measures or materials that do not have standards against which they can be CE marked (e.g. hemp and lime insulation) and so will not be caught by the requirement to CE mark. Currently, these industries commonly gain a UKAS accredited certification to replicate the declarations made for CE marking.

68. We intend to require that measures or materials falling outside of CE marking regime should be tested and certified to a CE equivalent level by UKAS accredited certification bodies. The measures this requirement applies to will be listed in the Code of Practice and the process for determining the “equivalent” testing requirements.

Systems testing

69. Measures fall into three categories: single installed components (e.g. a roll of loft insulation), pre-built system (e.g. boilers) and built-up or in situ systems (e.g. external wall insulation). For built-up systems that are put together on site by the installer we will require the system to be tested, and for the testing to be certified by a UKAS accredited laboratory and/or equivalent certification body.

70. Our initial proposal is that external wall, internal wall and cavity wall systems should be tested and certified as a “system”. This means that the full system, rather than just the component parts and material have to be tested and certified together.

71. System testing will verify that the various components in the system work together as intended. This is already very common for certain measures (e.g. external wall insulation and cavity wall insulation) and could represent an increase in testing for others (e.g. roofing). Guarantee schemes for these measures generally require systems-testing as a condition for obtaining the guarantee.
72. A working group of industry representatives and certification bodies will be formed to make recommendations on the extent to which detailed testing requirements need to be specified. For example, for internal wall systems where no recognised testing standard exists. The group will also consider whether any other measures should be tested as a system and what the implications for the supply chain could be.

Declaring compliance

73. We intend to make it a requirement that Green Deal Providers and installers can only use products or systems which are on a list held by the Green Deal Oversight Body on behalf of the Secretary of State). This will be a list of the products that manufacturers and suppliers confirm are “Green Deal ready”: that they meet the require of Annex D of the Code of Practice.
74. The process is yet to be fully defined. However, we propose that manufacturers and suppliers will be able to notify the Oversight Body that they wish to have their products and systems included on the list using a standard template which will be available on DECC's and the Oversight Body's website. In the template, manufacturers and suppliers will confirm that their products and systems meet the requirements of the Code of Practice. The Oversight Body will then enter the information onto an official database.
75. If the Oversight Body deems the information in the template to be insufficient to include the product or system on the list and/or confirm compliance, they will notify the relevant manufacturer or supplier.
76. The Oversight Body will have a target to review the template and either update the list with the relevant products or notify the applicant company that information is incomplete within 30 working days of receipt. All Green Deal participants can apply to the Oversight Body for access to the Products and Systems list.
77. This approach will help to give confidence to the other participants (such as installers) in the Green Deal that a product falls within a category of qualifying improvement and meets the required standards. This is important because Green Deal Providers could be required to cancel a Green Deal plan if it is later discovered that products were used that did not comply with the Code of

Practice.

78. While this is a form of self-certification, the Oversight Body will carry out spot-checks on listed products. Our intention is that any that are found not to comply with the Code can be removed from the list and that there will be a right to appeal.

79. We expect the database that will underpin the list to be operational and available for input from summer 2012. The templates will be designed with the assistance of the Construction Products Association and will be in place from March 2012 so that manufacturers can begin compliance checks.

QUESTION 17: To what extent can existing product lists, such as the list of Microgeneration Certification Scheme compliant products be used as the starting point for the Green Deal Products list?

Tackling the gap between theoretical savings and actual savings

80. It is widely known that measures often perform differently in homes and businesses than in laboratory testing. There is often a gap between the “theoretical” energy savings and actual savings realised for lots of reasons, including how the measures are installed, whether the building is non-standard, and whether customers change their energy consumption patterns. We are conducting further research, for example on solid wall properties, to help to ensure the savings estimates that are used when calculating the amount of finance available are as accurate as possible.

81. It can be assumed that there will always be at least some difference between theoretical and actual savings. Rather than try to deal with this by placing ever more onerous testing requirements on suppliers, we are exploring the implications of applying an appropriate “in-use factor”. This would mean the savings estimates would be revised down by a specified percentage based on evidence and research, or where this does not exist, on the basis of expert judgement on the scale of the potential difference in performance. The reason is to ensure that savings estimates are not overly optimistic, resulting in inappropriate charges being applied to fuel bills.

82. We do not intend to take account of “active comfort taking” in the savings estimates as the assessment is based on the physical performance of the building. For example, if a person decides to take the benefit of installing measures by heating their home to a higher temperature, this possibility will not be included in the “in use factors”. However, consumers will be given clear advice on the possible impact on energy savings if they change their behaviour.

83. Draft “in use factors” would be based on recommendations made by a task group of experts which DECC will set up. The group will also advise on how to apply this safeguard, for example, whether it is appropriate or not change savings estimates in RdSAP and SBEM. DECC will informally consult with industry and the research community on the emerging levels and the results will be included in the Government’s response to the consultation document.

Recognising enhanced product and system performance

84. It is our policy to drive innovation through the Green Deal and ECO. To facilitate this we propose to enable (on a voluntary basis) suppliers to have the performance of their specific products verified (as opposed to the generic measure) so that product-specific savings information can be used for the Golden Rule calculation. This approach will drive innovation within existing measures categories by officially recognising how products perform on the basis of verified evidence relating to that product. The mechanism could take the form of varying the generic “in use factors” because the margin of error relating to the estimated savings will be narrower.

85. Manufacturers and suppliers will not be able to make claims without full certification. We will issue a tender for an organisation to develop a standardised methodology for verifying the performance of products. Certification will then need to be carried out by a UKAS accredited certification body or laboratory (or equivalent). This process will not require re-testing where product testing already carried out meets the standard set.

86. Green Deal Providers and installers will need to have access to the product data to determine whether the product or system they wish to use has a differentiated performance level. If yes, the Green Deal Provider cannot simply substitute one savings estimates for another. It is likely that a regular re-run of the EPC software will be needed to factor in the cumulative effect of the other recommended measures, and the physical characteristics of the property in question.

QUESTION 18: Do you agree that allowing enhanced product performance to be recognised in the Green Deal financing mechanism is useful? Do you have any specific views on how this approach could be implemented

2.5 Summary of the steps related to Green Deal Products and Systems

1.	The product or system falls within a category of qualifying measure.
2.	The product or system falls within a category of qualifying measure which

	has been recommended during a Green Deal Assessment.
3.	The product or system complies with the requirements of the Green Deal Code of Practice.
4.	The product or system has been confirmed as being “Green Deal Ready” and listed by the Green Deal Oversight Body.
5.	Voluntary – suppliers opt to have enhanced product or system performance recognised for the Golden Rule calculation.

2.6 Supply Chain Analysis

The scale of the opportunity

87. The Green Deal is designed to revitalise and drive a genuinely competitive and enduring market for energy efficiency. By stimulating growth, certain industry sectors and the economy can benefit as well as the customer. The scale of the opportunity is great.

88. Each part of the supply chain will have a role to play in creatively marketing and promoting the benefits of energy efficiency improvements to realise this potential. There are many homes and businesses that have not yet benefitted from even the most basic energy efficiency measures. For example:

- Around 6³⁹ million households have not had their lofts insulated to the recommended level;
- around 7 million solid wall have not been insulated, with a further 1 million timber clad solid wall buildings that could also benefit from insulation;
- Around 6 million households do not have double glazing in all their windows;
- Around 70% of English homes do not have a full set of heating controls.

89. There is also great potential for newer and emerging technologies in the market, and other measures which work in combination with other technologies to save more energy, such as flue gas heat recovery devices. As the market grows for these measures, we can expect they can be installed more cheaply and efficiently, and a greater proportion of the cost covered by Green Deal finance.

90. Whilst it is clear there is a large potential energy efficiency market, DECC is drawing together scientists, economists, and industry representatives to agree a common and more detailed picture of maximum extent of the work there is to do in different sectors, building types, and geographical locations. The results will be available in early 2012.

³⁹ The precise numbers can vary depending on the assumptions made. See the Impact Assessment.

Linking the Green Deal and the ECO

91. Like any market, what is delivered under the Green Deal will be down to demand and supply. But it is clear that financiers and potential Green Deal Providers are aiming to deliver £billions of capital flows. Tough carbon and affordable warmth targets within the ECO will result in around £x billion being injected into the market and secure levels of installation activity. In addition, plans to introduce “interim obligations” (see page x for more discussion on interim obligations for the ECO) will ensure that for the sectors covered, the momentum is created early on.

Linking to the sustainability and other agendas

92. There is also the opportunity to use the Green Deal to trigger interest in other types of improvements which are not technically eligible for Green Deal finance because they do not provide savings on the property’s energy bill. A good example are measures that save cold water in homes. Green Deal advice will encourage customers to think about their whole property and what can be done to improve energy efficiency and wider sustainability. Water companies and Green Deal Providers could create partnerships to see a range of work being done in the property all at the same time. Other examples are the provision of charging points for electric vehicles and sound-proofing alongside other insulation measures for properties in flight paths. We will continue to work with industry to see how the framework can enable such partnerships.

Working with the supply chain

93. We have consulted with hundreds of organisations over the past year through official stakeholder forums, project teams, workshops, industry events and on a one-to-one basis. This has given us a good insight into the state of readiness of the supply chain and what Government can do to assist companies and organisations to gear-up.

94. For example, the Construction Products Association Green Deal team⁴⁰ has surveyed hundreds of manufacturers, distributors, installers and trade associations to gain an understanding of what the capacity of the supply chain is at present, and how quickly and effectively it could increase production and installation rates. In addition, the team has reviewed a number of recent industry reports to gain a rounded picture. A summary of the findings will be available alongside the Government’s response to the consultation. Early findings suggest that, overall, supply chain capacity is unlikely to be a barrier to delivery of Green Deal measures.

⁴⁰ A team of industry representatives brought together by the Construction Products Association to help address Green Deal and ECO supply chain-related questions.

95. There are however some exceptions where more analysis is needed to understand what interventions could be required. For example, the number of external and internal wall insulation installers needs to increase over the next ten years to deliver the number of jobs needed to meet carbon budgets. The installation rate needs to increase at least ten-fold over time. We are working with the National Insulation Industry, INCA and others to ensure that there is an appropriate training infrastructure in place, and that the 1000 Green Deal apprenticeships announced in the Budget 2011, can be fully utilised.

What do participants have to do to be ready

96. We understand that in order to prepare, those participating in the Green Deal need to understand what training or other requirements the Green Deal framework places on them. A number of papers have already been published on the Energy Bill website to update organisations on emerging policy decisions. One key area covered was to set out which measures will be qualify for Green Deal finance, so that the sectors concerned could begin to prepare. This consultation document and associated statutory instruments contains more detail detailed policy proposals.

97. We will continue to work closely with industry up to the launch of the Green Deal. so potential participants are able to meet their authorisation requirements in advance of the launch of the Green Deal.

Models for accessing the market

98. DECC has created a framework that is very flexible so that participants in the Green Deal can decide what works for them, how they want to interact with customers, and who they want to partner with. For example, some companies may want to offer their customers a “one-stop-shop” service, while others may want to specialise in deliver of a particular service. The only limits set are where rules are needed to protect customers to create a level playing field, and to comply with legislation, for example, relating to consumer credit. These consumer protections necessitate certain minimum requirements. One critical requirement is that there must always be a Green Deal Provider who contracts with the customer to make the improvements, arranges the finance and who can help customers with problems if they occur.

99. We propose that any organisation can become a Green Deal Provider as long as they are authorised by the Secretary of State as being fit to perform this role. In deciding whether to grant authorisation, the Secretary of State will consider whether the applicant is likely to be able to fulfil the ongoing conditions of authorisation set out in the framework regulations, including adherence to the

Code of Practice. We are beginning to see a range of different types of companies and organisations indicating that they are gearing up to be Providers, including retailers, local authorities, distributors, installers, manufacturers and energy companies. A number of trade associations are also exploring this possibility.

100. We are also keen to ensure that smaller companies can benefit from the Green Deal market, The Federation of Master Builders (FMB) estimates that small building and contractor firms carry out approximately half of all repair, maintenance and improvement work in the UK, and employ around two thirds of the construction workforce. The SME builders' community and SMEs from all sectors with qualifying measures will therefore have an important role to play in the delivery of the Green Deal. In particular SME builders are very often the party in direct contact with householders and most familiar with the individual property, and are therefore well placed to advise householders on specific works that might be appropriate and to trigger Green Deals.

101. We are engaging with representatives of the SME community to share examples of innovative operating models and ways of accessing finance that are already being proposed, such as to create partnerships with larger organisations or local authorities, or the creation of consortia of organisations.

Future publications to help industry gear-up

102. We intend to produce a joint industry and Government Green Deal and ECO Guide intended to support companies in gearing up for delivery and to showcase examples of what some organisations are already doing to maximise the opportunities presented by the Green Deal. The Guide is expected to include the most up to date information on DECC's analysis of market potential, possible approaches for accessing finance, summarise the requirements for entering the Green Deal market and present case studies of delivery approaches.

Creating capacity for future delivery

103. In the Government's response to the Low Carbon Construction IGT report, Government committed to consider establishing an "existing homes hub" with industry and to report to the newly established Green Construction Board with their conclusions in autumn 2011.

104. The "hub" could provide a mechanism for sharing the latest research on energy efficiency, facilitating partnerships in the supply chain and creating joint government and industry solutions to delivering energy efficiency policy for the long-term. DECC is currently working with BIS and industry partners to develop a more detailed proposal with a view to take an "in-principle" decision on the establishment of a hub.

Supporting innovation

105. DECC is keen to draw on the findings of other projects and programmes of work which are exploring the potential for innovation in products and production processes, and across the supply chain, for example, to help lower installation costs. Examples of some of the projects we are linked to include:

- DECC's £35 million Low Carbon Buildings Innovation Programme;
- DECC's 2050 Pathways Analysis;
- The Technology Strategy Board's Retrofit for the Future Project; and
- The Energy Technology Institute's Optimising Thermal Efficiency in the Built Environment project.

106. In addition, DECC is working with Foresight in the Department for Business, Innovation and Skills on a "horizon scan" for new energy efficiency technologies which could come onto the market in the future and what sorts of problems they may solve. Our objective is to ensure the Green Deal can "recognise" new products and product-related innovations in an appropriate way.

Chapter 3: Green Deal Provider and the Plan

Summary of chapter:

The Green Deal provider will be a key part of a customer's Green Deal journey. They are the counter-signatory to the Green Deal plan, responsible for both the provision of finance and energy efficiency works. In order to provide confidence to customers and investors, it is important to ensure Green Deal providers are operating to an appropriate standard and therefore they will be required to meet Green Deal authorisation requirements in order to operate in the market.

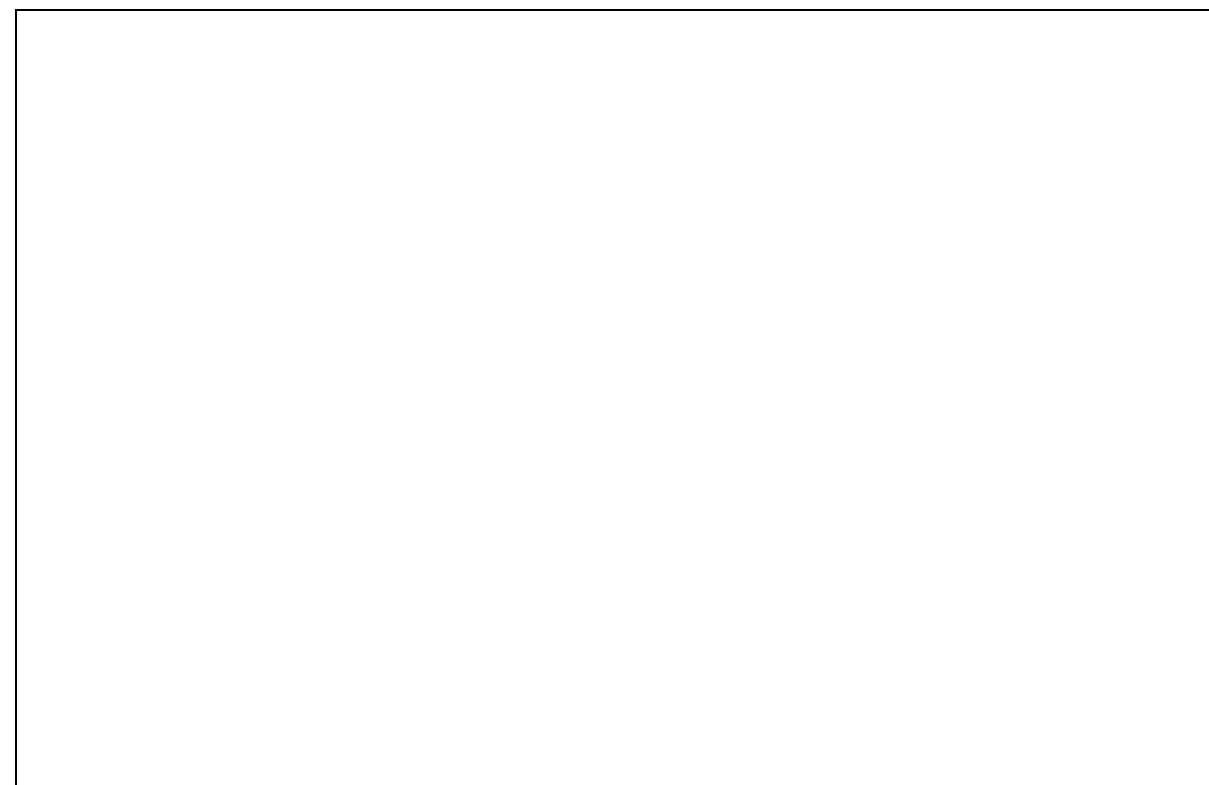
The Green Deal Oversight Body will act, on behalf of the Secretary of State, as the managing organisation for participants in the Green Deal and deal with applications for authorisation as a Green Deal providers.

Due to the long-term nature of the Green Deal plan and the fact that the liability to pay instalments transfers from bill payer to bill payer, it is important to consider the position of the first and subsequent bill payers. For this reason, we are proposing to regulate certain terms of the Green Deal plan.

Green Deal plans in the domestic sector will be regulated consumer credit agreements under the Consumer Credit Act 1974. This gives important rights and protections to consumers. Green Deal providers wishing to provide Green Deal finance under regulated consumer credit agreements will also need to be licensed under the CCA.

This chapter sets out the following in further detail:

- Authorisation requirements of Green Deal providers
- Oversight, sanctions and redress relating to Green Deal providers
- Terms of the Green Deal plan
- Protections offered to domestic customers by the Consumer Credit Act, including a few key amendments which have been made to ensure the Green Deal operates smoothly



3.1 Introduction

1. Green Deal finance allows people to make energy efficiency improvements to their homes or businesses without paying for them upfront, thereby removing a major barrier to action. The Green Deal presents a novel idea of the cost of energy efficiency improvements being attached to a property's electricity bill rather than to the individual. Our customer insight work found that for just over half (53%) of participants this method of payment would make them more likely to take up the Green Deal. To ensure that a large number of measures can be installed via this mechanism, we want to see these arrangements offered at the lowest possible interest rate. In developing policy, it has therefore been important to ensure the Green Deal remains a viable investment for finance providers, and that investment risks are reduced so as to enable finance to be offered at low cost. Consumer and investor confidence is important to ensure uptake and success of the scheme which is why it is necessary to ensure Green Deal providers are operating to an agreed minimum standard.
2. The Green Deal provider will be the key participant in a customer's Green Deal journey. They will be responsible for providing the finance and arranging the energy efficiency works. They will also be the counter-signatory to the Green Deal plan, the credit agreement which sits between the customer and Green Deal provider setting out requirements and obligations on both sides.

3. Where ECO funding is available to part-fund a measure, the Green Deal Provider will arrange this and use the funding to reduce the cost of the package to the customer.

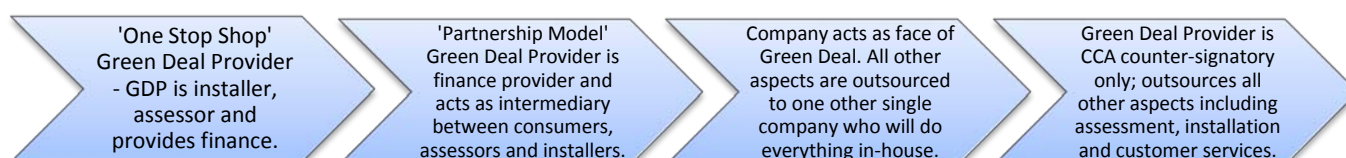
Policy development process

4. Along with consumer confidence, it is important to ensure investors have confidence in the Green Deal accreditation framework and the terms of the plan make an attractive investment opportunity. We have been working with potential Green Deal providers, consumer groups and the investment community to try and ensure the proposals strike the correct balance between ensuring consumer protection, not creating too many barriers for entry to the Green Deal market whilst ensuring the Green Deal remains viable for the finance community.

3.2 The Green Deal Provider

5. Once a property has been assessed and tailored energy saving recommendations have been given, the customer can contact a Green Deal provider to obtain a quote and agree to a Green Deal Plan. The Green Deal provider is the counter signatory, with the customer, to the Green Deal plan for the provision of finance and energy efficiency works. Therefore the contractual relationship sits between the Green Deal provider and the customer.
6. The Green Deal Provider is responsible for:
 - offering a Green Deal Plan to customers, based on recommendations from a Green Deal assessor. The plan sets out the financial terms of the agreement and must be accompanied by some further compulsory terms designed to help protect consumers such as terms for warranties in respect of the improvements.
 - ensuring the energy efficiency works are carried out to a property by an authorised Green Deal installer.
 - ongoing obligations in relation to Green Deal plans, including dealing with customer complaints.
7. Green Deal providers may choose to carry out the assessment and supply of goods and installation using their own employees, or they may sub-contract this as illustrated in the diagram below.

Diagram 4: Potential Green Deal Provider Models



Potential Green Deal Providers can fit into the spectrum above where they feel most appropriate. It can be in one of the examples or a mixture as long as they fulfil the minimum requirements along with the ongoing obligations. They must always be counter-signatory to the Green Deal Plan.

8. Green Deal providers are fundamental to the Green Deal so in order to instil customer and investor confidence, it is important to ensure a robust authorisation scheme for Green Deal providers is in place. Green Deal providers are responsible for arranging the installation of measures (either using their own employed installers, or sub-contracting with an authorised installer), and providing the finance package to the customer. Due to the nature of the ongoing and long term obligations which Green Deal providers have, we propose that Green Deal providers should be required to comply with obligations under the Green Deal authorisation scheme which extend beyond existing CCA obligations. This should assure investors that Green Deal providers are operating to the necessary standards and have the appropriate levels of consumer protections in place, helping to keep the costs of finance low. Authorisation will be granted by the Secretary of State, though aspects of the application process will be managed on his behalf by the Green Deal Oversight Body.
9. In order to become an authorised Green Deal provider and operate in the market, companies will be required to:
 - sign up to and comply with the Green Deal Code of Practice;
 - sign up to the Green Deal Arrangements Agreement, a contractual agreement between Green Deal Providers and electricity suppliers governing the payment collection and remittance process;
 - hold a valid CCA licence (if they wish to offer Green Deal plans for domestic properties);
 - make appropriate provisions to provide protection for customers in the event the Green Deal provider becomes insolvent or loses its licence, explained further below under insolvency provisions;
 - sign up to an appropriate independent conciliation process to help resolve customer complaints and;
 - pay the required fees to the Oversight Body for Green Deal authorisation.
10. The Government is committed to seeking to ensure a competitive Green Deal market for customers. This should maximise uptake of Green Deal plans and help provide value for money to consumers. It is likely that a number of different business sectors will enter the Green Deal provider market, all of whom have unique selling points and potentially different trigger points. For example, electricity suppliers who are also Green Deal providers may have data on their

customers which could be used for marketing purposes. We are not intending to distinguish between market sectors and differentiate authorisation requirements.

Green Deal Provider Code of Practice

11. Green Deal providers will be required to sign up to and abide by the Code of Practice⁴¹. They will be required to adhere to the entire Code where relevant however, Annex B of the Code sets out specific duties must be fulfilled. The Code of Practice ensures all Green Deal providers are operating to an agreed standard, providing the necessary levels of consumer protections and services. The Code of Practice will include detailed requirements regarding the implementation of the Golden Rule, use of the Green Deal quality mark and marketing material as well as information relating to minimum levels of redress they should offer to customers and information they should provide.

Insolvency Provisions

12. We are proposing that the Green Deal provider hold a surety bond in order to protect customers in the event the Green Deal provider becomes insolvent or loses its Green Deal authorisation. This bond would be designed to cover the cost of fulfilling all existing and future obligations and liabilities arising in relation to the provider's Green Deal plans, including any arising under the Green Deal framework regulations and Code of Practice. We consider that in this way, it should be possible for a Green Deal provider to transfer all Green Deal plans to which it is party to, to another authorised Green Deal provider, if necessary.

13. It is also proposed to extend the above provisions to cover situations where a Green Deal provider authorisation is withdrawn by the Secretary of State for another reason such as a persistent breach of the scheme conditions.

QUESTION 19: Are surety bonds the most effective, efficient way to ensure customers are protected in the event a Green Deal provider becomes insolvent or has their licence revoked. What should be the minimum requirements of a Green Deal surety bond and how much should Green Deal providers be required to insure?

Oversight, Sanctions and Redress

14. Green Deal providers will need to be licensed by the Office of Fair Trading (OFT) under the CCA, in addition to being authorised in relation to Green Deal. The CCA licensing regime incorporates a test of fitness (including competence to

⁴¹ A copy of the code can be found here

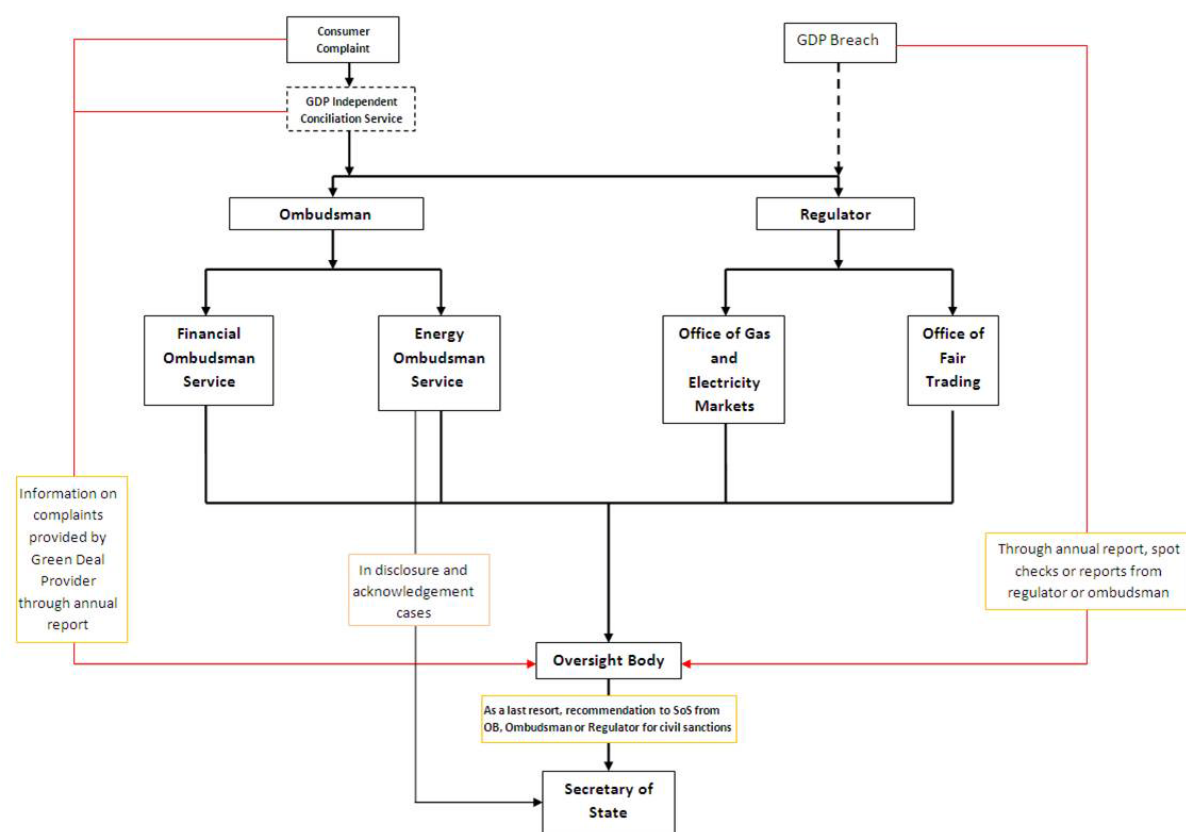
http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx.

engage in credit activities), and licensing action can be taken against firms if they breach the CCA or other consumer protection legislation or engage in business practices which are deceitful or oppressive, or otherwise unfair or improper, whether unlawful or not. In the case of creditors, this can include irresponsible lending practices (and the OFT has published guidance setting out its regulatory approach in this area⁴²). The OFT has a range of sanctions under the licensing regime.

15. In addition, breaches of the CCA can lead to enforcement action by the OFT or Local Authority Trading Standards Services (LATSS), including using powers under Part 8 of the Enterprise Act 2002 where the breach may harm the collective interests of consumers. Some infringements also constitute criminal offences. OFT and LATSS also have powers to enforce other consumer protection legislation including the Consumer Protection from Unfair Trading Regulations.
16. We intend to complement this existing regulatory regime, and that operated by OFGEM in relation to energy suppliers, by setting up a new regulatory regime specifically for Green Deal. This aims to ensure that Green Deal providers (and other Green Deal participants) meet their ongoing requirements under the Energy Act 2011 and framework regulations including adhering to the Green Deal Code of Practice, the GDAR and the conditions for authorisation.
17. We are not proposing to establish a new regulator but the Green Deal Oversight Body will have a role to play in monitoring the conduct of Green Deal Providers. If the Oversight Body encounters evidence of breach of the Green Deal scheme or other legislation, it will have powers to investigate and to report to the Secretary of State who can impose appropriate and proportionate sanctions. In appropriate cases, information can also be passed to other regulators, such as OFT or OFGEM, and we will ensure that there are data sharing gateways in place to facilitate this.
18. Diagram 5 below sets out how the different regimes will work together and how we will ensure robust oversight of Green Deal providers.

