




Department for  
Business, Energy  
& Industrial Strategy

# CALL FOR EVIDENCE ON THE GREEN DEAL FRAMEWORK

Summary of responses to the Call for  
Evidence



July 2018

# Summary of responses to the Call for Evidence on the Green Deal Framework

## **Acknowledgements**

BEIS would like to thank all who took the time to respond to the Green Deal Call for Evidence.

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# General information

## Purpose of this document

This document summarises responses to the [Call for Evidence on the Green Deal Framework](#).

### **Additional copies:**

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## Quality assurance

The call for evidence was carried out in accordance with the Government's Consultation Principles.

If you have any complaints about the process (as opposed to comments about the issues which were the subject of the call for evidence) please address them to:

Email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk)

# 1. Introduction

On 12th October 2017 the Government published the Clean Growth Strategy, which sets out how the UK is leading the world in cutting carbon emissions to combat climate change while driving economic growth, and plans to build on the successful decarbonisation of the power sector.

As part of the Strategy, it was announced that the Government was “publishing a call for evidence on how to reform and streamline the Green Deal framework to make the “Pay as You Save” system for home energy efficiency more accessible to businesses, while ensuring adequate protection for consumers”. The Call for Evidence was published on the same day as the Strategy, marking the start of a fundamental review of the Green Deal Framework.

The Call for Evidence explained further the rationale for the review:

- the Government believed that the Pay-As-You-Save mechanism at the heart of the scheme could play a valuable role in future;
- there was scope to simplify the framework to facilitate activity and reduce costs whilst still ensuring consumers are protected;
- there was scope to take account of changes in the wider energy efficiency sector, and most significantly the impacts of Each Home Counts<sup>1</sup>;
- the Framework would need to respond to emerging and future technological developments.

We received a total of 107 responses from a variety of types of organisations (more detail on the types of organisation are in the chart on page 7). Summaries of the responses follow in sections 4 to 10 of this document.

The Government will publish a consultation at a later date on proposals to reform the Framework. This will follow further consideration of the responses to the Call for Evidence and more detailed work on developing proposals.

Ahead of the consultation, we intend to make other, more immediate improvements to the Framework. These are outlined in Section One, and consist of actions which do not require legislation or fundamental changes to the Framework (for instance, process changes), plus others for which there has already been clear, demonstrable support from stakeholders (such as removing In-Use Factors from calculations of Green Deal loans).

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<sup>1</sup> [Each Home Counts](#): an independent review of consumer advice, protection, standards and enforcement for energy efficiency and renewable energy.

## 2. Next steps, and early changes to the Framework

The Government will publish a consultation on any significant proposals to reform the Framework. This will follow further consideration of the responses to the Call for Evidence and more detailed work on developing its proposals.

Significant changes to the framework will require legislation, and depending on what is proposed, some of these may require primary legislation. A move to a fully improved Framework will therefore take some time and is likely to be implemented in several stages, rather than at a single point. Not least because of the appetite for change and simplification that is evident from most of the responses to the Call for Evidence, we intend to make other, immediate improvements to the Framework, ahead of the consultation, where there is scope to do so. Such changes will only be made where they are either:

- changes to processes, which aim to make the operation of the Framework to participants and/or users better, and which should be part of the normal course of business of improving systems wherever possible;
- other changes for which there has already been clear, demonstrable support from stakeholders.

For the latter, we intend to look at whether any new measures should be allowed within the Green Deal, but immediately we envisage the following:

### **Simplification of the Code of Practice.**

A revised Code of Practice will be published early next year to reflect the introduction of PAS 2035: 2018, which replaces the existing PAS 2030<sup>2</sup>. When the Code of Practice was last revised, in 2017, stakeholder feedback indicated clear support for simplification. In line with this feedback, we will undertake a thorough review of the Code of Practice to ensure that it does not duplicate provisions made elsewhere, but without removing any consumer protections it contains. Within this review, there will be no changes to legislation underpinning the requirements set out in the Code.

### **Government endorsed quality mark**

A new quality mark will be introduced as part of the implementation of Each Home Counts. The quality mark will offer a clear and consistent standard for consumers and

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<sup>2</sup> The Publicly Available Specification provides a specification for the energy retrofit of domestic buildings and best practice guidance about domestic retrofit projects. PAS 2035 will be intended not only to support the Each Home Counts quality mark for domestic retrofit but also to be applied to any domestic retrofit work carried out in the UK.

improve quality standards across the home energy efficiency sector. Currently, all Green Deal Assessors, Providers, Installers and Certification Bodies are required, and licensed, to use the Green Deal Quality Mark on all Green Deal identifying documents and marketing material. This will be replaced by a requirement to use the new Each Home Counts quality mark.

### **In-Use Factors**

In-Use Factors (IUFs) account for differences between modelled and observed savings resulting from energy efficiency measures. They are used to lower the amount of finance that can be offered by a specified percentage per measure.

IUFs were originally introduced to provide additional confidence that savings estimated at the time of an assessment can be achieved. Question 5 of the Call for Evidence sought views on IUFs and the responses indicated significant support for IUFs being either revised or removed entirely. Common views among respondents were that they were inaccurate or arbitrary, and that they did not achieve their aim of helping consumer confidence. In addition, outside of the Call for Evidence, a number of participants have argued for their removal. In view of the weight of opinion, we will take the necessary steps to remove IUFs, so that they will no longer input to the savings calculations in Occupancy Assessments. The impact of this change will be to increase the levels of finance that can be offered per measure. We will ensure that provisions are in place – for instance through changes to the Code of Practice - so that consumers are made fully aware of factors impacting savings achieved and how these relate to Green Deal loan repayments. Existing protections for consumers will remain in place.

