Department of Energy & Climate Change

Research on the Green Deal Provider Market

Research instruments

June 2014

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The views expressed in this report are those of the authors, not necessarily those of the Department of Energy and Climate Change (nor do they reflect Government policy).

Contents

1. Green Deal Provider topic guide

Introduction (5 minutes)

Thank interviewee for their time

Introduce self and ICF International, as an independent research company

Explain purpose of the research: we are carrying out an evaluation of the Green Deal and ECO programme on behalf of the Department for Energy and Climate Change. We are in the process of speaking to up to 30 GD Providers.

Explain that this is an independent evaluation, and thus that the interviewee should feel free to be honest

Explain the purpose of audio recording, which is to ensure an accurate transcript of discussions.

Reassure interviewee that the discussion and the audio recording will be treated in confidence. Audio recordings and any written transcripts of interviews will be stored securely, and will only be accessible to staff from ICF International who are working on this piece of research.

Provide the interviewee with an opportunity to opt out, <u>in which case notes will be written up and sent to the interviewee for validation</u>

The Department for Energy and Climate Change will not have access to audio recordings of interviews, or to any written material where it is possible to identify interviewees.

The results of these interviews will be analysed and presented in aggregated and anonymised form, in a way that ensures that it is not possible to identify any single interviewee/ company.

Explain that the interview will last for no more than an hour and a half, but that the duration will vary depending on whether the interviewee has completed the on-boarding process, and whether they are active on the ECO Brokerage platform

Any questions?

Section 1: The process of becoming a GD Provider (45 minutes)

Your company and your reasons for becoming a Green Deal Provider (15 minutes)

Note to interviewer: this is for all GD Providers

- Please describe the structure of your company. Probe:
  - Are your GD Provider operations independent or part of a wider ‘group’ of companies? If so what is the nature of the ‘parent’ company?
  - How many people are employed at your GD Provider operations, and if relevant your parent company? If not known exactly, which of the following categories would you estimate:
    - 0-9 people
    - 10-49 people

    - 50-249 people
    - 250+ people
  - How has the size and structure of your company changed, and to what extent can this be attributed to GD and/or ECO?
- Can you briefly describe the origins and operations of your company (*note to interviewer: just the GD Provider operations, not the parent company*)? Probe:
  - Did your company pre-date the launch of GD, or was it established especially to deliver the GD? If launched, prior to GD, what were its main business activities? Probe: whether they specialised in installations; whether they specialised in any particular type of energy efficiency measure? (if not mentioned: probe PV); whether they provided consumer credit prior to GD, and if so what type of credit and to whom? Did they already have a Consumer Credit Licence when they started the authorisation process?
  - Would you say that your company currently specialises on any particular type(s) of energy efficiency measure? If so what? Probe: if they do have a specialism, ask approximately what proportion of their GD and ECO installations to date have consisted of this measure
  - Where within the country are you active (e.g. nationwide, regional, local etc.)? What happens if somebody from outside of your target area requests a GD quote?
  - Does your company deliver measures under the ECO programme? If so clarify whether this is under ECO Brokerage and/or through bilateral contracts with obligated energy suppliers? Check which of the seven obligated parties[1] they deliver for *Note to interviewer: specific questions on ECO are later, this is just to establish their ECO plans in a broad sense*
  - Was your company involved in the delivery of energy efficiency measures under the CERT or CESP initiatives?
  - Has your company been involved (or plans to be involved – clarify which) in the delivery of any other government-backed or led energy efficiency initiatives? Probe: Feed-in Tariffs (FiTs), Renewable Heat Incentive (RHI), other? If yes, in what capacity?
- Please provide an approximate estimate of the share of your <u>current</u> income that is derived from the following (note: your GD Provider operations and/or if more relevant the operations of your parent company):
  - Delivering under GD
  - Delivering ECO (if possible distinguish between ECO Brokerage and bilateral contracts)
  - Non GD or ECO related income
  - Do you expect these proportions to change significantly over the next 6 months, and if so how?
- Why did your company decide to become a GD Provider? Probe:
  - To grow existing market areas? If so, which ones (e.g. geography, particular energy efficiency measures)?
  - To expand into new markets. Probe: delivery of new roles within the supply chain, to offer finance, to install new types of measure, to reach new geographical markets

[1] British Gas; E.ON; Npower; EDF; SSE; Scottish Power; First Utility (note that they are not currently buying via ECO Brokerage)