Diagram 5: Oversight process for Green Deal providers

⁴² *Irresponsible lending: OFT guidance for creditors* (OFT1107), March 2010 (updated February 2011).



19. We are putting in place processes to ensure civil sanctions by way of financial penalties and the last resort of withdrawal of authorisation are only applied in appropriate circumstances. A severity test will be applied when considering both civil sanctions and withdrawal of authorisation. In addition, a fitness test will be applied which will assess the fitness of a Green Deal Provider for authorisation by the Secretary of State to continue to function in the market. Only when it can be justifiable in terms of this test, can the Secretary of State remove the Green Deal Provider's authorisation. Before imposing civil penalties, in addition to the severity test, a proportionality test will be applied to consider, for example, business turnover and size.

20. The Green Deal Provider is always the first point of contact for customer redress, and will have an obligation to investigate the problem. Following an investigation, if the Green Deal provider or one of their sub-contractors is at fault or where a guarantee applies, the Green Deal provider will be required to rectify the problem as appropriate. The Green Deal provider will then be able to seek redress through their sub-contract with assessors and installers. If the Green Deal provider believes the fault has been caused by another Green Deal participant, who was not acting for or on its behalf when the work which led to the problem was done, the Green Deal provider will assist the customer to take the complaint to the relevant party.

21. If the customer is dissatisfied with the Provider's response to the complaint, or if the provider fails to investigate at all, they can choose to escalate the complaint to the Independent Conciliation Service provided by the Green Deal provider. This is a free and voluntary conciliation service, which providers will be obliged to offer to dissatisfied customers. If this stage is unsuccessful or isn't used, the consumer may be directed by the Green Deal provider to take their complaint to either the Financial or Energy ombudsman service (FOS and EOS respectively), depending on the nature of the complaint. The decision of the Ombudsman is not binding unless the consumer chooses to accept the decision. In the event that a consumer is not happy with the decision of the Ombudsman, or the plan needs to be adjusted as the Golden Rule principle was not properly applied, the Green Deal Oversight Body will have a role in compiling a report for the Secretary of State who may choose to impose sanctions on the Green Deal provider for a regulatory breach, and if appropriate can provide redress to the customer by re-evaluating the plan and reducing the outstanding amount in line with the impact of the breach on the customer.
22. It is not envisaged that Green Deal Providers will be required under the scheme to directly compensate customers if a breach has occurred. Compensation can however be recommended by the Ombudsman Services. Where the FOS upholds a consumer complaint, they can recommend the company in breach to compensate the consumer up to £100,000 for deprivation of money and investment loss or for distress, inconvenience or other financial loss. In addition, the independent conciliation service can recommend that the Green Deal Provider compensate the customer.
23. We are also proposing that in instances where the consumer has been satisfied by the decision of the Ombudsman service, if the breach appears to be systemic, (for example through the volume of customer complaints), it may be investigated by the Oversight Body and referred to the Secretary of State who may impose regulatory civil sanctions, in line with the appropriate severity and proportionality tests.
24. Further, the potential need for civil sanctions may come to light through the Green Deal Provider's annual reporting to the Oversight Body or through information provided by existing regulators or redress mechanisms. If the complaints and breach appear to be systemic or severe, following receipt of a report from the Oversight Body, the Secretary of State would apply the severity and if appropriate fitness and proportionality tests to determine whether there is a need for sanctions.
25. We propose that a customer complaint about breaches of framework regulations and Code of Practice must be raised within six years of the alleged breach, in line with the limit for legal claims in existing consumer law.

26. The redress and regulatory system is a stepped process which where possible and to a large extent will operate in line with existing practices and regulatory regimes. Therefore we envisage the instances where the Secretary of State will be required to act to be limited. Green Deal providers will have a right of appeal against any determination of the Secretary of State to the first tier tribunal which is explained further in chapter 10.

QUESTION 20: Does our proposed approach to authorisation and oversight of Green Deal providers ensure the necessary standards of consumer protection and proportionate redress without creating barriers to entry into the market?

Developing the Green Deal quote

27. Once the customer has their Green Deal assessment, completed by an authorised Green Deal assessor, they will be able to take the outcome of the assessment to any authorised Green Deal provider and ask them for a quote for installation of and finance for one or more of the recommended measures.

28. The Green Deal Provider's quote for installing these measures will include the costs of the measures themselves, installation, finance and any other associated costs. Details on what they should use as the basis of the savings in year 1, and how the charge can vary in subsequent years are set out in chapter 4.

29. The customer will be free to approach as many Green Deal providers as they wish for a quote. We are not proposing to place a requirement on customers to obtain a minimum number of quotes except in cases where a Green Deal package offered to a domestic customer is in excess of £10,000. In this case, customers will be required to obtain three quotes from different Green Deal providers. The requirement to ensure the quotes have been obtained will be placed on Green Deal providers via the code of practice and helps to provide an extra level of consumer protection.

30. Provisions will be included in the code to try and ensure people who are eligible for ECO support are detected as soon as possible in the customer journey to ensure any available support is factored into the finance calculation and offer to the customer. Green Deal providers may access ECO by either contracting directly with energy companies or through using a brokerage (see chapter 9: delivering Green Deal and ECO) to bid for ECO support. If a Green Deal provider is unable to offer a Green Deal plan, they should refer the customer to the Remote Advice Service for further information.

31. If the customer is content with the quote, the Green Deal provider will develop the Green Deal plan, ensuring the terms adhere to the requirements set out in the

framework regulations and code of practice. As required by the CCA customers with a CCA-regulated agreement will have a 14 day cooling off period once they have signed and returned the plan to the Green Deal provider.

32. We will ensure that customers with regulated agreements (i.e. all domestic customers and some small businesses) will be made aware that they have the option to pay for the package up front and not utilise Green Deal finance. In this circumstance, there will be no Green Deal plan. In addition to the CCA requirements, the code of practice will require Green Deal providers to make it clear to the customer which protections are associated with a Green Deal plan and how these will differ from financing the measures upfront.
33. Customers may also choose to pay part of the costs upfront, in which case the Green Deal provider will be able to reduce the amount of finance attached to the electricity bill. This will enable customers to shorten the payback period or lower the instalments if desired. Allowing this flexibility should help to increase uptake as it provides customers with greater choice over repayment terms, something our customer insight work highlighted as being an important element of the Green Deal.

3.3 The Green Deal Plan

Terms of the Green Deal plan

34. The Green Deal Plan is the contract which sits between the Green Deal provider and the improver and bill payer (if different) at the property. The plan is for energy efficiency works and finance, and as set out in the Act and framework regulations, certain conditions must be met in order for the plan to qualify as a Green Deal Plan – with the effect that the obligation to pay instalments passes from bill payer to bill payer. Some of these conditions relate to the terms of the plan - such as applicable interest rates, warranties and ensuring the Green Deal plan does not restrict the bill payers ability to change the intervals at which they pay their energy bills or the ability to swap energy suppliers.
35. If these conditions aren't met, the plan is an energy plan, not a Green Deal plan. We propose that it will be a continuing condition of Green Deal Providers' authorisation that they ensure the conditions are met – with the exception of the condition that all necessary consents to the charge are obtained, as this condition is the responsibility of the improver. If the conditions which are the responsibility of the Green Deal Provider are not met, the Green Deal provider would have broken a condition of its authorisation and therefore sanctions could be imposed and the Green Deal plan re-evaluated.

36. As the obligation to pay the charge transfers from electricity bill payer to electricity bill payer, it's important to consider the position of the first and subsequent bill payers. Where we consider it appropriate, in order to try to achieve fairness for first and subsequent bill payers, we are proposing to regulate the terms of the plan over and above existing legal requirements. An example of this is the restrictions on permitted interest rate structures which are detailed further in the Golden Rule chapter. This will help to reassure customers who take out a Green Deal that subsequent bill payers should not be adversely affected by the Green Deal charge in subsequent years, a concern which was highlighted by our Green Deal customer insight work.

Interest charges on late payments

37. With consumer loans, it would be normal for the provider of finance to charge interest on late payments. This charge would cover the provider's own loss resulting from the payment being withheld, albeit temporarily. Without such a charge, the provider of finance would need to anticipate their losses from late payments and effectively build this cost into the initial cost of finance – thereby spreading the costs across all customers, including those that pay on time, and increasing the overall cost of Green Deal finance. At the current time energy companies do not charge interest for late payments on energy bills in the domestic sector and rarely charge interest in the non-domestic sector. We understand that changing their billing systems to accommodate an additional charge on late payments would incur significant administrative costs. Equally, it would establish an unusual practice of energy companies charging interest on one part of the bill i.e. the Green Deal section, but not for energy. A possible compromise option would be to allow late payment charges to be charged after a specified period of time.

Question 21: How much weight should be given to the argument for placing financial responsibility for late payment with the payee?

Guarantees and Warranties

38. Our policy intent is that Green Deal plans should be repaid within the lifetime of installed measures. However, this does raise the question of how best to ensure that installations will continue to function over this period – and that customers and subsequent bill payers are not left paying for something that no longer works. In the existing market there are a number of approaches that provide various levels of assurance for installed measures: warranties, guarantees, service contracts etc. However, these will not necessarily cover the operational lifetime of products, and/or may require regular servicing or inspections for continued cover across the lifetime of a measure (at potentially significant additional costs). Our customer insight research highlighted this as a concern for people and therefore

it is important to ensure requirements for guarantees and warranties are enough to boost customer confidence. The challenge is how best to provide customers with assurance while not adding disproportionate costs onto any Green Deal Plans.

39. Our preferred option would require Green Deal Providers to put in place adequate assurance against measures throughout the period of repayment, and as a minimum, require a warranty of two years from installers for the quality of installations.
40. In effect, the Green Deal Provider would be offering a combination of the manufacturers guarantee, the installers warranty and their own insurance-backed warranty – the cost of which would be included in the finance offer to the customer. This approach gives them an incentive to ensure standards of the businesses they sub-contract with, and to demand more rigour from the certification bodies. It would also require installers, manufacturers and assessors to maintain whatever warranty provisions they currently have in place.
41. The Green Deal provider will be the first port of call for customers in the event they have any queries or problems with their Green Deal throughout the lifetime of the plan. Therefore, if appropriate, the Green Deal provider has an obligation to put things right, bear the assurance risk of measures going wrong and seek redress and compensation from any sub-contractor that was demonstrably at fault. If there is no sub-contract in place, the Green Deal provider will assist the customer to seek redress directly from the relevant party. This option is likely to offer consumers the simplest and most effective protection for the life of Green Deal plans, as it would provide a single source of information and point of contact should any problem occur. It would therefore be quite straightforward for new occupants of a property to determine where responsibility lies and who to contact, in the event of problems.
42. Green Deal providers would be able to offer a package of measures with different assured lifetimes for each measure. In this instance, Green Deal providers would be required to stagger payments over the plan to correlate with the lifetime of the warranty for each measure.
43. Requirements included in the code, such as the need to ensure the company underwriting the warranty is at least an 'A' rated company will ensure the warranties issued by all Green Deal providers are robust and meet minimum requirements. The onus will be on customers to ensure installed measures are properly maintained. Green Deal providers will however be free to offer customers maintenance contracts which may or may not be offered as part of the Green Deal plan.

44. Ensuring full protection for customers throughout the lifetime of the plan is the most desirable policy, however, we are aware this extends normal industry practice and could be costly and burdensome for Green Deal providers. This policy could also artificially limit repayment periods which would have implications for eligibility of measures under the Golden Rule. Therefore, we'd welcome comments on this proposal along with evidence on likely costs and benefits and alternative suggestions on ways to ensure that customers are adequately protected against measures failing.

QUESTION 22: What are your views on the government's proposal of requiring Green Deal providers to offer insurance-backed warranties for the entire repayment period?

3.4 Consumer Credit Act and the Green Deal Plan

Early repayment rules

45. The CCA provides customers with a right to repay their credit arrangement early either in full or in part. So Green Deal customers with a Plan regulated under the CCA will be free to repay their Green Deal early at any point, giving customers the freedom and flexibility to exit the Deal if they wish to do so. We think customers will value this ability; however, we want to ensure that the consumer compensates the provider where they are clearly out of pocket.
46. The CCA provides that when customers do choose to repay early, the amount of compensation they can be asked to pay is limited, and is set at whichever is the lower of:
- either 1% of the amount repaid (if there is more than a year remaining when a customer repays early) or 0.5% of the amount repaid (if a year or less remains); and
 - the total amount of interest that the debtor would have paid under the agreement from the date of the repayment to the point at which the debtor would have discharged his indebtedness in the normal course of events (section 95A of the CCA).
47. This substantially limits the compensation a Provider can obtain, and, given the long length of Green Deal plans, means Green Deal Providers could stand to incur a substantial loss where a customer chooses to repay early. This could happen if, for instance, a Green Deal Provider chooses to provide credit to a customer with the expectation of receiving a certain amount of interest over the next 20 years. That Green Deal Provider may turn down other investment opportunities that occur over that time, and will make plans on the basis of the income it expects to receive from its Green Deal customers. If a customer

decides to repay early, the Green Deal Provider could stand to lose a substantial amount of the income they had expected if they are unable to lend the amount repaid at a similar interest rate.

48. If we do not enable Green Deal Providers to recoup such losses, this may deter them from participating in the scheme, or may lead them to price the risk of early repayment into the cost of the credit at the outset, potentially making the cost of Green Deal finance unsustainably high.
49. We are keen to strike the appropriate balance between protecting consumers from excessive fees and minimising the risk that the cost of finance for all customers will be increased. The existing provisions of the CCA seek to strike this balance, and we agree that those provisions are appropriate for general credit arrangements, including Green Deal Plans which are similar in length to standard credit agreements
50. However, in the case of exceptionally long Green Deal plans, we consider that the existing provisions may not be sufficient to compensate creditors appropriately in the event that a customer chooses to repay early either in full or in part. Provision is made in the Consumer Credit Directive (the European legislation that sits behind much of our consumer credit regime) to allow creditors to claim more compensation in certain exceptional cases. Government considers that this provision is applicable in the case of Green Deal plans which are for a particularly long period of time. We have therefore implemented this provision via section 29 of the Energy Act 2011, to provide for a new section 95B of the CCA. This enables enhanced compensation to be claimed in appropriate circumstances. Green Deal Providers will be able to claim this compensation where the term of the plan exceeds 15 years in duration and the interest rate is fixed at the time the repayment is made.
51. The amount of compensation that can be claimed under this new provision is limited to the total interest the Provider would have received in the period from the date of the early repayment to the date fixed by the agreement for the discharge of the debtor's indebtedness. In addition, Green Deal Providers should only charge customers the amount necessary to cover their objective loss. Customers remain free to repay early, and if Green Deal Providers are able to re-invest the money repaid early, for example in another Green Deal at a similar rate or higher, it may be that no extra compensation will be payable. If, however, a customer wants to pay back early, and the Green Deal Provider can only reinvest the money in another Green Deal at a lower interest rate, the customer is liable to pay the difference to the Green Deal Provider, subject to the limitations mentioned above.

The calculation of the compensation under section 95B will be in accordance with a formula we propose to lay down in regulations. This will subtract both the amount the creditor can now obtain by lending the money out, and any savings they will make on administrative costs as a result of the repayment, from the total interest that the creditor would have obtained under the agreement had the customer not repaid early. Similar provisions apply for partial early repayment.

52. Green Deal Providers who are eligible to claim under either section 95A or section 95B are free to choose which they wish to claim under. They are also free to charge no compensation at all for early repayment if they wish to do so – the calculation methods set out under the CCA provide an upper limit to what can be claimed, rather than a required charge that must be levied.
53. Green Deal Providers who claim under section 95B should ensure customers are presented with a transparent means to view how the compensation has been calculated. This will enable consumers to challenge the fees they are being charged where appropriate. In cases of full early repayment, creditors are already required to provide a settlement statement under the CCA, and this remains the case under these new provisions, offering customers an opportunity to see how the compensation has been calculated.
54. For partial early repayment, however, the CCA does not require a settlement statement to be provided unless one is requested. Customers who have repaid early in part will have the opportunity to challenge any fees they have paid when they receive their next periodic statement under section 77A of the CCA, or when they move out of the property. In the latter case, we will require, in the Code of Practice, Green Deal Providers to provide a version of the periodic statement to the person who is moving out. The section 77A statement will summarise all payments made and charges incurred since the previous section 77A statement.
55. Where a consumer makes a partial early repayment under a Green Deal plan, we propose to require as part of the Code of Practice, that Green Deal Providers as a default use the amount repaid towards the upcoming instalments, rather than to reduce the term of the plan or the amount of all remaining instalments.
56. Given that compensation may apply, and the Green Deal Provider alone is able to advise on this, customers repaying early will need to do so directly to their Green Deal Provider, rather than via their electricity bill. Where a customer attempts to repay early via their energy supplier, they should be promptly advised to approach their Green Deal Provider directly to do this. Further details are set out in chapter 8 on the Payment Collection mechanism.

Consumer credit protections

57. The CCA will apply to Green Deal Providers (as creditor) and to any person acting as a credit-broker in relation to Green Deal. It will also apply to third party debt collectors, debt counsellors and adjusters. It will not, however, apply to energy suppliers insofar as they are merely collecting Green Deal payments or debts on behalf of Green Deal Providers, and suppliers are already licensed and regulated by OFGEM.
58. The Bill modifies aspects of the CCA in relation to the Green Deal, to reflect the special characteristics of the Green Deal and how it will operate. The principal proposals in this regard are set out below:

Statements and information

59. Under section 77A of the CCA, creditors must provide customers with periodic statements that set out how much they have paid off, and how much is left to pay on their agreement. These statements must be provided annually as a minimum. Creditors must also respond promptly to requests from customers for information about their agreement – customers are entitled to request a copy of their agreement together with a statement of account showing all the payments they have made and a statement showing what payments are due in the future – section 77 of the CCA.
60. For the Green Deal, we are retaining this important right for customers to receive periodic statements from their Green Deal Provider, and to request statements of account. However, in the case of Green Deal plans, Green Deal Providers will be required to include additional information with statements under sections 77 and 77A to remind customers that the Green Deal is a credit arrangement where collection takes place via the electricity bill. This is because we want to ensure customers are reminded about what the Green Deal is and how it works. We are testing what wording makes most sense to ensure we get it right, but the kind of text we plan to include, subject to this testing is:

This credit arrangement is a Green Deal Plan. Regular instalments are therefore collected through the electricity bill at this address, marked as 'Green Deal Charge' on the bill. To keep this credit arrangement up to date, it is important to ensure the electricity bill is paid on time and in full. You remain free to change the payment schedule of your electricity bill in line with your electricity's suppliers' policies without any penalty or extra charges accruing to this credit arrangement. If you wish to change the payment frequency, you are advised to contact your electricity supplier directly; any amendment to your electricity billing schedule will automatically be reflected in this credit agreement.

61. The Consumer Credit Directive restricts our ability to require this to be added to the third kind of statement provided under the Consumer Credit Act (a 77B

statement, provided on request, and setting out future payment schedule). However, we suggest that Green Deal Providers should at a minimum remind customers that the Green Deal is collected via their electricity bills whenever they provide one of these statements.

62. We also intend to ask Green Deal Providers to take certain other actions in the case of Green Deal Plans, to ensure that the information required by the Consumer Credit Act makes sense to customers. These are:

- Green Deal Providers should record the date that suppliers receive payments from customers as the date they receive the Green Deal payment; this is to ensure that any time lag for suppliers to pass the payment does not penalise customers or imply they have not paid their instalments on time;
- it should be made clear on section 77 and 77A statements that a customer is only liable from the point they have been living in the property, so they know they are not responsible for any arrears for Green Deal payments which may have been built up by previous occupants;
- when a Green Deal Provider is notified that a customer is moving out, they should send a section 77A statement to the outgoing customer summarising the position at the point of departure, and highlighting any arrears;
- similarly, when notified that a new occupant has moved into a property, Green Deal Providers must send a statement to the new bill-payer giving details of the latest amount owing under the Green Deal, and the payment schedule; this is a new type of statement, specific to the Green Deal, and we will be asking energy suppliers to notify Green Deal Providers automatically whenever the bill-payer changes to enable these statements to be issued;
- as the collection and redress procedures under the Green Deal are slightly different from those under standard credit agreements, we want to ensure that these are properly reflected in the statements customers receive, so we will be asking Green Deal Providers to use slightly different wording in explaining what customers should do if they have complaints or difficulties paying.

63. In addition to requiring Green Deal Providers to provide slightly different information to their customers, we will be asking electricity suppliers to provide certain information when remitting payments to Green Deal Providers so they are able to fulfil their obligations to provide regular statements under the CCA.

64. Where a customer (by mistake) requests a credit statement from their energy supplier, suppliers will be required to react promptly in passing on the request or redirecting the customer.

Collection of payments

65. Green Deal providers licensed under the CCA will be expected to ensure that they (and anyone collecting consumer credit debts on their behalf) operate in accordance with the law and with relevant regulatory guidance, in particular the OFT debt collection guidance.
66. Under the Green Deal, payment will be collected by electricity suppliers alongside the collection of energy payments (see chapter 8). In doing so, the supplier will be acting on behalf of the Green Deal provider, who will be expected to take appropriate responsibility for their conduct. We considered whether to require electricity suppliers also to be licensed under the CCA for debt collection, but decided against this on the grounds that they are already regulated in their collection activities by OFGEM. We have therefore exempted them from the need to acquire an OFT licence specifically for collecting Green Deal payments.
67. We have also exempted Green Deal Providers from section 86B of the CCA so they are not required to issue arrears notices to customers. This is on the basis that notices and other communications to customers regarding payment will be issued by energy suppliers, and we wish to avoid the confusion which could occur if customers receive additional reminders to pay directly from Green Deal Providers.
68. We want to ensure that customers receive appropriate protections when suppliers are collecting payments. The measures we are taking are covered in more detail in Chapter 8, section 12.

QUESTION 23: What are your views on the government's proposals regarding changes to the Consumer Credit Act for Green Deal Plans?

Green Deals not regulated by the Consumer Credit Act

69. The CCA does not regulate credit agreements where the debtor is not an "individual" as defined in section 189 of the CCA. This definition includes (i) a sole trader, (ii) a partnership of two or three partners not all of whom are bodies corporate, and (iii) an unincorporated body of persons, not all of whom are bodies corporate. Agreements with companies and other bodies corporate, as well as partnerships and unincorporated bodies which are not "individuals" as defined in section 189, are **outside** CCA regulation.
70. In addition, the CCA does not regulate loans to individuals where the debtor is acting wholly or predominantly in the course of a business and the credit exceeds £25,000. The Energy Bill extends this exemption so that all Green Deal plans (including those for £25,000 or less) are exempt where the debtor is acting **wholly** in the course of a business.

71. Although the CCA is likely to apply to most Green Deal Plans, it will not apply to all. We have therefore carefully considered what types of protections should apply to Green Deal Plans which are outside the scope of the CCA regime, to ensure those customers are treated fairly whilst ensuring no unnecessary regulatory burdens will be placed on Providers.
72. We have reviewed the various protections included in the CCA, and propose to require that Green Deal Providers, as a minimum should provide customers under non-regulated Green Deals with:
- a statement of account at least once a year – it is important that customers receive regular statements of account which summarise the current Green Deal balance and the outstanding payments to be made;
 - a statement of account on request - the ability of a customer to request information statements is important under the Green Deal, especially in the context of new customers who may not have the details of the original agreement to hand. We consider that it is reasonable to require Green Deal Providers to provide customers with a statement of account on request, so they can understand what the latest position is for their Green Deal; and
 - information on whether the ability to repay early is part of the Green Deal package, including any associated fees - Green Deal Providers servicing unregulated customers should have the flexibility to allow customers to repay early if they so wish. However, where a Green Deal provider has decided to offer an unregulated customer the ability to repay early, they must explain to the customer how/if they can exit the agreement before the contract is signed. This will allow customers the flexibility to choose whether they want to sign up to a Green Deal that allows early repayments or not.
73. Should the use of a building with a unregulated Green Deal change so that it becomes occupied by a domestic consumer, however, it will be important that the appropriate protections do then apply. To ensure all customers receive the appropriate protections we would recommend that providers take all reasonable steps to ensure that the type of Green Deal Plan they sign a customer up to is likely to remain appropriate throughout the length of the Plan. We propose to set out in guidance for Green Deal Providers some aspects they may want to consider when signing a customer up to a Green Deal – in practice we think with most properties, the type of Green Deal which is appropriate will be clear.
74. Whilst Providers should take all reasonable steps to ensure that the type of Green Deal Plan they sign a customer up to is likely to remain appropriate throughout the length of the Plan, this may not always be possible. A change in regulated status could occur, for example, as a result of a change in capacity of the bill payer from a limited company to an “individual” as defined by the CCA. Therefore, Green Deal Providers will have the ability to require early repayment

where there is a change in the status of a Green Deal plan from an unregulated credit agreement to an agreement that must be regulated in accordance with the CCA. This potential requirement to repay early will need to be clearly flagged at the outset when customers sign up for an unregulated Green Deal Plan.

QUESTION 24: What are your views on the Government's proposals regarding consumer protections for those Agreements which do not fall within the scope of the CCA?

Chapter 4: The Golden Rule

Summary of chapter:

The Golden Rule is the principle which limits the amount of Green Deal finance that a provider can attach to the electricity bill to the estimated energy bill savings that are likely to result from the installation of measures under the Green Deal plan.

This is an important principle for two reasons:

- For customers, so they do not face increased costs and encounter difficulty paying their bill.
- For those who invest their money in Green Deal plans, so they can be confident that the risk of customers not being able to make payments does not rise as a result of the Green Deal, and that any default on Green Deal payments will just be in line with current default rates on electricity bills.

This chapter sets out:

- what the Golden Rule Principle is
- the limits which apply to the year 1 charge for both domestic and non-domestic Green Deals
- how the charge can vary in subsequent years for the domestic and non-domestic sectors and
- which costs can be included in Green Deal Finance.

4.1 Introduction

1. The Golden Rule is essential in keeping the cost of Green Deal finance as low as possible, not increasing default rates, and in making it likely that customers' bills will be no more than what they would have been without a Green Deal.
2. The Green Deal provider will be responsible for ensuring this principle is met at the outset and will be required to set out how the expected payments and estimated savings relate for the lifetime of the plan.

Policy approach

3. We have worked with colleagues across government, energy suppliers, consumer groups and potential investors in the Green Deal to design the principles behind this mechanism.

4. In designing the policy we have sought to protect future consumers, particularly in domestic properties, from the likelihood of increased energy bills. We therefore propose to cap the Green Deal payment that can be collected in the first year (“year 1”) of a domestic Green Deal plan to the estimated annual savings, based on standard energy usage at the property, and then to place controls on the extent to which instalments can increase in subsequent years.
5. For the non-domestic sector, we have taken a slightly more flexible approach, given the huge variation in the type of buildings and the way energy is used by different businesses.
6. We do not propose to guarantee that the charge will be fully offset by the savings. This would be extremely difficult to either implement or enforce. However, there is nothing to stop organisations going further and guaranteeing that their measures will save customers money.
7. While there is a need to protect customers, we have sought to balance this against the need to ensure Green Deal providers are able to differentiate and innovate. Which is why we’ve tried to be as flexible as possible in what can be included in Green Deal finance. We have therefore taken the approach of setting limits for what cannot be done, in order to protect consumers, rather than set out exactly what must be included in the Green Deal Plan by Green Deal Providers.

4.2 Clarifying the ‘Golden Rule’ principle to avoid mis-selling

8. While we know from the consumer research DECC has carried out that the lack of a guarantee on savings is less attractive from a customer perspective, it would not be possible or desirable to remove any incentive from consumers to be careful with their energy consumption. Additionally, rising energy prices are impossible to accurately predict or mitigate against, so it would never be feasible to guarantee to customers that their bills will not rise over a long period of time.
9. If, however, energy prices rise at the levels we expect, customers who have taken out a Green Deal package with a fixed interest rate will see their bills rise less than they would have risen had there been no measures installed at the property. The Green Deal should therefore offer partial protection from the impact of rising energy costs.
10. It is important that the principle of the charge being offset by the expected savings is not over-sold to customers, and that Green Deal customers are clear that the savings are not certain and if energy prices rise or the customers’ comfort levels or energy consumption increases, their bills will indeed go up. To

avoid the risk of mis-selling, we are carrying out research into the best way to explain the golden rule principle to consumers and how to ensure people understand that savings are not guaranteed, but are based on what is likely to happen, all else being equal.

11. We are requiring in the Code of Practice that Green Deal providers explain this aspect of the Green Deal to consumers to ensure they fully understand the relationship between costs and savings. The requirement to ensure consumers are made fully aware of the nature of the credit arrangement they are signing up to and that the charge is affordable to them is also enshrined in the Consumer Credit Act and OFT's Irresponsible Lending guidance.

4.3 Calculating instalments under the Golden Rule

12. This section looks at the different aspects of calculating the Green Deal charge, including the amount that can be charged in year 1 of a plan and whether any variation to this amount can occur in future years, for example whether it could rise over time as energy price inflation creates increased bill savings.