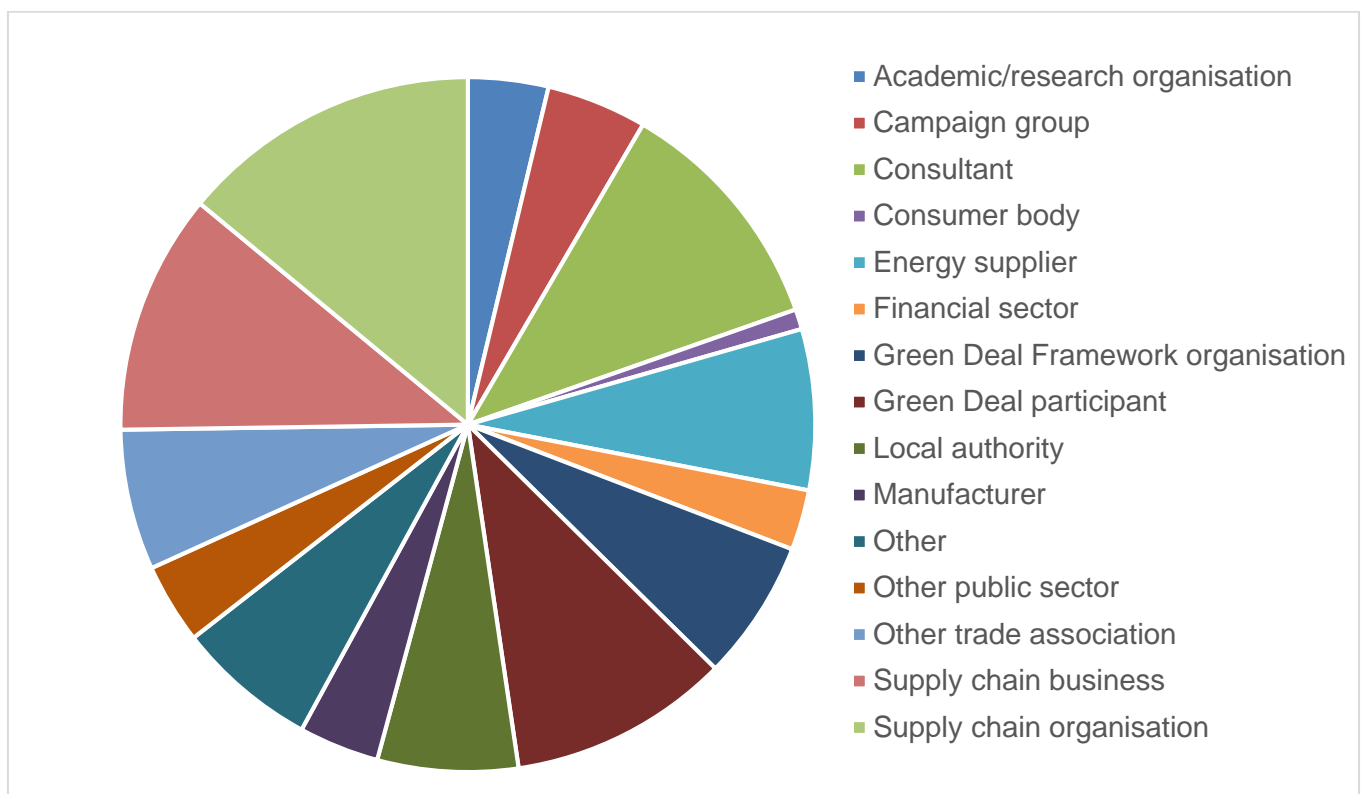
## 3. Summary of responses

Overall, the Call for Evidence generated considerable interest. There were 107 unique responses from a wide range of groups, with many offering detailed responses.

Whilst there were a range of views – including a small minority arguing against continuing the Green Deal - overall many saw scope for the scheme to play a useful role in future, with some supporting the view that an improved Framework could lead to increased activity and benefits. There was also considerable support for simplification, and taking account of wider industry changes such as Each Home Counts.

There were 20 questions in the Call for Evidence, set out in eight sections. Summaries of responses to each of the questions follow in the next sections. Most of the questions were open in nature – this was with the aim of ensuring that we would capture views on all aspects of the Framework and not miss any ideas. Partly because of this, it has been difficult to quantify the weight of views in all areas. Nevertheless, the summaries aim to provide an accurate sense of the numbers of respondents holding the stated views. Some of the questions – particularly 13, 14, 18, 19 and 20, elicited large numbers of varied suggestions. It is not practicable in this document to detail every single one, but the summaries note where any themes emerge.

### Respondents by organisation type





## 4. Green Deal Participants

### Question

1. What roles do you see in the future for the Participants (listed below in Box 1)? Can any or all of these roles be fulfilled without the need for formal Green Deal status?

#### **Box 1: Green Deal Participants**

##### **Green Deal Certification Body**

An organisation authorised by the Secretary of State to certify Green Deal Assessors and/or Green Deal Installers.

##### **Green Deal Assessor**

A Green Deal approved organisation, certified by an accredited Green Deal Certification Body to carry out assessments against the Assessor Specification and authorised by the Secretary of State to act as an Assessor. They may work independently or be part of a larger Green Deal Provider organisation.

##### **Green Deal Advisor**

An individual employed or contracted by an authorised Green Deal Assessor who visits a property to undertake a Green Deal assessment and make recommendations for energy saving improvements. They must meet the requirements set out in the National Occupational Standards for Green Deal Advisors.

##### **Green Deal Provider**

Providers authorised by the Secretary of State arrange Green Deal Plans, provide finance and arrange for the installation of the agreed energy efficiency improvements through an authorised installer.

##### **Green Deal Installer**

Only authorised Green Deal Installers can install energy efficiency improvement under the Green Deal. Installers must be certified by an accredited Green Deal Certification Body and meet the Publicly Available Specification (PAS) 2030 for measures they wish to install.