  - To deliver ECO? Access to energy suppliers' business? What other business opportunities have become / might become available once you start working with an energy supplier?
  - Whether the decision to become a GD Provider was influenced by the RHI?
- What was your experience of the process of registering as a GD Provider? Probe:
  - Elapsed time and costs incurred by your business (staff time required, training needed, fees and other charges etc.)?
  - Your understanding of what was required of you. Did you access any advice/ support from the GD Oversight and Registration Body (ORB), for instance the GD Provider guidance? Did you access any other forms of advice/ support? If so how useful was this?
  - Did you experience any delays as part of registration? If so what were they, and what was the impact?
- Do you think that the registration process should be changed? Probe: perceptions of benefits and disbenefits of the registration process.

Applying to access credit from the GDFC (10 minutes)

Note to interviewer: verify exactly where the interviewee is within the GDFC process: not applied; applied and waiting; or approved – and select questions accordingly

Note: GD Providers who have not applied to the GDFC may not recognise the term on-board, which is the GDFC's term for applying to access credit from them. Adapt language accordingly

If they have <u>not</u> applied:

- Do you intend to apply to access credit from the GDFC in the future, and if so when?
- Why have you not applied to access finance from the GDFC (i.e. on-boarding)? Probe:
  - Whether they intend to finance energy efficiency measures via ECO instead?
  - Whether they have access to other sources of credit (e.g. their own, or credit provided by a third party? *Note to interviewer: access to alternative credit is discussed below*
  - Whether they feel they have the internal capacity (e.g. staff expertise, understanding of credit and risk) to provide credit to customers
  - Their views of the risks involved in providing consumer credit
  - Whether this is due to the characteristics of the credit provided by the GDFC (e.g. interest rate, loan terms, charges, the fact that commission is prohibited, repayment via electricity meters)
  - Whether anything could be changed about the GDFC's application process and credit provided
- Have you tried to access credit from other sources? Probe:
  - If yes, from what sources? How much, and what happened? If successful what were the terms and conditions (commission policy, interest rates, credit limit, other fees and charges), levels of customer coverage etc.? Why did you apply to the GDFC as well?
  - If no, why have you not sought to access credit from other sources? Do you consider the provision of credit to customers to be part of your business operations?

Note when discussing the development of finance packages that they cannot access GDFC finance

If they <u>have</u> applied (both ongoing and accepted), confirm exactly where they are within the on-boarding process

- What are your views on the on-boarding process ? Probe:
  - What were the main costs to on-boarding? Prompt: elapsed time and costs incurred by your business, including: staff time spent on application, staff training, staff recruitment, purchase of insurance warranties, other monetary costs and expenses).
  - Were these on-boarding costs in line with your expectations?
  - For those who have completed the on-boarding process, are there any ongoing costs? If so, what?
  - Main problems/ delays experienced as part of registration (if any)
  - Access to and adequacy of the assistance/ guidance provided by the GDFC
  - Do you have any ideas for how the process could be improved?
- What were your reasons for applying to access credit from the GDFC? Probe:
  - Whether they have access to other sources of credit (e.g. their own, or credit provided by a third party? *Note to interviewer: access to alternative credit is discussed below*
  - Attractiveness of the GDFC finance package (e.g. interest rate, charges, accessibility to customers)
  - Risk profile of GDFC loans (i.e. repayment through electricity meters)
  - The wider support provided by the GDFC (if any)
  - Brand/ profile of GDFC, and whether this has any influence on consumers
- *Interviewer: check whether they have been notified of their credit line, and if so verify the amount. If they have been notified of their credit line, probe:*
  - Do you think that this line of credit is sufficient? If not, why not?
  - If not, what impact do you think this will have on your ability to meet customer demand? Or on finance packages offered? Or on the volume and type of energy efficiency measures installed?
  - Do you think that the GDFC provides credit equally to all GD Providers? Probe: interest rates and charges, size of credit line
- Are there any features of the GDFC's credit that you find unattractive? If so what are they, and why do you think they are unattractive?
- Have you also tried to access credit from other sources? Probe:
  - If no, why not?
  - If yes, from what sources? How much, and what happened? If successful what were the terms and conditions (commission policy, interest rates, credit limit, other fees and charges), levels of customer coverage etc.? Why did you apply to the GDFC as well?