The Charge in Year One – the Domestic Sector

13. We want to ensure that, while savings are not guaranteed, customers can have reasonable confidence that the savings estimates provided are accurate, and based on how measures are likely to perform in *their* property. The Green Deal assessment is a key part of the process of determining the savings.
14. For domestic properties, we propose that the upper limit of the Green Deal charge in Year 1 should be limited to estimated savings based on a standardised assessment of a domestic property. This assessment will use standard assumptions about energy prices, heating, lighting and hot water use and the performance of measures in a property of a given type. This savings estimate will therefore be based on information about the *fabric* properties of that particular dwelling, and will also draw on data about standard energy use at a property of that kind, standard performance of energy efficiency measures, the geographical region, and a rolling average energy price. DECC will have an ongoing role in ensuring that the appropriate data is used within the assessment tool, and is updated at appropriate intervals, so that the Assessment provides a reliable savings estimate consumers can have confidence in. Chapter one covers the assessment design in more detail.
15. The exception to this upper limit is where a customer is not going ahead with exactly the same package of measures as set out in the Green Deal Assessment. Green Deal Providers will have access to an approved online tool using SAP

methodology which can be used to tailor the package by adding and removing the measures a customer is choosing to go ahead with, and adjusting the savings estimate appropriately. Where this is applicable, the estimate provided by this *adjusted* package should form the upper limit for the charge that can be attached in Year 1.

16. We considered using a more tailored assessment which took into account the actual energy consumption and energy tariff of the current occupant. Although using real data would provide a more accurate output for the household taking out the Green Deal initially, it would potentially create problems for future occupants. For example, if at the outset of the Green Deal, the property's occupants are particularly high energy users, or are on a particularly high energy tariff, they could receive a very high savings estimate and attach a large charge to the property. However, it is unlikely that this charge will be offset by the savings for the next bill-payers unless they are also high energy users. Using actual energy consumption at the outset of a Green Deal, could risk the occupants' bills rising and affect the ability of future occupants to pay their bills potentially increasing levels of default.
17. Using the standard assumptions and average energy prices to calculate the Green Deal charge will avoid these risks to future occupants and increase the likelihood that the Green Deal charge will be offset by the savings for both current and future bill-payers.
18. We are also considering if it is necessary to include an additional consumer protection mechanism for Green Deal plans offered to domestic customers, which are in excess of £10,000. This would provide a greater degree of comfort to consumers who are considering a larger Green Deal, which could assist in increasing uptake. In this instance we are proposing to place an obligation on Green Deal providers to reduce the savings estimate by 5% which will provide a greater savings margin and expectation that costs will be offset by savings, even if energy prices decrease or energy consumption of the bill payer fluctuates. We are proposing to keep the £10,000 figure under review and increase it as the value of Green Deals increase.

Question 25: Is it necessary to afford consumers additional protections and extra comfort where they take out green deal plans in excess of £10,000? If so, is the proposed protection of reducing the saving estimate appropriate and is the 5% figure the correct adjustment?

Lower than Average Energy Users

19. If a customer is found during the occupancy assessment to be a low user of energy, their energy bill savings may be lower than the standard savings

estimate. In these instances customers should be alerted that their bills could go up if the full Green Deal charge allowable (under the Golden Rule) is added to their bill. The customer may wish to tailor the plan so that their bills are not expected to go up, so the Green Deal Provider may for example, increase the length of the repayment period (as long as they remain within the lifetime of the measure) to reduce the charge that is added in each billing period. Alternatively, the customer may remain keen to go ahead with the maximum level of Green Deal finance that is permissible for their property. In such cases, as long as they are made aware that they potentially face additional cost and provided the Green Deal Provider has taken reasonable steps to ensure the anticipated extra payment is 'affordable' for them in line with OFT's Irresponsible Lending Guidance, the amount collected in year 1 under the Plan can still be up to the limit set by the standard savings estimate.

20. Government recognises that some households, particularly those on low incomes and at risk of fuel poverty may under heat their homes as they cannot afford to spend more on energy. The initial stages of a Green Deal assessment process should screen and direct low income and vulnerable households eligible for assistance under the ECO Affordable Warmth Obligation to the remote advice service for further information. Households will also be provided with information on the support available through ECO for those who meet the eligibility criteria if their Green Deal assessment does not result in the offer of a Green Deal plan.

The Charge in Year One – the Non-Domestic Sector

21. For non-domestic properties, we propose a similar 'cap' on the amount collected through the energy bill in Year 1. The savings estimate from the generalist Green Deal Assessment will normally provide the upper limit for the Green Deal charge. This assessment will include recommended measures as well as a per annum savings estimate for those measures, in £, based on the fabric of the building, standard assumptions about energy prices and performance of measures. The non-domestic assessment will, however, use data on the actual energy use of the building – rather than standard assumptions about energy use, as these are much less meaningful in the non-domestic sector, given the wide variation in use of buildings.
22. The Green Deal assessment for non-domestic properties will set out what assumptions underpin the estimate provided, including the price tariff that was used, and the consumption assumptions. The Green Deal Provider will highlight to customers that the estimated savings are less likely to be accurate for them should their actual energy tariff differ from the assumed price, or should their consumption change in the future.

23. We are considering how best to handle situations where non-domestic customers do not go ahead with the full package of measures set out by the initial assessment. In the domestic sector, Green Deal Providers will have access to a SAP-based online tool to adjust the package accordingly – but there is no such tool available in the non-domestic sector. Instead, the non-domestic assessor will be able to provide savings estimates for a different scenarios, based on discussions with the customer during the assessment regarding the combinations of measures they are likely to install. When preparing a quote, the Green Deal Provider should use the savings estimate of the package which most closely resembles the one they are quoting for, making reasonable adjustments if necessary.
24. We know that savings within the non-domestic building stock can greatly vary depending on how entire systems of measures are designed and installed to increase effectiveness. There is also a greater degree of variation in energy tariffs. We therefore propose that while the savings estimate from the assessment should be the starting point for the cap on instalments for year 1, this figure can be increased if the Green Deal Provider estimates that more savings are likely and the customer (and relevant consenting parties) agree to base the charge on this increased estimate.
25. This is a flexible approach under which GD Providers can base savings estimates on the Green Deal assessment should they so wish. However, the services of a specialist can be used in addition to give a more detailed estimate of savings. For example if a lighting specialist is able to design a system that would save significantly more than the generalist assessment was able to predict, or if a more specialist assessor is able to tailor the savings based on the customers' actual energy tariff. In cases where an additional specialist assessment is used, Green Deal Providers will need to clearly set out information about the assessment that has been done, including what the savings are based on, and ensure that businesses understand the potential risks involved.
26. We also considered an option under which the figure from the Green Deal assessment for non-domestic properties, based upon the SBEM EPC methodology, would deliver the savings estimate, with this setting the year 1 'cap' for the instalments – with no flexibility to allow for more specialist estimates providing higher savings estimates. However, our concern is that, even with the improvements to the SBEM methodology we are putting in place, the Green Deal Assessment will not be equipped to consider in detail how a whole system (e.g. a lighting control system) might be designed in a non-domestic property to maximise savings. It would therefore be likely to lead to routine underestimation of the level of savings that could actually be made, and limit the value of Green Deals which businesses can take out.

QUESTION 26: Do you agree with the approach to the Year One charge that can be used in a Green Deal Plan?

The charge in future years

27. The proposals set out in the preceding paragraphs set out how we intend to limit the instalments that can be charged at the outset of a Green Deal plan. Factors such as inflation and rising energy prices could on the face of it suggest scope for the Green Deal charge to rise significantly over time. However, in order to ensure customers can have a reasonable expectation that the charge should not exceed savings throughout the lifetime of the plan, we propose to place limitations on how the charge can vary in future years.

Future Energy Prices

28. Factoring in predicted future energy prices to the estimated energy bill savings would create substantially higher overall estimated energy bill savings, allowing more measures to meet the Golden Rule principle at the outset. According to DECC estimates, domestic gas and electricity prices are expected to increase by 52% and 70% respectively, in nominal terms, from 2011 to 2020. As energy prices rise, greater savings should accrue to customers who have a Green Deal. Therefore there is a question as to whether Green Deal providers should be able to capitalise future predicted savings and offer more finance than would have been indicated by current energy prices alone.

29. However, this approach would not offer customers the same degree of confidence that costs would not exceed savings. It is also not clear how future energy prices could be factored into the charge at the outset – no future energy price index is likely to accurately reflect reality or rise in a linear manner. Any significant variations in prices from the original predictions could lead to the costs exceeding the savings in a number of years. There is also a risk that Green Deal providers would use different energy price predictions meaning the same package could be said to meet the Golden Rule principle by one provider but not another. This adds considerable uncertainty into the Golden Rule principle and may ultimately affect consumer confidence and uptake.

30. Therefore, we are proposing that Green Deal providers should not be permitted to factor in any predicted energy price rises into their estimate of energy bill savings at the outset of the Green Deal. The expectation that the Golden Rule is likely to be met should help increase consumer confidence, and reduce default, keeping the cost of capital low. In a rising energy price scenario, this option also ensures consumers make a greater saving on their bills over time, which could help to increase uptake of the Green Deal.

31. We have however, also looked at other options to enable Green Deal providers to make use of the likely increase in bill savings over time in order to attach more finance and install more measures at the beginning of a Green Deal. We considered whether it would be possible for Green Deal providers to factor in a percentage rise in line with the Bank of England's targeted inflation (i.e. 2% every year fixed for the duration). In theory, if energy prices rise in line with inflation this would mean that they remained flat in real terms. Green Deal providers could establish plans which automatically increased the amount of instalments payable on an annual basis by a fixed 2% in each year of a Green Deal plan to account for expected inflation in subsequent years. This kind of conservative percentage increase carries a low risk of instalments exceeding expected savings over the life of the plan whilst leaving scope for consumers to directly benefit from increased bill savings if energy prices increase by more than 2% per annum.
32. Permitting a moderate increase, where the charge remained flat in real terms, would ensure Green Deal providers could be reasonably confident that the charge would not be greater than the savings and therefore the Golden Rule principle is likely to hold. This is, however, an unusual financial product and therefore it is not clear if Green Deal providers will offer this structure to customers. This increase would only be permitted for fixed rate Green Deals.

Interest Rate Structures

33. The Energy Act 2011 does not restrict the extent to which the interest rate for a Green Deal Plan can vary, but we have powers under section 5 to make regulations which impose requirements regarding the terms of Green Deal Plans. We have therefore considered what restrictions, if any, should be placed on the variation of interest charged under a Green Deal Plan. Allowing variable rates would allow the Green Deal provider to vary the interest on the charge to the customer over the term of the Green Deal plan. A fixed rate deal would see the customer paying the same interest rate throughout the lifetime of the plan. Our priorities in considering this issue have been consumer protection, simplicity and transparency; and that the Green Deal remains a viable investment opportunity for the financial sector.
34. If we set no restrictions around interest rates, Green Deal providers could offer a range of products according to the needs of their investors and customers. This could include fixed or variable products (e.g. linked to RPI, CPI or Bank of England Base Rate). This would provide increased flexibility and choice but also create risks for the consumer that costs would exceed the bill savings, for example if the interest rate increased whilst energy prices remained static or fell. Providers would also need to make forward estimates about possible interest rates to determine whether particular deals would be likely to meet the Golden Rule for the duration of the plan. These estimates would vary and could lead to

Green Deal providers using different projections, so the same package could be stated to meet the Golden Rule in some cases but not in others. Because of this uncertainty, our view is that it would be very difficult for Green Deal providers to offer variable Green Deal plans linked to indexes such as base rate or RPI/CPI and meet the requirements as set out in the framework regulations, relating to the estimated instalments and estimated savings of the plan.

35. Our proposal for the domestic sector is therefore to restrict allowable interest rate structures to those which minimise the risk that the charge will not be offset by savings in future years. The following interest rate structures give the greatest certainty of the costs being less than the savings throughout the lifetime of the plan: 1) fixed interest rate plans and 2) variable interest rate plans where the interest rate varies in line with the most appropriate component of the fuel and light index which forms part of the wider Retail Price Index and is currently published on the DECC website. The fuel and light index is broken down into different fuel types so the Green Deal provider would be required to use the figures for the most appropriate fuel – that is the fuel where the most savings will be made. If the most appropriate fuel is not present, or if the Green Deal Provider does not have information on the fuel upon which the most savings are likely to be realised, then the Green Deal provider shouldn't offer a variable rate.
36. Although the fuel and light index (which forms part of the RPI and CPI indices) should correspond closely to rises and falls in consumer energy bills and therefore any variation of interest according to that index should not lead in most cases to the consumer cost exceeding the savings, this is a very unusual financial product, which could potentially see customers paying a high rate of interest on their Green Deal plans. In addition, we have also been advised that finance providers are likely to be cautious about offering a new type of interest rate to consumers due to the risk of mis-selling. With this in mind, although this variation is unlikely to break the Golden Rule principle, we think it is unlikely that Green Deal Providers will choose to offer it to consumers.
37. A fixed interest rate deal, under which the customer pays the same amount each instalment, possibly with an annual rise in instalments in line with inflation targets, could be a more attractive proposition for a customer. In a rising fuel price scenario, Green Deal customers with fixed instalments would be likely to benefit from increased savings on their energy bills and the Green Deal could be seen as an 'insurance policy' against rising energy prices.
38. We did consider allowing Green Deal providers to vary the interest in line with more general inflationary indexes such as the Retail or Consumer Price Indexes, but the correlation between these indices and domestic fuel price was weak in certain years, increasing the chance that costs would be greater than the savings in some years of the Green Deal plan.

QUESTION 27: What would be the benefits of allowing Green Deal providers to vary the interest relating to a Green Deal plan in line with the most appropriate component of the fuel and light index?

39. For the **non-domestic** sector we propose a different approach. We are recommending that no restrictions be placed on varying the interest rate charged under a Green Deal Plan. Businesses will be much better equipped to ensure they are aware of all the risks at the outset and will endeavour to shop around to ensure they are securing the best deal to meet their needs. Non-domestic customers will be used to entering into credit agreements and taking finance. The potentially shorter duration of non domestic Green Deals will also make it easier to meet the requirements in the framework regulations in terms of calculating the charge and meeting the Golden Rule.
40. If a variable rate plan was offered in either the domestic or non-domestic sector the Green Deal provider would clearly set out, at the beginning of the Green Deal the frequency at which updates to the interest rates would be made. It is proposed that Green Deal providers, as a maximum, would only be able to update the interest rates every 6 months.

QUESTION 28: Do you agree with the proposed approach to how the charge can vary in subsequent years of a Green Deal Plan?

Costs which can be included in Green Deal finance

41. We are proposing to allow Green Deal providers to include the following costs in a Green Deal Plan. The finance they can offer will be limited by the Golden Rule principle.
42. **Preparatory works / Make Good costs** - in order to increase demand and ensure there are no barriers to uptake or upfront costs to customers, Green Deal providers will be able to include the costs of preparatory works in Green Deal finance. In addition, it is important to set out the minimum standards which Green Deal providers should adhere to in returning the property to a reasonable state following a Green Deal installation. This will be particularly important for vulnerable and low income households, as well as ensuring there are no upfront costs for landlords.
43. We therefore propose to set a minimum requirement on Green Deal providers to ensure the fabric of the wall or room where the Green Deal installation has taken place be restored to the same condition as before commencement of the work. This would cover the basics and it would then be up to competition and individual Green Deal providers to offer more as an added service/value. It should be made clear that make good works should only be applied to the room or wall where

work took place. This would prevent households from using Green Deal as a means to get their whole house redecorated. These requirements will be further set out in the Code of Practice.

44. **Unexpected costs** - provisions will be included in the code of practice to ensure potential unexpected costs are detected as soon as is reasonably practicable. It is however, inevitable that situations will arise when work has commenced and damp, asbestos or other problems are found. It is important to ensure people do not use Green Deal as a way of dealing with known problems with their properties and subsequently passing costs on to future occupants but similarly we are trying to provide as much flexibility as possible to minimise potential costs.
45. If unexpected costs are incurred, we are proposing to allow Green Deal providers to include costs in Green Deal finance up to the limit the Golden Rule principle allows. The savings estimate will serve as the natural cap in this situation so it is unlikely that the full costs will ever be fully wrapped into Green Deal finance. If unexpected problems are found then the installer will have to contact the Green Deal provider who will make clear to the customer what will be covered by Green Deal finance and what will not before they continue with any work. The Green Deal provider will be required to obtain the necessary consents for a revised Green Deal plan before continuing with any work. If the consumer doesn't consent to further work then the Green Deal provider would be required to restore the fabric of the room or wall to the same standard as before the work commenced, apart from when asbestos is found where the normal industry rules of removal apply. Installers could choose to differentiate their offers with some choosing to include any unexpected costs as part of their costs and some choosing not to. The same is likely to be true of Green Deal providers.
46. **Cost of the assessment** - in order to ensure upfront costs for consumers are kept to a minimum, customers will have the ability to include the cost of the assessment in Green Deal finance if desirable and if this option is made available by their chosen Green Deal provider.
47. **Cash back** - the Energy Act 2011 allows for money to be advanced to the customer only in circumstances which are specified in the framework regulations. Evidence indicates cash-back or similar incentives (such as vouchers or discounts on other products) have the potential to act as a catalyst to encourage consumers to embark on works, thereby increasing the uptake of Green Deal plans. Therefore prohibiting cash back could greatly restrict the incentives Green Deal providers could offer to customers, significantly reducing take-up.
48. The Green Deal is a commercial offering and therefore it is likely that Green Deal providers will offer all kinds of incentives as part of the finance package. The cap on allowable finance under the Golden Rule will offer protection by limiting the

extent to which the cost to providers of incentives can be passed on to customers. However, to provide additional protection we are suggesting placing a restriction on any cash advancement to reduce the potential for fraud and reputational damage to the Green Deal. If Green Deal providers wish to offer a cash incentive, they will be limited to offering either 5% of the total cost of the Green Deal package or £150, whichever is less. The Green Deal provider will be free to offer this at uptake or provide for cash-back after a certain time period.

49. We are not recommending to restrict eligibility for cash-back. This could mean cash, up to the £150 limit is advanced to customers who have also received an ECO subsidy. We believe energy suppliers have a strong commercial incentive to ensure the ECO is delivered in the most cost effective way. A cash incentive may prove to be a powerful trigger to encourage uptake of solid wall insulation. We believe the proposed amount should be sufficient to catalyse people to take action without becoming a burden for future occupiers or leaving the Green Deal open to fraud or reputational damage.

50. We are not proposing that estimates for 'hassle cost' are recoupable in Green Deal finance.

QUESTION 29: Is £150 or 5% of the total Green Deal package (whichever is the least amount) an appropriate limit on the amount of cash incentives which can be offered by Green Deal providers?

51. The Golden Rule restricts only the amount of the instalments that can be recovered via the energy bills for the property, and does not preclude Green Deal Providers receiving part-payment via other means. These methods are likely to be:

- **Upfront Payment by the Customer** – The customer may choose to pay some of the total cost upfront, either to ensure the charge attached to the electricity bill meets the Golden Rule principle, or simply because they wish to make an upfront payment to reduce the length or amount of instalments under their Green Deal plan.
- **ECO** – Any ECO support available to the consumer can be used to 'top up' the payment to the Green Deal provider and fund part of the costs of the installation. An ECO subsidy will never be advanced to the consumer. The Green Deal provider will add the appropriate charge to the electricity bill and receive any 'top up' ECO money direct from the energy supplier.

52. When offering a Green Deal plan to non-domestic customers who are VAT registered, in order to ensure the customer is able to attach the maximum amount of finance to the electricity bill, Green Deal providers could encourage VAT registered customers to pay the VAT upfront to the Green Deal provider and claim it back in their next VAT return. We considered the option of allowing the

Green Deal provider to deduct the amount of VAT payable when considering the charge that can be added to an electricity bill but this could mean that costs exceed expected savings for future bill payers who are VAT exempt and therefore we are not proposing to include this option.

QUESTION 30: Do you agree our proposed approach to the Golden Rule principle strikes the right balance between ensuring the necessary consumer protection mechanisms are in place whilst not unduly stifling ambition and investment in the Green Deal?

Chapter 5: Delivering equitable support and tackling fuel poverty through the Green Deal and ECO

Summary of chapter:

The Green Deal and ECO have a critical role to play not just in reducing carbon emissions, but also in tackling fuel poverty through helping households to improve the energy efficiency of their homes and reduce their heating costs. This chapter focuses particularly on the policy choices that may affect lower income and vulnerable households.

The Green Deal will ensure that households do not face an upfront cost to improving their home with energy efficiency measures. The ECO Carbon Saving target⁴³ will provide additional support alongside the Green Deal for hard to treat homes requiring measures which include SWI.

The ECO Affordable Warmth obligation will focus on providing support to low income households, identified by their entitlement to certain means tested benefits and tax credits, who are also vulnerable to detrimental health impacts from living in cold homes. Eligibility for the Affordable Warmth obligation is intended to be further focused on private tenure properties where energy efficiency standards are lowest and there are fewer alternative forms of support.

Government recognises that a referrals mechanism would help energy companies identify those eligible for support under the ECO Affordable Warmth obligation and intends to pursue a voluntary agreement with companies for agreeing the terms on which referrals provided by Government of customers who had indicated an interest in receiving measures would be passed on and followed up. Should this prove not to be possible Government does have the option to direct companies to provide assistance to specific households⁴⁴.

Government recognises that as suppliers are likely to recover the cost of delivering the ECO from consumers' bills, it is important to consider how the benefits of the

⁴³ The latest fuel poverty statistics are available on the DECC website via:

http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx

⁴³ See pg 31 of: <http://www.decc.gov.uk/assets/decc/11/stats/energy/energy-efficiency/2078-need-data-framework-report.pdf>

⁴⁴ See the new subsection (5)(bc) inserted into both section 33BC of the Gas Act 1986 and section 41A of the Electricity Act 1989 by section 65 and 66 of the Energy Act 2011.

obligation will be distributed, to ensure the scheme is delivered with a reasonable degree of equity. The Government does not believe, that on the whole, intervention in the natural distribution pattern of ECO is necessary. A possible exception to this comes in considering the distributional impacts in respect of low-income households. It is difficult to estimate in advance what proportion of the Carbon Saving target would be delivered to low-income households in the absence of intervention. However, even taking into account the Affordable Warmth target which ensures low income households benefit from ECO, on average low-income households might face proportionately higher short-term net costs from the obligation, as expenditure on energy forms a higher proportion of their income.

Therefore Government is seeking views through this consultation on whether there is a case for a 'distributional safeguard' to ensure that a minimum proportion of activity under the ECO Carbon Saving target is focused on low income households. As a binding safeguard of this sort might raise the unit costs of meeting targets that is passed on, the final scheme design will need to reflect a view as to whether it would be a cost-effective means to achieve the programme's aim of addressing fuel poverty.

5.1 Fuel Poverty

1. Government is committed to eradicating fuel poverty as far as reasonably practicable in England by 2016, as detailed in the 'UK Fuel Poverty Strategy'⁴⁵ published in November 2001. Scotland and Northern Ireland have similar targets and the Welsh Assembly Government has a target to ensure that no household is living in fuel poverty by 2018.
2. A household is considered to be fuel poor if it would need to spend at least 10% of its income in order to heat the house to an acceptable level of warmth (defined to be 21°C for the main living area, and 18°C for other occupied rooms, based on work done by the World Health Organisation in 1987⁴⁶). In practice many fuel poor households tend to under heat their homes, often because of the financial constraints they face, meaning that they live in cold conditions.
3. The latest sets of statistics estimated that 5.5m households in the UK were in fuel poverty in 2009 and the latest projections show that up to 4.1m households are in fuel poverty in England in 2011⁴⁷. Fuel poverty can damage quality of life and

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http://www.decc.gov.uk/en/content/cms/funding/fuel_poverty/strategy/strategy.aspx

⁴⁶ [http://www.theclaymoreproject.com/uploads/associate/365/file/Health%20Documents/WHO%20-%20health%20impact%20of%20low%20indoor%20temperatures%20\(WHO,%201985\).pdf](http://www.theclaymoreproject.com/uploads/associate/365/file/Health%20Documents/WHO%20-%20health%20impact%20of%20low%20indoor%20temperatures%20(WHO,%201985).pdf)

⁴⁷ The latest fuel poverty statistics are available on the DECC website via:
http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx

health, as well as impose wider costs on society. The likelihood of ill health is increased by cold homes, with illnesses such as influenza, respiratory problems, heart disease, and strokes all considered to be exacerbated by the cold.

4. For householders where much of their time is spent in the home, for example pensioners who no longer work, young children or those with disabilities, the need to spend a large portion of income on fuel may also mean these households have less available income to spend on other household essentials or on activities which allow them to interact more widely with society.
5. The Green Deal and ECO have a critical to play in tackling fuel poverty, as well as reducing carbon emissions, through helping households to improve the energy efficiency of their homes and reduce their heating costs. The Green Deal itself, by enabling households to finance measures at no upfront cost to themselves, will provide significant opportunities for capital-poor consumers, who might previously have struggled to do so, to improve the heating performance of their homes; and the dual nature of the ECO has been designed to ensure that specific assistance can be provided to those households most in need of basic heating and insulation improvements.
6. Chapter 2 sets out in detail the measures that we anticipate the Affordable Warmth obligation will deliver – focusing on heating and basic insulation which offer the most cost effective opportunities to reduce the cost of heating a home to an adequate standard, helping to reduce fuel poverty on a sustainable basis.
7. Initial estimates of the impact of an ECO worth £1.3bn per year suggest that, by the end of 2022 when the costs of ECO are no longer spread across all bills, there will be a reduction in the number of households in fuel poverty of between 350,000 and 550,000, compared to how many households could have been in fuel poverty at the end of 2022 without the ECO. This estimate and the profile of changes in fuel poverty across the lifetime of the policy are being refined as policy options are further developed, and will be updated in the final stage impact assessment. For many of the other households assisted through ECO Affordable Warmth the long term and sustainable reductions in heating costs as a result of the measures will help to reduce the extent to which they experience fuel poverty.

5.2 Eligibility for support under ECO

ECO Affordable Warmth target

8. The Affordable Warmth element of ECO is designed to provide support to those low income and vulnerable households least able to heat their homes to an adequate standard and most prone to suffering health or social detriment as a

result of failing to heat their homes adequately. It is clearly crucial that this ring-fenced element of the overall obligation is targeted at those households where it can make the most difference, and will form a key part of the Government's programme to tackle fuel poverty.

9. The accompanying impact assessment sets out that the evidence that children, older people and those with disabilities are particularly vulnerable to physical and mental health impacts that are exacerbated or caused by living in low temperatures. In addition, our fuel poverty statistics⁴⁸ demonstrate that ninety percent of the fuel poor are in the bottom three income deciles. Those on low incomes are most likely to face financial constraints that restrict their use of heating, as well as being least likely to have the resources to invest capital in measures to reduce the cost of heating their homes. They are also less likely to be able to take advantage of Green Deal finance without extra support, given that they are prone to under-heating their homes⁴⁹, and are less likely to be able to make the full energy savings anticipated – because these savings would have been based on an imputed higher energy usage.
10. With these considerations in mind, Government proposes to target the Affordable Warmth obligation at low income households who include an older person, a child or someone with a disability, and who do not have access to alternative sources of support to improve their heating arrangements⁵⁰. Government also recognises the importance of identifying these households in a way that can be simply verified. Various options for designing eligibility criteria are explored in the accompanying Impact Assessment.
11. In considering the options for eligibility criteria, Government is keen to ensure that the support available under ECO Affordable Warmth is wholly directed at households who are low income and vulnerable, to maximise the benefits that can be obtained from this necessarily limited source of funding. As set out in the impact assessment, the benefits system emerges as one of the most effective and accurate means of targeting households on low incomes and at risk of the health consequences of living in cold homes, in a way that can be easily verified and regulated.
12. An alternative model to using benefits status as the prime determinant of eligibility could be an area-based approach (perhaps on the lines of the current CESP programme, where areas of below average income are defined and all households within those areas are considered eligible). However, as the CESP

⁴⁸ The Fuel Poverty Statistics can be accessed via:

http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx

⁴⁹ www.apho.org.uk/resource/view.aspx?RID=53281

⁵⁰ Those falling within the group described here are referred to in the draft ECO Order as persons falling within the “distributional safeguard group”. See article 12 for the definition of “distributional safeguard group”.

evaluation suggests, criteria on these lines can introduce complexities of their own, and purely area-based eligibility criteria may not necessarily provide the same level of assurance that only low income and vulnerable households would benefit, as suppliers might naturally seek to install measures to households within this defined area who are able to contribute substantially towards the costs. Government would welcome views and evidence on this issue.

13. However, Government very much recognises that area-based approaches can also be effective delivery mechanisms to provide support to low income and vulnerable households, as demonstrated by existing initiatives such as Warm Zones⁵¹. We anticipate that where cost effective, suppliers may seek to roll out measures in targeted campaigns in specific areas (see Chapter 5, paragraph 48), and such approaches should ensure that those households who are eligible for affordable warmth measures (on the basis of individual characteristics such as benefit status) are identified and picked up systematically and cost-effectively.

14. For the reasons set out above, we believe that entitlement to certain means tested benefits and tax credits is an effective and accurate means of targeting households on low incomes and at risk of the health consequences of living in cold homes, in a way that can be easily verified and regulated.