## 4. Green Deal Participants

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There were 73 responses to this question. Not all respondents however commented on all Green Deal Participant types in their response.

Respondents generally called for simplification, integration and a higher quality of participants in the scheme. The overall majority of respondents agreed that most roles currently undertaken by authorised participants could be fulfilled through other provisions, without need for formal Green Deal status, and that the Green Deal Assessor role could be removed entirely, without impacting upon consumer protection. The only exceptions to this were the Green Deal Provider/Finance Party roles, where there was some debate.

Respondents felt the Assessor role was an unnecessary layer of complexity and its removal would reduce costs to the consumer of getting a Green Deal assessment.

The majority of respondents felt that the Advisor role was key for producing Green Deal Advice Reports (GDARs), but suggested this could be performed by Domestic Energy Assessors (DEAs) better, with DEAs having stronger enforcement powers. Some respondents commented that training provision for existing Green Deal Advisors needed to improve. Some suggested that the GDAR should be removed entirely (see also responses to question 4) and the Energy Performance Certificate (EPC) used for affordability checks which would remove the need for the Green Deal Advisor role completely. A few respondents suggested that digitalisation of the GDAR would replace the Green Deal Advisor role entirely, but there were some concerns about how to ensure independence of the assessment.

The majority of respondents felt that Installers only needed PAS 2030 accreditation, enforced by Certification Bodies. A significant number suggested that trade membership schemes, e.g. Gas Safe Register or the new Each Home Counts quality mark scheme be used. Respondents suggested that independently each of these approaches would provide sufficient auditing and compliance. A few respondents however felt PAS 2030 was too costly for small players and Building Regulations should be used instead. There was concern that work should be high quality and monitoring was needed to ensure standards were met. A few respondents suggested the Installer and Provider roles should be merged so that the customer was in more direct contact with the installer.

Few respondents commented directly on the Assessor and Installer Certification Body role. Those that did suggested that the existing Certification Bodies accredited by UKAS could perform this role. A few felt it should be removed entirely. One respondent felt that the Competent Persons Scheme could be used for the Installer Certification role.

The introductory text in this section of the Call for Evidence included as an example the idea that access to use of the PAYS system could be allowed for any organisation holding valid authorisation from the Financial Conduct Authority. The majority of respondents supported this, but some commented that the requirement to accede to the GDAA and other on-boarding steps would still be needed. One respondent questioned what scale of FCA authorisation would be required – full or limited. A small number expressed concern, however, that an FCA approval-only mechanism increased risks to consumers. This was on the basis that there would be no assessment made of the suitability of an organisation to be a Green Deal Provider prior to authorisation.

## 4. Green Deal Participants

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A few respondents suggested the role of non-domestic Provider was no longer needed and therefore this requirement should be removed for ECO.

A significant number suggested that the Provider role should change to allow a Provider to act as a credit broker with a finance provider, with the Provider no longer necessarily acting as the lender, but providing an interface with a finance provider. The example of car sales was given. Providers would also facilitate the installation and arrange guarantees for the work. Under this arrangement only the finance provider would need to accede to the GDAA and only their FCA and CCA authorisation would be needed to operate in the PAYS market.

### Question

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| 2. | What interactions and relationships need there be between different Green Deal Participants? |
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There were 46 responses to this question. There were widespread views about general ways of working but all with the overriding theme of ensuring protection for consumers.

A significant number of respondents suggested there could be greater linkages between Participant roles. For example, combining Advisor and Installer roles within one organisation, one organisation taking control of a whole-house process, with one suggesting this be a Provider, and where it isn't, the Provider should still oversee the work of the Installer. A few suggested that the Advisor and Provider roles be allowed to work together to remove the "invisible wall". One respondent suggested that this might fix the issue of Providers only using their own Advisors and Installers.

A number of respondents felt that all Participants should be independent and commercially separate with contracts in place when working together, especially between an Advisor and Provider, to protect customers from mis-selling.

Despite this there was strong opinion that all Participants should work together with transparent and open communication so customers can see the whole chain and make decisions easily and so that it provides a good feedback loop for redress. One respondent suggested that there should be a referral point for Participants to lead customers to other Participants in the chain, for instance on Gov.uk.

A few respondents suggested that if online digitalisation is used for GDARs instead of independent Advisors, customers need to be protected against Providers creating them for customers with misleading outcomes.

## 5. Green Deal Assessment

### Question

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| 3. | Is it necessary for all types of assessment to be carried out by professionals (i.e. authorised Green Deal Advisors, or a future equivalent)? Would some form of self-assessment (e.g. by consumers) be possible and sufficient? If so, what might need to be in place to enable this? |
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There were 80 responses to this question.

Over half of respondents felt there was a need for professional assessment. The most frequently-given reasons were that it was important to ensure consumer protections, to maintain an audit trail for the benefit of future bill payers, and to maintain independence between assessment and selling of measures. Some argued that some degree of responsibility, or liability for the recommended measures had to be maintained by parties other than the householder. Some argued that properties could vary too much to make self-assessments acceptable. Some felt that reducing professional assessment/verification may affect lender appetite

Addressing issues also covered by question 4, many of these respondents focussed on the EPC as being either essential, or as being the minimum necessary. Some said that EPCs alone could meet the needs for assessment, without need for the Occupancy Assessment element. Several respondents made reference to the Each Home Counts review and supported the need to enhance the quality and standards of property assessments.

Nearly half of the respondents were positive about there being some role for self-assessment, although many also expressed caution, and qualified their comments.

Among those supporting self-assessment, two typical scenarios suggested were: first, self-assessment being a gateway to a professional assessment, so that the householder could obtain an understanding of whether a fuller assessment might be worthwhile, whilst also completing some of the administrative tasks necessary (and thereby saving time at the later stage); second, a self-assessment option being sufficient for simpler, or lower cost measures. On the former, several mentioned that some self-assessments would require only light-touch verification by a professional. For the latter, some qualified this by saying that even here some form of professional verification would be required. Some felt that self-assessment may be suitable for only parts of the market, e.g. social housing and private landlords.