Registering with and selling via the ECO Brokerage platform (20 minutes)

Note to interviewer: verify whether the company has registered with ECO Brokerage, and if so whether they have ever tried to sell lots on the platform, and whether they have ever been successful

Also check answer above in relation to whether they deliver ECO via bilateral contracts with energy companies, and bear this in mind when asking questions

If they have <u>not</u> registered with ECO Brokerage

- Do you intend to register with ECO Brokerage in the future, and if so when?
- Why has your company not registered with the ECO Brokerage platform? Probe:
  - Views on the prices achievable through ECO Brokerage
  - Whether they perceive there to be risks in using ECO Brokerage, and if so what these risks are. Probe: views on the terms and conditions attached to a ECO Brokerage contract (e.g. % achievement rates[2]; Ofgem verification and claw-back in the event of rejection by Ofgem)
  - Whether they perceive there to be costs to registering and/or using ECO Brokerage (e.g. staff time, training required, other expenses), and the extent to which these are a deterrent?
  - The extent to which they understand how ECO Brokerage works (e.g. how they sell lots, the process of contracting under ECO Brokerage etc.)

Note to interviewer: check whether they indicated that they have (or intend to have) bilateral contracts with energy suppliers in order to deliver ECO. Check which of the seven energy suppliers this applies to. If they do have or intend to have bilateral contracts:

  - Why did they choose bilateral contract(s) rather than registering with ECO Brokerage? What are the perceived advantages (and disadvantages)? Probe: price differences, size of contracts, frequency/ regularity of work, risks, efficiencies of winning contracts etc.
  - Have they historically worked with the energy supplier(s) for whom they are delivering ECO via bilateral contracts?
  - Who initiated the bilateral contract(s)?
  - Why did you register as a GD Provider if you are delivering ECO via bilateral contract(s)? *Note to interviewer: they cannot use ECO Brokerage to get market information*

If they have registered with ECO Brokerage, <u>but have never tried to sell a Lot</u>

Note to interviewer: check whether they indicated that they have (or intend to have) bilateral contracts with energy suppliers in order to deliver ECO. Check which of the seven energy suppliers this applies to.

- Do you intend to try to sell a Lot via ECO Brokerage in the future, and if so when?
- What was your experience of the registration process? Probe: time taken to register, whether there were any costs incurred (staff time, expenses), whether there were any delays
- Why did your company choose to register with the ECO Brokerage platform? Probe:
  - To sell Lots and build relationships with energy suppliers (probe: which ones, and why)
  - To use the platform to gather market intelligence, in particular on prices. Probe: does this mean you never intended to sell Lots?
- Why have you never tried to sell a Lot via the ECO Brokerage platform? Probe:
  - The extent to which they understand how ECO Brokerage works (e.g. how they sell lots, the process of contracting under ECO Brokerage etc.)
  - Whether they perceive there to be risks in using ECO Brokerage, and if so what these risks are. Probe: views on the terms and conditions attached to a ECO Brokerage

[2] Sellers can deliver between 90%-110% of their contracted carbon/ bill savings and receive payment

contract (e.g. % achievement rates[3]; Ofgem verification and claw-back in the event of rejection by Ofgem)

  – If there are costs incurred when selling via ECO Brokerage, and if so what are they (e.g. staff time and expenses per Lot sold). Are these costs acting as a deterrent?
  – Whether they feel that there is sufficient market transparency? Whether further information on bid outcomes would be useful, and if so what information and how would this be used?
  – Their views on the prices achievable when selling via ECO Brokerage. Probe: do they think that prices are too low? If so why is this?

Note to interviewer: for those who deliver or plan to deliver ECO via bilateral contracts, probe:

  – Why did they choose bilateral contract(s) over selling Lots via ECO Brokerage? What are the perceived advantages (and disadvantages) of both mechanisms? Probe: price differences, size of contracts, frequency/ regularity of work, risks, efficiencies of winning contracts etc.
  – Have they historically worked with the energy supplier(s) for whom they are delivering ECO via bilateral contracts?
  – Who initiated the bilateral contract(s)?

- Have you used the ECO Brokerage platform to help your understanding of the market? Probe: whether they have looked at the prices, and if so if/ how they made use of this information; whether they have used information to assess the scale of demand from the energy suppliers; to inform bilateral contracts.

If they have registered with ECO Brokerage, and have attempted to sell a Lot

Note to interviewer: check whether they indicated that they have (or intend to have) bilateral contracts with energy suppliers in order to deliver ECO. Check which of the seven energy suppliers this applies to.