15. The Government proposes to focus the eligibility criteria for support under Affordable Warmth on a similar group of benefit and tax credits recipients to those identified currently through the CERT⁵² Super Priority Group. This means people who are in receipt of state Pension Credit, Child Tax Credit under the 'free school meals' income threshold, or people in receipt of either Income Support, Income Related Employment and Support Allowance (where this includes a work related activity or support component), Income Based Jobseeker's Allowance and at least one of the following:

- parental responsibility for a child under the age of 5 who ordinarily resides with the person
- child tax credit which includes a disability or severe disability element
- a disabled child premium
- A disability premium, enhanced disability premium or severe disability premium
- A pension premium, higher pension premium or enhanced pensioner premium

16. We will consider evidence from CERT in setting the precise eligibility. This will include considering whether there is a case to simplify the criteria by removing

⁵¹ Further information on Warm Zones is available via <http://www.warmzones.co.uk/>

⁵² The CERT is the obligation imposed on energy suppliers under the Electricity and Gas (Carbon Emissions Reduction Obligation) Order 2008 (S.I. 2008/188). See article 2 of for a definition of the "super priority group".

any age threshold on the children who lead to a household qualifying through the CERT SPG route. Government would also welcome evidence on whether any alteration to the scale of the group who should be targeted is merited. Within a fixed scale of the Affordable Warmth obligation, any expansion would reduce the proportion of those eligible that receive support, so any advantages would need to be considered against ensuring support is targeted at those most in need. For example Government would welcome evidence on whether there is a case to expand the criteria to other means tested benefits which also denote vulnerability, such as Working Tax Credit with disability premiums

17. Government recognises that proposals to set eligibility criteria by reference to entitlement to certain means tested benefits and tax credits must take into account the ongoing work on welfare reform. DECC is working closely with DWP to identify similar eligibility criteria by reference to Universal Credit and Pension Credit when changes come on stream in 2013. Given that the transition to the new welfare system will be phased over a number of years, we do not anticipate this necessitating any major alteration in suppliers' delivery plans. This will be an area which we will keep under review as the shape of the reformed welfare system emerges.
18. The low-income group outlined above in the CERT Super Priority Group represents around 5 million households living in a wide variety of property and tenure types. Inevitably, the Affordable Warmth component of ECO will not be large enough to ensure that all in this group receive early support under the scheme. The Government believes that there is a case for further focusing Affordable Warmth support, to ensure that it is targeted at those homes where it is likely to be most urgently needed and will make the most difference, by including tenure type as an eligibility criteria.
19. Under previous obligations, social housing has tended to benefit disproportionately from measures, particularly through the Priority Groups within CERT and under CESP⁵³. The latest fuel poverty statistics⁵⁴ for England demonstrate that 81% of the fuel poor live in private housing tenures, with 19% in social housing. Among the fuel poor in private tenure properties, 63% are owner occupiers and 18% are in private rental housing. The statistics also show that standards of energy performance are significantly lower on average in private tenure properties, SAP 51 compared with SAP 61 in social housing.
20. One of the reasons why social housing leads private housing in this regard is the significant investment through the Decent Homes programme in England, and a further £2.1 billion is committed to the same programme in the current spending

⁵³ CESP is the obligation imposed on electricity generators and energy suppliers under the Electricity and Gas (Community Energy Savings Programme) Order 2009 (S.I. 2009/1905).

⁵⁴ http://www.decc.gov.uk/en/content/cms/news/pn11_062/pn11_062.aspx

review period, aimed at bringing the back log of social housing up to the standard which requires all homes to have a heating system and basic level of insulation. Financing arrangements are in place with DCLG to ensure that all local authority social landlords have access to resource necessary to meet the Decent Homes standard. Private Registered Providers of social housing are responsible for financing any changes they need to make to meet the Decent Homes standard from their own resources.

21. The Warm Front scheme, which has provided similar support to households in private tenures in recent years in England, will come to an end in March 2013. Government's intention, as announced in the Spending Review in October 2010, was that ECO would instead deliver heating and insulation measures to low income and vulnerable households.
22. Some social housing providers have argued that households on the proposed eligible benefits in social tenure homes might benefit from Affordable Warmth support as not all social landlords have easy access to the resources needed to make these improvements, therefore Affordable Warmth should be "tenure blind". We will welcome evidence on this point. However, in the light of the discussion above, the Government is minded to restrict Affordable Warmth eligibility to properties in private tenures, - where the majority of fuel poor live; that are of the lowest average standards of energy performance; and where alternative support is less likely to be available after Warm Front has come to an end. Using the benefit criteria listed above and focusing on private tenure properties only would mean the size of the eligible group was around 3 million households.
23. This is consistent with equivalent standards and financing arrangements for social housing in devolved administrations.⁵⁵ While Government recognises the potential additional benefits of restricting eligibility to those living in properties with lower energy performance, since the most cost-effective opportunities will be in households lacking basic heating or insulation, so by definition are of low energy performance standard, we feel it would add an unnecessary cost to impose a maximum energy efficiency level as an additional constraint on eligibility.

QUESTION 31: Do you agree that eligibility for Affordable Warmth measures should be restricted to households who are in receipt of the

⁵⁵ Scottish Housing Quality Standard (SHQS) requires properties to have an efficient full central heating system. Landlords are expected to meet the SHQS using their own resources, so restricting access to the affordable warmth element is consistent with that policy. It is also consistent with the Scottish Government's policy of targeting assistance to fuel poor households through its Energy Assistance Package (EAP). In Wales, the Welsh Housing Quality Standard (WHQS) sets similar standards for social housing to those set in the SHQS and Decent Homes. Similarly, the Nest fuel poverty scheme in Wales is restricted to private tenures.

benefits and tax credits similar to the CERT Super Priority Group and who are in private housing tenures?

Referrals

24. A variety of social, technical and financial barriers can mean that low income and vulnerable households who will be targeted by ECO Affordable Warmth are more costly and difficult to engage than other households.
25. The Government wants to ensure that all eligible households are able to have access to the potential benefits offered by the Affordable Warmth target. Further, the Government recognises that there may be links to identifying eligibility for other offers of assistance with energy costs, such as the Warm Home Discount⁵⁶. [insert footnote to more info on WHD]. Assisting energy suppliers in identifying households who might be eligible for support could help reduce engagement costs incurred by the suppliers, reducing the overall costs of delivery, which are likely to be passed on to consumers.
26. Under new legal powers, Government will be able to stipulate that ECO companies must provide a certain level of support to certain persons or categories of persons⁵⁷. This power could, in principle, be exercised so as to allow the Secretary of State to make provision requiring that particular households are supported (whatever the cost). While on the one hand, providing referrals to energy suppliers could help to reduce delivery costs associated with identification of eligible households, utilising such a provision could be at odds with a key feature of the energy company obligation model under which companies have a degree of discretion as to which particular households they target for support within the eligible group, enabling them to find the most cost effective way of meeting overall objectives.
27. An effective solution to assisting suppliers in identifying specific households, addressing the issues highlighted above, could be to establish a referrals mechanism within the Green Deal framework, channelling information on potentially eligible households through to the ECO suppliers. . Without a referral mechanism, there might not always be a route for some households in need of support to come forward, and certain eligible households may be overlooked or refused help by companies that they approach. A referrals system that helps identify interested eligible households, and then passes this information on to energy suppliers, is likely to help reduce the costs involved for energy suppliers to find these households and should help ensure more households are able to benefit from these measures. Households who called the remote advice service

⁵⁶ Further information on WHD can be found via:

<http://www.decc.gov.uk/en/content/cms/funding/whds/whds.aspx>

⁵⁷ See the new subsection (5)(bc) inserted into both section 33BC of the Gas Act 1986 and section 41A of the Electricity Act 1989 by section 65 and 66 of the Energy Act 2011.

(see Executive Summary) and indicated that they were eligible and interested in receiving measures would be asked for their consent to have their details passed on to an energy supplier who may be able to provide them with measures under ECO Affordable Warmth. Households who are identified as potentially eligible (for example through the initial screening stage of GD assessment – see section 1.4 in Chapter 1) could also be referred on to the advice service for further help and possible ECO support.

28. Government might expect some “return” for this information, which it could take in the form of an undertaking by the companies to deliver a specified minimum standard of service to all those households to whom they were alerted. The precise nature of the information provided by Government and the minimum level of offer to households would be subject to further discussion with the energy companies – as an example, this might be, as a minimum, a survey of the home and an offer of at least one major measure free of charge to the household within an agreed timeframe. In effect, as a result of the value of referrals being passed to the suppliers, they would waive their right to pick and choose amongst the leads that were being offered to them. This could ensure that households in properties that are expensive to access (such as those in inner-city or remote areas) or vulnerable people in certain living situations which need tailored engagement and support are not overlooked - although at a cost to the overall scheme and recognising always that suppliers could not be required to deliver more than their ECO obligations. The Government believes that a voluntary arrangement of this sort would be the simplest and most cost-effective way forward, although we would have the option of a regulatory approach if a voluntary approach could not be agreed.

29. There will be many practical issues to consider in designing such a referrals mechanisms – for example, how the various obligated suppliers divide amongst themselves the leads received, whether on the basis of those households’ current supplier relationship or in some other way – and considerations of data protection will of course be paramount. Government is working closely with the companies concerned and believes that arrangements of this sort are likely to be both workable and beneficial to all parties. If a voluntary agreement could be reached this would obviate any need for regulatory requirements.

QUESTION 32: We propose seeking a voluntary agreement with ECO obligated companies as to how they commit to following up referrals. Do you have any suggestions as to what this commitment should consist of?

ECO Carbon Saving target

30. The principal objective for the ECO Carbon Saving obligation is to work alongside the Green Deal in ensuring that, as a nation, we save as much carbon as we can,

as cost-effectively as possible. The Government proposes that all households should be eligible to receive support under the Carbon Saving element of ECO. This may well in itself enable many lower income and households to access the support they need to make significant improvements to their properties.

31. Government also recognises that it is important to consider carefully the distributional impacts of the policy, in particular with relation to low income households on whom any rise in energy bills resulting from the costs of ECO being passed through will have the greatest impact. With this in mind, we are keen to understand better what the “natural” pattern of delivery of ECO and Green Deal activity might be, to assess whether there is a case for focusing the delivery of a number of measures to certain sections of the population, for example low income households, to provide greater certainty that they will benefit under this part of the ECO. This is discussed further detail below.

5.3 Delivering Equity under the Energy Company Obligation

Equity and Simplicity

32. We assume that the delivery costs of ECO will be recovered by the energy companies through an increase in consumer bills. It is therefore important that Government considers the structure of the scheme, who will benefit from it and who will be most affected by the increase in bills necessary to pay for the policy.
33. If companies are given complete flexibility as to which households they could deliver their Carbon Saving obligation to, they could be expected to prefer those households where they could achieve the greatest outcome at the lowest cost. On the whole this is one of the benefits of the ECO model, and a desirable outcome - obliging them to act differently could load extra costs into the scheme and, in turn, mean more costs passed through to all energy consumers. And to some extent this may be a question of timings – any long term, ambitious programme will eventually need to cover all properties, even the more expensive. However, where certain types of recipient are systematically preferred at a particular stage, this would mean that other types of recipient would be systematically under-served, which might raise issues of equity. Since the costs of ECO are likely to be spread across all energy bills (which has a disproportionate impact on low income households for whom spending on fuel makes up a greater proportion of their total income) it is important to understand what the distributional impact will be and whether more needs to be done to ensure that all households have fair access to the benefits.

Property type

34. We propose that the Carbon Saving obligation within the ECO only supports homes which require solid wall insulation, meaning that households requiring cavity wall insulation who are not eligible for ECO support under the Affordable Warmth obligation may not be eligible for ECO support at all. Government recognises that there be also be a case for providing assistance for households with hard to treat cavities – this issue is discussed in Chapter 2. Arguably this focus on solid wall insulation may disadvantage households in cavity wall properties, since they will be paying for ECO but may not be benefitting.
35. However, the vast bulk of wall insulation delivered by previous obligation policies has been directed toward supporting cavity wall insulation with the notable exception of CESP (and CESP is a relatively small obligation in comparison to EEC⁵⁸ and CERT). This focus means that large numbers of cavity wall homes have already benefited from insulation with energy company support – whereas solid wall properties have not to the same extent. Households who have yet to take advantage of government programmes delivering cavity wall insulation will be very well placed to benefit from Green Deal finance. Cavity wall insulation is highly cost effective and the Green Deal will allow these households to install cavity wall insulation at no upfront cost, and see a real and substantial bill saving even while making Green Deal charge repayments.

Distributional equity

36. We assume energy suppliers pass the costs of delivering ECO on to their consumers through their energy bills. Given that the poorest households are hit hardest by rising energy bills, it is important that low income households stand to benefit from the scheme to a proportionate level. Indeed, low income and vulnerable groups will be targeted through the Affordable Warmth component of ECO, ensuring that a proportion of the benefits – heating systems and practicable lofts and cavity wall insulation - are reserved exclusively for this group. In addition, each year around 2 million low income and vulnerable households will receive financial help with their energy bills through the Warm Homes Discount.
37. An issue we would welcome views on is whether ECO's requirement on Carbon Saving when left to the market, might systematically skew delivery away from the lowest income groups.
38. Green Deal and ECO will increase the opportunities for many households to install measures, as upfront payments by the household are not needed and the costs of measures can instead be spread using savings on energy consumption. The Green Deal alone may well work for many of those in fuel poverty who actually spend a large proportion of their income on heating. Also, regulation on

⁵⁸ EEC was the predecessor obligation to CERT.

the private rented sector, which has a higher than average concentration of low income households, will drive uptake of measures through ECO.

39. The Green Deal and ECO impact assessment discusses the possibility that some lower income groups could stand to benefit from Green Deal and ECO more than other income groups on account of the discount rate they perceive and the larger relative reduction in opportunity costs that Green Deal brings for this group (insert reference to section). However, the extent to which this will influence the practical take-up of the Green Deal by low income households will depend on a number of factors which are discussed below.
40. The impact assessment also highlights that social housing (where there is a high concentration of low income households) is expected to be a major beneficiary of Green Deal and the carbon saving ECO, particularly in the early years. Social housing often allows for economies of scale that reduce the cost of seeing out the obligation and lessen the impact on all bills. Emerging findings from CESP suggest that delivery to social housing often promotes relatively low cost delivery to neighbouring housing, encouraging a street by street or ward by ward approach that is also likely to be attractive under ECO.
41. The roll-out of solid wall measures to owner occupiers is much harder to anticipate and we recognise low income households in private tenures make up the majority of the fuel poor. We have high ambition to address the energy efficiency of all properties by 2030 it is therefore reasonable to assume that everyone who contribute to ECO costs can benefit at some stage. Inevitably with such an approach, those who are last to receive measures will have paid significantly more through their energy bills before seeing benefits, compared to households who benefit early from ECO. There are still questions about how the market will address solid wall properties in terms of who will come earlier and which would come later.

Table 1:

Aggregated house type	Average Installation cost	
	INTERNAL SWI	EXTERNAL SWI
Detached house	£7,180	£12,494
Semi-detached / end of terrace house	£5,407	£10,097
Mid-terrace house (multiple installations)	£2,997	£5,908
Flat (multiple installations)	£2,988	£5,899

42. Evidence suggests the fuel poor live across all housing types. The table below shows how solid wall insulation costs vary by the main house types. Solid wall insulation for a mid terrace house or a flat is less than 50% the cost of a detached house. For internal insulation it is less than 40%. Clearly, addressing a detached house will save more carbon but for multiple terraced houses the cost per amount of carbon saved is much the same. It may be that the market shows a preference for delivery with multiple installations.
43. Research suggests that vulnerable households on the lowest incomes, particularly the elderly and disabled who tend to under heat, will be unlikely to benefit from a saving on their bills and therefore unlikely to access the benefits of Green Deal finance. This may well make these types of household less attractive to serve because they would require a greater level of up front ECO subsidy to make the Green Deal viable. However, the Energy Companies, and those accessing brokered delivery of Solid Wall insulation, will need to weigh up whether to pursue the requirements on solid wall insulation by targeting homes where the job costs more but Green Deal finance will pay a good part of the costs or whether to pursue homes where lower levels of up front subsidy will be required and where it may be more acceptable if some cannot part finance through Green Deal.
44. **We would welcome views on how the delivery of solid wall will take place if left entirely to the market.** Will wider factors than cost of retrofit and green deal finance influence delivery, for example credit histories?
45. We recognise there are cultural and attitudinal issues too that may reduce take-up among some communities. Low income vulnerable households can often lack of trust in external agents. The consumer insight research, detailed in the IA (ref to section) also demonstrated that low income and vulnerable households, for example low income pensioner households, were among those less likely to consider Green Deal finance products appropriate for their circumstances. The obligation could include a requirement to reach out to low income households and communities and address attitudinal barriers but experience of previous schemes suggests that delivery will be at greater cost to all energy bill payers as there are costs associated with finding and communicating with 'harder to engage' households. We are working with the NEA to support a number of local authorities to develop Green Deal/ECO ready delivery plans. This work will consider how to engage all households across local communities, including those that may be harder to engage. We will share the learning from this work with the local govt sector. **We would welcome views on how best to engage hard to reach groups.**
46. Given uncertainties on delivery, the Government needs to consider whether anything additional should done to ensure ECO delivery of solid wall insulation

reaches a proportionate number of the lowest income households - particularly owner occupiers - who will not contribute green deal finance to the costs of work. **As part of this consultation, we are therefore inviting views on the need for and structure of any such “distributional safeguard”.**

47. So we are able to make progress should such a safeguard be considered necessary, the related Impact Assessment sets out various options, and discusses possible models for the construction of the safeguard. The IA concludes that specific target within the overall obligation is likely to be more effective than, say, changes to the scoring to uplift or downlift the delivery of certain measures to certain groups.
48. If it is decided that some form of correctional mechanism is needed, then we will also need to address who exactly should be eligible, and how great a proportion of the obligation should be reserved in this way. We should also address the potential additional costs for ECO to do this in terms of the opportunity costs of passing up a particular projects/household to ensure compliance with the safeguard requirement. Further to the question on ‘pure’ market delivery, we would welcome views on whether providers (if they were required to deliver to a particular class of qualifying households) would naturally want to deliver intensively in certain geographic areas and pick up relevant households in amongst the wider population; or would they ensure delivery to this group early by identifying them and retrofitting their homes individually. It may also be that, if they chose to work intensively in particular areas, the areas they chose to target would be selected because of the larger proportion of qualifying households. We would welcome views.
49. In terms of qualifying households should a safeguard be necessary, there are principled and operational grounds for aligning any target group for a distributional safeguard with the Affordable Warmth eligibility criteria. The issues of principle are described in depth in the eligibility section for Affordable Warmth (see section 5.2). Operationally, aligning the criteria would: promote whole house packages that cut across both obligations (e.g. full support for a heating system alongside a combination of subsidy and Green Deal finance for SWI); help reduce the costs of finding eligible households, as those suitable for Carbon Reduction target measures could be identified under the Affordable Warmth obligation (or vice versa); and potentially utilise data held by energy companies on consumers who benefit under the Warm Home Discount scheme⁵⁹ where the eligibility criteria overlap. Depending on responses to the questions above there may be a case for either a smaller or larger target group than the Affordable Warmth eligibility.

⁵⁹ Further information on the Warm Home Discount scheme can be found via: <http://www.decc.gov.uk/en/content/cms/funding/whds/whds.aspx>

50. Options to target on an area basis using indicators of income and deprivation could also be considered. As we have seen through CESP, area based approaches can be effective mechanisms to deliver support, enabling economies of scale and mobilising communities to raise awareness. Government recognises the need to build on the knowledge and experience of existing community enterprises as well as that within Local Government. As described above, a purely area-based approach might not necessarily provide the same level of assurance that the lowest income households would benefit but again we welcome views on delivering to households not contributing green deal finance in amongst those who may be.
51. Clearly, the level at which a distributional safeguard within the carbon obligation could be set would need to take into account impact on costs and the degree of certainty that the objective of distributional equity would be achieved (these factors are affected by the scope and eligibility criteria of the group, and level of opportunities to deliver measures in the group).
52. If a distributional safeguard changed energy suppliers' delivery of the ECO then it might be expected to add to the unit costs of achieving targets above the estimation underlying the current proposals. In these circumstances, adopting a distributional safeguard might require a re-consideration of the overall targets. The final scheme design would need to take account of whether a safeguard is the most cost-effective way of securing the scheme's twin aims of alleviating fuel poverty and supporting carbon reduction. We welcome evidence that will support this assessment.

Regional Distribution

53. Concerns have also been raised that rural areas and inner cities have not been seen an equal, proportional level of delivery of energy efficiency measures under CERT – and that this perceived pattern might be borne out in the ECO without additional constraints being put in place.
54. DECC has undertaken an evaluation of the delivery of CERT, which included an investigation of these concerns. This revealed that, under CERT, activity has by and large been delivered proportionately in geographical terms without active interventions to promote fairness between different areas or types of area; each nation has broadly received its fair share of CERT activity and when GB is considered as a whole, rural areas have also received a proportionate rate of delivery under CERT. There is some variation between regions, for example, 9.9% of homes in North East England but only 2.7% of homes in London received measures under CERT during the period of the analysis. However, it is very difficult to isolate the cause of any under delivery in specific areas as a

number of factors are at play, including: previous activity; LA and other potential partner activity or resource; prevalence of different property types (flats, solid wall, etc); expense of activity (could economies of scale be generated); distance from installers; etc.

55. In those areas where receipt of measures has been consistently low under CERT, particularly London and the Scottish islands, this could be attributed to high access costs and prevalence of hard to treat housing, amongst other factors. Since the ECO would focus more on hard to treat measures, such areas might be more attractive to energy companies in future if the measures eligible in the ECO can be applied to the majority of hard to treat walls in these areas. Using scoring metrics which reflect the benefits of improving the lowest performing housing stock may also support this. The CERT evaluation also found that energy companies had begun to develop innovative delivery routes (e.g. with manufacturers, or new devices) to position them to operate in newer, less well-developed markets in future. It is likely that energy companies would want to continue to use these relationships and innovative routes to deliver SWI to these same markets under the ECO and so benefit those areas that have seen comparatively little supplier activity to date. The design of Green Deal and ECO, plus brokerage [see chapter 9] (allowing local providers fair access to ECO) should also work to reduce geographical inequity.

56. In view of the evidence from CERT, and consideration of the shift of focus that the ECO would entail, DECC does not see a case for introducing further constraints to delivery in geographical terms. There might be a case for reconsidering this position at a review point, when there would be evidence on the patterns of geographical distribution of measures from the new obligations. DECC would welcome further evidence on this issue during consultation.

QUESTION 33: Do you have any evidence or views to put forward on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, are or are not likely to be distributed equitably to all income groups? If so do you think regulatory intervention is necessary to ensure a more equitable pattern of delivery and, in particular, do you have any comments on the likely effectiveness of setting a 'distributional safeguard' as a means of achieving this?

Chapter 6: Consent, Disclosure and Acknowledgement

Summary of chapter:

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

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

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

that new occupiers are aware of the terms of the Green Deal Plan that they are taking on their responsibility for the charge.

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

6.1 Introduction

1. Ensuring that appropriate consents are in place before a Green Deal is taken out and that the Green Deal Plan is disclosed to and acknowledged by prospective bill payers before they take on a property is crucial for consumer protection reasons.
2. Requiring appropriate consents is important to protect the consumer and property rights of property owners and electricity bill payers (where they are different people) before the measures are added to the building and the charge is attached to the electricity bill. It will ensure that the relevant parties are both aware of and content with the Green Deal.
3. Disclosure is important because future bill payers need to know about the Green Deal Plan, and the associated charge, so that they are properly informed about the Plan before deciding whether or not to take on the property. Equally they need to acknowledge the Green Deal Plan and their responsibility for paying the instalments through the electricity bill, so as to help ensure responsibility for paying the charge passes on.
4. There are some situations in which early repayment of the Green Deal may be required, for example where a property is demolished. Additionally, Green Deal Providers will be permitted to ask for repayment in certain situations, for example when certain changes are made to the use of the property.

Policy approach

5. This policy has been developed to create transparent consents, disclosure and acknowledgement processes. The development of these processes, and the detail of how they will work, and any extra burdens they produce have been balanced against the need to easily demonstrate that they have taken place, to protect consumers and particularly future electricity bill payers in the property.

6. These provisions apply equally to domestic and non-domestic properties that may be improved under the Green Deal. Our approach is to ensure that consumers are protected in the domestic sector, particularly future bill payers, but also to provide a robust and effective mechanism to make sure that those at or coming to a Green Deal property are aware of and content with the Green Deal.

6.2 Consent

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

Parties who may need to give consent

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

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

13. In Scotland, any improvement to communally owned areas of tenements (including flats and sub-divided houses, for example) would require the consent of the other owners with responsibilities for those areas. Potential barriers to consent in these multiple occupancy buildings is further discussed below in the Barriers to Consent – Call for Evidence section (on page 141).

14. Consent from a third party may also be required such as a planning permission or a listed building consent.

6.3 The Consent and Redress Framework

15. For the installation of measures, consent requirements will often be set out in, for example, tenancy and licence agreements and will be different for each property. Therefore, when looking at consent to Green Deal measures, Government is proposing a broad framework, which will involve customers referring to their individual tenancies and licences to ascertain whether consent for the measure is needed. In addition, contact may be needed with the local authority to determine whether planning permission or listed building consent is needed.

16. Our framework will also deal with consent to the addition of the Green Deal charge to the electricity bill (as this is the new and innovative element which is unlikely to be provided for in existing leases or tenancy agreements), and with the way consents for the charge and measures are collected and demonstrated for a Green Deal plan.

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

Demonstrating Consent

Consent to the Green Deal charge

18. Under the proposed consent framework, a Green Deal customer will need to gain express written consent to the charge from:

- the electricity bill payer, and
- the owner of the property.

19. Government envisages that consent to the charge will be demonstrated via a written confirmation. The bill payer will consent to the charge being added to their electricity bill, and acknowledge they will be bound by a requirement to make payments, and certain terms in the Plan, whilst they are the bill payer at the property. These confirmations will be attached to the plan. This will be a compulsory condition that must be met before the plan is entered into. By requiring this written confirmation from the bill payer we are ensuring that, where the bill payer and customer are different people, the bill payer is aware of their obligation to pay a Green Deal charge as part of their electricity bill.
20. In requiring written confirmation from the property owner, we are ensuring that, even if that person is not the bill payer or the customer when the Green Deal is taken out, they are aware that they could be responsible for paying the charge and bound by the terms of the plan in the future (for example, in circumstances where a landlord may be liable for the electricity bill when a tenancy expires). It is envisaged that freeholders and others with a landlord's interest in the property will be classed as owners for this purpose.
21. We do not however intend to require consent to the charge from certain types of 'owners' who are unlikely to become liable to pay the electricity bills at a property. This includes freeholders/ landlords under a long-lease (for example, a 125 year lease of a residential property) where the remainder of the lease runs longer than the Green Deal plan. In addition, we do not intend to require the consent of mortgage companies (as the Green Deal finance is not secured against the property) or beneficial owners (to help simplify the consent chain in, for example, commercial properties). However, Green Deal Providers may assess whether they wish to require consent from these parties depending on the particular case.

Consent to Green Deal Measures

22. The Energy Act 2011 requires the customer to confirm in the plan that they have obtained all necessary consents to the installation of the measures. It is envisaged that the customer will also be required to supply the Green Deal Provider with documentation from all consenting parties demonstrating that consent(s) to the specific improvement(s) has been granted. This may include, for example:
- consent notice from freeholder in England and Wales;
 - valid planning permission;
 - valid building warrant (in Scotland); and
 - valid listed building consent.

23. The Green Deal Code of Practice will also require the Provider to maintain copies of these consent documents, for at least the duration of the plan. This ensures that an auditable consent chain exists for the duration of the Green Deal plan, and that evidence can be provided if consents are challenged in the future.

Consent Redress

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

Consent Breaches for the Charge

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

Consent Breaches for the Measures

26. Where a customer fails to obtain the correct consents to the measures, and this comes to light after they have been installed, the customer (including a subsequent bill payer) will be required to seek retrospective consent from the relevant party or parties. If they cannot obtain retrospective consent, the customer may have to remove the measures and restore the property to the original condition in order to comply with their lease or local planning rules, for example.

27. Where a complaint of this nature arises the framework would require:

- the customer, or other relevant person such as the property owner, to notify the Provider that the correct consents to the measure were not obtained,
- the Provider to cancel the Green Deal plan where the improvement is removed (following an order from the Secretary of State), and
- the improver to pay compensation to the Provider in respect of the cancelled plan.

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

Change of occupancy and redress

29. Currently, a new owner of a property will often inherit responsibility for any non-consented work carried out in the past, even where they had no interest in the

property at the time. They will usually be responsible for seeking retrospective consent, and may also be responsible for removing or 'making good' on the work if the relevant party approached for retrospective consent does not grant it.

30. This standard 'inheritance of liability' will apply to any Green Deal measures installed without the correct consent. However, liability to compensate a Green Deal Provider for cancellation of a Green Deal plan will not sit with the new owner and will always remain with the original customer who took out the Green Deal, even if they no longer have any legal responsibility for the property. This is because the original customer is the person who was responsible for securing the correct consents.

31. In these cases, it will be the responsibility of the Green Deal Provider to contact the original customer, inform them of the situation, and let them know that they are required to provide compensation for the cancelled plan.

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

Barriers to Consent – Call for Evidence

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

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

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

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

Questions

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

6.4 Disclosure and Acknowledgement

Finalising the Green Deal plan after initial installation

32. Once the Green Deal Plan is finalised, the Green Deal Provider will give the customer a Green Deal Plan document and a new EPC, showing the new asset rating of the property and the key financial terms of the Plan. The new EPC will disclose the existence of the Green Deal charge on the property, as well as the measures that have been installed. This EPC will use the original assessment and will not require a further site visit, with the details of the property and the initial assessment recalled from the register and updated to record the measures installed. The EPC will be lodged on the register and will be used in subsequent transactions for that property, with the Green Deal information passing to any new EPC created.
33. A mock up of the disclosure box on the EPC, showing what Green Deal information is likely to be included can be seen at Annex B. The EPB Regulations, the Building Regulations 2010 and the EPB Scotland Regulations will be amended to ensure that information about the Green Deal can be included on the EPC.