Two suggested the professional assessment process could be simplified, but did not necessarily support self-assessments. A small number suggested training more high-level 'property advisor roles', to simplify the process.

Some argued that the need for a full professional assessment up front was a barrier to the whole process and to achieving finance. A few respondents felt self-assessment would help address perceived issues to do with Assessor independence.

### Question

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| 4. | In their current form, are GDARs necessary, or helpful to Providers and consumers? What outputs might lenders need in any future scenarios? |
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There were 71 responses to this question. The predominant view was that GDARs were not necessary in their current form, that the EPC was however, a necessary part and that this element alone would be sufficient as the output of the assessment. Many commented that GDARs were at best helpful, but did not add significant value to the process and should either be simplified or removed. Some argued that the information provided was useful and in some instances was required by, or useful to, lenders, but this was a minority.

Some supported retaining GDARs in their current form on the basis that they helped protect consumers and provided necessary, detailed information. However, more respondents argued that the information was too complex for average consumers to consider and did not add much value. Some respondents believed that, whilst GDARs may not be required, there was a need to retain some kind of official documentation to enable an audit process.

Some argued that GDARs (or equivalent) should be retained as they provided information required by lenders, e.g. on savings and the amount of finance that could be raised. However, this was not necessarily the view shared by respondents in the financial sector. A few respondents believed lenders should be able to determine what documents are required by the agent.

There were a small number of other comments on the need to review and improve the EPC and process behind it. For instance, one said EPCs should be more consumer-friendly. Two respondents focussed on what they saw as failings of RdSAP for certain measures (e.g. solid wall), arguing that it was technically inaccurate.

### Question

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| 5. | What value do In-Use Factors have? Do they achieve the aim of increasing consumer confidence and protection for consumers? Do they help provide lenders with confidence? |
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There were 65 responses to this question.

There was fairly broad agreement among respondents that In-Use Factors should either be revised or removed entirely. Among those expressing a preference, there was a clear majority advocating removal. A minority felt they played a role in protecting consumers, and should be retained, although among this group there were also questions about the accuracy of the factors, and doubts about their current credibility.

Among those who said that IUFs had little use, the predominant views were that they were inaccurate or arbitrary, and that they did not achieve their aim of helping consumer confidence. A further group argued that they made many measures unviable for support under the Green Deal.

Two respondents said that In-Use Factors did not provide confidence to lenders as the credit worthiness of individuals was the primary consideration.

Several respondents discussed the “deemed scores” approach to measures which had now been adopted for the Energy Company Obligation (ECO). Their view was that this would be a better way of establishing levels of funding for measures (also see responses regarding the Golden Rule at question 12) and would ensure consistency across schemes.

Others argued against the modelled savings approach entirely, and suggested that performance contracting, based on metered savings, would generate a more robust system.

## 6. Green Deal Measures

### Question

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| 6. | How might the process for incorporating new measures be made more efficient, and help enable the deployment of innovations and new technologies? |
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### Question

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| 7. | Is it better to have a list of qualifying energy efficiency improvements in secondary legislation or should the legislation just set out high-level principles (with the Standard Assessment Procedure <sup>3</sup> – SAP - helping to determine whether an improvement falls within the principles)? |
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### Question

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| 8. | Are there alternative ways to determine what measures could be installed and funded using the PAYS mechanism, which would help enable the deployment of innovations and new technologies? |
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The summaries of responses to these questions have been grouped together because respondents largely addressed common themes across all three. There were 58 responses to question 6, 68 responses to question 7, and 44 responses to question 8.

Across the piece, respondents were broadly in favour of seeking a more flexible, principles-based approach to Green Deal measure eligibility

Many respondents supported measures being included in the Green Deal without specifically being mentioned in legislation. For example, nearly a third of the respondents to question 7 supported legislation just setting out high-level principles, and around a third of respondents to question 8 called for greater flexibility. The main argument made was that the legislative

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<sup>3</sup> [Standard Assessment Procedure](#) is the methodology used by Government to assess and compare the energy and environmental performance of dwellings.

process is lengthy and time-consuming, and thus discourages innovative technology manufacturers from seeking inclusion of their measures.

No respondents argued specifically in favour of maintaining the current approach. However, some respondents made general points advising caution. A small number felt that, whilst the existing system might not be perfect for enabling the deployment of innovations and new technologies, it was difficult to envisage something better. Some identified a risk that a shift to a principles-based approach could be biased in favour of new technologies which may not provide the savings advertised. One felt the current review should focus on getting the rest of the Framework right first - including providing clarity for consumers – before moving on to such considerations. One commented that it would be wrong to allow consumers to be used as “guinea pigs” for new technologies.

Some respondents felt that a move to using high-level principles would necessitate extra arrangements, particularly regarding consumer protection. For example, one said a robust Code of Practice would be required. Another commented that high-level principles would require a high standard to ensure only appropriate measures.

Some respondents expressed a preference for the Secretary of State to still make a final decision.

One suggestion was for the creation of an independent body which could make a recommendation to the Secretary of State based on their findings around - for example - a technology manufacturer’s submissions.

A small number of respondents expressed a preference for a centrally-held list, and for some, secondary legislation was a good place to hold this. One noted that it minimised the chances of misinterpretation, albeit at some cost to innovation.

Respondents had various views on how to determine the principles for inclusion, and who would have the responsibility to manage them. Several respondents argued that implementation of the Each Home Counts review including the new quality mark presented an opportunity to include measure assessment under that banner.