- What was your experience of the registration process? Probe: time taken to register, whether there were any costs incurred (staff time, expenses), whether there were any delays
- Why did your company choose to register with the ECO Brokerage platform? Probe:
  – To sell Lots and build relationships with energy suppliers (probe: which ones, and why)
  – Whether they intended to use the platform to gather market intelligence, in particular on prices
  – Whether they perceive there to be risks in using ECO Brokerage, and if so what these risks are. Probe: views on the terms and conditions attached to a ECO Brokerage contract (e.g. % achievement rates[4]; Ofgem verification and claw-back in the event of rejection by Ofgem)
- What determines your level of activity (i.e. how often you try to sell Lots) on the ECO Brokerage platform? Probe:
  – Perceptions of the behaviour of the energy suppliers (e.g. how much they are buying)
  – Perceptions of the behaviour of other GD Providers (e.g. how many are selling)
  – Demand signals from consumers and/or your own marketing/ promotional activities

[3] Sellers can deliver between 90%-110% of their contracted carbon/ bill savings and receive payment

[4] Sellers can deliver between 90%-110% of their contracted carbon/ bill savings and receive payment

  - Demand signals from your supply chain and/or the capacity of supply chain (including in-house installers)
- How do you calculate your selling price? Probe:
  - The various costs that are included in the price, and specifically how they treat installation costs (materials and labour). Have they ever asked installers to lower their prices?
  - Do you monitor the market (via market information on ECO Brokerage) and to what extent does this shape your price (e.g. what your competitors are selling at, what energy suppliers are buying at)
  - Have you ever bid lower than your costs in order to build a relationship with energy suppliers?
  - Whether they have changed their price over time, and if so why? Probe: in response to price signals from other sellers/ buyers; changes in installation costs
  - Whether they have attempted to introduce any innovations in order to reduce costs (e.g. by introducing cheaper products, through innovations in supply chain organisation). If not why not?
- *Interviewer: check whether they are also delivering ECO via bilateral contracts. If yes:*
  - How do you calculate prices for the delivery of ECO as part of bilateral contracts? Is the process the same as it is for ECO Brokerage, and if not why?
  - On a like-for-like basis, how do prices achieved under ECO Brokerage compare with those achieved under bilateral contracts? Is one higher than the other, and if so why do you think this is? Probe: whether there are administrative costs under ECO Brokerage; the impact of competition and blind bidding
  - Whether the prices achieved as part of bilateral contracts have influenced the prices offered via the ECO, and vice versa. Probe: have you altered the price of one on the basis of the other?

Note to interviewer: verify whether they have ever successfully and/or unsuccessfully sold a Lot via the ECO Brokerage platform (this information is in the data, but verify in order to introduce the next set of questions)

Thinking about the times when you were <u>unsuccessful</u> when trying to sell Lots via the ECO Brokerage platform:

- Why do you think you were unsuccessful? Probe:
  - What has typically been the difference between your price(s) and the successful selling price(s)? *Note to interviewer: try to get an indication of the typical order of magnitude (expressed in £ per tonne of CO^2).*
  - Are there any discernable patterns to your ‘success rate’: Probe:
    - Whether it varies by Obligation/ Lot (e.g. size of Lot)
    - Whether it varies between buyers
    - Whether it has changed over time?
  - Do you think that the ECO Brokerage market has become more or less competitive over time? What impact has this had on prices?
- Are you still attempting to sell Lots via ECO Brokerage or have you stopped? Probe:
  - If you have stopped, to what extent was this a result of your lack of success?

- If you are still seeking to sell Lots, has your approach been influenced by your experience (e.g. learning from watching bidding)?

For those interviewees who have at some point successfully sold a Lot via the ECO Brokerage platform:

- Have you ever successfully sold a Lot but subsequently experienced problems due to the price that you achieved? Probe: whether their price was too low, and if so what were the consequences?
- What might cause the default of an ECO Brokerage contract? What would happen in the event of a default?