The Disclosure and Acknowledgement obligations

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

36. In order to achieve disclosure and acknowledgement in the Green Deal, sellers and landlords will have a responsibility to disclose information about the Green Deal at their property. This obligation can be discharged by agents working on their behalf in the property transaction. They will also need to ensure that any written contract for sale or rent with the buyer or tenant includes an acknowledgment that they will be liable for the Green Deal Plan payments and bound by the terms of the Green Deal Plan. A similar acknowledgment will also be required in circumstances where a lease or licence is made otherwise than in writing.
37. As the Green Deal becomes established, Government anticipates that the professions involved in transacting properties will develop their knowledge of these requirements and be equipped to assist sellers, landlords, buyers and tenants to understand the Green Deal and their responsibilities under it. Whilst this does not impose any further formal duties on these professions, this will help ensure that disclosure and acknowledgement is effective, protecting all the parties involved and reducing the potential for disputes.
38. The disclosure and acknowledgment obligations will apply in a number of circumstances other than sale and letting out. These are covered later in the chapter. But for most of this chapter we talk about sales and lettings, as these are by far the most common property transactions.

The role of the EPC

39. The EPC will have a new and crucial role as a tool to facilitate the Green Deal. This is for both the assessment (see Chapter 1, Assessment) of the property, including the measures that could save energy; but also to disclose information about a Green Deal to future bill payers. This will include future bill payers moving into properties with pre-payment meters.
40. The improved EPC is due to be launched in April 2012. The changes will, for example, allow for a more effective use of the EPC Register, allowing Green Deal Plan information to be updated on the EPC. This will complement the wider changes being made to the EPB Regulations to implement the Energy Performance of Buildings Directive recast.
41. Government is aware that compliance with the requirement to make an EPC available has not been universal to date. Non-compliance with the EPB Regulations could result in Green Deals not being disclosed in some cases, damaging confidence in the Green Deal. DCLG will be making changes to the existing regulations to improve matters. For example, from April 2012, estate agents will be required to attach the front page of the EPC to the written particulars of properties for sale or rent.

Updating the EPC when Green Deal details change

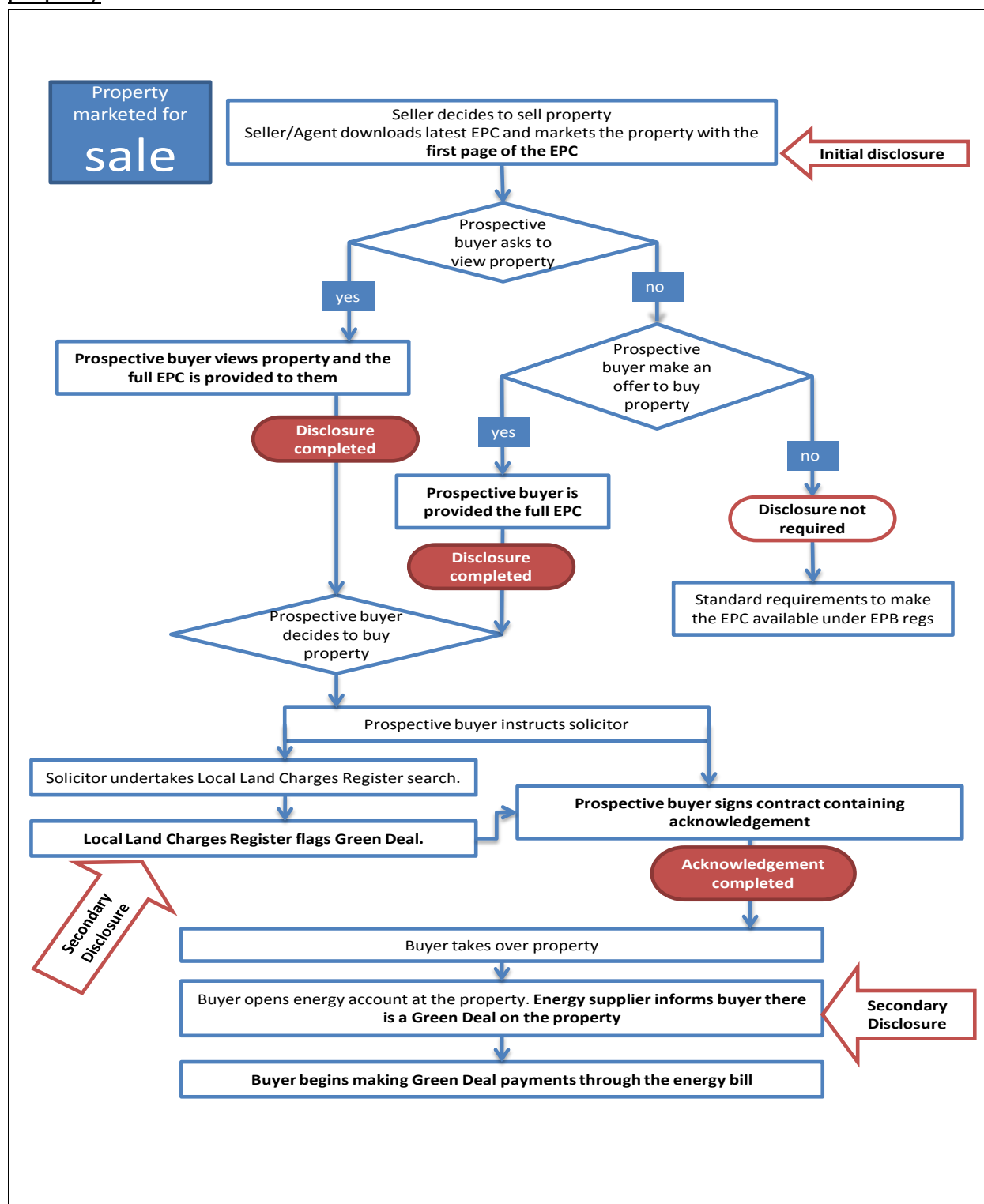
42. Over time, the information about the finance and Green Deal measures may change. This will occur, for example, when: a measure has been paid off, a customer has chosen to pay off a lump sum of the remaining finance, measures have been removed, or the plan has been cancelled. To ensure disclosure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

Disclosing the Green Deal to potential occupiers

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

property. Prospective buyers or tenants will, of course, be free to ask for additional information about the Green Deal plan, beyond that provided by the EPC.

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



47. Changes are also being made through powers in the Energy Act 2011 to make EPCs freely available to the public from April 2012 unless the EPC holder has opted not to have that information disclosed. This will allow solicitors, potential occupiers and estate agents to check the most up to date EPC for a property to ensure the disclosure obligation is being met properly. These changes and their implications have already been detailed in the DCLG privacy impact assessment on making EPC and related data publicly available.⁶⁰ These issues are subject to separate consideration in Scotland.

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

48. If sellers and landlords comply with the requirement to disclose and obtain acknowledgement, they will have discharged their obligations. We are considering two additional mechanisms that could be used to help ensure that a potential bill payer becomes aware of the Green Deal.

49. The first is the Local Land Charges register. We are investigating with relevant organisations how to add a marker to notifications by Competent Person Schemes, in England and Wales, when measures installed are paid for through the Green Deal. These notifications are stored by most Local Authorities as part of the Local Land Charges register. Solicitors routinely search these registers as part of the conveyancing process. A Green Deal marker would show up during a search, enabling solicitors to make further enquiries, notify their clients and advise them accordingly. This mechanism is most likely to assist where a person is buying a green deal property.

50. The second mechanism is the process associated with opening a new electricity supply account. We will be requiring electricity suppliers to alert customers to the presence of a Green Deal in a property when they open a new electricity account. This gives the new bill payer the opportunity to raise a dispute immediately if the seller or landlord has failed to disclose or gain acknowledgement of the Green Deal. Raising the dispute early will be key in tracing the former bill payer and ensuring that the dispute can be resolved as easily as possible.

Acknowledgement

51. Once someone has agreed to take on a property, the person selling or letting it will need to get an acknowledgement (in writing and in the prescribed form) from the person taking on the property that they are aware that the bill payer at the property is liable to make Green Deal payments and will also be bound by certain terms in the plan. This will help to ensure that future bill payers address their

⁶⁰ See weblink [<http://www.communities.gov.uk/publications/planningandbuilding/epcdatapia>].

minds to the responsibilities that attach to the bill payer at a Green Deal property. Where there is a contract for sale, or a written lease or licence agreement, the Green Deal acknowledgement will form part of that agreement. We have had discussions with the Law Society and we will continue to work with them so they can assist in determining the best way to implement this requirement in England and Wales, working with their members, to acknowledge the Green Deal in property contracts as Green Deal improved buildings are transacted over time.

52. Where there is no written lease or licence agreement, the prescribed form of acknowledgment will be given in a standalone document that will be signed by the person giving the acknowledgment.

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

Disclosure and acknowledgement in practice

53. The property market is based on the principle of "buyer beware". Buyers and tenants make their own enquiries to satisfy themselves about a property before choosing to buy or rent it. This is facilitated by a well established process of conveyancing (including searches of the Land Registry.) and the services of various professions (including surveyors providing physical condition surveys). This enables buyers and tenants to make an informed choice and to be confident in their decision. Government supports these existing mechanisms.
54. Due to the special nature of the the Green Deal, very specific obligations will be placed on, for example, those who are selling or letting a property, to give people key information about the Green Deal before they decide to take on a property, and to make sure they have acknowledged the responsibilities that attach to the bill payer at the property. However, in line with the buyer beware principle, it will be for buyers and tenants to ask for more detailed information about the Green Deal if they consider it appropriate in a particular case.
55. Under the Green Deal, the obligation to disclose on sale or letting out falls upon the seller or landlord of the building only, with no equivalent obligation on, for example, estate agents or solicitors, beyond their wider duties to make certain enquiries of owners and ensure the information provided is represented correctly to buyers. The Government anticipates that Green Deal disclosure and acknowledgement will become business as usual for the relevant professions.
56. We would welcome views on whether there are any ways in which property professionals could assume (on an informal basis) more of a role in the

disclosure and acknowledgement process to assist others to comply with their legal obligations.

QUESTION 36: What will property professions need to do to assist with the effective discharge of the disclosure and acknowledgement obligations? If property professionals assume a duty to discharge these obligations on behalf of property owners, should they face the same consequences as the owners, where they fail to do so?

Disclosure and acknowledgment in situations other than sale and letting out

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

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

Disclosure and acknowledgement redress

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

QUESTION 38: Do you think 30 days after receiving the first electricity bill is an appropriate time limit within which someone can dispute disclosure of the Green Deal?

62. If someone wishes to question the payment of the charge for non-disclosure reasons, or for misinformation with regard to the Plan on the property, they must write to the Green Deal Provider. Alternatively, having attempted to resolve the issue with the GDP first, the customer can approach the relevant Ombudsman directly.
63. On approaching the Ombudsman, the customer will need to enclose evidence that they were not informed about the Green Deal Plan on the property, or that the Plan they were informed about is not the one currently on the property. This can be the original written particulars (in England & Wales), Home Report (in Scotland) or the EPC used to sell or rent, which do not (or do not correctly) disclose the presence of the current Green Deal, and/or the original contract, which does not include any, or the appropriate acknowledgement of the Green Deal Plan. The Ombudsman will then notify the Secretary of State in writing that the Plan is disputed and that they have accepted the redress case for the customer.
64. Provided the facts demonstrate that the bill payer has a legitimate complaint and that a breach has occurred the Secretary of State can require the Green Deal Provider to cancel the Green Deal Plan at that property. From this point, the bill-payer will not have to make any further payments to the Green Deal Provider and

will be refunded payments already made (since the breach occurred). At the same time, the person at fault will be required to compensate the Green Deal Provider for the amount they lost in writing-off the Plan at the property (on the basis of the existing rules on early settlement). It will be the responsibility of the Green Deal Provider to collect this compensation from the person at fault.

65. In some circumstances, for example where a seller or their agent deliberately seeks to hide the Green Deal on a property from a prospective buyer or tenant (perhaps using software to create a fake EPC, for instance) that person's behaviour may well amount to fraud. In cases of fraud, existing criminal law and sanctions would apply. In addition, it is possible that this situation could be brought within the scope of the Property Misdescriptions Act if that was considered appropriate. Under the Act, it is a criminal offence to make a false or misleading statement in relation to certain matters. We consider that the Secretary of State is likely to have to make an Order under the Act in order to bring disclosure within scope.
66. The Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277) make it a criminal offence for traders to engage in unfair commercial practices in their dealings with consumers. It is possible that energy suppliers and/or Green Deal Providers might unknowingly be engaging in such a practice if, for example, they demand payment of Green Deal instalments in circumstances where the disclosure and acknowledgment requirements have not been met. The Government's view is that it is likely that appropriate provisions already exist in the 2008 Regulations (such as the due diligence defence in regulation 17) which, together with actions that energy suppliers will be able to take when the new bill payer opens their energy supply account, will minimise the risk that energy suppliers/Green Deal Providers might, inadvertently, be held criminally liable in those circumstances. Government will be reviewing this further to establish how these regulations would apply to energy suppliers and Green Deal Providers.

6.4 Circumstances requiring early repayment of Green Deal plans

67. Once a Green Deal has been taken out, rare scenarios may arise that result in the Green Deal measures being removed or altered and therefore becoming ineffective. Such scenarios include, but are not limited to, demolition and a change in the use of a building. In such cases, it may be appropriate for the Green Deal to be repaid early.
68. Full early repayment of the Green Deal plan will be required prior to the demolition of a Green Deal property which involves permanent disconnection. This will be ensured through a prohibition on the permanent disconnection of an electricity meter associated with an outstanding Green Deal plan, as outlined in Section 8.9, Chapter 8 Payment Collection.

69. In addition, Green Deal Providers may require full early repayment in any instance where a building is demolished, regardless of whether the electricity meter is disconnected as part of this process.
70. The Government is also considering whether Green Deal Providers should have the ability to require early repayment where other changes are made to the building, especially regarding its use. A change in the use of a building would include instances where, for example, measures were removed as a result of a change in the number of dwellings at a property. This is likely to result in major changes to the fabric of the building and potentially any installed measures.
71. Energy suppliers will be required to inform the Green Deal Provider in the event that a change is made to the metering arrangements at the property. This will enable the Provider to contact the Green Deal customer and decide whether it would be appropriate to require early repayment in those circumstances.
72. However, we are also aware that in some rare instances where there are changes to the building, it may be possible for the current bill payer to become liable for the whole of the Green Deal charge if early repayment is required, even though they may not be making the changes themselves. We are considering whether the Code of Practice should require that Green Deal Providers should show forbearance and allow for the bill payer to come to a financial arrangement with the person that made the change. We are also considering whether any limitations should be placed on the ability to require repayment to deal with extreme cases.
73. We would also anticipate that the EPC would act as an early warning mechanism, alerting those coming to a property to the details of the Green Deal and when early repayment may be required. One option could be not to allow Green Deal Providers to require early repayment, and instead to place the onus on future bill-payers to check all the measures they are going to be paying for are still in place. This 'buyer beware' approach may also be the most appropriate approach for other circumstances where measures could be removed or altered but are not captured by the proposals outlined above. For example, where measures have been removed but there has been no change in the actual use of the building, those considering taking on the property would establish for themselves whether the measures are still present and working effectively. Given the complexities of this area, we would welcome stakeholder views on these proposals.

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

Chapter 7: Installation

Summary of chapter:

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

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

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

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

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

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

7.1 Introduction

1. To protect consumers, maximise demand and boost customer confidence in the Green Deal it is essential that energy efficiency measures are installed to high performance and safety standards.
2. Consumer research⁶¹ commissioned by the Department of Energy and Climate Change between December 2010 and April 2011 showed a preference for choosing an installer from an approved list of suppliers. There was an expectation that local tradesmen could be accessed via these lists.
3. We are determined to learn all the lessons we can from the recent Australian insulation programme, which was launched in 2009 without insulation certification standards being required to access grants. Inadequate and poorly policed installation led to the cancellation of the programme and loss of public confidence.

Policy approach

4. Although there are several installer quality standards and installer certification bodies which already exist, feedback from stakeholders indicated that the current standards are not sufficiently robust, and lack clarity and consistency in their approach. Working closely with our stakeholders and industry to inform our policy development, we propose the creation of a single overarching standard to ensure the greater consistency, clarity and quality that is needed. In order to develop the new Green Deal installer standard the following criteria were used:
 - it should acknowledge and work with existing structures in the industry where possible and appropriate, driving the lowest towards the highest standards;
 - it should be applied consistently across the sector;
 - it should represent the right balance between consumer protection and cost to industry; and
 - it should carry a quality mark that will be recognisable by consumers, in a similar manner to the Gas Safe scheme (formerly Corgi);
5. Using these criteria, we adopted the following approach:
 - the new installer standard should set out clearly what was required of a Green Deal installer and bring together the best of the many different standards that already exist;
 - this standard should be developed in co-operation with industry; and
 - be verified through independent third party accreditation to ensure a level playing field and consistency.

⁶¹ DECC commissioned three pieces of research, due to be published around the same time as the consultation. These will be found on the DECC website www.decc.gov.uk

6. In addition to the standard itself, it was also decided to:
 - develop a clear code of practice for all installers which sets out minimum standards/levels of competency, customer protection and duties of all participants; and
 - create an independent oversight body to monitor and ensure compliance with the above frameworks and maintain a register of authorised installers which customers can use to verify those carrying out works.
7. The following section defines a Green Deal installer and describes the Code of Practice that is proposed will govern their behaviour and how this will be monitored to ensure compliance. The processes described below are true for the installation of both Green Deal and ECO measures.

7.2 The Green Deal Installer

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

Code of Practice for installers

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

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

Quality assurance/certification of installers

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

12. In order to recognise existing good standards and minimise the burden on the sector, Government is proposing to accredit the existing trade certification bodies to act as installer certification bodies. These bodies already operate in the market to set standards for those they certify. This will allow Green Deal accredited certification bodies to continue to operate and certify installers to the new standard, thereby permitting them to become authorised Green Deal installers and use the quality mark.

13. We intend to introduce independent third party accreditation of the new standard to ensure that there is a robust and consistent approach used by all certification bodies. We have been working with sector representatives to ensure that this approach is robust, proportionate and does not overburden industry. On 2 June, Greg Barker, DECC Minister of State, formally appointed the United Kingdom Accreditation Service (UKAS) to carry out third party verification to ensure that installers and assessors will meet the necessary standards when the Green Deal starts.

14. UKAS will carry out assessments of certification bodies to ensure they meet the requirements of the installer standard. UKAS will charge certification bodies for this service (which is normal industry practice). Certification bodies can pass on

these costs to their members as they see fit as part of their normal certification fees.

15. Our intention is to have the first tranche of certification bodies accredited by April 2012, with a second tranche in August 2012 so that their members have time to begin marketing their services prior to launch of the Green Deal. UKAS have already launched an initial pilot accreditation phase.⁶²

Training and qualifications for installers

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

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

17. We are also working closely with the Sector Skills Councils to review existing training provision to ensure it is fit for purpose for the Green Deal. In addition, earlier in 2011, Government announced that it would allocate up to 1,000 Green Deal apprenticeships in England⁶³ as part of plans to insulate the UK's homes and businesses against rising energy prices and boost green job opportunities.

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

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

⁶² The aim of pilot programme is to develop the necessary procedures and competence to enable UKAS to accredit certification bodies to undertake certification of installers and/or advisors to the Green Deal requirements. Further information can be found at www.ukas.com

⁶³ In this instance, Government refers to the UK Government responsibilities in England only. Wales and Scotland have their own policies and programmes for supporting Apprenticeship provision.

Employment of a Green Deal installer

18. A Green Deal installer may be engaged in number of ways (please see diagram 3 below). For the purposes of the Green Deal we have tested our approach against the following potential business models to ensure installers have fair access to the market – whether they are sole traders, SMEs or large organisations:

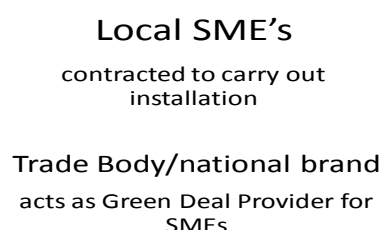
- A salaried employee of the Green Deal provider;
- Sub-contracted on a per-job basis by a Green Deal provider;
- An independent Green Deal installer commissioned directly by a consumer.

19. However a Green Deal installer is engaged, they will need to meet the requirements set out earlier in this chapter to operate under the Green Deal and ECO.

Assuring the quality of Green Deal installations

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

Diagram 7: Potential business models for Green Deal installers



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

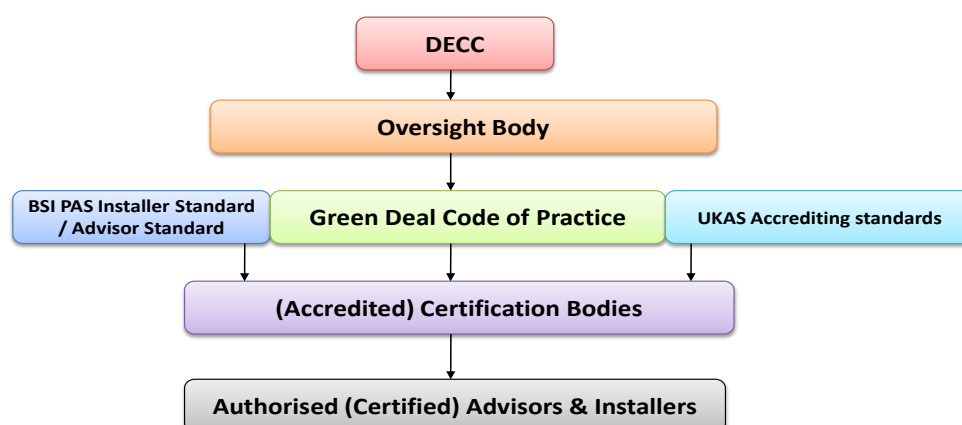
21. Effective oversight of the Green Deal will be essential to ensure there is robust customer protection. It will also enable us to gain useful information on performance, and market intelligence on future levels of demand and market developments, which can be fed into future policy development to ensure the Green Deal remains relevant and effective in delivering energy efficiency.

22. As mentioned in the chapter on assessment, there will be a number of functions which will need to be managed centrally to cover installers. These include:

- Register and maintain a list of Green Deal certified installers.
- Manage the review of the Green Deal installer scheme standard.
- Liaise with UKAS over the accreditation of Green Deal certification bodies.
- Manage and monitor compliance with the Code of Practice.
- Issue and manage the use of the Green Deal Quality Mark.
- Provide up to date details on authorised installers to the advice line in England and Wales and separately in Scotland.
- Liaise with Sector Skills Council on keeping National Occupational Standards (NOS) up to date.
- Manage advice, referral and redress when something goes wrong.

23. Diagram 4 below sets out how, in practice, how we intend to deliver our proposals and ensure robust installer standards under the Green Deal.

Diagram 8: Oversight and Accreditation of Green Deal Installers



7.3 Installation Process

24. For installation, a consumer can choose to go directly to a Green Deal provider who contracts the supply chain of installers, or they can go to an independent installer to carry out the work.

25. If a consumer chooses to go directly to a Green Deal provider, then the provider will co-ordinate the installation work. They will either contract in-house installers to carry out the work, or sub-contract to independent installers. The Code of

Practice sets out requirements that installers must meet with regards to the installation process.

Sanctions and Redress mechanism

26. It is proposed that customer complaints will be handled by Green Deal providers in the first instance. The intention is that all installers will be required to guarantee the quality of their works for a reasonable period. The Green Deal Provider will decide how best to take forward any complaint. The Green Deal Provider may instruct the installer to complete corrective actions. This may be set out in a contract between the Green Deal Provider and the installer.

27. If it concerns professional competence of the installer then the Green Deal provider may take the matter to the relevant certification body to investigate. Certification bodies will be required to have procedures in place for dealing with complaints against those they certify, including independent appeals processes. A certification body may remove certification of an installer, in which case the installer would also be removed from the register and no longer be able to install that measure under the Green Deal.

28. If a certification body fails to take necessary actions, then the Green Deal Provider could appeal to the oversight body. The oversight body has the power to investigate – or instruct UKAS to investigate (as this may be a breach of the accreditation). The oversight body can instruct certification bodies to carry out corrective actions. If the certification body still fails to do this, the oversight body can inform the Secretary of State of a potential breach. It will then be up to the government to decide what action to take under the powers set out in the Energy Act 2011.

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

Green Deal Installers and the Energy Company Obligation (ECO)

30. The common approach to standards for ECO measures and for the Green Deal has already been stated in Chapter 2 on measures. This will be the same for installer standards. Thus, for example, the installation of heating systems and any energy efficiency improvements which energy companies wish to count towards their ECO obligations will be required to be installed by those authorised under the Green Deal accreditation system⁶⁴ and the auditing and verification of the quality of the work done will be automatically captured through the Green Deal

⁶⁴ See, for example, articles 11(7)(e) and 13(4)(b) of the draft ECO Order accompanying the consultation document.

process. This will avoid creating two separate markets for companies to operate in, and support the accreditation system.

31. Where there is a scenario where measures are installed under the ECO, with no Green Deal interaction (finance), the installer is likely to be employed or sub-contracted by the ECO supplier. In this instance the energy supplier can be expected to handle any complaint against the installer (or the quality and standard of the work) under the terms of a contract for the installation of the qualifying action it has with the installer. In such a scenario a complaint made by a consumer is likely to be made to the supplier who can then be expected to investigate the matter and deal with according to terms its has agreed with its installer.
32. To help a consumer receiving a measure under the ECO (without any Green Deal interaction (finance)) understand how he or she can lodge a complaint against an installer or the quality and standard of the work, it is proposed that energy suppliers will be required to ensure that such consumers are provided with information at the time of installation on how to make a complaint about the installation process.
33. Similarly to the Green Deal, the energy supplier may take any complaint against an installer to the relevant certification body to investigate, if it concerns the professional competence of an installer.

Chapter 8: Payment Collection

Chapter Summary:

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

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

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

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

8.1 Introduction

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

Policy approach

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

8.2 Payment collection route

4. There are three possible options for collecting the Green Deal charge via energy bills:
 - i. Collection via electricity bills only;
 - ii. Collection via gas or electricity bills;
 - iii. Collection via gas bills only.
5. When examining these options, the Government took into account the need to ensure as many people as possible could potentially benefit from installing energy efficiency measures in their properties via the Green Deal. This mitigates against collection via gas bills only because 4.3 million households and 1.8 million non-domestic properties are not connected to the mains gas grid. Excluding these properties is a particularly unattractive outcome given that the alternative energy sources used to heat these properties, such as heating oil or electricity, are more expensive than gas from the mains grid. Therefore, the Green Deal could be particularly attractive to these households and businesses. Collection of the Green Deal charge using option (i) or (ii) above would ensure that Green Deal finance was potentially available to 27 million households and

2.8 million businesses and organisations in Great Britain and these are therefore preferred over option (iii).

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

the Green Deal charge, discussed in section 8.5, strengthen this link by helping domestic customers to see how the Green Deal charge on their electricity bill is matched or exceeded by a corresponding reduction in their gas bill.

8.3 Green Deal data requirements

11. The Green Deal scheme will involve the need for a range of information to be collected and held by relevant parties for operational purposes as well as for monitoring and evaluation purposes. We are proposing that electricity suppliers be required to create the necessary infrastructure to hold the data in a central location through the establishment of a central charge database. However, the responsibility of ensuring that information connected with Green Deal plans is correct and up-to-date will reside with Green Deal providers.
12. This data infrastructure would be accessible by all suppliers and Green Deal providers. Suppliers would have a natural incentive to minimise the costs of establishing this infrastructure. This option would also minimise the transfer of Green Deal data when a customer switches supplier as all companies would have access to the data. This reduces the risk of data loss or corruption and would ensure compatibility with existing energy industry data systems.
13. In order to protect the privacy of Green Deal customers, access rights will need to be examined and introduced. We are proposing that DECC and the Scottish and Welsh Governments should be allowed to access anonymised data to assist in monitoring and evaluation purposes. Also, suppliers and Green Deal providers will only be allowed to use this data for Green Deal purposes and will be subject to the Data Protection Act 1998.
14. We are proposing that the data infrastructure will perform data validation and an automated check on whether the customer has any outstanding debt on their electricity account. The electricity supplier will not be required to divulge the amount of debt, just the existence of debt on the customer's electricity account. Our proposed debt threshold is £200 for domestic customers and £400 for non-domestic customers. Above this level the Green Deal provider would need to positively consent to the continuation of the Green Deal set up process. The threshold for domestic customers aligns to the existing threshold for prepayment meter arrears when switching suppliers.

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

QUESTION 43: Do you believe that electricity suppliers as well as Green Deal providers should have the right to prevent customers from taking out a Green Deal finance arrangement if these thresholds are exceeded?