In response to question 7, a majority of respondents saw a role for SAP. Some respondents proposed that any measure which improves the energy efficiency, or SAP rating of a building, should be includable as a measure. Some respondents noted that, while SAP could play a role, it would probably need some amendment to become more flexible, or to enable the incorporation of new measures as and when appropriate. One noted that SAP may not be the right vehicle for some more recent technologies.

Some discussed giving much more choice to the consumer – with the suitable protections in place - enabling them to decide what measures would achieve their energy-saving goals. Some also suggested supporting ancillary works that might be needed, to ensure the property functions well with the measures. One respondent noted that some measures can have negative, unintended consequences, so it would be sensible to support a whole-house approach. One advocated enabling the packaging-up of measures so that better overall



solutions could emerge for consumers and the supply chain. Another suggested supporting any measures that aligned with the Government's Clean Growth Strategy. One suggested flexibility in how measures are attributed, for instance so that savings resulting from measures adopted across a community could be attributed to customers.

Some suggested that measures lists could be synchronised with PAS2030, which would also help to counter consumer confusion around which installers are certified to do what on which scheme. A further group of respondents suggested a revised Code of Practice could serve as a measures list, with reviews every six months to ensure innovation is not discouraged.

In response to question 6, around a quarter of respondents stressed that, in streamlining the process, thorough testing must not be sacrificed, though views varied on the methods of testing, assessing and evaluating. For example, one noted that new "rules" may need to be developed for calculating energy savings from new technologies before they can be incorporated. Another suggested that, given that testing can be time consuming, use of test data from recognised laboratories globally could be used to expedite this process.

On evaluating technologies, several said that real-life data should be used to evaluate performance. This would allow greater certainty about the levels of saving can be delivered. One said it was important to allow sufficient time for proper evaluation and not rely on "laboratory calculations".

Some respondents focussed on the types of measures that a more flexible, or principles-based approach, could help facilitate. A small number discussed the potential to support an overall performance-based, or energy services approach. This would enable funding for the delivery of outcomes or service levels for properties. Respondents discussed, for example, how this could support systems which optimise heat delivery according to changing circumstances, or systems which react to market price signals.

Other specific suggestions included supporting measures that treat damp and condensation, and including demand-side response technologies, as these could help reduce energy use.

As regards making less radical improvements to the existing system, some of these focussed on use of SAP but finding ways to add new technologies faster. One suggested using the Products Characteristics Database<sup>4</sup> to enable the addition of technologies in a controlled way, or else using an "Appendix Q"<sup>5</sup> process for RdSAP, which, they argued, could allow new technologies to be introduced without immediate changes to SAP methodology.

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<sup>4</sup> The [Products Characteristics Database](#) holds product data in support of the National Calculation Methodologies for Energy Rating Dwellings (SAP and RdSAP).

<sup>5</sup> [SAP Appendix Q](#) holds product data in support of the National Calculation Methodologies for Energy Rating Dwellings (SAP and RdSAP).

### Question

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| 9. | What do you see as the merits of including the above measures in the Green Deal? Do you have any comments on whether they meet the criteria for measures? |
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There were 69 responses to this question.

On specific measures, respondents were split on the merits of including **battery storage** in the Green Deal. Some noted the technology was developing and becoming more important, and that inclusion in the Green Deal would reflect this. One noted that making the technology available in the Green Deal would stimulate the market not just for batteries, but also for Solar PV, and help create the infrastructure for community energy networks. Of those opposed to including battery storage, some expressed concern that it has an environmental cost rather than benefit. Others doubted it could meet the Golden Rule.

Respondents tended support the inclusion of connections to **existing heat networks** as a measure. Some supported inclusion as long as the networks being connected to were low carbon and represented value for money. Some noted that inclusion could contribute to increasing the efficiency of the networks. One noted that it would give opportunity to residents moving in after the network is established to gain its benefits. Two respondents expressed concern regarding consumer protections and heat networks, and one noted that not all networks were more cost effective than boilers.

Respondents tended to support the inclusion of replacement of **broken boilers** as a measure. A variety of reasons were cited. Some noted that it would enable householders ineligible for ECO to access finance to repair condemned boilers. Others noted that it provided a further route of support for vulnerable consumers. Some of those who supported inclusion added that systems would need to be in place to prevent recurring support at the same properties for such a measure.

Of those opposed, one said there were better ways of providing support for replacing broken boilers for households in fuel poverty. One, for instance, suggested a Government-backed emergency fund. Another noted that boilers would have to be replaced whatever happened – consumers had no choice but to find a way to replace them – so there was no need for the Green Deal to stimulate demand.

## 7. Consumer confidence, protection and redress

### Question

10. Could the system which provides consumer confidence, protection and redress be managed differently? For instance, do other existing general consumer protections, such as those available to consumers under the broader consumer credit regime, provide alternatives? Can you foresee developments resulting from the implementation of the Each Home Counts recommendations as offering scope for change?

There were 70 responses to this question. In general, respondents agreed there was scope for improvement, with a very small number against changes (examples of arguments against changes were that the system couldn't be managed differently, that the current system "wasn't a barrier" and that changes could cause confusion and frustration).

Many mentioned the scope for simplification and supported moves to this end. Over a third mentioned Each Home Counts as being part of the future system, to a greater or lesser degree, although some qualified their views by saying they would want to know more about the final outcomes of Each Home Counts before taking a definitive view. Several said there would still need to be existing elements of the system alongside Each Home Counts, but that these could themselves be simplified (for instance, a simplified Code of Practice).

One respondent felt that the system should be aligned with Each Home Counts but with the additional qualification that the system should not fall back on general consumer provisions.

A significant minority suggested using existing, general consumer provisions - such as those provided by the Financial Conduct Authority and under the Consumer Credit Act - instead of Green Deal-specific provisions. Some suggested this could lead to a simpler customer experience. Another added that special protection was needed for tenants in the private-rented sector.

There was discussion by some of whether there needed to be two separate Ombudsman organisations involved. One respondent felt the Green Deal Ombudsman's service should be extended to cover the "end-to-end" process.