Note to interviewer: check again whether they are already (or intend to) deliver ECO via bilateral contracts with energy suppliers, and note which energy suppliers they work with

- If **not at all**, has your experience of delivering under ECO Brokerage had any impact on your attitude to delivering ECO via bilateral contracts with energy suppliers? If not why not?
- If **yes**, probe:
  - To what extent has your experience of delivering via ECO Brokerage enabled you to build relationships with energy suppliers? Probe:
    - Whether they had ever delivered ECO via bilateral contracts before ECO Brokerage; whether they had any previous relationship with energy suppliers
    - What aspects of the relationship were developed (e.g. track record, trust, etc.)
  - Have you won bilateral contracts on the basis of these relationships? If so, with which energy suppliers? Were these contracts significantly larger than the ECO Brokerage contracts? Would you have won these contracts if you had not delivered under ECO Brokerage?
  - Roughly what proportion of your ECO work (by value) has come from contracts won through ECO Brokerage and what proportion has come from bilateral contracts?
  - Is the nature of the work delivered through ECO Brokerage contracts different from the work delivered through bilateral ECO contracts? Probe:
    - Size and duration of contracts
    - Types of customers/ housing
    - Geography
    - Types of energy efficiency measures
  - Are contracts won and delivered under ECO Brokerage more or less risky than contracts won bilaterally? Why is this? Probe: how do the terms and conditions of a bilateral contract vary to the terms and conditions of an ECO Brokerage contract? (e.g. % achievement rates[5]; Ofgem verification and claw-back in the event of rejection by Ofgem)

Section 2: The GD Provider business model (30 minutes)

Note to interviewer: check with interviewee whether they are delivering under ECO (Brokerage or bilateral). If not, omit all reference to ECO.

Your company's Green Deal and ECO supply chain (5 minutes)

- Can you please briefly describe the features of your GD supply chain? Probe:

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[5] Sellers can deliver between 90%-110% of their contracted carbon/ bill savings and receive payment

- Are any key functions carried out ‘in-house’, such as GD Assessments or Installations? If yes:
  - Why do you have these functions in-house?
  - Approximately how many Assessors and/or Installers do you employ directly?
  - Do you provide free GD Assessments, and if so under what conditions? Probe: whether Assessments are free if the customer employs them as a GD Provider
  - Do you still use external contractors or is everything carried out in-house? *Note to interviewer: if there are externals then remember to ask the questions below and also note that if they just use internal assessors, it still means they have to be open to customers asking them for a quote for a GD Plan based on an assessment done by an external assessor.*
- If assessors and/or installers are **not** in-house OR if they **also use** external contractors, probe:
  - How have you developed this supply chain of Assessors and/or Installers? Do you approach them, or vice versa?
  - Do you impose any conditions on the charging model of external Assessors and/or Installers (e.g. the type and size of fees the can charge)?
  - If and how Assessors are incentivised to refer customers to them as their GD Provider (e.g. by offering a free Assessment)?
  - Do you rely on the GD Quality Mark to ensure quality standards? Do you have your own in-house registration and/or accreditation schemes? If so why?
  - If you use both in-house and external Assessors and/or Installers, have you had differing experiences? Probe: the quality of their work, customer service standards, delivery costs, the risks to your company (e.g. warranties)?

Note to interviewer: verify again whether the GD Provider delivers ECO – either bilaterally or via ECO Brokerage

- If they do deliver ECO, does the company’s ECO supply chain differ from its GD supply chain? If yes, how? Probe: whether this is delivered in-house, whether the same Assessors and/or Installers are used.
- Is there a difference between the supply chain used to deliver ECO Brokerage contracts and the supply chain used to deliver bilateral ECO contracts? If so why?

Demand for GD Plans and ECO measures (10 minutes)

- Approximately how many enquiries would you say that you currently receive each month about GD Plans? How has this changed over time?
- How does your company generate leads for GD Plan quotes? What has been done to date, and what will be done in the future? In both cases probe:
  - Marketing and advertising (clarify what). How does this tie in (if at all) to DECC’s advertising activity?
  - Customer enquiries, in which case what has triggered these enquiries?
  - Referrals (e.g. by local authorities)
  - Whether some recruitment channels are more effective in generating leads than others? Whether there is variation in the quality of leads depending on the method?

- Do you target particular types of potential customer? If so how do you do this? Probe:
  - Whether you target particular types of households/ individuals (e.g. tenancy, credit rating etc.), and if so why is this?
  - Whether target particular types of particular types of building? If so why?
  - Whether target geographically?
- What are your views on the level and nature of demand for GD Plans?
  - Whether your company had modelled expected volume of GD Plans, and how reality has compared to these expectations
  - If/ how your company has changed your business model in light of demand
  - Whether you have a view on what has driven demand for GD Plans? What do you see as the key obstacles to demand for GD Plans?

