

Microgeneration Government- Industry Contact Group (MGICG)

Warranties Workshop

January 2012

A report prepared for the
Energy Efficiency Partnership for Homes

January 2012

Background

Workstream 4 of the Government's Microgeneration Strategy is to "ensure that effective consumer protection schemes are identified and fully communicated to the market". As part of this work, the Microgeneration Government-Industry Contact Group (MGICG) convened a workshop for members and other relevant stakeholders to:

- Understand what warranties are already in place, what the gaps are and what the industry needs to do about it
- Agree what needs to happen next to make sure consumer gets robust warranties
- Discuss how we need to communicate about warranties to the consumer

The workshop took place on the morning of Tuesday 24th January 2012. A second workshop took place in the afternoon that looked into consumer messaging in more detail, which has been reported separately. An attendance list is provided in Appendix 1.

Session 1: Existing Consumer Protection

Before the meeting, delegates were sent:

- A short briefing paper prepared by EEPH (see Appendix 2);
- A consumer protection overview for microgeneration prepared by BEAMA (an updated version of which is separately attached);
- The REAL code's Microgeneration complaints process, the most recent version of which is available at <http://www.realassurance.org.uk/pdf/complaints-diagram.pdf>

To start the session, delegates representing different warranty, guarantee and insurance providers were invited to give an overview of the products they offer consumers:

REAL Assurance Scheme (www.realassurance.org.uk)

The OFT approved REAL Code requires members to insure deposits, advance payments and workmanship: it deals with the installers, not the manufacturers. REAL has an insurance contract with QANW (see below) for deposits and advance payments: installers register each job through REAL at no cost so it is very easy for the installer. A workmanship warranty has recently been added to what REAL offer. There is a modest cost to the householder to cover this: £25 two year warranty, £33 for a 10 year warranty.

Quality Assured National Warranties (QANW) (www.qanw.co.uk)

Warranty Services Ltd, trading as QANW, provide insurance-backed warranty for deposits and advance payments, operating across a range of trades.

Microgeneration Certification Scheme (MCS) (www.microgenerationcertification.org)

MCS is an independent certification scheme for installers and products. UKAS accredited inspectors assess members' workmanship and quality assurance processes to ensure that the protection is adequate for what is installed. The first port of call when issues arise is the installer. If complaints are not resolved at this stage then they are escalated to the certification body and then UKAS. MCS and REAL are linked and membership of one requires membership of the other: REAL covers the selling, MCS the products and installation. There is a grey area when it is not clear if problems arise through technical issues or mis-selling.

Renewable Energy Installation Guarantee Agency (REIGA) (www.reiga.org.uk)

REIGA straddles both installation and selling, as well as post installation. REIGA has about 100 members who pay to join the scheme and also contribute funds which REIGA holds as a bond on their behalf should any works need remedial action in the future. If a complaint is made and the company has gone out of business, REIGA makes good. If a complaint is made and the installer says nothing is wrong then REIGA send in an independent surveyor. If the surveyor identifies a problem, the installer either rectifies it or the bond money is used to pay a third party to carry out the work. The cost per 10 year guarantee is £30 (regardless of the technology installed)

BondPay (www.bondpay.co.uk)

This is slightly different to an insurance backed guarantee in that BondPay holds the fees for the work on behalf of the customer until the job is completed to their satisfaction. If there are any issues the contractor will not get paid until they are addressed. This also protects the contractor if the client changes their mind, etc. All registered jobs also come with a one year guarantee from BondPay. BondPay is about to launch a third party client account with REAL.

Chimera Insurance (www.ci2.co.uk)

Chimera offers insurance against insolvency.

National House-Building Council (NHBC) (www.nhbc.co.uk)

NHBC is a non-profit warranty and insurance provider for new-build homes. They offer a warranty to homeowners at three stages: pre-completion, up to two years after completion, then three to ten years after completion.

Trustmark (www.trustmark.org.uk)

Trustmark is separate from the providers above as it is a sign of quality workmanship, not a warranty scheme. It does not cover microgeneration specifically, but operates in the repairs, maintenance and improvements (RMI) sector. Members are inspected on site. There is a clear complaints process which escalates through the tradesmen, the scheme operator, then on to independent adjudication. Trustmark only gets involved if the scheme operator has not addressed issues adequately.