### Question

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| 11. | Does the disclosure of a Green Deal Plan to prospective homeowners or tenants have to be by means of providing an Energy Performance Certificate? What alternatives exist? |
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There were 67 responses to this question. The most frequently expressed view – from around a quarter of respondents - was that the Energy Performance Certificate (EPC) system was either the most effective or appropriate system, or else was “good enough”. A smaller group of others felt that the EPC system was flawed but that there was probably no better alternative. One added there could be risks in changing. One said that EPCs should continue to be used as a minimum requirement, but that they had doubts about the effectiveness of the system.

A small minority had only negative comments on the EPC system. Another group was less critical overall but flagged-up some of the existing problems with EPCs faced by some users of the system.

A small number of alternatives were suggested, with use of the Land Registry being the most common, albeit still only by a small minority of respondents. Other suggestions included: using the data warehouse proposed under Each Home Counts; using other types of forms at the buying/selling/tenancy change point and placing more emphasis on conveyancers and letting agents; wider access to the Green Deal Register; including details alongside other property details on property selling websites; using smart meters once installed; and requiring energy suppliers to provide notice.

### Question

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| 12. | Where consumers wish to make a number of improvements but not all meet the Golden Rule, are there any ways of better facilitating this? |
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There were 80 responses to this question. Around half suggested either a complete removal of the Golden Rule or else allowing consumers to over-ride it. Twelve respondents, however, argued against its removal.

Of those advocating removal of the Golden Rule, several qualified their view. Some said it should be retained for the private rented sector, or if consumers were assessed to be in fuel poverty. Others said that, if removed, there should be other systems or requirements to ensure consumer safeguards, for instance affordability checks, or methods to prevent bill

increases which would be difficult for consumers. A small number added that FCA authorisation could be used to protect consumers from being sold measures they couldn't afford.

Thirteen respondents commented that, where more than one measure was recommended, the Golden Rule should be applied across the combined set of measures, and not be applied to each individual measure.

A suggestion made by three respondents was for the Golden Rule to be removed and for eligible measures to be attributed with "deemed scores", similar to ECO. The scores would be set at levels which would enable most types of measures to be funded – and no longer limited by the Golden Rule - whilst preventing "gold-plating".

A small number of respondents felt that consumers should be required to make up shortfalls if they wished to proceed where the Golden Rule limited funding, with some saying other sources of personal finance or credit could be used. Some others noted, however, that it was very difficult for consumers to find second sources of credit for something already being part-financed by credit (i.e. by the Green Deal).

### Question

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| 13. | Do you have any other comments on these elements of the Framework? Are there any ways in which they could be re-organised and improved, without any detriment to the consumer? |
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There were 46 responses to this question. Several of the responses focussed on consumer protections and redress, with numerous suggestions made. One suggested introducing a new customer charter, another said there needed to be better consumer understanding of the redress process, another argued for simplifying redress routes, another argued for tighter checks on participants, and one said better data was needed on installers (covering de-certifications and non-compliance). A further set of suggestions focussed on widening the scope of the Green Deal Ombudsman scheme, to enable cancellation of Plans without needing decisions from the BEIS Secretary of State, plus finding a way to handle redress issues where a Provider becomes insolvent.

A number of others commented in a variety of ways on improving the consumer focus of the Green Deal, for instance by working to improve consumer understanding of the scheme and ensuring that participants have a better understanding of their clients.

Some respondents used this question to echo, or draw attention to, what they had said elsewhere. A small group made wider comments on home energy efficiency (for instance,

making links with the contemporaneous Government call for evidence on “Building a market for energy efficiency”<sup>6</sup>). Another group returned to the theme of the general need to simplify.

### Question

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| 14. | Are there changes that could be made to the Framework to make it more accessible or attractive to landlords and tenants in both the private rented and social housing sectors? |
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There were 55 responses to this question.

The largest set of comments related to the domestic Minimum Level of Energy Efficiency Regulations<sup>7</sup>. Some flagged up the opportunities represented by the Regulations; some said they needed to be more ambitious or stretching (implying this would drive more to use Green Deal). Some focussed on the need for effective enforcement of the Regulations. One cautioned that, before the Regulations resulted in far more Plans being taken out by landlords, there needed to be further thought given to the impact this could have on bill payers. One suggested the introduction of a mechanism to enable Plans to be transferred from tenants to landlords.

A small number argued for better enforcement of existing requirements for Energy Performance Certificates as a way of encouraging energy efficiency improvements, and hence Green Deal take-up. Similarly, there were suggestions for a landlord registration or licensing scheme, and the re-introduction of the Landlord Energy Saving Allowance. One respondent felt that landlords were facing increasing costs and that these would be increased by the Regulations.

Several respondents focussed on how they felt landlords could, or should, have a greater role in either being responsible for repayments, or else guaranteeing repayments. Some argued on the basis of this being a practical solution, whereas others focussed on it being justified, given landlords’ responsibilities and potential incomes from properties.

A small number suggested introduction of a new mechanism to allow repayments for a single measure to be split across more than one bill payer, where the improvement benefits more than one property.

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<sup>6</sup> [Building a market for energy efficiency](#): call for evidence, BEIS, October 2017

<sup>7</sup> [Domestic Private Rented Sector minimum level of energy efficiency](#), BEIS consultation, December 2017

Some respondents said there should be consideration of an element of Green Deal that would work in the context of social housing providers' financial mechanisms (for instance, this could take advantage of their access to low cost finance) and allow for rent flexibility. One noted that social housing providers might be expected to be interested in the Green Deal but that in practice they stayed away because they could access funds at lower interest rates than those available under the Green Deal. One respondent discussed social housing landlords becoming Green Deal Providers.

Finally, several respondents flagged the need for suitable consumer protections to be in place for tenants on low incomes in any changes to the Green Deal.

