
Local Supply Chain Pilots for Encouraging High-Quality Retrofit

Supplier day
12 February 2018

Aims for the day:

1. Explain wider context and details of proposed pilots to suppliers, to help inform future bids
2. Get a sense of what are realistic expectations for pilots from suppliers
3. Help shape the final tender requirements by understanding current market better

Structure for the day:

1. Procurement
2. Context of the project
3. Structure of project
4. Expectations
5. Lunch (13:00-14:00)
6. One to one sessions (14:00-15:00)

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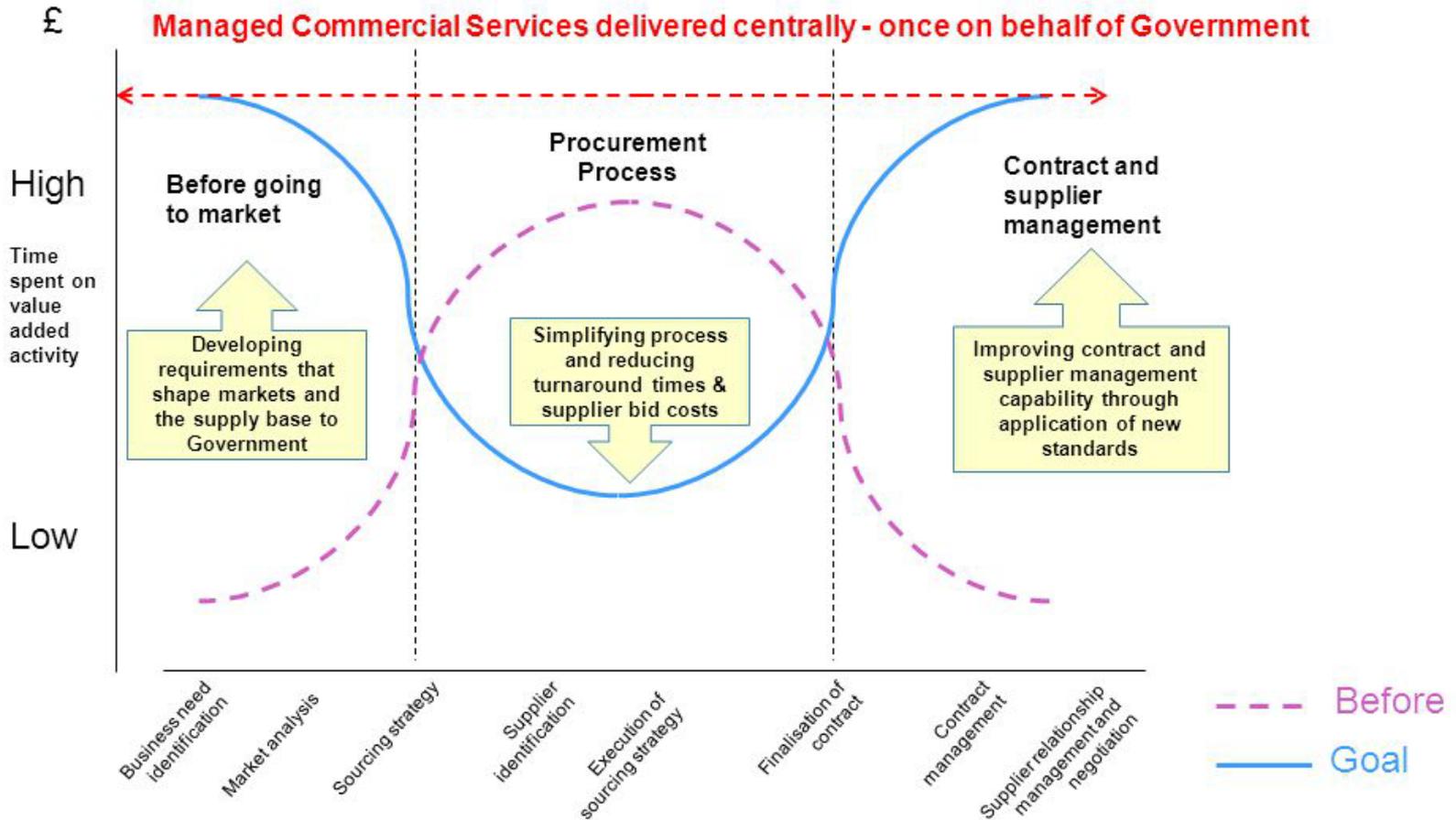
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New DNA for commercial activities