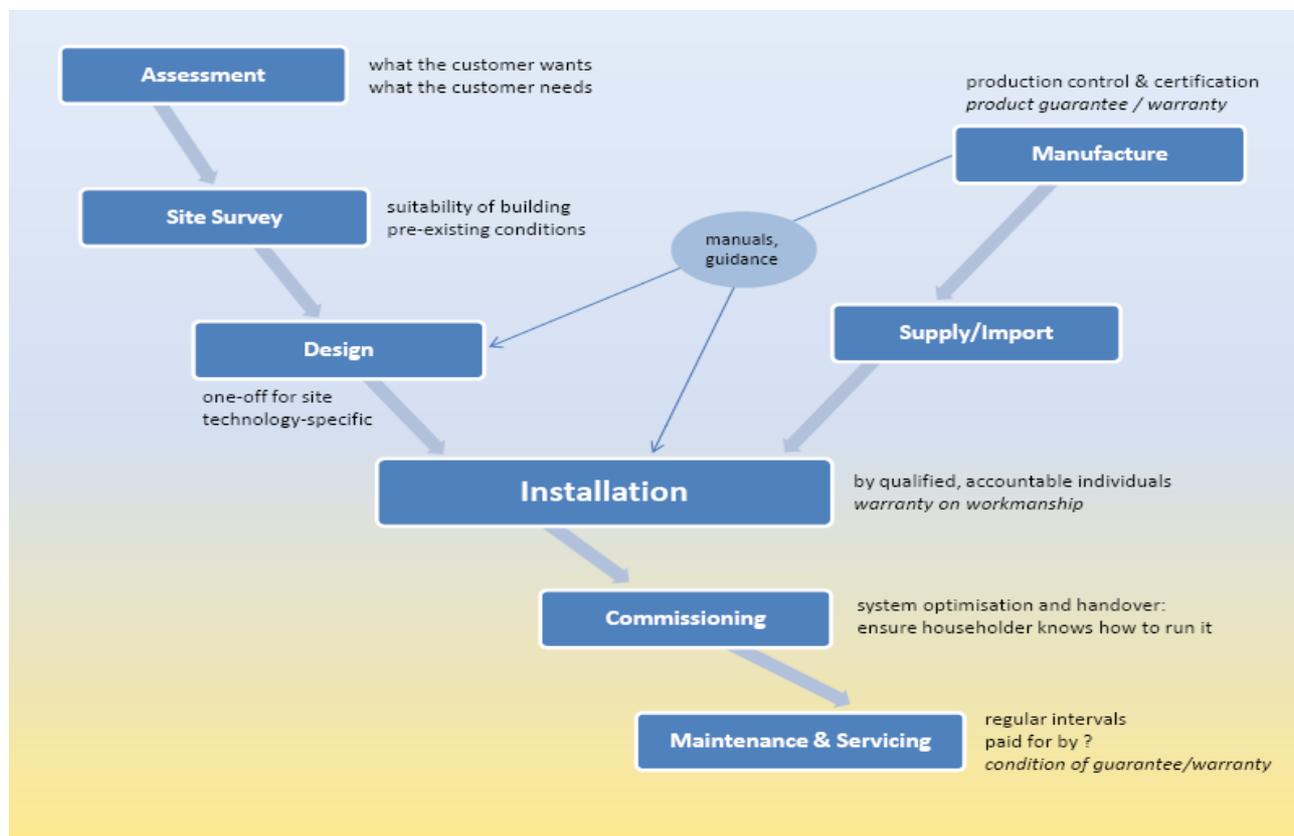
Liz Lainé from **Consumer Focus** was then invited to share concerns with regard to consumer protection for microgeneration installations:

- Confusion over different schemes e.g. the difference between MCS and REAL – why are we asking the consumer to look out for two different marks?
- Acronyms are confusing.
- On site checks do not cover selling – the REAL mystery shopper approach is good. Mis-selling is the biggest concern.
- How do these various schemes work together under Green Deal?
- What's the ultimate threat to a business if they continue to break the rules? How easy is it for companies to be struck off one certification scheme and then re-emerge under another?