Note to interviewer: verify again whether the GD Provider delivers ECO – either bilaterally or via ECO Brokerage

- How does your company identify households where ECO measures can be installed? Again, what are the main channels for generating leads (if any)? To what extent are ECO leads generated through GD (or vice versa)?
- What are your views on the level and nature of the demand for ECO measures ?

Your approach to developing a financial package for consumers (15 minutes)

Note to interviewer, firstly check/ recap the position of the GD Provider:

- Have they ever developed a financial package in response to a GD Assessment? Note: clarify which of the following this involved:
  - The development of a GD Plan *(which requires GDFC finance)*
  - Outside of a GD Plan (e.g. self-finance by customer, or some other form of 'energy plan' developed by the GD Provider). Clarify what terminology they would use. *Note this would not have involved GDFC finance*
- Have they ever developed a financial package to deliver ECO measures? *Note: this could include 100% grant support - the term financial package is being used in a general sense*
- Approximately how many financial packages have they developed within each of these categories, or if this is not possible then roughly what share of their total GD and ECO activity falls within these categories?

If they have not developed any financial package (either GD or ECO), then end the interview

If they have ever developed a financial package in response to a GD Assessment

- Please briefly describe the process through which you develop a financial package for consumers in response to a GD Assessment. Probe: who within your organisation is responsible; do you have a specific 'sales force'; where and when does the costing process take place? Do you use any software to assist you in the costing process? If yes, what? (clarify: Stroma, eTech, or another)
- ***Which of the following three types of finance*** have you included within your financial packages? In each case probe:
  - What the interest rate (APR) and fees are, and if/how they vary
  - *If third party finance (including GDFC):* whether they add a mark-up to the interest rate and/or fees charged

    - *If third party finance (including GDFC):* whether they charge commission
    - Availability to customers (e.g. determined by credit check)
    - Whether finance is targeted at particular types of customer (if so who)
    - Whether finance is targeted at particular energy efficiency measures

  - ***GD finance***
  - ***Credit that you provide*** (e.g. loan)
  - ***Credit that other organisations provide, but arranged by you*** (e.g. Barclays, Hitachi, local authorities etc.)

- How often do you offer Cashback as part these financial packages? For what energy efficiency measures? How much of an incentive is Cashback?
- Do you ever take into account finance available through other government-backed energy efficiency or renewable heat schemes (e.g. Feed-in Tariffs; Renewable Heat Incentive)?
- In your experience, what do consumers feel about the pricing of GD Plans? Probe: attitudes to debt finance; whether they think that finance is too expensive (e.g. interest rates) and whether this is acting as a deterrent; whether there are variations between customer types.
- Do you generate any other income as part of the development of a financial package for consumers? Probe:
  - Do you charge any fees to set up a financial package in response to a GD Assessment? If so what? Are the charges added to the loan (in which case does this affect the APR?) or paid upfront by the customer?
  - Do you add a mark-up to installers' prices?
- Have you changed your approach to developing a financial package in response to a GD Assessment? If yes, in what ways?

Note to interviewer: check above answer as to whether the company has developed an ECO-funded financial package. If yes:

- Have you ever blended <u>any</u> of these sources of finance with ECO grant funding?
  - If <u>no</u>, why not? Do you intend to in the future?
  - If <u>yes</u>, ***which ones***? In each case check:
    - Do you target this at particular types of customer? If so who?
    - Which energy efficiency measures would this typically involve (e.g. EWI)?
    - Are there any barriers to blending with ECO finance? If so what?
    - Is the customer aware that you have blended with ECO grant funding?
  - ***GD finance***
  - ***Credit that you provide*** (e.g. loan)
  - ***Credit that other organisations provide, but arranged by you*** (e.g. Barclays, Hitachi, local authorities etc.)

If they have ever developed a financial package to deliver ECO measures

- Please briefly describe the process through which you develop a financial package for consumers to deliver ECO measures. Probe: who within your organisation is responsible; do you have a specific 'sales force'; where and when does the costing process take place?
- How often do you offer Cashback as part your ECO financial packages? For what energy efficiency measures? How much of an incentive is Cashback in the context of ECO?