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Clean Growth Strategy

- Aspiration to get as many homes as possible to **EPC Band C by 2035**
- Consulting on **tightening standards on the private rental sector** over time, with an aspiration of Band C by 2030, and on setting an equivalent standard for social housing
- Extending support for home energy efficiency to 2028 at “at least” current level of **ECO funding** (£640m per year)
- Consult on improving **Building Regulations** for new build and existing housing
- Launching a call for evidence in spring 2018 on **extending EPCs to other trigger points**
- Implementation of the **Each Home Counts review**, and with the launch of a digitally-led successor to the Energy Saving Advice Service
- Publication of **“Boiler Plus” standards**, tightening standards on boiler efficiency and requiring other technologies like smart heating to be installed alongside
- Keeping with **European standards for products** beyond Brexit, and even exceed them when it’s in the UK’s interest to do so
- Launched calls for evidence on Green Deal reform, **building a market for energy efficiency**, and public sector energy efficiency



Building a Market for Energy Efficiency

- **Focusing on the owner occupier sector**
- **Build on existing home improvement market** : target people already likely to make improvements, make links to existing building trades and networks.
- **Coherent set of interlinking policies.** Accept there is no 'silver bullet' policy for improving energy efficiency. Cannot assume that new financial products alone will drive demand.
- **Cost effective:** Adopt policies which deliver savings at the lowest possible net cost to UK taxpayers, consumer and businesses
- **Policies must drive innovation:** to help bring down cost and develop solutions more appealing to householders
- Identified that levels of retrofit outside of government schemes are very low for measures like insulation.
- Government should explore the potential of allocating additional programme funding to third-party organisations to **provide support for local supply chain growth and coordination**



Barriers to the market

Low consumer demand



- Lack of quality installation and in turn lack of trust in the sector
- Lack of independent, tailored advice
- High hassle/disruption factor outweighs the perceived benefits
- Measures not seen as adding value to property

Low investment



- Difficulty in bundling small projects for investment
- Lack of certainty in savings
- Low trust in quality of measures
- Wider beneficiaries not incentivised/ forced to prioritise energy efficiency



Domestic Retrofit Program Structure

(this is now the US template recommended nationwide)

| PILLAR of Program Design | BEST PRACTICE |
|--------------------------------|--|
| Market Position/Program Design | <ul style="list-style-type: none"> • Survey existing programs, find niche. • Coordinate with local networks. |
| Marketing and Outreach | <ul style="list-style-type: none"> • Marketing creates awareness. • Individual outreach creates retrofits. |
| Workforce Engagement | <ul style="list-style-type: none"> • Involve the workforce in program delivery. • ‘Retrofit Coordinators’ to integrate supply chain. |
| Financial Incentives | <ul style="list-style-type: none"> • Help access existing funding. • Simplify applications and processes. |
| Data and Evaluation | <ul style="list-style-type: none"> • Use interim data to iterate program design. • Strike balance between stability and flexibility. |



US – Colorado Program

- Used ‘Retrofit Advisers’ to provide step-by-step assistance.
- Provided many types of training – both technical and non-technical.
- Projects delivered through loans were three times the size of self funded projects.

US – Michigan Saves Program

- Created 60 ‘sweeps’ - versions of the same program with slightly different outreach methods, funding levels, interest rates.
- Agreed suitable setup delivery model for each sweep with local workforce.
- Created stable longer term market in post program period.
- Also used ‘Retrofit Advisors’.



UK – Nottingham City Homes

- Took an area based approach. Created dedicated local office, standing team of at least 15 people.
- At any one time there were over one hundred people working on the scheme, on approx. 120 properties (25 new jobs per week with an approx. 4-5 week construction time).
- The office included a training centre where the EWI system designer gave bespoke training to installers (who were already PAS and CPS certified).
- Leveraged ECO and GD Communities funding.
- The designer was involved in the scheme from the start – most of the homes covered were 1930s houses that fit one of 7-8 property archetypes. This allowed bespoke solutions prior to the initiation of the scheme.
- Overall, the contractor claimed the economies of scale reduced costs from £10-12 thousand per property to £6,500.



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Structure of the project

- The funding awarded by BEIS will be used up by three organisations in different areas over one and a half years to test methods for building a sustainable model for driving retrofit in a local area.
- Each successful organisation will receive £330,000 in the first year and, depending on performance, the following £660,000 in the second year



Over 1.5 years, the programme will look to:



- **Build partnerships and networks** between Local Authorities, planners, community groups, banks, SMEs that are sustainable and continue in the post-funding period

KPI: Buy in achieved of local groups



- **Develop a clear offer or set of offers for consumers in an area** either through leveraging funding grants or securing lower interest rates from lenders.