Following these introductory remarks, the following points were also raised by delegates:

- Performance is key to the consumer because of the income potential through FITs and RHI
 - Mis-selling is closely linked to performance.
 - Some insurers are now covering performance but there is so much small print that it becomes meaningless in practice.
 - MCS includes performance calculation methodology – this has to be used to show how any technology will perform in that property.
 - Payback is a different issue and it is more difficult to address this through warranties etc.
- There are lots of regional insurers coming into this market now.
- There is an issue around manufacturers closing down (e.g. PV manufacturers in China) – who has liability for the stock that is out there? Five years down the line the reputation of the industry may be at risk.
- Warranties are valuable for industry, not just consumers.

Session 2: Making things better for the consumer



This diagram was used to illustrate the customer journey for microgeneration installations, and to help delegates identify where the gaps in consumer protection lie.

Delegates split into three smaller groups to discuss the consumer journey in detail, to highlight their main concerns and to start to think about what can be done to strengthen consumer protection. The outputs from these discussions have been merged into the tables and notes below for ease of cross-reference:

Assessment / Site Survey

- The initial assessment is usually carried out by a sales-person and so is commission-driven and installer-controlled. Independent home assessments are a missing step. Under Green Deal there will be a requirement for the assessment to be impartial, though not independent.
- A central 'property care' website could draw together lots of existing information so consumers have one place to go if they want to improve their home in any way (including microgeneration installations). This also fits with the Government's strategy for Citizens Advice Bureau to be a hub for consumer information.
- Should professional indemnity insurance be mandatory?
- We need realistic and workable high standards for installations both within and outside of the Green Deal.

Design

- Design is perceived to be a weak link in the chain, but it is actually covered by MCS. However, is the installer fully aware that they are responsible for the quality of the system design, even if it's compiled by a third party? MCS could communicate this more powerfully.

Installation / Commissioning

- The installer should be responsible for everything – the one point of contact for the consumer who can sort everything out. This puts the emphasis on them to source reliable equipment and make sure it's fitted properly in order to avoid having to undertake frequent remedial works.
- There is no single warranty that covers 'kit and fit'. If MCS were to require this (e.g. 5 years for equipment and 2 years for installation) then installers would be forced to comply, thus raising consumer protection standards.
- The Green Deal will help to cover installation issues.
- There is concern that there are not enough Grade A insurers to cover the work, which could give rise to a cartel

Maintenance / Servicing

- Maintenance and servicing is often perceived by the consumer as optional, but failing to have it done can invalidate warranties: it can be especially important for some technologies, e.g. biomass.
- An understanding of the importance of maintenance and servicing is often missing, even though it has to be provided to customers before they purchase a system under REAL. Clarity with regard to consumer liability is required.
- Could we introduce a kite mark / code of conduct for service contracts to give guidance as to average prices and what it should cover? This would help to introduce some standardisation.

Manufacture / Supply / Import

- Good data on performance is needed to feedback into the loop, but that's not currently available or accessible.
- Need to standardize what a warranty looks like
- More due diligence is required in terms of specifying products. The installer will have to carry the risk if lower-grade products are sourced and the supplier subsequently goes out of business or more problems due to faulty products arise.

Other considerations

The groups were also asked to make a note of any thoughts with regard to consumer messaging and also the Green Deal:

Consumer messaging

- Minimum standards need to have a simple message about protection through warranties. Installers can then offer extensions. Standard format, or at least fields, for presentation of protections to consumers.
- Installer needs to make sure customer knows what a guarantee means.
- At commissioning stage, the customer needs to be adequately informed about how the new installation works and how to operate it.

Green Deal

- We need to ensure consistency of protection inside and outside Green Deal. We don't want to see different procedures/standards for "normal" installations and installations as part of Green Deal package.
- A new market means prices for warranty/insurance protection could initially be high
- Concerns were raised about the quality of assessments and the risk of error in recommendations. How far can the assessor's professional indemnity insurance cover this?
- The cost of adding long warranties to Green Deal packages would be too high. Is 25 year cover necessary, given that most problems arise in the first 6 months?
- Is the existing process for deciding eligible measures rigorous enough? Does it need to be more detailed i.e. do we need to be more careful about where we are sourcing products?
- PAS 2030 is not quite the same as MCS. General concern over mismatch of definitions between PAS 2030 and standards. Will there be deposits under Green Deal? There shouldn't be if there's no upfront cost (although some consumers may choose to pay a lump sum).