- Is there any difference between financing under ECO if done through bilateral contracts with energy suppliers or through ECO Brokerage? If so in what way and why?
- Do you generate any other income as part of the development of a financial package for consumers through ECO? Probe:
  - Do you charge any fees to set up a financial package for ECO? If so what? Are the charges paid upfront by the customer?
  - Do you add a mark-up to installers' prices?
- Have you changed your approach to developing a financial package for ECO customers? If yes, in what ways?

Section 3: Recommended Changes to the GD and ECO (5 minutes)

Note to interviewer: some of these issues may already have arisen earlier in the interview and should not be repeated. This is a chance to close off the discussion and provide interviewees with a final chance to identify their key recommendations

Recommended changes to GD/ ECO design and implementation (5 minutes)

- Do you think that any changes are needed to the following? In each case probe how these changes would work, why they are needed, and what impact they would have:
  - The design and operation of the Green Deal market, in particular:
    - Entering the market and getting authorised
    - Customer demand, marketing etc.
    - Designing and delivering GD Plans
  - The ECO Brokerage system and the ECO programme more broadly, including the role of the energy companies

Closing

Thank interviewee again for their time

2. Finance provider topic guide

Introduction (5 minutes)

Thank interviewee for their time

Introduce self and ICF International, as an independent research company

Explain purpose of the research: we are carrying out an evaluation of the Green Deal and ECO programme on behalf of the Department for Energy and Climate Change. We are in the process of speaking to a small number of organisations that do or could provide finance to GD Providers.

Explain that this is an independent evaluation, and thus that the interviewee should feel free to be honest

Explain the purpose of audio recording, which is to ensure an accurate transcript of discussions.

Reassure interviewee that the discussion and the audio recording will be treated in confidence. Audio recordings and any written transcripts of interviews will be stored securely, and will only be accessible to staff from ICF International who are working on this piece of research.

Provide the interviewee with an opportunity to opt out, in which case notes will be written up and sent to the interviewee for validation

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Explain that the interview will last for no more than 45 minutes.

Any questions?

Lending to consumers to pay for energy efficiency installations (15 minutes)

Note to interviewer: verify that they currently offer loans to consumers that could be used to pay for the installation of energy efficiency measures

- Where within your organisation does lending to consumers to pay for energy efficiency measures sit (what is the name of the business unit)? How important is this to your overall business (e.g. size of outstanding loan portfolio, % of loan portfolio accounted for by such loans)?
- What loans do you currently offer consumers that could be used to pay for energy efficiency installations? For each type of loan, probe:
  - The brand name used for this loan (e.g. Home Improvement Loan)
  - Who the loans are targeted at, and how these market segments are defined. If there is targeting, whether the characteristics of the loan vary by market segment (e.g. variation in APR, repayment terms etc.)
  - What the loan can be used for (e.g. whether there are specific types of energy efficiency measure that are covered)?

- Whether there is any security/ collateral taken? If so, what are loans secured against?
- The minimum and maximum value of the loan
- The minimum and maximum term of the loan
- The APR charged, and whether this varies (e.g. based on the amount lent, based on the customer profile)
- Whether there are additional fees (e.g. arrangement fee), and if so what they are
- What credit checks are applied, and approximately what proportion of people fail these credit checks.
- Can customers repay the loan early? If so are there any penalties?
- Is there any kind of warranty attached to the loan (i.e. to cover energy efficiency installations)? If not do you offer any linked insurance products to cover product failure? If not, in what ways is the consumer protected (e.g. against inability to repay loan, product failure etc.)
- Do you offer any kind of regulated advice to consumers as part of the loan?

- Can these loans be used to fund measures linked with the Green Deal or ECO? Probe:
  - If not, why can they not be used in this way? What restrictions are placed on them to stop this happening?
  - Whether they are or could be used as alternatives to the GDFC finance (if so under what circumstances)?
  - Whether they are or could be used in combination with GDFC finance (if so under what circumstances)?
  - Whether they are or could be used in combination with ECO funding (if so under what circumstances)?
- How do you disburse these loan(s)? For each of the loans identified above probe:
  - Whether customers borrow from you directly?
  - Whether you use brokers? If not, why not? If yes, why?
  - If brokers are used:
    - What types of organisations do you use as brokers?
    - How many are GD Providers, as far as you are aware? What are the pros and cons of using GD Providers as brokers?
    - Do you use any other GD supply chain participants as brokers? For instance registered Green Deal Assessor/ Advisor Organisations or Green Deal Installers? If no, why not?
    - Do you select brokers or do they apply to you?
    - What checks do you use in order to assess brokers (e.g. creditworthiness, fitness)? How do you think these checks compare to the GDFC's on-boarding process (as far as you are aware)?
    - Are brokers allowed to charge commission, and if so what would be a typical rate? If not then how do they earn income (if at all?)
    - How do customers repay loans?
  - What happens if customers default on loans? What is the default rate?