## 8. Authorisation and certification of parties

### Question

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| 15. | Do you see a need for specific Green Deal authorisation and accreditation? What role might parties involved in this play in the future? |
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There were 64 responses to this question. The responses largely mirrored those to question 1 – the overall majority of respondents agreed that all roles could be fulfilled without need for formal Green Deal status, with the exception of Green Deal Providers/Finance Party roles – and as such the overall majority felt there was no need for specific Green Deal authorisation and accreditation.

There was an almost equal split between those respondents who suggested using established scheme accreditation routes and qualifications/FCA authorisation, with Certification Bodies continuing to be used as independent overseers, and those who suggested using the new Each Home Counts scheme which would act as a single body for accreditation. One respondent challenged Each Home Counts to create a parallel FCA authorisation process. Two respondents suggested that we consider tendering for a Certification Body rather than have multiple players. One respondent suggested that building regulations should be used.

For Providers and Finance Parties the majority suggested FCA authorisation was sufficient, but for a minority of respondents specific Green Deal authorisation was also needed. The suggested level of scrutiny varied from what is in place now to a more light touch Register of Green Deal Providers and Finance Parties. One respondent suggested that only Finance Parties needed specific Green Deal authorisation.



## 9. Other elements of the Framework

### Question

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| 16. | We would welcome comments on any of the elements (listed below in Box 2) of the Framework, and whether there is any case for a change in arrangements and the feasibility of making any such changes. |
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#### **Box 2: Other elements of the Framework**

##### **Green Deal Plan**

Sets out the financial terms of the agreement and includes consumer protections, such as warranties, to cover the energy efficiency improvements and installation. Only an authorised Provider can offer a Green Deal Plan.

##### **Green Deal Oversight & Registration Body (GD ORB)**

On behalf of the Secretary of State for Business, Energy & Industrial Strategy, the GD ORB manages the authorisation process for certain Green Deal participants prior to authorisation by the Secretary of State and is also responsible for a number of functions aimed at providing effective administration and oversight of the scheme.

It is responsible for maintaining a register of all Green Deal Participants and Certification Bodies, maintaining the Code of Practice and controlling the use of the Quality Mark, monitoring participants against the Code of Practice, gathering evidence of non-compliance and referring participants where necessary to the Ombudsman or Secretary of State, as appropriate.

GD ORB also provides the Secretariat for the Green Deal Arrangement Agreement.

##### **Green Deal Arrangement Agreement (GDAA)**

A multi-party agreement between electricity suppliers and Green Deal Providers, which governs payment collection and remittance of Green Deal Charges. An elected panel comprising GDAA parties is responsible for overseeing the GDAA.

##### **Green Deal Register Service**

A central database for lodging information for Green Deal Advice Reports (GDARs) and Green Deal Improvement Plans (GDIPs). Although there are few new GDARs being created, customer access to existing GDARs (of which there are over 500,000) must be maintained even if no new Green Deal Plans are produced, so that certain interactions with the database

can be facilitated and to ensure the enforceability of existing Green Deal Plans.

### **Green Deal Central Charge Database (GDCC)**

Operated by the Master Registration Agreement Service Company (MRASCo), the GDCC holds the financial details of Green Deal Plans and is used to instruct suppliers to collect repayments and remit them to the appropriate party.

### **Administration Fee**

Energy suppliers may charge an administration fee, added to Green Deal Plans, to compensate them for the costs of collecting the Green Deal charge on behalf of consumers. This is currently set at 1p per day, per plan, or 2p per day per plan for smaller suppliers.

There were 34 responses to this question. In general, these were in favour of reducing complexity and simplifying, with just one saying it was hard to see scope for change. The number of comments focussing on specific elements was low.

On **Plans**, the small number who commented said that finance parties should be able to provide Plans, for instance, describing them essentially as a loan agreement. One respondent went further and said Plans as defined were unnecessary, and finance providers could simply issue credit agreements.

Twelve respondents commented directly on the **Oversight and Registration Body**, most saying they saw a continuing role for such an independent body, but with one envisaging a significantly reduced role. One option was for this to be subsumed into an Each Home Counts-governed structure. Five respondents said an independent administrator would still be needed for the Green Deal Arrangements Agreement. One respondent said there was potential to remove the Body if certain other, major structural changes to Green Deal were made. A small number spoke more generally about broader monitoring and enforcement issues, saying this needed to be stronger and suggesting that Each Home Counts could provide solutions.

Nine respondents commented specifically on the **Green Deal Arrangements Agreement**. All but one saw a need for its continuation. The respondent questioning its need did so on cost and complexity grounds. One supported the proposal to merge it with the Master Registration Agreement. One said it would still be needed, regardless of any other changes to the Framework. One commented on its complexity and one suggested that changes might be needed if there were to be more non-domestic Plans.

Six respondents commented on the **Green Deal Register**. Some looked towards the scope for reducing scope, subject to other changes to the Framework.

One said that if their other suggestions were adopted there would be no need for GDARS and GDIPs, so no need for a register. Similarly, one said it could be reduced to provide for an EPC register only. Two respondents suggested scope for linking with another register (one said an “over-riding register”), and another said that an EHC register and the GD Register

could be joined as gateways to each other. Finally one commented that better access was needed (so that parties could access data lodged by companies that no longer exist).

There were just four comments directly on the **GDCC**, two confirming it would still be needed (even if other elements were reduced) and two saying access needed improving.

### Question

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| 17. | We would welcome any views on the administration fee, including on the amount, and whether this is the most appropriate way of compensating suppliers for the costs of collecting the Green Deal charge. |
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There were 34 responses to this question. Not all respondents commented on the level of the fee but among those that did there was strong agreement that the fee was too low. Rather than suggesting it be increased, several recommended it be removed completely. Some of these suggested that suppliers should be obliged to cover the costs. Others did not suggest an alternative mechanism for funding. Suppliers that responded on the other hand suggested that the fee be increased and made cost reflective to take into account set-up and ongoing collection of payment costs.