Session 3: Prioritising action

It was agreed during the workshop that more time should be spent on gaining a full picture of the gaps in consumer protection rather than creating detailed action plans. The prioritized actions below are therefore only the first steps in moving this agenda further: all of the points raised in session 2 above should be woven into a more comprehensive action plan in due course.

Each group was asked to prioritise one of the areas of concern identified in their discussions and put forward key actions that needed to happen in the next three to six months to move the agenda forward. Delegates were reminded that the MGICG is expecting to report to the Minister in May, and so tangible results by then would be advantageous.

Find out the extent to which consumers value insurance

- But need to ensure we ask the right question – consumers would need to understand that without it they could be left with a big bill and no one to go back to: they need to weigh this risk against the cost for protection.

Develop minimum criteria for insurance product development

- Across every step of the customer journey and to cover:
 - Professional indemnity
 - Prepayment insurance
 - Work in progress insurance
 - Insurance backed guarantees
 - Warranty insurance
 - Arbitration and conciliation
 - Product/manufacturer insurance (not currently available)
- These criteria would also include how information is presented. Companies could go beyond the minimum criteria if they wanted to.
- A task group could be set up to look into this: lead by MCS as they already have the systems in place but to also include DECC, industry representatives (including REAL), consumer and finance groups and the regulator.
- The steps required are:
 - Understand how this fits with Green Deal requirements
 - Benchmark what already exists and how this meets consumer requirements
 - Also look into experience overseas
 - Assessment of who regulates the products (FSA)?

Single warranty for 'kit and fit'

- Research into whether this is feasible including:
 - an impact assessment (increasing the cost of warranty might price companies out of the market)
 - consideration of how does this links with the Green Deal

Develop a glossary of terms

- Consumers need to understand the strength of the different products – maybe a central glossary of terms or framework of manufacturers' guarantees would be helpful.

Appendix 1: Attendees

Organisation	First Name	Surname
[independent]	Bruce	Young
BondPay	Nick	Egdell
Chimera	Vince	Linnane
CIBSE	Jacquelyn	Fox
CIPHE	Keith	Westcott
Consumer Focus	Liz	Lainé
DECC	Hannah	Lewis
Energy Saving Trust	Jaryn	Bradford
Gemserv	Brendan	McGarry
HETAS	Alun	Williams
HHIC	Isaac	Occhipinti
Kingfisher	Stephen	Huller
MCS	Gideon	Richards
Micropower Council	Grace	Bennett
NHBC	Neil	Smith
REA	Mike	Landy
REAL Assurance	Virginia	Graham
REIGA	Nigel	Poole
Renewable UK	Indre	Vaizgelaite
QANW	Seth	Jee
Trustmark	Roman	Russocki
EEPH (chair)	Mark	Brown
EEPH (event coordination)	Mathias	Hessler

The event was facilitated by Rachael Mills and Chloe McLaren Webb of SE² Ltd.

Appendix 2: Briefing Paper (prepared by EEPH)

