

Green Deal Launch Cash-Back Scheme

Discussion Paper – Proposals for Green Deal Launch Cash-Back Scheme

1. This paper seeks feedback on proposals on the high-level design elements of the Green Deal Launch Cash-Back scheme. In particular we are seeking views on the following questions, but broader comments are also welcome:
 - A. How integrated should the cash-back application be with the broader Green Deal application process? Would it be preferable for the incentive to be channelled by providers or open for application by consumers, or both?
 - B. How should customers be paid?
 - C. What are views on the proposed 'group application' proposal?

Scheme overview

2. **The scheme is specifically intended to support the launch of the Green Deal.** As such, it will seek to drive take-up of installation of energy efficiency measures in domestic properties *through the Green Deal process*. This will work as part of the broader Green Deal framework, and so benefiting from the processes that are being put in place. Importantly, it relies on the involvement of approved Green Deal participants, including providers, to ensure that the necessary protections are in place.
3. **The pot-limited scheme is expected to run from the launch of the Green Deal until the end of March 2014 (or earlier if funds are depleted).** During this 18-month period the scheme will distribute a portion of the £200m announced in the 2011 Autumn Statement, in the form of one-off payments to customers that have had measures installed through the Green Deal process. Customers will apply for their cash-back when signing up to installation works and receive confirmation within reasonable time, and will receive their payment upon completion of the work.
4. **The scheme will offer a set cash-back amount for each measure recommended by a customer's Green Deal Assessment and subsequently installed,** with the cash-back amount accumulating as more measures are installed (to a possible overall cap). DECC will set precise cash-back amounts for each measure following the completion of an ongoing research project. DECC also plans to introduce the scheme in several stages to allow the cash-back amounts to be altered over time in response to market developments.
5. **It is expected that all 'Green Dealable' measures will be eligible for a cash-back ,** including those part-funded via ECO - but not those also eligible for FITS/RHPP payments (or in receipt of CERT/CESP funding). However, the cash-back will only apply where the

DRAFT – FOR DISCUSSION

customer has made a contribution to installation costs, so will not be available to customers in receipt of measures *fully subsidised* by ECO. It is also expected that certain measures – such as windows or boilers – will carry additional eligibility requirements, such as the concurrent installation of certain additional measures – eg loft and cavity insulation, where these are recommended by the Green Deal Assessment.

6. **The cash-back will only be available to customers who participate in the broader Green Deal process** – so they will need to have a GD assessment, with the installation process overseen by a GD provider and work carried out by an approved GD installer. However, we are still considering whether customers should be obliged to take out GD finance (that is, to have payments attached to the energy bill) in order to qualify, or whether they should have the option of paying up-front or using alternative financing arrangements. Either way, providers will still need to comply with the GD customer protection arrangements set out in the GD code of practice.
7. **To prevent fraud or mis-selling stand-alone cash-back scheme requirements will also be developed.** These will specify the application process, eligibility requirements & how the cash-back should be presented and explained to consumers. The scheme administrator may have the ability to remove a provider's right to offer a cash-back where these requirements are breached. DECC will make these requirements as simple and light touch as possible, whilst ensuring that they provide the necessary protections.
8. **We expect the scheme to be run by an administrator procured by DECC.** The administrator will broadly be responsible for running the cash-back system.

ISSUES FOR DISCUSSION

Application process

9. **A key success criteria for the scheme is that it works with the grain of the existing Green Deal process** and minimises the creation of any unnecessary additional steps in the customer journey. As such, we are considering whether most/all of the interaction with the cash-back scheme administrator could be done by the GD provider on the customer's behalf. This would avoid the need for the customer to interact with an additional 'body' as part of the application process.

Model 1 – Scheme channelled via the Green Deal providers

10. **Under this model, the Green Deal provider would be responsible for applying to the scheme administrator for the cash-back on the customer's behalf** once they had signed

up to an installation (having first checked their eligibility for the cash-back according to the scheme rules). The administrator would then ‘score’ the cash-back and confirm to provider and consumer that a payment would be made, provided evidence of a completed installation was submitted within the necessary time-frame. The administrator would carry out a risk-based audit of applications to ensure that the rules were being properly followed. Importantly, the scheme rules would require the provider to make it clear to the consumer that the cash-back came from Government.

Model 2 – Customer applies for the incentive via the Scheme Administrator

11. An alternative model would be to require the customer to apply directly the scheme administrator for the cash-back on receipt of a GD quote. The administrator would then check and confirm eligibility. This has the advantage of giving more control to the customer, and getting them to engage with the cash-back more actively. This would be on a public platform, which will give enhanced visibility to the scheme and would make it clearer that the cash-back is part of a Government scheme. However, it would add additional step[s] to an already complex customer journey, and could reduce the ability of providers to innovate with the offers they are able to provide.

Model 3 - Open application system comprising both of the above, and usable by both customers and providers.

Question A: How integrated should the application be with the existing Green Deal application process? Should the cash-back application be through the provider, or directly to the administrator (or both)?

Payment

12. One option is that cash-back payments will be made directly to consumers by the scheme administrator once evidence of installation (including a refreshed EPC) has been provided. This arrangement makes it clear to the consumer that the payment comes from Government, whilst also minimising both fraud risk and the likelihood of the scheme giving rise to state aid.

13. An alternative would be for the provider to make the payment to the consumer, subsequently submitting a claim weekly/monthly to the administrator along with any necessary evidence. This could potentially reduce the scheme’s administrative complexities and allow the cash-back to be more smoothly integrated with the broader process. However, this arrangement does introduce additional risks, and would require detailed rules along with significant monitoring and auditing. Again, the state aid implications of this arrangement also need further consideration.

Question B: Do you have any views on how the cash-back payments should be channelled to consumers?

Group applications /‘introduce a friend’ scheme

14. **We are also considering how the scheme might encourage group/community applications** by offering a higher cash-back when a number of people sign up together. The process for administering this still need further consideration, but it could enable any individual or organisation to submit proposals for community projects undertaking a number of properties within an area. This would enable an increased cash-back amount to be paid to each applicant once certain thresholds of application numbers had been achieved under a joint application. This is intended to encourage the development of community buying groups, which could benefit from economies of scale as well as the increased cash-back being offered.
15. **As with the ‘standard’ scheme, the money is payable to the individual consumer paying the cost of installing measures** – and the same rules regarding ECO support will apply. However, group applications could also have the option of specifying a separate recipient of the funds. This is intended to enable participants to contribute their funds towards joint community projects. In this case a clear process would be required to ensure that consumers fully understand what it is they are agreeing to.

Question C: What are views on the proposed ‘group application’ proposal? How could this be administered in a way that is both simple but effective?

Contributing your views

16. **If you would like to submit written views on these aspects of the Green Deal Launch Cash-Back Scheme**, please send your comments to Carolina Valsecchi carolina.valsecchi@decc.gsi.gov.uk (tel. 03000686737) or Tom Slater thomas.slater@decc.gsi.gov.uk (tel. 03000685244), or to Green Deal Demand Team, Department of Energy and Climate Change, 3 Whitehall Place, London, SW1A 2AW, by **20th April 2012.**