8.4 Collecting the Green Deal charge

Green Deal information on electricity bills

15. An important consideration for the Government in designing the Green Deal scheme is ensuring consumers have accessible information about their payments. It is important that customers are kept informed about the charge they are paying, but also that this information is balanced by a reminder of the savings that were estimated at the time the Green Deal plan was established. The Government also wished to avoid unnecessary complexity that could hinder consumer understanding.
16. For this reason we are proposing that only core Green Deal information should be mandated on customer bills and statements. This will consist of the amount of the Green Deal payment to be placed after the electricity charge on the bills of customers who do not have the same supplier for gas and electricity. If the Green Deal customer receives gas and electricity from the same supplier, then we are proposing that the Green Deal charge is given alongside the charges for electricity and gas consumption. The unique ID for the Green Deal plan will be included adjacent to the payment amount. Also, to ensure customers know where to go to for any queries they have relating to their Green Deal plan, we are proposing that bills and statements include the telephone number and website address of the Green Deal remote advice service.
17. Domestic customers also receive, on an annual basis, additional information designed to help them understand their energy offer and explore alternative tariffs and suppliers. Commonly this information is given in the form of a separate annual energy statement. We are proposing, for domestic customers only, to introduce requirements on suppliers to include the following information on an annual electricity statement:
- a forecast of the Green Deal payments due to be paid over the next year;
 - the likely energy savings, as estimated when the Green Deal plan was established, split out into fuel types (gas, electricity and other fuels); and
 - for 'dual fuel' customers, a forecast of the likely cost of their gas consumption over the next year,

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

Frequency of bills and statements

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

Customers paying by monthly fixed direct debit

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

Customers using prepayment meters

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

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

Billing during property vacancy

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

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

25. We are proposing that the Green Deal charge be passed onto the Green Deal finance provider by the electricity supplier on a proportional (*pari passu*) basis. This ensures that if the customer pays the electricity bill in full the Green Deal charge will be passed onto the Green Deal provider. However, it also ensures that the electricity supplier is not required to pass on the full Green Deal charge if the customer pays less than the total being billed. In this situation the electricity supplier will be required to pass onto the Green Deal provider a percentage of the amount received that is equal to the Green Deal charge proportion of the bill.
26. Section 1.6 of the Energy Act stipulates that the electricity supplier will be collecting the Green Deal charge as agent and trustee of the Green Deal provider. After 72 hours from receiving a payment from the customer, we propose that the Green Deal portion of that payment (on a *pari passu* basis) is passed directly to the relevant Green Deal provider or nominated finance provider – their bank details will be held on the central charge database to facilitate this transfer.

27. In addition to payments, we are also proposing that the electricity supplier passes certain data items to the Green Deal provider and, if relevant, the nominated finance provider, for example the payment amount that was due to be made on the account and the period to which the payment relates. This will enable the Green Deal provider to issue annual and *ad hoc* credit statements to its customers (Chapter 3, section 3.4).

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

QUESTION 45: Do you agree with the proposed 72 hour period for the transfer of payments? If not, please suggest an alternative with appropriate supporting evidence.

QUESTION 46: During this 72 hour period, should the electricity supplier maintain an account balance at least equal to the total value of Green Deal payments being held?

8.6 Smaller electricity suppliers

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

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

QUESTION 47: Do you have an alternative suggestion for reducing the burden on smaller suppliers that would not lead to a potential reduction in the number of electricity suppliers available to Green Deal customers?

Threshold for determining a smaller electricity supplier

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

QUESTION 48: Do you agree with the proposed threshold for the smaller supplier opt in? If not, please suggest an alternative threshold with appropriate supporting evidence.

8.7 Electricity supplier administration fee

31. The Government examined whether to introduce an administration fee, payable by Green Deal providers, to compensate larger electricity suppliers and smaller 'opted in' suppliers for the cost of collecting the Green Deal charge. If there was no administration fee payable then the entire cost of collecting the Green Deal charge would fall on the electricity customers as a whole. The Government is keen to ensure that a significant proportion of the on-going costs are borne by Green Deal customers, as they will be the ones benefiting from the policy, with only a small proportion falling on electricity customers as a whole. We therefore believe that introducing an administration fee is a fairer outcome than no administration fee.

32. The Government examined a number of options for the structure of the administration fee. We are proposing that there should be a flat annual administration fee for each Green Deal plan, payable in four quarterly installments. There is further analysis of the proposed administration fee in the accompanying Impact Assessment. Based on that analysis, we are proposing to set the administration fee at £3 per year per Green Deal plan.

33. We also propose to hold a review of the level of the administration fee three years after launch of the Green Deal. At this point, the cost incurred by electricity suppliers in collecting and remitting the Green Deal charge can be more accurately assessed.

34. The administration fee could also be made contingent on the successful collection, in whole or in part, of the Green Deal charge from the customer. Your views on this would be welcome

QUESTION 49: Do you agree with the proposed level of the annual administration fee? If not, please give reasons for your answer and, if relevant, provide additional evidence of likely cost impacts.

8.8 Switching between electricity suppliers

35. The Green Deal will not prohibit customers from switching to another supplier as long as the new electricity supplier has chosen to participate in the Green Deal scheme. A customer will still be able to switch to an 'opted out' supplier (section 8.6) if they choose to repay their Green Deal plan early (Chapter 3, section 3.3).

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

QUESTION 50: Do you agree with retaining the existing £200 arrears limit (including Green Deal repayment arrears) for prepayment customers with a Green Deal plan? If not, please suggest an alternative limit with appropriate supporting evidence.

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

37. We propose that at least 14 days before the end of the Green Deal plan, the electricity supplier will need to inform the Green Deal provider and the customer in writing that they will stop collecting the Green Deal charge from a specified date.

38. Customers will be able to repay their Green Deal plan at an earlier stage if they wish (Chapter 3, section 3.3), either in whole or in part. This may decrease the repayment amount and/or bring the expiry date forward. If the end date for the Green Deal plan is changed, it must be at least 21 days into the future. This

allows sufficient time for the 14 day notification period, as described in the previous paragraph, to take place.

Disconnection

39. There will sometimes be a need for a property to be disconnected from its electricity meter, for example prior to demolition or major renovation (see Chapter 10, section 10.3, for discussion for further requirements around these type of changes). In such an event where permanent disconnection occurs, the electricity supplier will not be able to collect the Green Deal charge (as result of the consequential deregistration of the meter point number). We propose, therefore, to prevent permanent disconnection of an electricity meter associated with an outstanding Green Deal plan. This would, for example, mean that full early repayment of the Green Deal plan will be required prior to demolition. However, urgent disconnection of the electricity supply will be allowed where it is required for health and safety reasons or other requirements set out in existing legislation. During this period, the Green Deal charge will continue to be payable.
40. This 'permanent' disconnection is different from temporary de-energisation (colloquially known as "disconnection") which is the ultimate sanction in some circumstances for non-payment of an electricity bill. In these circumstances, the Green Deal does not need to be fully repaid and industry practice on the recovery of arrears applies (see next section).

8.10 Green Deal charge arrears

41. Existing licences and codes include a number of processes for the collection of arrears from consumers and several protections for vulnerable consumers who are struggling to pay. We are proposing that those processes required by supply licences, or that form part of business as usual practices, will apply equally to the collection of Green Deal arrears, including agreeing a repayment schedule and fitting a prepayment meter.
42. Although suppliers will be exempt from the need to hold a Consumer Credit Act licence when collecting Green Deal payments, consumers will still be protected (see Chapter 3, section 3.4). Suppliers' licence conditions already require, for example, that they must take into account the customer's ability to pay when determining a repayment schedule and this protection will extend to Green Deal charge arrears. Furthermore, we propose to include new licence conditions for Green Deal customers that will require suppliers to have regard to any guidance on debt collection issued by OFT and to issue arrears notices comparable to those required under section 86B of the Consumer Credit Act.

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

8.11 Protecting vulnerable customers

44. The government wants every household to have the opportunity to access high quality energy efficiency measures, not only to cut emissions, but to also ensure that homes can be heated more affordably. Improving the energy efficiency of households across the country will help meet both of these objectives. The Green Deal will help households and businesses achieve lower energy bills than would have been possible without it. This can be achieved with no up-front cost making it an attractive prospect for all.
45. Low income and vulnerable customers who are unable to afford to heat their home may be able to receive additional support from ECO.
46. Despite this additional support, and the Green Deal being designed to keep customers energy bills the same or to reduce them, Green Deal customers (like any other customer) may occasionally find themselves having difficulty paying their energy bill, particularly if their circumstances change.
47. The Government believes it is crucial for all customers to receive adequate protection with regard to the payment of their energy costs and from disconnection of their energy supply. Energy suppliers have a licence obligation which prohibits them from disconnecting a domestic customer during the winter months (October – March) where they know or believe the customer is of pensionable age and lives alone or lives only with other pensioners or with persons under the age of 18, and to take all reasonable steps not to disconnect a domestic premises during the winter months if the occupants include someone of pensionable age, who suffers from a disability or is chronically sick.
48. Energy suppliers also have obligations set out in their licence conditions to protect domestic customers who are having difficulty in paying for their energy bills. They must take all reasonable steps to ascertain a domestic customer's ability to pay and take this into account when calculating repayments for outstanding charges. They must also offer the option of a prepayment meter

where it is safe and reasonably practicable. All these consumer protections will extend to the Green Deal charge.

49. The larger energy suppliers have signed up to a voluntary agreement to never knowingly disconnect a vulnerable customer at any time of the year. We are working with energy suppliers to extend this commitment to cover the Green Deal charge.
50. The Government intends for the existing obligations on energy suppliers outlined in licence conditions for debt and disconnection to be extended to cover the charge for the Green Deal. We are also working with the Department for Work and Pensions (DWP) to see how the Green Deal charge and any Green Deal arrears can be included as part of the Fuel Direct scheme. "Fuel Direct" is one of the items provided for in DWP's Third Party Deductions scheme. The scheme works by deducting a prescribed amount at the source from a customer's weekly benefit (currently £3.40) and paying it direct to the creditor until the debt is cleared and a further amount to cover ongoing consumption. It provides a backstop safeguard for customers who are experiencing difficulty in paying for their energy consumption.

8.12 Reporting on differences in charges

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

Chapter 9: Delivering the ECO and Green Deal

Summary of chapter:

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

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

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

9.1 Introduction

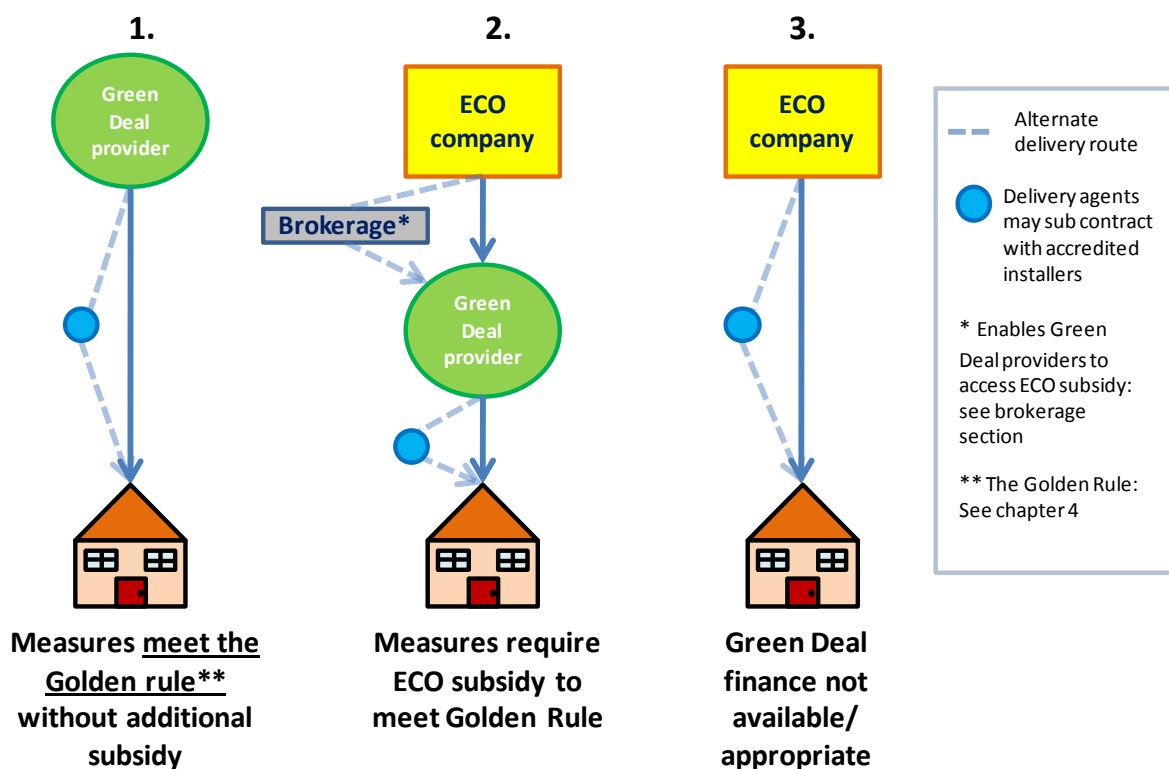
1. We expect the Green Deal and the ECO frequently to work in tandem. For example, measures that save a large amount of carbon and deliver significant energy efficiency benefits, such as solid wall insulation, are currently expensive and unlikely to be deliverable within the Golden Rule alone⁶⁵. Green Deal providers will therefore be incentivised to seek out contributions towards a measure from suppliers seeking to fulfil their obligations under ECO. Doing so is likely to bring the net cost of the measure within the terms of the Golden Rule, thereby allowing a Green Deal provider to put a more attractive offer to a customer and increase the number of Green Deals they are able to sell.

⁶⁵ For example, SWI that delivered an annual bill saving of £320 would be able to raise £3,730 in Green Deal Finance (based on a 7% interest rate and 25 year repayment term). If the SWI installation cost around £6,000, ECO support of £2,270 would be needed for the measure to be fully fundable under the Golden Rule.

2. At present, we are not proposing for there to be a requirement on energy suppliers to combine their ECO subsidy with Green Deal finance (for either Carbon or Affordable Warmth objectives). We do not think it is necessary to do so because we believe the wider Green Deal-ECO context creates an incentive for energy suppliers to work closely with Green Deal providers. By proposing that energy suppliers receive the full carbon or cost saving benefits of a measure which they are involved in promoting and installing we expect to create an incentive for energy suppliers to find Green Deal providers with whom they can develop offers for measures which rely on a mixture of ECO and Green Deal finance. Allowing credit for the full carbon savings in this way also creates an incentive to promote packages which qualify for ECO points over those which do not. Since energy suppliers will want to meet their obligation at as low a cost as possible, they will be incentivised to leverage in as many other types of funding as possible, and in the case of the carbon obligation, this is primarily expected to be Green Deal finance (though other sources of funding are not intended to be excluded).
3. It will not, however, fall to the consumer to bring Green Deal finance and ECO together. We expect the details of how the two finance streams operate to be arranged behind the scenes. The consumer should see one seamless package and offer from a Green Deal provider.
4. But while the Green Deal and ECO can be expected to be very closely related and frequently expected to operate in tandem, there will be some instances where they are likely to work independently. There are effectively three different scenarios for how ECO subsidy and Green Deal finance will drive the installation of energy efficiency measures. These are:
 - **Green Deal finance only.** For example where measures, such as loft and cavity wall insulation for the generality of the population, meet the Golden Rule and can be confidently expected to pay for themselves with savings, Green Deal finance alone should be sufficient to drive delivery;
 - **ECO support and Green Deal finance combined.** Delivering packages of measures where the household is not in a position to take out Green Deal finance without additional funding – for example packages that include SWI, and where the upfront costs are not fully met within the Golden Rule;
 - **ECO support only.** ECO Affordable Warmth is targeted at low income and vulnerable households, and as such we expect that in most cases these households will receive full financial support through ECO for the measures. There may also be circumstances under the ECO Carbon Saving obligation where delivery is most appropriate and cost effective when not coupled to Green Deal finance. In these circumstances energy suppliers may choose to

fund the installation of such measures, either entirely themselves or by drawing in funding outside of Green Deal finance.

Diagram X – delivery routes for ECO and Green Deal



9.2 Access to ECO for third parties delivering energy efficiency

5. Given that we expect the ECO and Green Deal finance markets to be closely interlinked, it is important to design ECO in a way which not only makes sense for the policy in isolation, but contributes to our objectives for the new Green landscape overall. We want to work towards ensuring that ECO helps deliver:

- **Competition** – with a broad and dynamic market for energy efficiency delivery, with a range of Green Deal providers, fairly competing on price to attract ECO support.
- **Transparency** – an open market that: allows potential Green Deal providers to assess the market and if appropriate decide on entry strategies, and gives those already in the market certainty they can fairly compete with others.
- **Market efficiency** – a market with low transaction costs and administrative burdens for all parties.
- **Cost effectiveness** – energy suppliers delivering ECO at the lowest possible cost, thereby reducing the impact on customer energy bills

Potential risks

6. We cannot yet know exactly how the obligated energy suppliers will behave in response to their ECO. However, given that we believe that a large number of expensive measures such as solid wall insulation will require ECO subsidy as well as Green Deal or other finance, the small number of energy suppliers who will be responsible for fulfilling the ECO have the potential to exercise a large influence over the Green Deal market. Potential behaviours that would impede the objectives noted in paragraph 5 include:
 - ECO suppliers disproportionally funding their own internal Green Deal activity. This might happen where an energy supplier was both an ECO company and a Green Deal provider. It might prefer to provide ECO subsidy to its own Green Deal transactions, because this was simpler, and/or because this would allow it to grow the Green Deal side of its business and gain market share at the expense of Green Deal providers with no such access to funding;
 - ECO suppliers only partnering with a small number of Green Deal providers. This might happen because energy suppliers would find it easier to communicate with a small number of Green Deal Providers – probably large, established players at national level - allowing them better to control their risk exposure, and potentially allowing them to develop a shared brand.
7. Although the energy supplier behaviours set out above might represent an efficient way in the shorter term for energy suppliers to achieve their individual obligations, over time it is the emergence of a diverse and competitive Green Deal provider market that offers the best guarantee of cost-efficiencies all round, including ultimately lower costs of delivery for ECO itself. Behaviours as described above would make it more difficult for newer or smaller players to establish a foothold, and would act against the development of this competitive market. While there may always be some inherent limits to the overall range and diversity of the Green Deal provider market, we want to ensure that ECO introduces no additional barriers.
8. In fact, however ECO suppliers might ultimately choose to act, even the risk or the perception that they might behave in this way could lead to problems. Potential Green Deal entrants might choose not to enter that market given the uncertainties. Thus - while some energy suppliers may understandably argue that their own self-interest will lie in exploring all cost effective delivery solutions, whether or not they are in-house or third-party - the Government does not think it is acceptable to do nothing and simply wait to see what pattern of behaviours develops. A solution must be found which can demonstrably give confidence to potential Green Deal providers that they will have a fair degree of access to ECO subsidy.

Options to address risk

1: Require Suppliers to deliver through third parties

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

2: Preferred solution – Brokerage

10. Instead of introducing a requirement which left suppliers to identify delivery agents without any constraints, the Government is attracted to introducing a market based solution to help suppliers make a significant proportion of their ECO spending fairly available to those Green Deal Providers who can commit to delivering in a cost effective way. This could be achieved through a brokerage system that brings together energy suppliers and Green Deal providers in an open market, via an online portal, where ECO “points” that energy suppliers require to meet their obligation are traded for ECO subsidy. Government could propose that suppliers meet a given percentage of their obligation by partnering with a given number of Green Deal providers identified through the brokerage. However, this would pose similar problems to option 1, the Green Deal market does not yet exist and this would be difficult to calibrate precisely. Furthermore, suppliers could all opt to partner with the same small number of delivery partners.
11. The Government's preferred option would therefore be to propose that suppliers make a significant proportion of their ECO spending fairly available to those Green Deal Providers who are, for example, able to deliver in the most cost-effective way. If a brokerage mechanism was arranged in a transparent way it would encourage Green Deal Providers to compete on price. Therefore Government would not have to set a predefined limit on the number or types of players that suppliers had to partner with, but rather allow the market to function with the most cost effective delivery agents receiving ECO support. A further step that the Government is considering is making the brokerage operate on a blind basis, ensuring price is the only variable driving competition (quality would be ensured through the Green Deal framework) and the suppliers would have

increased certainty of meeting their obligation as cheaply as possible, whilst minimising impact on consumers energy bills. Provided that the ECO suppliers were constrained to, or committed to, delivering a significant proportion of their obligation through such a mechanism, it is likely to introduce liquidity and transparency into the Green Deal market, whilst assisting ECO suppliers meet their obligation as cost effectively as possible.

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

QUESTION 52: Do you agree that it is desirable that energy suppliers should have to fulfil some or all of the (carbon) obligation by spending money promoting measures through those organisations who are able to provide the most cost effective delivery options?

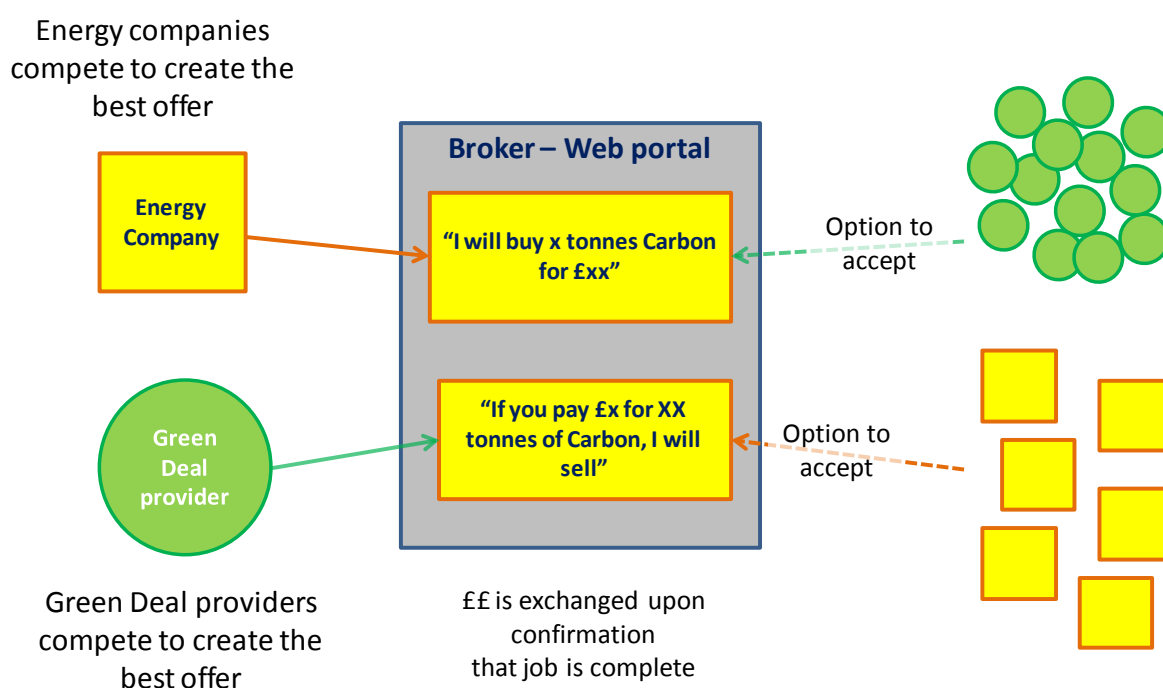
12. As described above, there are various forms that such a brokerage could take (an example is illustrated below). Each form raises different issues. Some issues are, however, common to any design of brokerage and need to be further explored. For example how frequently should carbon be traded, and would potential contracting parties be anonymous. The Government has been working with the energy suppliers and other interested stakeholders to explore how the mechanism might work.
13. DECC has already benefited from input from the energy suppliers, brought together by UKBCSE, and is setting up a wider steering group to develop these ideas further and agree a detailed specification for a brokerage that meets our objectives set out above and satisfies the requirement that energy companies must *promote* measures⁶⁶. The group's terms of reference and membership list will be published shortly on the DECC website. While the Government is willing to consider alternative suggestions which would achieve the same policy outcomes, it believes that a brokerage mechanism currently appears to be the most effective method, and is looking for commitments from the energy suppliers that they would channel a significant part – perhaps 50% - of their obligation through it. We do not propose requiring suppliers to use the brokerage for 100% of their obligation so that they may form partnerships that build 'shared brands' etc. In the event that no brokerage mechanism on these lines develops, or one is developed but proves through subsequent monitoring not to achieve the desired

⁶⁶ Section 41A(2) of the Electricity Act 1989 and section 33BC(2) of the Gas Act 1986 require a supplier to meet a target set through the promotion of energy efficiency measures. It is therefore a legal requirement of eligibility that a measure is promoted by a supplier. This requirement would need to be satisfied in the design of any brokerage scheme and indeed needs to be satisfied for all eligible measures under ECO.

outcomes in practice, then the Government will consider potential regulatory solutions.

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

Diagram X – Illustrative example of brokerage mechanism



QUESTION 53: Do you agree that we should seek a firm commitment from the ECO suppliers that they will use brokerage for a defined and significant percentage (e.g. 50%) of their obligation? If so, what level do you consider this should be?

QUESTION 54: Do you have any further comments on the detailed design of a brokerage, or any alternative mechanism that ensures the most cost effective delivery?

9.3 Enabling partnerships and supporting localised delivery

15. As well as wanting to combine ECO spending with Green Deal finance, energy suppliers and Green Deal providers are also likely to adopt localised approaches to delivery, as this can create opportunities to bring delivery costs down. It will create beneficial circles of engagement - where a critical mass of consumers within an area take-up measures, there will be an increasing likelihood that others would too. The evidence emerging from CERT and (in particular) CESP is that intensive activity within a particular area [reference to evaluation publication] will often produce economies of scale, increased take-up and allow measures to be delivered at lower cost.
16. The Coalition Government's Big Society agenda has the potential to support local partnerships. The Big Society is about putting more power in people's hands locally, in particular through empowering communities by giving councils and local neighbourhoods more power to take decisions and shape their areas. It is also about opening up services to enable charities, social enterprises and co-operatives to complete to offer them. One initiative under the Big Society banner is for 5,000 'Community Organisers' who are being trained to work closely with communities to identify local leaders, projects and opportunities. Where communities decide to initiate local energy efficiency projects under the Green Deal/ECO, Community Organisers will be able to support them.
17. The Localism Bill currently going through Parliament will also provide councils with new freedoms to act to meet local needs and priorities. For example, it contains a 'general power of competence' which will give councils freedom to act in the interest of their local communities. It will provide local authorities with all the same powers that an individual generally has, i.e. enabling them to do anything apart from that which is specifically prohibited. While it is too soon to judge how councils might respond to this, it could help ECO and Green Deal delivery by enabling councils to develop more innovative ways of delivering energy efficiency and in providing potential local 'incentives' for residents to take up offers.

Local delivery and the role of Local Authorities

18. Localised approaches will be facilitated where key local organisations, in particular the Local Authority, are active players in the agenda. Local Authorities may play various different roles within the Green Deal as a whole, including acting as Green Deal providers themselves⁶⁷. But in respect of the ECO they are

⁶⁷ An information note, "Local Authority and the Green Deal" has been published alongside this consultation. A copy of which can be found here http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

likely to act as partners, adding value by, for example, providing information on local housing stock, and endorsing and helping market company activity, using their position as a trusted interlocutor with households to increase local acceptance and take-up.

19. Many Local Authorities are already well advanced in planning for the Green Deal and ECO. To support, understand and encourage this activity, Ministers announced during the Energy Bill debates in Parliament the intention to retain the Home Energy Conservation Act (HECA) 1995 in England. This provides a mechanism for Local Authorities to report on activity to improve energy efficiency in the residential accommodation in their areas. Much of the effectiveness of HECA will lie in the guidance that we are developing and aim to publish in spring next year. For example, the new HECA guidance is likely to ask Local Authorities to report on how they plan to engage with the Green Deal and the future Energy Company Obligation (ECO).
20. The Government is keen to encourage street by street roll-out of the Green Deal and ECO, and believes that close partnership with local authorities will be key to this. We have considered various possible approaches to the role of local authorities in ECO:
 - Stipulating that local authorities must be actively engaged in and approve all plans for ECO activity in their area
 - Stipulating that authorities must at least be consulted on ECO activity
 - Making no regulatory requirements, but leaving partnerships to be formed on a voluntary basis
21. An important consideration in respect of the first option is that it could amount to placing a positive duty on local authorities (as well as on ECO suppliers). This would arguably be inconsistent with the Government's preferred approach of localism, under which authorities are broadly empowered to take their own view of how to prioritise their resources. Where an authority was willing and able to invest resourcing, this would not be a problem, but by the same token the regulatory requirement would add no value; where an authority was less keen on being engaged, the requirement would oblige them to conduct activity, and therefore spend resource, in ways which would have to be met by local or central Government funds. Where an authority is not yet willing or able to play a full partnership role in delivering energy efficiency in its area, it is also unlikely that a bare regulatory requirement to approve energy supplier plans would have much effect in equipping them to do so.
22. The second option is, broadly, the one currently in place under the CESP scheme and in this respect, the evidence of the CESP evaluation is crucial. Whilst the evidence is in many ways anecdotal and qualitative, rather than quantitative

[reference to parallel publication of evaluation], it seems clear that where an effective partnership exists between suppliers and local authorities, the requirement for a consultation letter adds little if any value. Where a local authority is a less active partner, the requirement for a consultation letter can sometimes become an obstacle to rapid progress – a pure piece of bureaucracy which could hold up delivery on the ground.

23. Thus, while the Government strongly supports partnerships between authorities and energy suppliers, it believes the most appropriate form for these to take is one that is willingly entered into by the particular participants themselves, in the light of the mutual advantages that partnership would bring. We do not therefore believe there is a case for Government to stipulate any particular regulatory requirements.

9.4 Devolution and ECO

24. ECO extends to Great Britain, however the landscape for energy efficiency and fuel poverty activity is different in each of the administrations: England, Scotland and Wales. For example, aspects of the fuel poverty policy are devolved matters, and each nation has a slightly different target and different policy approaches.

The Scottish programme to deliver heating measures is delivered in an integrated way through their Energy Assistance Package (EAP) and the Home Insulation Scheme. Households call an advice centre, managed by EST, and are filtered to relevant support depending on their energy efficiency needs and eligibility for extra help, including being referred for a benefit check to an energy supplier for free insulation if they are in the CERT priority group and for heating systems and/or insulation if they meet relevant criteria on age or benefit or tax credit entitlement.