KPI: development of clear offer



- **Generate further information about barriers and successful engagement routes** for different consumer groups, and different parts of the supply chain to inform national program

KPI: Clear provision of evaluation information



- **Develop a model and program that will sustain beyond the project period**
Contractors should aim to build a long-term funding structure

KPI: Sustainable business model plan



- **Build trusted brands and ensure quality retrofit** through the use of retrofit coordinators and performance management

KPI: Measures savings

KPI: Positive customer experience



- **Increase skills and awareness of retrofit amongst key sectors** by providing training and advice.

KPI: surveyed evidence of skills of local trades



- **Increase uptake of retrofit projects** by property owners in the project areas. In particular deeper retrofit

KPI: 'Conversion' rate of projects

KPI: Energy saved in homes



- **Decrease the cost of retrofit**, through bulk buying and trade, particularly for whole house works.

KPI: % reduction in costs achieved



The Structure of the consortia

Repair Maintenance and Improvement (RMI) supply chain and retrofit installers

- to generate leads for retrofit projects and to support upskilling to achieve PAS2035/ accreditation where appropriate

Assessors and trained retrofit coordinators

- To assess homes and make recommendations on measures to install



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Manufacturers of products/ local merchants

- To help secure bulk discounts for materials and equipment



Organisations who have interest in seeing higher rates of retrofit in their area

- i.e. Local Authorities; to seek wider branding, communications and additional funding for the programme.



The funding will be used by contractors to bring together different trades that are required for low carbon retrofit and also support retrofit coordination. In particular, the contractor will need to work with:

Energy Companies

- To engage consumers.



Financial Institutions

- To seek particular offers for financing retrofit improvements.



We've learnt lessons from past Government programmes ...

- The programme is an enhancement and not a duplication of existing efforts within the local supply chain.
- In the past, programmes like the Green Deal communities have only addressed the cost barriers. There is a great amount of evidence, from successful programmes, which highlight that addressing the non-cost barriers and engaging the local supply chain leads to higher number of retrofit uptake.
- Unlike past programmes, this programme of work will be specifically setting money aside for project management and integration of the local supply chain.
- This pilot will seek to address the gap of driving quality installations outside of ECO
- It will also be accompanied by other measures designed to stimulate demand, such as efforts to create a market for green mortgage products



Programme Scope

- The successful organisations will be responsible for coordination, trades matching and high skilled technical support, quality assurance, potentially through the use of third-party retrofit coordinators or measurement of actual performance of improvements.
- The funding should be used to fund the following specific things:
 - Labour costs of (around 3 core staff) involved in the project
 - Tools and materials to engage consumers about retrofit, research into the likely appeal of different offers.
 - Events to bring together different partners.

Out of Scope

- Although the funding will be used to fund labour costs, it will not be used to pay installers and contractors themselves
- The funding will not be used to fund the cost of the measures themselves, through grants etc.
 - Contractors will be encouraged to develop a clear consumer offer or set of offers by working with Local authorities to secure local or European funding or through working with lenders to secure specialised finance offers.
- Mobilising ECO funding (limited additionality)

2018

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----|---|-----|-----|---|-----|--|--|--|-----|-----|-----|
| |  Supplier day event | | |  ITT open and goes live | |  ITT closes |  Successful organisations rewarded contracts |  Pilots start - £330,000 | | | |

2019

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----|--|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|
| |  First review of programme and its spend | |  Second pot of money to successful organisations - £660,000 | | | | | | | | |

2020

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | |  Final review of programme begins | | | | | | | | | |

***These are all provisionally dates and BEIS will continuously review the programme informally throughout the 2yr period**

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Typical attributes for successful supply chain coordination

- Emotional intelligence and rapport-building
- Sales skills
- Understanding of planning process and building regulations
- Knowledge of energy policies, available support programs
- Financing knowledge
- Whole home building science knowledge
- In-depth knowledge about home construction and energy technology (e.g. insulation, air sealing, HVAC, air quality, etc.)
- Training and education skills (share knowledge with team and clients)
- Process management and attention to detail (good for QA)



Questions

- **Spread** - Do you agree with the proposal to split the funding into 3 pots, and to try and ensure a geographic spread across pots?
- **Funding** – will the amount of money being awarded – £1million per organisation, be enough to see supply chain coordination and retrofit uptake over a 1.5year period?
- **Timescales** – is 1.5 years enough to build self-sustaining partnerships and models
- **KPIs/ Objectives** – Are these the right ones, what level is achievable?



Thank you!

- **Next – Lunch (served here from 13:00-14:00)**
- **One to One sessions from 14:00-15:00**

***There is a form at the back, to sign up for one to one sessions, please put your name down for a slot.**