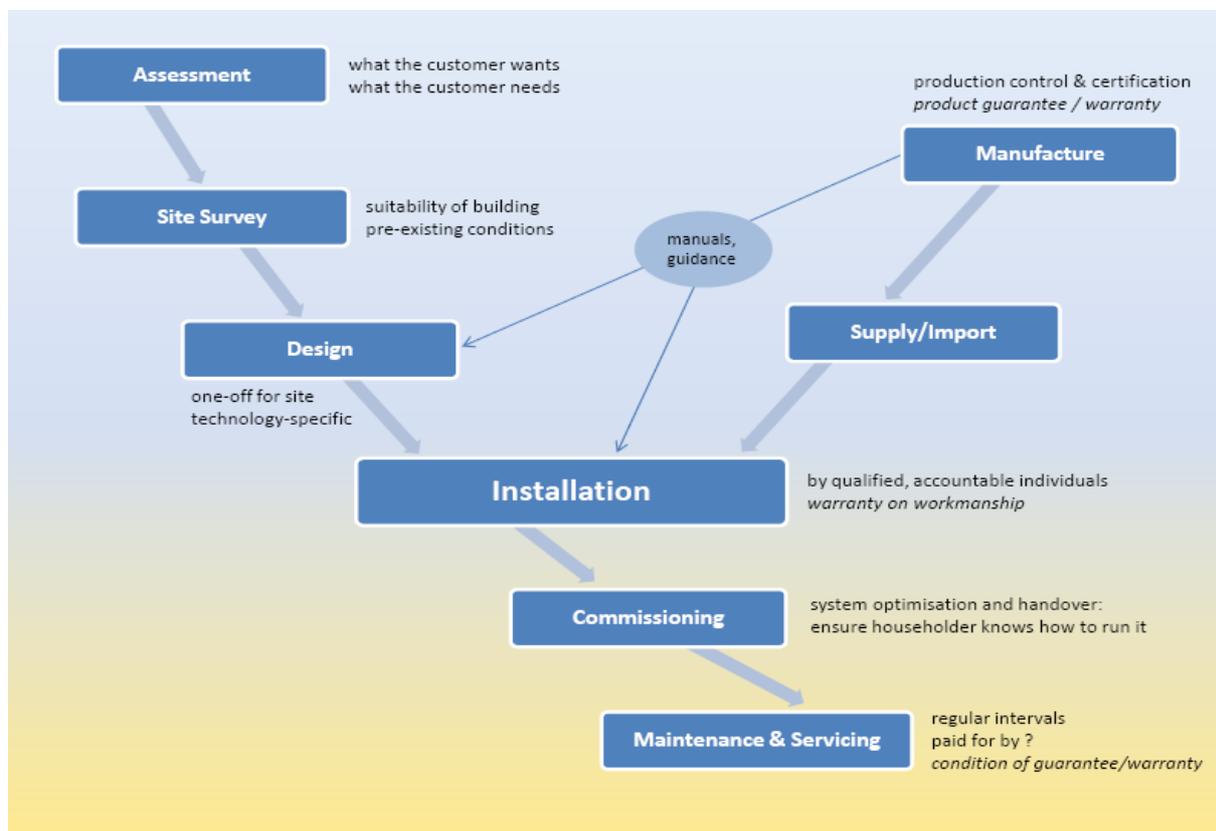
Microgeneration Government-Industry Contact Group (MGICG)

Warranties Workshop: Tuesday 24th January 2012, 10:30 - 13:30

Briefing Paper

The purpose of this workshop is to understand what warranties are already in place for the microgeneration industry, what the gaps are and what needs to be put in place to provide effective consumer protection. We need to understand **who** warrants/guarantees **what** to **whom**, **when** – and then agree how this should be communicated to the market. An action plan will be developed to ensure that the identified gaps are being addressed.

The diagram below shows the generic supply chain and customer journey for a microgeneration installation, from assessment, through site survey, design, installation and commissioning, to maintenance and servicing. We will use this framework during the workshop to help us discuss the journey for each microgeneration technology and how any gaps can be addressed.



Some of the steps in the journey are already covered by warranties, guarantees, insurance schemes, etc. Part of our analysis will be to differentiate between guarantees/warranties that are

- Mandatory under EU or national laws
- Part of the scheme requirements within (voluntary) industry certification schemes and government programmes (mainly Green Deal), and
- Optional for consumers, enabling them to make informed choices.

For background, please read the attached documents:

- ‘Small-scale generation complaints process’, taken from the REAL website
- ‘Microgeneration consumer protection review’, provided by BEAMA
- Excerpts from the Green Deal Consultation on guarantees and warranties, copied below

Key questions to consider in advance of the workshop:

- How can we make the system as effective for the consumer as possible to get redress should something go wrong?
- Where does the current provision fall down? What’s missing at each step of the journey?
- Where should responsibility lie? What does industry need to do? What role do other stakeholders have to play?
- How is this different for different technologies? Are there any cross-technology similarities?
- How will warranties/guarantees be different for installations under the Green Deal?
- What does this mean for consumer messaging?

Excerpts on Guarantees and Warranties from the Green Deal Consultation

Chapter 3: Green Deal Provider and the Plan

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.

Chapter 7: Installation

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.

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.