25. On 1 April 2011, the Welsh Assembly Government's Fuel Poverty Strategy (Nest) replaced the Homes Energy Efficiency Scheme (HEES). Nest has been specifically designed so that it can offer support to the most vulnerable people in the most hard-to-treat properties with a wider range of energy performance improvements than is currently available through HEES. The Welsh Assembly Government also operates the area-based Arbed scheme (meaning 'Save' in Welsh), which is aimed at upgrading the energy efficiency of some of Wales' most deprived communities.
26. The Government sees no reason why the existence of such area-specific schemes should impact on the design of ECO, which is likely to be most cost-effective if it retains one single set of rules across Great Britain. It is possible that the existence of centrally funded programmes in certain areas could sometimes act as a form of joint funding, serving to attract ECO support towards those

areas, but the Government does not propose to correct for this effect in the design of ECO. Provided always that ECO support satisfies the “additionality test” discussed in chapter 2, it will not matter whether the source of any joint funding alongside the ECO contribution is public or private. Of course, devolved administrations may separately want to consider issues of additionality and value for money when setting the rules for their own fuel poverty schemes.

27. In order for the DAs properly to consider their own programmes in this way, it will be essential for them to have access to ECO and Green Deal monitoring information. Access to monitoring information for GB Governments is discussed further in Chapter 12 (on Green Deal Monitoring and Evaluation, and ECO Administration) below.
28. It has further been suggested that the Welsh and Scottish administrations should have the right to be consulted by ECO suppliers before the suppliers commence activity in their areas. In the Government’s view, this is likely to be an unhelpful provision. No equivalent obligation to consult either national or local Government is being proposed in respect of English activity; such an obligation would be difficult to frame with any precision and is likely to introduce delay; and a regional disparity in treatment might have the effect of encouraging suppliers to concentrate their activity, at least initially, in areas where no such regulatory burden existed, and thus be counter-productive to Welsh and Scottish interests.

Chapter 10: Consumer Protection

Summary of chapter:

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

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

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

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

10.1 Introduction

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

as they are based on existing regulation and on a new industry-led management framework to support the Green Deal.

Policy approach

3. Consumer protection policy in the Green Deal uses existing legislation and regulatory arrangements as much as possible to minimise additional burdens whilst providing a robust consumer protection regime.
4. In the following section we have set out an overview how customer confidence will be supported throughout the Green Deal journey. This means that many of the areas touched on here are covered in more detail elsewhere in the document: where this is so there are signposts to the other relevant sections.
5. Where customers are assisted through the Energy Company Obligation (ECO) and a Green Deal Plan is not taken out for that property, we expect energy companies to deliver consumer protection and redress to the same standard as for the Green Deal and as outlined in the Green Deal code of practice. Failure to comply with any applicable conditions is expected to result in the measure being ineligible for the purposes of a meeting a supplier's ECO and may result in the Administrator for ECO imposing sanctions in respect of the failure.

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

Government backed Advice and Referral

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

Selling the Green Deal to householders

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

Energy assessment and Green Deal advice

11. The first step towards getting a Green Deal will be to get an objective assessment of the property, which will cover the property's potential to save energy and how the customer might benefit based on their particular circumstances. This assessment will also set out those measures likely to be eligible for Green Deal finance.
12. Customers and Green Deal Providers will be able to have confidence in the energy saving assessments they get from Green Deal Assessors because the assessment (which will include energy generation potential) will be underpinned by: a robust qualification and authorisation framework for Green Deal Assessors; robust energy assessment methodologies; and strong redress should anything go wrong. This is discussed further in Chapter 1 on *Assessment*.

10.3 Setting up a Green Deal Plan to improve the building

Consumer credit protections

13. Green Deal Providers offering Green Deal Plans in the domestic sector will require a consumer credit licence. This will give domestic customers protection under the CCA through, for example:

- protection from mis-selling
- cooling off periods;
- regulated collection of instalments; and
- statement requirements.

14. Where Green Deals are offered to organisations and companies, the situation is more complex. Both scenarios are covered in Chapter 3 on *The Green Deal Provider and the Plan*.

Consents

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

Installation

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

Green Deal Provider obligations

17. Green Deal Providers will need to be authorised. The authorisation framework will require them to abide by a new Green Deal Code of Practice (a draft of which is published with this consultation). This covers every stage of the customer journey and the whole life of the Green Deal plan.

18. Amongst other things, Green Deal Providers will be required to:

- only use Green Deal authorised Assessors and Installers;
- only offer a Green Deal Plan to install measures as recommended by an independent authorised Green Deal Assessor; and
- only offer Plans that meet the Golden Rule for the property.

19. The Green Deal Provider should be the first point of contact for a customer who has an issue with any aspect of their Green Deal Plan. More details of the requirements for Green Deal Providers are provided in Chapter 3, *The Green Deal Provider and the Plan*.

Confirming the Green Deal Plan

20. Payments for a Green Deal will only commence after the measures have been installed to the specification agreed between the provider and the customer, after the energy company has notified the consumer that payments are about to commence through their electricity bill. That gives consumers the opportunity to object if the measures have not been satisfactorily installed.

21. The Green Deal Provider will be responsible for ensuring that an EPC is updated to reflect the new improvements installed and to include details of the Green Deal Plan. This will facilitate disclosure of the Green Deal to subsequent bill payers and protect consumers by ensuring they are informed about a Green Deal on a property before they take it on. The use of the EPC within the Green Deal is covered in more detail in Chapter 1, *Accredited Assessment* and Chapter 6, *Consents, Disclosure and Acknowledgement*.

Collecting Green Deal Plan instalments through energy supply billing

22. Suppliers will be responsible for collecting the Green Deal charge and passing it on to the Green Deal Provider or their financiers. There are already significant customer protections built into the collection of domestic energy bills and our policy approach is to extend these to cover the collection of the Green Deal charge; including arrangements around when a supplier can disconnect.

23. From a customer perspective, energy supply billing and collection of the Green Deal Plan charge by the electricity supplier will be regulated by OFGEM and they will have recourse to the Energy Ombudsman if any disputes over the amounts to be collected cannot be resolved with the Green Deal Provider and the supplier. The Energy Ombudsman will refer the complaint to the Financial Ombudsman Service if this is more appropriate. We are ensuring that collection of the Green Deal Charge is broadly equivalent to that required under the CCA. Payment collection is covered in detail in Chapter 8, *Payment Collection*.

24. The relationship between Green Deal Provider and the energy companies will be governed by a new Green Deal Collection Remittance Agreement (essentially a multi-party agreement between the Providers and the energy suppliers). This will be contractual and commercially enforceable through the courts.

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

25. Subsequent bill payers are protected under the Green Deal, as they will know about a Green Deal on the property before they take it on. It is a legal requirement for the EPC to be provided to those taking on a green deal property prospective buyers and tenants. This should be sufficient to ensure disclosure of the Green Deal Plan. There is also an obligation to secure an acknowledgment from future bill payers that they will be liable to pay the green deal charge and that they will be bound by certain terms of the plan. Disclosure and acknowledgement is covered in more detail in Chapter 6, *Consents, Disclosure and Acknowledgement*.

10.4 The procedure should anything go wrong

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

How sanctions support the Green Deal

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

ability of the Secretary of State to impose sanctions will be vital to secure the compliance necessary to underpin consumer protection and business confidence.

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

How it will work

32. When a domestic bill payer has a problem with the Green Deal Plan on their home, or the measures that have been installed, they should always go to their Green Deal Provider in the first instance. This is discussed further in Chapter 3, *The Green Deal Provider and the Plan*. Green Deal Providers will be well placed to resolve customer complaints through their commercial contracts with assessors and installers. How the sanctions and redress system will work with regards to these bodies is discussed further in Chapter 1 on *Assessment* and Chapter 7 on *Installation*.
33. As far as the customer's complaint is concerned, if the Green Deal Provider (and their Independent Conciliation Service) cannot resolve the issue, then they will refer their customer to the Energy Ombudsman (EOS) or Financial Ombudsman

Service (FOS), as appropriate. Customers can approach the relevant Ombudsman directly if they wish. We are working to ensure the appropriate mechanisms are in place to ensure the ombudsmen services are sharing information where necessary.

34. If someone is concerned that the person who arranged the Green Deal should not have done, because they did not get the right permissions and consents to the Green Deal in the first place, then provided they have a legitimate interest in the property, they can raise this issue at any time. If the problem is alleged non-disclosure of the Green Deal Plan, or disclosure of a Green Deal Plan that appears to be different to the one they are now paying the charge for, the time period to complain about this will be limited. These matters should be taken up with their Green Deal Provider, or the EOS. This issue is discussed more in Chapter 6, *Consents, Disclosure and Acknowledgement*.

The role of the Energy and Financial Ombudsman Services

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

QUESTION 55: Do you agree that the Energy Ombudsman should have a role in helping customers secure redress in the Green Deal? If yes, what further powers will the Energy Ombudsman need to investigate compliance by Green Deal Providers and householders? If no, please explain why not.

Redress

37. Provided the facts demonstrate that the bill payer has a legitimate complaint then the Secretary of State can require the Green Deal Provider to cancel the Green

Deal Plan at that property. At the same time, the person at fault will be required to compensate the Green Deal Provider for the full amount they lost in writing-off the Plan at the property (this will obviously not apply when the Green Deal Provider themselves has been found to be at fault). It will be the responsibility of the Green Deal Provider to collect this compensation.

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

Civil penalties

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

Appeals

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

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

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

- the severity and impact of sanction and / or civil penalty when these could be regarded as disproportionate;
- reasonable belief that evidence used by EOS misrepresents what happened; and

- can provide proof of evidence that was not considered by EOS.

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

Chapter 11: Setting the ECO and target metrics

Summary of chapter:

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

- 0.52 MtCO₂/yr by 2015 (equivalent to 2.0 MtCO₂/yr in 2022 pro-rata)
- £3.4 billion reduction in notional lifetime costs of heating for low income and vulnerable households by 2015

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

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

- the overall carbon saving target will use a metric based on annual tonnes of CO₂ reductions; and
- the overall affordable warmth target will use a metric based on reductions in lifetime heating costs.

It is proposed that suppliers will gain credits towards their obligations for each package of eligible measures⁶⁸ installed. Property-specific scores will be calculated through the same RdSAP methodology as used for Green Deal Assessments (see Chapter 1), with scores reflecting the modelled reductions in carbon and heating cost reductions. It is intended that alternative methodologies for assessing carbon or cost savings will be permitted where they have been agreed with the Administrator.

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

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

⁶⁸ Referred to in the draft ECO Order as a “qualifying action.”

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

11.1 Length and size of the ECO

2. CERT and its predecessors have traditionally been established as three-year schemes, although the current CERT scheme has been extended to the end of December 2012 from 31st March 2011. This approach of having three year schemes has come under criticism for creating a ‘stop-start’ effect on delivery, as suppliers complete their obligations before the end of the target periods and then a hiatus ensues. Transitional arrangements, such as the ability to count over-achievement of one phase towards the target of the next, have helped to smooth-out delivery between schemes. However, there are strong arguments in favour of setting a long-term obligation. This will, in principle, give the energy companies some flexibility as to how they choose to meet their obligation. It will also, importantly, provide a strong signal both to them and to the wider supply and delivery chain, including the Green Deal market, that it is worth making the necessary medium and long term investments to support delivery of measures (particularly relatively novel measures such as solid wall insulation) on a large scale over time. Some stakeholders have in the past noted that the relatively short-term, “stop/start” nature of obligations such as CERT has proved unhelpful for the development of the supply chain.
3. Against this, it is almost inevitable that, over a very long period of time, conditions may change such that some re-calibration of the target as a whole or in terms of its constituent rules may be appropriate. This may be particularly true given the expected close connection between the ECO and the Green Deal finance market – which does not yet exist, but which will be developing in parallel with the early stages of ECO. It has also been suggested that the energy companies under current schemes have sometimes been able to “game” the rules, exploiting loopholes faster than the Government or the ECO Administrator is able to close them. The example of the very high numbers of CFLs distributed under CERT is often cited in this context. Furthermore it could be argued that locking the scheme firmly in to one set of rules from the outset, for a long period, might allow energy companies to look for solutions which suited them financially but were less appropriate to the underlying social policy objectives of the scheme. As discussed in chapter 12 (on Green Deal Monitoring and Evaluation, and ECO Administration), the Government will expect better and more frequent monitoring

information under ECO than under related current schemes, and may therefore be better equipped to make well-informed changes over time, but “gaming” remains a concern. Finally, as discussed in the Impact Assessment, it may be that a very long term obligation could increase the level of economic rent within the scheme, increasing costs and potentially leading to greater pass through costs to consumers for the same level of delivery. Shorter obligations or interim targets would reduce economic rent and reduce costs.

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

8. After weighing up the costs and benefits we propose that targets would be set at the following levels, these are covered in further detail in the Impact Assessment.⁶⁹

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

9. We estimate this Carbon target could drive the delivery of 515,000 homes with solid wall insulation over three years and 1.5 million homes by 2022.
10. We anticipate that the Affordable Warmth Target will provide assistance to a minimum of 325,000 households by the end of March 2015. Suppliers could deliver the target in a variety of ways. One method to model this delivery is to base it purely on assuming energy companies support only the most cost effective individual measures, and this method suggests that the target could be met through the delivery of 270,00 heating systems and 70,000 basic insulation measures. How suppliers choose to fulfil their target on the ground will depend on their delivery strategies. Government would welcome views on how the mix of measures delivered will be affected by factors such as consumer demand, knowledge about particular measures, the ease and timescale over which they can be installed, the scoring metric for the Affordable Warmth Target and the existing capacity within the supply chains for these measures. Continuing with a similar level of commitment out to 2022 for Affordable Warmth could deliver measures to around 1 million households by 2022.
11. The Impact Assessment also sets out estimates of the cost to the energy companies of meeting obligations of this size, and discusses the considerable uncertainties around these estimates. It concludes that costs could be of the order of £0.53bn/yr - £3.09bn/yr, looking at the widest range but with a central estimate of £1.3bn. We expect around 25% of this cost to be directed towards meeting the Affordable Warmth target and 75% directed towards meeting the carbon target. Government has considered the trade-offs involved and, on the basis of its current estimation of costs, considers the targets proposed to achieve the optimum balance between achieving the ECO's aims and limiting the costs

⁶⁹ Both the Carbon Saving and Affordable Warmth targets could be set in terms of annualised or lifetime savings of measures. The target levels shown here are based on annualised CO₂ savings for the Carbon Saving target, and lifetime heating cost savings for measures under the Affordable Warmth target.

passed on to energy consumers. Evidence on costs and benefits gathered during the consultation will be considered to determine the size of ECO targets set for the energy suppliers.

Question 56: Do you agree that targets of 0.52 million tonnes of CO₂ per year saved, and £3.4 billion reduction in notional lifetime costs of heating by March 2015 represent the correct balance between ensuring high levels of delivery and minimising costs that could potentially be passed through to consumers?

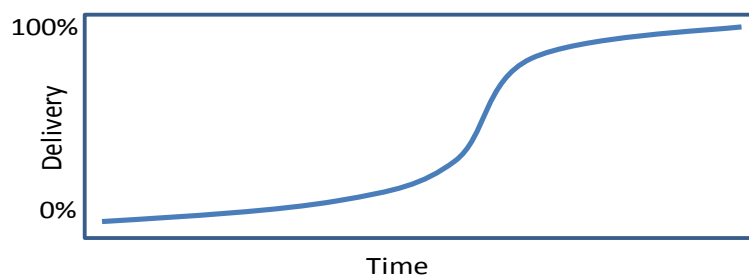
Question 57: Do you agree with the estimated costing of this scale of ECO at £1.3bn p.a. as set out in the Impact Assessment? Do you have additional evidence on the costs and benefits of the proposed targets for consideration in further analysis?

Interim targets - *Carbon Saving obligation*

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

13. However, notwithstanding the above, energy companies may choose to ramp up delivery well before the end of their obligation, to make sure they meet their obligation in good time. This would result in a reduction in delivery levels towards the end of the ECO period

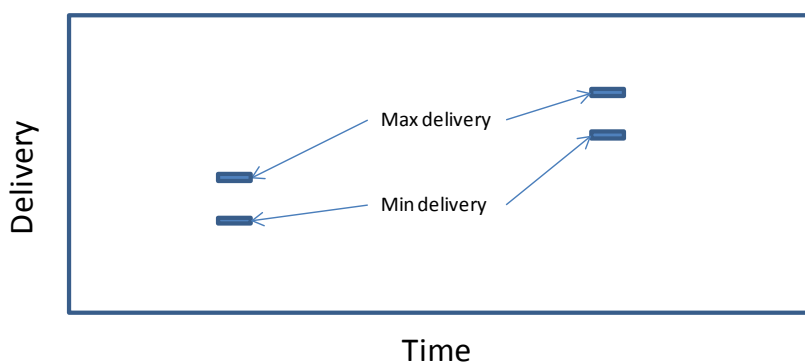
An illustration of this behaviour is represented below.



14. Although such a delivery curve might represent the most cost effective way for the energy companies to deliver their obligation, this delivery pattern presents a

number of issues. Firstly, with little to no ECO subsidy available to the Green Deal market, in the early stages, delivery of measures that do not in themselves entirely meet the Golden Rule (such as solid wall insulation) would be severely limited. Secondly, if energy companies have total control of the supply curve, other players in the market, including the supply chain, will have few signals or certainty of future activity, making planning difficult; and a rapid scaling up of delivery capability followed by a drop in activity is likely to have a negative impact on the supply chain.

15. To deal with these issues we could set interim targets within the obligation period, effectively setting a trajectory that companies must follow. For example; an early interim target one third into the obligation would ensure a strong start to the Green Deal and provide advance signals to the supply chain of levels of activity which will be supported; and a second interim target two thirds of the way into the ECO would provide further long term certainty of future delivery. However, rather than simply setting a minimum or absolute target level, interim targets could require suppliers to achieve a rate of delivery that falls within a minimum and maximum range. The minimum thresholds would ensure early activity and the maximum thresholds would both give certainty that a long term market will exist and would reduce the potential for cost increases associated with economic rents (see the accompanying Impact Assessment for a more thorough analysis).



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

Interim target - Affordable Warmth

18. The provision of heating systems (mainly gas central heating) and basic insulation through the Affordable Warmth obligation is likely to take place in a relatively mature market compared to more novel technologies such as solid wall insulation (which we have proposed should be the focus under the carbon saving target). The same risks are therefore unlikely to exist of companies delaying efforts to meet their targets in order to benefit from reduced supply chain costs. Government does not therefore consider it necessary to take any action to ensure early delivery.
19. In contrast, Government does wish to ensure that the target is not over-delivered and exhausted in its early stages, and that a certain minimum amount of heating assistance is available in each year of the scheme for low income and vulnerable consumers, while still providing the energy companies with the flexibility to deliver the target in the most cost effective manner. Government would welcome views on how this could best be achieved, for example Government could set minimum levels of activity which must take place in each year of the obligation.
20. Under ECO, the Administrator and the Secretary of State are likely to have access to more complete information than under current schemes (see chapter 12 on Green Deal Monitoring and Evaluation, and ECO Administration). This will allow the Government to monitor the success of the scheme, both in terms of measures delivered, costs of delivery and equity. As a general rule, we propose to provide Parliament with progress reports annually. We will hold a formal review of the ECO involving the devolved administrations in 2014 to with a view to setting longer term targets.

Flexibility between the Affordable Warmth and Carbon Reduction targets

21. Providing energy companies with some flexibility to trade off progress towards one of their two obligations against progress towards the other, effectively allowing over delivery of one obligation and under delivery of the other, would reduce the costs on energy companies. It would allow companies to be more relaxed if towards the end of the obligation period, they have offers or projects which look like they might take a company past its target. However this flexibility would come at the price of certainty for Government and the supply chain that a fixed level of outcome was going to be achieved. Also it is very likely that if flexibility is allowed, over delivery of one obligation is more cost effective than finishing the remainder of the other obligation. Therefore effectively it is very likely that all the scope for trading between obligations would be used in one direction.
22. Therefore Government do not propose to incorporate any mechanism which would allow excess achievement under one of the carbon saving or affordable warmth obligations to count towards the other obligation. However where one energy supplier can cost effectively deliver more than their target under a

particular obligation, we propose to allow that company to trade any over delivery with other obligated energy companies, allowing them to under deliver on the same obligation.

Determining obligated energy companies

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

Thresholds⁷⁰

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

25. The Government recently consulted on the issue of the appropriate threshold below which companies should be exempted from various current environmental obligations [reference footnote]. The Government concluded that 250,000 customers represented an appropriate threshold. This consultation did not cover the position of ECO, whose design and scale were at that point unknown, and we therefore welcome further views and evidence on this question in the light of the further detail on ECO provided in this document. However, in the absence of compelling evidence to the contrary, the Government is likely to take the view that the arguments in favour of a 250,000 threshold that were recently accepted in respect of existing policies will also apply to the ECO.

26. For an energy company with both gas and electricity customers the figures would be added together to determine whether they had reached the 250,000 threshold. Where a company has dual fuel customers these would count as two separate customer accounts (as the threshold is relates to market share, and a dual fuel customer contributes to market share of both gas and electricity markets).

⁷⁰ Articles 4, 7-10 of the draft ECO Order reflect the policy proposal discussed here.

27. However, existing policies have limited life-spans, whereas the timescales for the ECO are likely to be such that there is a realistic prospect of some small suppliers reaching the threshold during the lifetime of the scheme. For a large and potentially costly obligation such as the ECO, there may be an incentive for smaller energy companies to try to stay just below the 250,000 customer threshold (with undesirable effects on competition in the supply market) if there is too great a cliff-edge effect where they receive a very large obligation once they recruit the one extra customer who takes them beyond the threshold. One approach to mitigate this risk is to calculate the share of the overall obligation each company is obliged to deliver based on their number of customers over and above the 250,000 threshold. However following this approach may introduce extra costs passed through to bill payers if energy companies increase their tariffs to reflect the marginal extra obligation cost they assume from each new customer above the threshold. This issue is discussed in more detail in the accompanying Impact Assessment.

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

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

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

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

Customer number or sales volume

32. A supplier's obligation is currently based on customer numbers and so represents to energy companies a fixed cost per customer. We do not know exactly how energy companies recover these costs from their customers – and *would very much welcome any evidence that the companies are prepared to share with Government on this point*. However, in a competitive market, the most simple assumption would be that energy companies build these costs into their pricing structures in relation to the way the obligation level is calculated. That is, costs incurred in meeting their CERT obligation, which is calculated on the basis of customer numbers, would be assumed to be passed on to the consumer base evenly with consumers paying the same absolute amount per fuel, regardless of their consumption level. This means that, even at modest consumption levels - where consumers have little scope to be energy efficient or are already being energy efficient - they contribute the same amount as customers with high consumption.
33. Government is unable to control how energy companies pass on the costs of meeting their obligations, and cannot therefore guarantee that any particular method of setting the obligation would result in any particular impact in the real world. But it has been suggested that ECO could be structured according to sales (i.e. kWh supplied) to help improve the equity of the obligation. An obligation based on energy supplied, if it were passed through as to consumers on a per unit of energy consumed basis, would be more progressive on average, as high income households with typically higher consumption profiles would pay more in

absolute terms as part of their energy bills to fund the programme. In turn, on average, people in lower income deciles would pay less as their energy usage tends to be lower. An obligation based on kWh supplied could also provide a stronger incentive to high-use consumers to become more energy efficient and manage their energy use through take up of measures offered under ECO and Green Deal. This would help reduce their energy charges, including what they pay to fund the programme.

34. Of course, these averages mask variation in the patterns of energy use within income groups. For example, vulnerable groups who spend a significant amount of time at home, because they are of pensionable age and/or due to limited mobility, will require higher energy usage to keep their home warm, especially in hard to treat housing. A perverse consequence of determining a supplier's share of the ECO by energy usage could therefore be that, for a minority of low income and vulnerable households, costs passed through onto their energy bills could be higher than on a per customer account basis.

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

QUESTION 58: The division of the overall ECO between energy companies could be based on share of customer accounts, or sales volume. Do you have a preference as to which metric should be preferred, taking into account possible impacts on distributional equity? Please provide evidence for your views.

11.2 Target metrics

36. For the ECO to deliver outcomes as cost effectively as possible, it is important that the target metrics reflect the policy outcomes we wish to see as closely as possible. So the target for reducing CO₂ emissions should use a currency that reflects, as closely as possible, the real-world CO₂ reductions achieved; and the Affordable Warmth target should be defined in a way that directly reflects the cash savings being delivered on people's bills.

37. It is also desirable to adopt a scoring mechanism that integrates with the Green Deal Assessment processes to give Green Deal Advisors the information they need to build packages of measures.
38. At present under CERT measures are scored on the basis of lifetime CO₂ savings. These carbon scores are calculated using the BREDEM model [footnote reference needed], for a set of reference circumstances for each measure. The use of reference circumstances means that the savings calculated are typical but do not take into account the specific details of the property into which the measures are being installed. This has the advantage of simplicity, for any given type of property, the ECO carbon value of installing a particular measure can simply be read off the relevant table. Adding extra, property-specific precision would have meant that the scores would better reflect the actual outcome of installing the measure (in terms of carbon emissions reduction) and could have helped drive delivery towards the most cost effective package of measures. However, this additional precision may add cost.
39. Under the ECO we are expecting a range of more significant and expensive interventions to be delivered and we would expect that the impact of these measures on carbon emissions would vary significantly from house to house. We therefore propose to require a property-specific assessment using the same methodology and assessor accreditation standards as used for the Green Deal assessment (see Chapter 1). Green Deal assessments are likely to be undertaken in many cases where ECO support is to be provided, which means that all the information needed for scoring ECO measures will be available. This should help to drive the delivery of the most cost-effective measures, directing support to the situations where it can generate the largest impact. This approach will also introduce further consistency between the ECO and Green Deal.
40. ECO measures will in general be long lasting, meaning that usually more than one occupier of the building will see the benefits of the measures installed. It therefore makes sense to base calculations on standard occupancy patterns rather than attempting to take specific household circumstances into account. It is true that for measures delivered under the Affordable Warmth obligation standard occupancy patterns may not provide an accurate representation of actual energy use by eligible households as many households who are eligible will under-heat their homes to save money. But our policy objective is to allow these households to heat their homes more affordably, enabling them (if they prefer) to live in a warmer home rather than necessarily make bill savings. Therefore again it makes sense to consider the cost of heating to a standard occupancy level and how much ECO measures would reduce this cost (this is represented in the metric as a reduction in the *notional* lifetime cost of heating a

home) even though the benefit of the measures may be experienced not as bill savings but as improvements in warmth.

41. For these reasons we propose to require energy companies, for the measures that they are supporting in each home, to use a bespoke calculation of the savings that those measures would generate in that home assuming standard occupancy patterns. This figure can be derived from a Green Deal compliant property assessment (see Chapter 1). In expressing the target, we propose that the Carbon Saving target is set in terms of achieving an annual CO₂ reduction and the Affordable Warmth target is set in terms of achieving a reduction in the notional lifetime cost of heating a home.
42. There may be circumstances where RdSAP or SAP is not the most appropriate way of accurately assessing the savings which improvements would deliver. In circumstances where this is the case we propose to allow other bespoke calculation models to be used if they can be reasonably expected to give a more accurate assessment. Use of any alternative models would need to be agreed with the Administrator.

Mechanism for scoring measures

43. The score awarded to suppliers for a given package of measures would be determined by the reduction in CO₂ emissions or heating costs it achieves in the property. The fabric assessment stage of the Green Deal Assessment, which uses the SAP methodology, would establish the baseline CO₂ emissions and heating costs for the property. The assessment will also reveal the impact that the ECO eligible measures would have on the established baseline. The CO₂ or heating cost reductions identified by the fabric assessment would translate directly into the score awarded to supplier for the package. Any measures installed as part of a wider Green Deal package, which were not eligible for ECO, would not be included in the score.
44. The use of the SAP methodology to calculate scores will create natural incentives for suppliers to target the sorts of properties that currently emit the most carbon or are the most expensive to heat. This is because insulation measures result in a percentage reduction in a property's heat losses. So the greater the absolute heating demand, the greater the absolute savings.

Annual or lifetime savings?

45. The SAP methodology which will underlie the ECO scoring system generates projected savings on an annualised basis, but there would be clear advantages for the Carbon and Affordable Warmth objectives – in terms of helping to ensure the delivery of the most cost-effective measures - in factoring in the expected

lifetime of measures, since this would align the scores measures receive as closely as possible to the extent to which these measures contribute to the policy outcome of reducing carbon emissions or fuel bills. However, this will add complexity and this needs to be considered against the benefits. In addition, it is important to take account of the uncertainty of the accuracy of lifetime assessments (which, if incorrectly specified, will potentially introduce distortions by over or under-estimating the lifetime impacts of particular measures, although estimated lifetimes would still improve the fit to policy outcomes. Lifetime versus annual savings is less of a concern for the CO₂ target, as all measures would have similarly long lifetimes. These issues are discussed in more detail in the Impact Assessment, and we would welcome views on whether ECO scores should be expressed, and targets set, in terms of annualised or lifetime savings of measures.

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

QUESTION 59: We propose that savings calculated through the SAP-based Green Deal Assessment methodology be used as the basis for ECO targets and scoring. Can you envisage any undesirable or inadvertent effects, that this approach might result in? If so, please provide details and evidence.