A small minority thought the current fee arrangement should be maintained. One respondent thought the fee should be increased but only if in return electricity suppliers accepted the consumer credit risk default associated with Green Deal loans. One other respondent thought that the fee should be considered when any new Green Deal Framework was known.

A number of respondents requested that BEIS looked at the 2-tier system (for obligated and voluntary Green Deal suppliers) to ensure it was fair, and others suggested the collection arrangements be simplified but with retention of paying for Green Deal measures through electricity bills.

An alternative suggested by some respondents was that PAYS should operate like the ECO scheme or be amalgamated within ECO thereby placing an obligation on suppliers to collect Green Deal Plan repayments and using the Green Deal to count as credit towards ECO obligations to incentivise the able-to-pay market in energy efficiency. One respondent suggested that Distribution Network Operators should have a part to play to encourage energy reduction.

## 10. Any other issues

### Question

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| 18. | Are there factors that we have not identified that you believe will, or should, influence the future of the Framework? How might they influence it? |
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There were 50 responses to this question.

Several respondents used this question to highlight what they saw as existing problems with the Green Deal, such as complexity, interest rates being too high, the loan staying with the property on change of ownership or tenant, plus a range of issues that could deter investors (such as the lack of evidence to show that default rates on bills were very low and on misselling issues). Another group took the opportunity to return to issues they had covered elsewhere in responses.

A number of suggestions were linked with Green Deal but looked primarily beyond the Framework, such as needing to address the issue of generating consumer demand for energy efficiency improvements and striving for cultural change.

Some commented on the need to ensure suitable finance for the Green Deal, reduce risk and increase confidence for investors. There were several suggestions to this end, including publishing data to show bill default levels where there were Green Deal Plans, and establishing a Government guarantee of a return on investment. One mentioned the US scheme, PACE, as an alternative borrowing mechanism which could reduce the cost of private capital.

One respondent felt that there needed to be more of an explanation by the Government of what might be the future aims for the Green Deal, and whether it would be seen as a “flagship” scheme for energy efficiency, along the lines envisaged when launched.

A small number suggested what they saw as improvements to the effectiveness of the mandate on energy suppliers, with two saying all suppliers should be mandated, regardless of size.

Some suggested aligning Green Deal more with other schemes and vice-versa.

Other suggestions included the following:

- subsidising the cost of assessments, to encourage consumer interest;
- allowing more flexibility in repayments generally;
- providing a guarantee for part of the loan;
- providing a common software platform to underpin quality and to lower costs;

- enabling Green Deal to take account of the developing energy services market; and
- addressing problems faced by mortgage lenders in "possession scenarios" (where there might be problems with installations and they acquire responsibility for the debt).

### Question

19.	Are there any other opportunities to improve the Framework, not covered by the above?
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There were 40 responses to this question.

Some respondents used this question to echo, or draw attention to, what they had said elsewhere. These included comments on the general need for simplification, taking account of Each Home Counts, removal or flexing of the Golden Rule, needing a lower interest rate, mandating suppliers of all sizes and addressing lack of demand.

As with question 18, a number of suggestions were linked with Green Deal but looked primarily beyond the Framework, for instance on encouraging demand and proposing new energy efficiency schemes (such as a whole-house retrofit scheme funded by a levy dependent on consumption and efficiency levels).

Other suggestions made included the following:

- crediting Winter Fuel Payments to meters to offset Green Deal repayments;
- using contributions from the NHS to help fund repayments (the rationale being that warmer homes would lead to less demand on the NHS);
- changing the name of Green Deal; and
- enabling more effective aggregation of improvements so that Providers could make offers based on overall improved energy performance.

### Question

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| 20. | Are there any aspects of the Framework you wish to comment on specifically in relation to non-domestic usage of the Green Deal, not covered above? |
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There were 33 responses to this question.

There were no dominant themes. A small group of respondents were pessimistic about the prospects for encouraging interest from non-domestic consumers; a similar-sized group was more optimistic. A further set suggested that the subject should be considered in more detail at a later date – for instance, one said that non-domestic should be the subject of a separate review, and another said that Green Deal should be operating at scale for domestic consumers before moving on to tackling the non-domestic sector.

Those who were pessimistic about the prospects for non-domestic take-up provided numerous reasons, many of which related to the diversity of the sector. These included the following:

- many non-domestic customers were in rented properties, so were less likely to be interested;
- there may be layers of intermediaries, brokers and energy service providers involved, adding complexity;
- there is greater variance in energy used in similar properties, making assessment challenging;
- there are more frequent tenancy changes, and gaps between tenants (the implication being that this may make the Green Deal less attractive to either tenants or, if they are the bill payers, landlords);
- Green Deal may not be appropriate for large businesses, whilst for small businesses the challenges were often the same as for domestic customers.

Others, however, were more optimistic. One reported interest from a range of parties in non-domestic Green Deal, including landlords, property managers and finance parties.

Several focussed on ways to encourage more interest. Examples included:

- reducing business rates for those with Green Deal Plans or who have up-lifted their EPC rating;
- supporting a wider range of measures;
- removing the Golden Rule for non-domestic customers.

There was also a set of comments relating to assessments. For example, one respondent said there was a lack of understanding of how assessments are carried out for non-domestic properties, and how first year savings are determined. One respondent said funding calculation

## 10. Any other issues

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methods need to be re-considered. Another said there was no need for assessments for the sector, saying the applicant and Provider should be able to decide on measures, and that savings could be estimated with regard to the applicant's energy bills.

Finally, one respondent said there was a need to think through the redress system for non-domestic customers, noting that potential compensation amounts could be higher than in the domestic sector.