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

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

Summary of Chapter:

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

This chapter sets out:

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

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

12.1 Introduction

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

Policy approach

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

12.2 Details of data requirements

4. To ensure effective monitoring and evaluation of both the Green Deal and ECO a range of data will need to be collected by different participants and passed to an appropriate body for collation and evaluation. Table [X] describes the operational information (to be held by relevant Green Deal/ECO participants) we propose should be made available for these purposes.
5. Taking information from already existing operational systems enables DECC to meet the twin aims of ensuring that participants are not overly burdened with collecting data, whilst at the same time ensuring that DECC has the quantity and quality of data to ensure robust analysis to be made.

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

Property Details	For example address, type of property, heating and fuel type, build date.
a) Property details if not a household	For example, nature of building (industrial classification), size of business
GD Assessment details	All information relating to the assessment and recommended measures
Installation details	What and when is installed

Scoring details	For example, carbon savings and heating cost reductions attributed to each installation
Nature of the household	For example, type of tenure; receipt of means-tested benefits and tax credits etc that relate to eligibility for different types of ECO support.
Offer details	All information relating to the Green Deal Plan, including any ECO subsidy and financial arrangements
Post installation	For example payment information, complaints information

QUESTION 61 : Is there other information the Government should collect in order to enable effective monitoring, evaluation and reporting on the performance of the Green Deal and ECO?

12.3 ECO reporting arrangements

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

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

10. Similar powers are also available relating to the operation of the Green Deal⁷¹, including through the Statistics of Trade Act 1947. This gives the Secretary of State powers to obtain extensive information from companies for the purposes of statistical analysis and to carry out a government department's functions. However, the intention is that DECC will 'harvest' the data it needs to monitor and evaluate the Green Deal from the existing operational data requirements. As such, there will be no specific requirement for Green Deal participants to provide data to DECC to meet a specific reporting schedule in the way described above for ECO.

12.4 Administration and enforcement of ECO

Functions of the ECO Administrator

11. The Energy Act 2011 amends the enabling powers for ECO⁷² in section 41A of the Electricity Act 1989 and section 33BC of the Gas Act 1986 so that the Secretary of State can appoint an Administrator for the ECO. Ofgem are the default Administrator, but the Secretary of State now has the power to appoint another person to be the Administrator. Efficient and effective administration of the scheme will help to ensure its smooth running, minimising overhead costs to energy suppliers and, in turn, costs passed on to consumers. The Administrator will monitor compliance with the scheme rules, ensuring carbon and energy bill savings are genuine.
12. The Administrator of the ECO is likely to be responsible for functions on the following lines:
- Determining which suppliers are within the scope of the obligation and calculating their obligations (in accordance with formulae set out in the Order);
 - Producing detailed guidance to energy suppliers on compliance with the scheme, including eligible measures, scoring of measures and compliance with the affordable warmth obligation;
 - Advising on suppliers' proposed schemes, where requested to do so;

⁷¹ Energy Act 2011. Section 3 (3) C.

⁷² In section 41A of the Electricity Act 1989 and section 33BC of the Gas Act 1986

- Checking and confirming activity undertaken by energy suppliers, and ‘banking’ this activity to count towards each company’s carbon and affordable warmth obligations
- Auditing suppliers to check appropriate procedures and systems are in place to ensure that work carried out meets the scheme rules and to guard against fraud
- Investigating breaches and taking enforcement action, where necessary
- Management of data and reporting as specified in the order.

13. For present and past obligations, including CERT and CESP, the role of Administrator has fallen to Ofgem in each case. However, the May 2011 DECC Delivery Review concluded that delivery of new programmes should be led by DECC unless there is a clear case for placing delivery with a particular body, with outsourcing where appropriate⁷³.

Who should administer the ECO?

14. As explained above, the Secretary of State now has the ability to continue with Ofgem as Administrator of the ECO, or to appoint another party as Administrator (including himself)⁷⁴. The full range of options considered are as follows:

- i. Ofgem is the Administrator;
- ii. DECC is appointed Administrator, but outsources technical functions;
- iii. DECC administers in-house;
- iv. other Government agency appointed as Administrator; and
- v. private sector body appointed as Administrator.

15. Options i and ii are considered viable, and are discussed further below. Option iii is not considered possible as DECC does not have the range of specialist skills to undertake all the functions of the Administrator in-house, and is not consistent with the Delivery Review recommendations to look to outsource where appropriate. We have been unable to identify another public body, other than Ofgem, that would have the necessary expertise to carry out the tasks listed above (Option iv). We also discounted the option of appointing a private company Administrator (Option v), as this would not be in accordance with the expectation of the Delivery Review that DECC would lead delivery, unless there is a clear case to the contrary.

16. Consultees are therefore invited to give their views on the following two options for who should administer the ECO:

- *Option i - Ofgem is the Administrator.* Ofgem, through their E-Serve arm, have considerable experience of administering energy efficiency and other schemes. This means they have systems in place that can be adapted to meet the

⁷³ <http://www.decc.gov.uk/assets/decc/about%20us/1656-delivery-review.pdf>

⁷⁴ See for example section 65(3) which inserted a new subsection (2A) into section 33BC of the Gas Act 1986. New subsection (2A) makes clear that the Secretary of State can appoint himself to be the Administrator or can appoint a specified body to be so.

requirements for administering the ECO as well as staff with relevant skills. They already have strong links with the energy suppliers through their existing work and their broader role regulating the energy market. Their regulatory arm also means that they could undertake enforcement activity under the ECO.

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

Under this option, we would need to include a new enforcement regime in the ECO secondary legislation to allow the Secretary of State to take enforcement action⁷⁵. As a matter of principle we believe that enforcement activity should be carried out by the same person who administers ECO. We believe that separating these functions is likely to create a more complex mechanism for enforcement whereby the Administrator would have to refer matters to whoever was appointed to carry out enforcement action.

Next steps

17. DECC has conducted an initial market testing exercise with Ofgem and a sample of private sector companies to ascertain if the market had the capacity and interest to fulfil the administrative functions for the new ECO and the relative costs of the options. This exercise was conducted without prejudice to any future procurement. While this market testing confirmed that outsourcing could be a viable option, it did not provide sufficient evidence on which to base a decision on who should be the Administrator.
18. Therefore, in addition to seeking views on the options through this consultation, we will in parallel seek more detailed proposals on administering the ECO from the private sector, through a competitive tender process, and from Ofgem⁷⁶. In running this parallel process, we will ensure that we are open with all parties about how these processes will operate and that the eventual decision is evidence-based.

⁷⁵ The draft ECO Order accompanying this consultation includes a set of enforcement provisions. These are indicative in nature and of the type a third party Administrator may have to rely on for enforcement purposes.

⁷⁶ It should be noted that Ofgem cannot bid for contracts under current legislation, so cannot take part in the competitive tender.

19. We will use this process to gather detailed evidence on, amongst other things, relative costs and value for money, available expertise and opportunities for innovation. This will inform our comparison of the pros and cons of outsourcing administrative tasks to a private company versus appointing Ofgem as Administrator, bearing in mind that we must make a fair comparison between the proposals received, i.e. only comparing services that both Ofgem and a private sector company can provide. We anticipate starting the tender process in [November]. We will then be bound by the timetables of the OJEU process, and should be in a position to make a final decision by [June 2012].

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

Transition from CERT & CESP

20. The current energy company obligations, CESP and CERT, end on the 31 December 2012. There is a strong incentive for suppliers to ensure they complete the necessary activity to achieve their obligation in good time before the end of the scheme, given the penalties which could be imposed for failure.
21. If companies do seek to meet their obligations early, and activity under ECO (and potentially under the Green Deal more widely) takes some time to ramp up to optimum delivery capacity, there is potential for a hiatus in activity and a risk of interruption in the roll-out of household energy efficiency measures in late 2012.
22. The Government's proposal that Green Deal and ECO should begin formally from October 2012, before CERT and CESP end, will help to mitigate this risk of a hiatus. This will ensure that there is a formal transition period when both old and new schemes are in operation, incentivising obligated suppliers to continue delivering energy efficiency measures prior to and during this transition period. Energy suppliers will therefore be able to deliver ECO measures from October 2012 however ECO targets have been calculated based on delivery from January 2013. This will allow energy companies to control their costs and ensure that there is no short period where costs passed through onto consumer bills reflect concurrent obligations.
23. Government is also clear that such a transition could have a role in helping to bring forward the delivery of measures and drive capacity building for the Green Deal and ECO. Therefore Government proposes that suppliers should be allowed to count overachievement on their CERT and CESP targets towards their ECO obligation, where the measures installed would meet the requirements of the ECO.

24. This will help to sustain and drive the supply chains for energy efficiency measures. It could also have the added value of allowing suppliers the flexibility to deliver projects with long lead times (e.g. CESP schemes) knowing these projects could be counted against ECO targets if they are not delivered within the time constraints of existing schemes.
25. To provide clarity to suppliers on the type of measures which could be “carried forward” and ensure that they have confidence to continue delivering measures in late 2012, the following transitional rules are proposed:
- all activity resulting from overachievement on CERT and CESP targets could only be accredited to those parts of ECO where energy suppliers could prove their activity was compliant with ECO eligibility criteria. For example, measures which were to be counted against the Affordable Warmth obligation would have to have been installed in households who met the eligibility criteria for Affordable Warmth support;
 - any Solid Wall Insulation installed under CERT after 1 January 2012 could be carried forward as part of any overachievement of a supplier’s overall CERT obligation;
 - any CERT Super Priority Group activity installed after 1 January 2012 could be carried forward as part of any overachievement of a supplier’s SPG obligation;
 - any CESP measures installed after 1 January 2012 could be carried forward as part of any overachievement of a supplier’s obligation; and
 - carry-over must meet full ECO scheme rules (i.e. accreditation etc) if installed once ECO is in force (i.e. from proposed 1 October 2012 commencement date).
26. Government recognises that limiting carry-over to only those measures which meet ECO targeting rules, may mean that households who do not meet the eligibility criteria for ECO do not receive measures as part of suppliers overachievement of their CERT and CESP targets.
27. Allowing for carry-over for highly cost effective measures installed to non-SPG households would, however, result in ongoing subsidy for measures that we expected Green Deal finance to support.
28. Some suppliers have requested that Government provide, in effect, an extension of the current CERT and CESP obligations. We are not minded to accept such a request. We have not received any convincing evidence to suggest that the targets set under either programme should be extended and can see no advantages for doing so.

Question 63: In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?

Glossary

Accreditation of Prior Experiential Learning (APEL)	APEL is the accreditation of prior experiential learning, that is, the award of credit for learning based on prior experience or relevant qualifications, which can count towards new qualifications.
Affordable Warmth	The Affordable Warmth obligation would be set in terms of heating cost reductions and targeted exclusively at an eligible group of low income vulnerable households living in private housing and identified through certain means tested benefits or tax credits. Eligibility would be similar to the CERT Super Priority Group.
Asset Skills	Asset Skills is the Sector Skills Council for facilities management, housing, property, planning, cleaning and parking. They are led by employers to improve the skills of the workforce, they raises performance, productivity and competitiveness. They work with business, public and professional bodies and learning providers to ensure the training employers need is available to meet their current and future skills requirements.
BRE	The Building Research Establishment (BRE) is a former UK government establishment (but now a private organisation, funded by the building industry) that carries out research, consultancy and testing for the construction and built environment sectors in the United Kingdom.
BSI PAS Standard 2030	Publicly Available Specification (PAS) is a sponsored fast-track standard driven by the needs of the client organizations and developed according to guidelines set out by the British Standards Institute.
Building Regulations	The Building Regulations (specifically Part L) set the minimum energy efficiency standards that any newly constructed home must achieve. Revisions to Part L came into effect in October 2010 and these ensure that a house built today will be at least 40% more energy efficient than one built before 2002. There is an additional target for all new homes to be zero-carbon from 2016.

CERT	The Carbon Emissions Reduction Target (CERT) requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO ₂ emitted by householders. CERT, the third supplier obligation phase, was introduced in 2008. On 30th July 2010, CERT was extended from March 2011 to December 2012 with a new higher target and significantly refocused around supporting insulation.
CERT Super Priority Group	A set of households where at least one of the occupants is in receipt of one of a number of qualifying means-tested benefits or tax credits (including Pension Credit and Child Tax Credit below an income threshold).
Climate Change Act (2008)	The Act makes it the duty of the Secretary of State to ensure that the net UK carbon account for all six Kyoto greenhouse gases for the year 2050 is at least 80% lower than the 1990 baseline. The Climate Change Act provides for a carbon budgeting system that caps emissions over five-year periods, with three budgets set at a time. The first three carbon budgets will run from 2008-12, 2013-2017, 2018-2022.
Climate Change Agreements	Energy intensive industries may receive an 80% discount from the Climate Change Levy against agreed targets for improving their energy efficiency or reducing carbon emissions. Climate Change Agreements (CCAs) set the terms under which eligible companies may claim the levy reduction.
Climate Change Levy	The Climate Change Levy (CCL) is a tax on energy delivered to non-domestic users in the United Kingdom. Its aim is to provide an incentive to increase energy efficiency and to reduce carbon emissions.
Community Energy Saving Programme (CESP)	CESP targets households across Great Britain, in areas of low income, to improve energy efficiency standards, and reduce fuel bills. There are 4,500 areas eligible for CESP. CESP is funded by an obligation on energy suppliers and electricity generators. It is expected to deliver up to £350m of efficiency measures.

Competent Person Scheme	Competent Person Schemes (CPS) were introduced, in England and Wales, by the Government to allow individuals and enterprises to self-certify that their work complies with the Building Regulations as an alternative to submitting a building notice or using an approved inspector.
Consumer Credit Act	The Consumer Credit Act provides a framework to protect consumers when dealing with those engaged in consumer credit and/or ancillary credit businesses, and requires such traders to hold an appropriate consumer credit licence issued by the Office of Fair Trading.
CRC Energy Efficiency Scheme	The CRC is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large non-energy intensive public and private sector organisations. These organisations are responsible for about 10% of the UK's emissions.
DEC	Display Energy Certificates (DECs) show the actual energy usage of a public building (the Operational Rating) and allow the public to see the energy efficiency of a building. This is based on the energy consumption of the building as recorded by gas, electricity and other meters. The DEC should be displayed at all times in a prominent place clearly visible to the public. A DEC is always accompanied by an Advisory Report that lists cost effective measures to improve the energy rating of the building.
Domestic property	A building or part of a building intended to be occupied as a dwelling.
DUKES	DECC publishes the Digest of UK Energy Statistics as a source of energy information. It contains a comprehensive picture of energy production and use over the last five years, with key series taken back to 1970.
Energy Act 2011	The Energy Act has been designed to provide for a step change in the provision of energy efficiency measures to homes and businesses, and make improvements to our framework to enable and secure, low-carbon energy

supplies and fair competition in the energy markets.

English Housing Survey	The survey collects information about people's housing circumstances and the condition and energy efficiency of housing in England. This includes a physical inspection of a sample of 16,150 occupied or vacant dwellings, which is spread over two years.
EPB Regulations	The Regulations require an Energy Performance Certificate (EPC) to be made available to the owner or to the prospective buyer or tenant when a building is constructed, marketed for sale or rent and that air-conditioning systems are to be regularly inspected. The Regulations also require large public buildings providing a service to and frequently visited by the public, to display a Display Energy Certificate (DEC).
EPC	EPCs show the energy performance rating of buildings. They are required whenever a building is constructed or marketed for sale or rent. EPC records the energy efficiency of a property, providing a rating of the energy efficiency and carbon emissions of a building on a scale from A to G, where A is very efficient and G is very inefficient. EPCs are produced using standard methods with standard assumptions about energy usage so that the energy efficiency of one building can easily be compared with another building of the same type. This allows prospective buyers, tenants, owners, and occupiers to see and compare information on the energy efficiency and carbon emissions from a building, so they can consider energy efficiency and fuel costs as part of their investment decision. The certificate includes recommendations on ways to improve the home's energy efficiency to save money.
Feed in Tariff	A policy mechanism offering long-term contracts to renewable energy producers, typically based on the cost of generation of each different technology. The tariffs are payments to anyone who owns a renewable electricity system, for every kilowatt hour they generate. Tariffs became payable in April 2010. The tariffs apply to technologies in sizes up to 5 megawatts.

Green Deal Code of Practice	The Green Deal Code of Practice sets out the criteria that assessors, products and systems, installer and providers must meet and adhere to in order to be able to operate under the Green Deal banner
Living in Wales Survey	The Living in Wales Survey was carried out for the Welsh Assembly Government. It is the main source of information on households and the condition of homes in Wales. The annual survey was carried out from 2004 to 2008.
Microgeneration Certification Scheme	Microgeneration Certification Scheme (MCS) - The MCS developed by DECC aims to: help build a rapidly growing Microgeneration industry based on quality and reliability; make a substantial contribution to cutting the UK's dependency on fossil fuels and its carbon dioxide emissions; provide consumer confidence that products and installers meet and continue to meet robust standards and grow the Microgeneration industry.
MPAN	A Meter Point Administration Number, also known as MPAN, Supply Number or S-Number, is a 21-digit reference used in Great Britain to uniquely identify electricity supply points such as individual domestic residences. The gas equivalent is the Meter Point Reference Number.
National Occupation Standards	NOS describe what an individual needs to do, know and understand in order to carry out a particular job role or function. They are national because they can be used in every part of the UK. Occupational because they describe the performance required of an individual when carrying out functions in the workplace, i.e. in their occupation (as a plumber, police officer, production engineer etc). They are Standards because they are statements of effective performance which have been agreed by representative sample of employers and other stakeholders and approved by the UK NOS Panel.
Non-domestic property	A building or part of a building that is not a dwelling.

Office of Fair Trading	The Office of Fair Trading is a non-ministerial government department of the United Kingdom, established by the Fair Trading Act 1973, which enforces both consumer protection and competition law.
OFGEM	The Office of Gas and Electricity Markets (Ofgem) is the government regulator for the electricity and downstream natural gas markets in Great Britain.
RdSAP	The Reduced Data Standard Assessment Procedure (RdSAP) was introduced in 2005 as a method of assessing the performance of existing dwellings. It is one of the UK's national calculation methodologies in calculating the energy performance of buildings.
Renewable Heat Incentive (RHI)	The Renewable Heat Incentive in the first phase will offer long-term tariff support to the non-domestic big heat users. The second phase of the RHI scheme will see it expanded to include more technologies as well as support for households. This transition will be timed to align with the Green Deal.
SAP	The Standard Assessment Procedure (SAP) is the UK Government's national calculation methodology for assessing and comparing the energy and environmental performance of dwellings. Its purpose is to provide accurate and reliable assessments of dwelling energy performance that are needed to underpin energy and environmental policy initiatives.
SBEM	The Simplified Building Energy Model is a software tool developed by BRE that provides an analysis of a building's energy consumption.
Scottish House Condition Survey	An annual publication which combines 3 years' data to provide key analysis of the physical condition of Scotland's homes as well as the experiences of householders at Local Authority level.
Smart Meters	The rollout of smart meters will be a major national project. It will replace around 53 million gas and electricity meters. They will provide consumers with near real-time information about energy use, and more

accurate bills.

UK ETS

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

UKAS

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

Annex A: List of Green Deal Qualifying Improvements

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

Annex B: Green Deal disclosure information on EPC

Details of the Green Deal Plan attached to this property

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

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

Unique Green Deal Plan Identifier: GB70739582GT

The following measures were installed using Green Deal finance:

Loft insulation
Double glazing

Some of these measures may require maintenance or specific care. For more information go to www.GDProvidercareinfo.com.

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

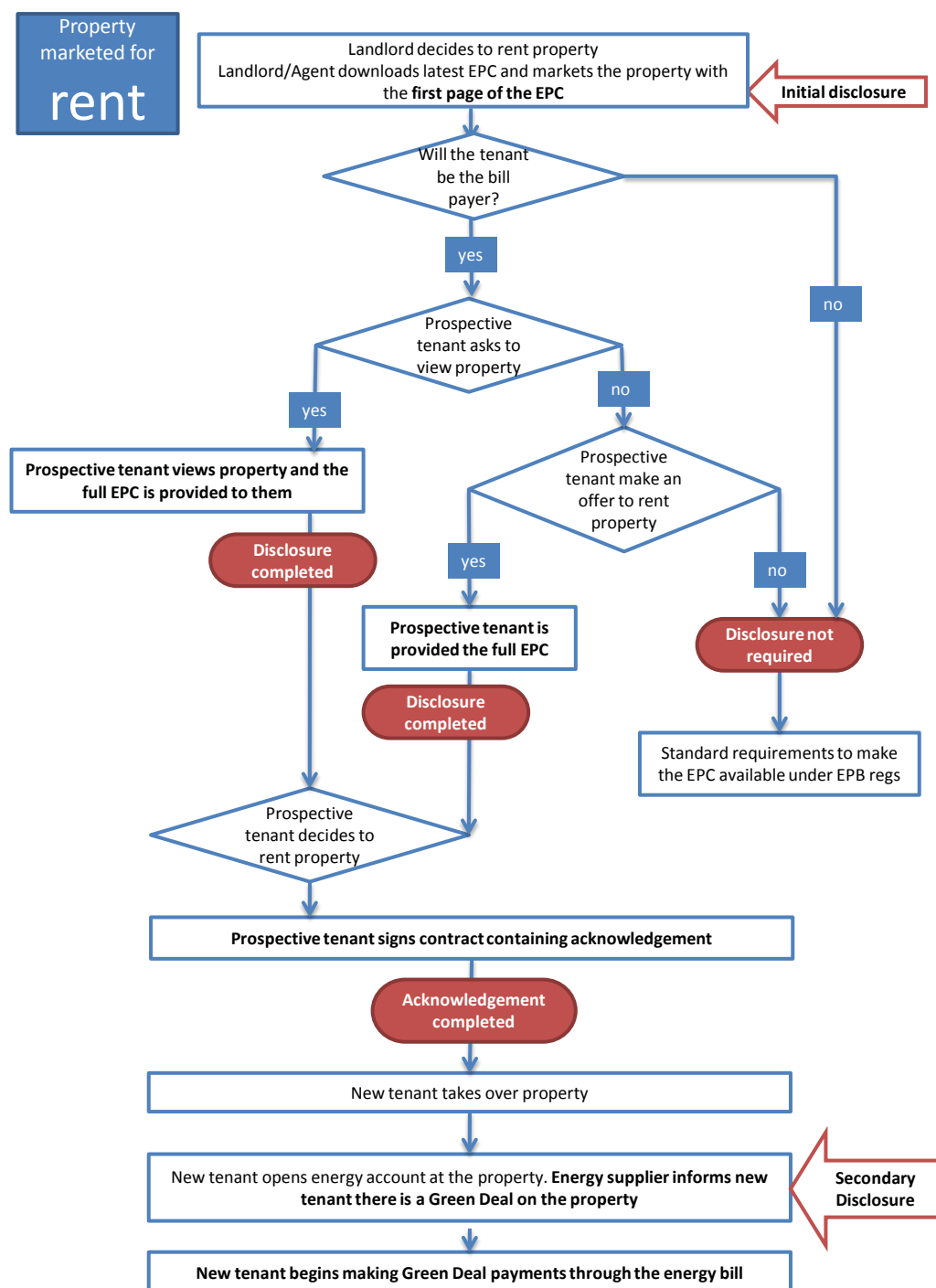
All relevant consents for the work and the charge were in place when this Green Deal was taken out. You are advised to check that no alterations have been made to this property that would damage the effectiveness of these measures and that measures have been maintained in accordance with the Green Deal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

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

Further information can be found on the Green Deal Plan.

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

Annex C: Diagram showing Green Deal disclosure and acknowledgement process for rented properties.



Annex D: Policy options for installer accreditation

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

Annex E: Approach to creating the installer standard

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

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

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

ANNEX F: Legal basis of the Green Deal and ECO

Chapter 1: Assessment

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

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

The legal basis for Energy Performance Certificates (EPCs) is provided by the EU Energy Performance of Buildings Directive⁷⁷. The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 (EPB Regulations) transpose the Directive into legislation in England and Wales. In Scotland regulations were made through building standards legislation and the Energy Performance of Buildings (Scotland) Regulations 2008. The Regulations set conditions for the production of EPCs and requirements for their contents.

Chapter 2: Measures, product and system

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

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

The Green Deal (Specified Energy Efficiency Improvements and Qualifying Energy Improvements) Order 2012 will list the measures that constitute qualifying energy

⁷⁷ The directive can be found here <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>

improvements and which can therefore be financed under the Green Deal . The measures listed in the Order can be found at Annex X.

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

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

Chapter 3: Green Deal Provider and Plan

Energy Act 2011

- Section 1 (4) (d) sets out the conditions that must be met for a plan to qualify as a Green Deal plan.
- Section 3 requires the Secretary of State to make a scheme in the framework regulations to authorise persons to act as Green Deal providers and regulate the conduct of those providers.
- Section 3 also allows the Secretary of State to impose sanctions on authorised Green Deal Providers for non-compliance with the conditions of authorisation.
- Section 4 provides that one of the conditions to an arrangement qualifying as a Green Deal plan, it must be offered by someone who is authorised to act as a Green Deal provider.
- Section 5 sets out certain requirements regarding the terms of green deal plans, and provides the power to set out additional requirements as to the permissible terms of the plan in the framework regulations.
- Section 6 (2) also states that the Secretary of State can require in regulations that the bill payer must consent to the amount of the instalments, and the interval at which and time for which they are to be paid. It also provides that the Secretary of State can make provision as to the terms of the plan which will bind or benefit that bill payer and any subsequent bill payers.
- Section 31 gives the Secretary of State the power to delegate certain functions related to the operation of the Framework Regulations to a public body. Section 32 allows the Secretary of State to arrange for functions connected to the authorisation scheme to be exercised by any person (including a private body) on the Secretary of State's behalf.
- Clause 35 on appeals requires the Secretary of State to provide the right of appeal to a relevant court or tribunal against any sanction imposed by the Secretary of State or any delegated body.

Where the Secretary of State makes regulations extending to Scotland, clause 39(8) of the Bill provides that if the regulations include devolved matters the Secretary of State must obtain the consent of the Scottish Ministers. In other cases, the Secretary of State must consult the Scottish Ministers.

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

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

Chapter 4: Golden rule

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

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

Chapter 6: Consent, disclosure and acknowledgement

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

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

And with regard to disclosure and acknowledgement:

- Section 8 - Confirmation of Plan requires that a document or documents containing information in connection with the Plan is produced or updated;
- Section 9 - Confirmation of Plan: supplementary provision for England & Wales gives the Secretary of State powers to amend the EPB Regulations and the Building Regulations 2010 (the Building Regulations) where the Secretary of State specifies the EPC as the vehicle for disclosure under clause 8(4);
- Section 10 - Confirmation of Plan: supplementary provision for Scotland gives the Scottish Ministers powers to amend the Energy Performance of Buildings (Scotland) Regulations 2008 (“the EPB Scotland Regulations”) where the framework regulations specify that the EPC is to be used as the disclosure vehicle;
- Section 11 - Updating information produced under section 8 provides for regulations to detail the circumstances when these documents (i.e. EPCs) should be updated;
- Section 12 - Disclosure of Green Deal Plan in connection with sale or renting out requires disclosure of Green Deal Plans by the property owner when the property is to be sold, rented or licensed;
- Section 13 - Disclosure of Green Deal Plan in connection with other transactions etc provides for regulations to require disclosure in other circumstances not falling within clause 12;
- Section 14 - Acknowledgment of Green Deal Plan on sale or letting out requires a person selling or letting out a property to secure that a contract for sale, rent or license includes an acknowledgment that the bill payer at the property is liable for the payments under a Green Deal Plan and that certain terms of the plan are binding on the bill payer at the property; and
- Section 15 - Acknowledgment of Green Deal Plan in connection with other transactions etc provides for regulations to require an acknowledgment is given that the bill payer at the property is liable to make payments under the Green Deal Plan and that certain terms of the plan are binding on the bill payer at the property in cases that do not fall within clause 14.

Chapter 7: Installation

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

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

Chapter 8: Payment collection

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

- Section 1(6) of the Energy Act 2011 requires the Green Deal payments to be made to the relevant energy supplier through the energy bills;
- Section 2(9) gives the Secretary of State powers to define the meaning of “energy bill” and “relevant energy supplier”;
- Section 2(10) allows the Secretary of State to set out who is to be treated as the bill payer in cases where there is no energy being supplied to the property;
- Section 3(3)(f) provides the Secretary of State with the power to introduce a mandatory agreement between the Green Deal providers and energy licence holders;
- Section 17 provides the Secretary of State with the power to modify the electricity and gas supply and distribution licences administered by the Office of the Gas and Electricity Markets (Ofgem) for the purpose of introducing a Green Deal charge collection mechanism; and
- Section 18 to 20 provide the Secretary of State with the power to modify the electricity and gas supply and distribution licences to make provision for: default in Green Deal payments; the provision of information by suppliers to customers in respect of the Green Deal; and consumer protection provisions required for the Green Deal. The clauses also convey the power to modify industry codes to introduce these requirements.

Chapter 10: Customer service

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

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

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

Specifically:

- Section 3 provides for Framework Regulations to require all Green Deal participants to abide by a Green Deal Code;
- Section 5 – requires the improver to confirm that any necessary permissions or consents have been obtained in respect of the improvements;
- Section 6 provides for circumstances where the improver is different to the bill payer and the bill payer changes over time, and redress where consent to the installation of measures was not obtained.
- Section 8-11 set out the requirements on confirming the Green Deal Plan before payments can start and on updating Plan information; and
- Section 12 - 16 provide for a disclosure and acknowledgment mechanism to ensure that those coming to a property are aware of the green deal and acknowledge their responsibility to pay the charge.

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

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

Chapter 11: Setting the ECO and target metrics.

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

“Affordable Warmth” target); provide greater flexibility in respect of targeting the obligation(s) at specific types of household and property; and allow for more detailed monitoring and reporting information.

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

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

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