- What are your views on past, current and future levels of demand for loans to fund energy efficiency installations? Probe:
  - How many loan requests do you receive in an average month? How has this changed over time (particularly pre-GD), and how do you expect it to change in the future? What drives demand for loans to fund energy efficiency measures?
  - As far as you are aware, how many loan requests are connected with the Green Deal?
    - How many come via GD Providers?
    - How many come direct from customers in connection with a GD Advice Report?
  - Have you attempted to model demand for loans, including loans connected with the Green Deal? If so, has reality met expectations?
  - Whether you have a view on the level and nature of demand for loans under the Green Deal, and if so what has driven demand. Probe: role of energy prices, customer attitudes to energy efficiency

Setting up as an SPV as an ‘alternative’ to the GDFC (10 minutes)

- Have you considered setting up as an ‘alternative’ to the GDFC; that is, lending to intermediary organisations who would then on-lend to consumers to fund GD Plans?:
  - If no, why not? [*note questions on barriers to entry below*]
  - If yes, what happened? Probe:
    - Whether you met with DECC to discuss?
    - When was this?
    - What was the outcome?
  - Do you intend to set up as an alternative in the future, and if so under what conditions?. If yes, in what ways would your service offer differ to the GDFC? Probe:
    - Customer coverage/ targeting
    - Interest rate and other charges
    - Repayment mechanism (through electricity meters?)
    - If these are markedly different from your current loan offer, why would you act differently?
- What do you see as the barriers to entry as setting up as an alternative to the GDFC?
  - Set-up and maintenance costs (e.g. software, systems). Probe:
    - Whether you can use your existing systems?
    - Whether you could licence these from the GDFC?
  - The risks/ burden associated with providing a credit line to GD Providers. Probe:
    - The capacity and capability of GD Providers
    - The support/ advice that you might need to provide to GD Providers (including IT systems, loan documentation)
  - Demand for GD Plans. Probe:
    - Is there a critical mass of lending needed in order to justify this? If so what do you think this is? Can it be expressed in terms of Plans per month?

- Access to capital for on-lending. Probe:
  - From what sources would you be able to access capital, and typically at what terms?
- Does the GDFC have any kind of market ‘demonstration’ effect? Probe:
  - If not, why not?
  - Do you and/or the finance markets more broadly monitor the performance of the GD, and the GDFC more specifically?
  - If there is a demonstration effect, in what ways will this be manifested? Probe: cheaper access to capital for energy efficiency loan market, new market entrants
  - Would you have been interested in this market if it were not for the GDFC? If no, what effect did the GDFC have?
- What are the main risks/ opportunities in setting up as an alternative to the GDFC (where not covered earlier)? How do you assess the relative balance of risks/ opportunities, and what might act as a ‘tipping point’ in adjusting the relative balance between the two (e.g. demand, government policy, energy prices)?

Closing

Thank interviewee again for their time

3. Energy company ECO topic guide

Introduction (5 minutes)

Thank interviewee for their time.

Introduce self and ICF International, as an independent research company.

Explain purpose of the research: we are carrying out an evaluation of the Green Deal and ECO programme on behalf of the Department for Energy and Climate Change. We are in the process of speaking to up to seven energy companies who have obligations under ECO. The focus of this interview is on the experience of these energy companies as a buyer on ECO Brokerage.

Explain that this is an independent evaluation, and thus that the interviewee should feel free to be honest.

Explain the purpose of audio recording, which is to ensure an accurate transcript of discussions.

Reassure interviewee that the discussion and the audio recording will be treated in confidence. Audio recordings and any written transcripts of interviews will be stored securely, and will only be accessible to staff from ICF International who are working on this piece of research.

Provide the interviewee with an opportunity to opt out, <u>in which case notes will be written up and sent to the interviewee for validation.</u>

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The results of these interviews will be analysed and presented in aggregated and anonymised form, in a way that ensures that it is not possible to identify any single interviewee/ company.

Explain that the interview will last around 45-60 minutes.

Any questions?

Overview of contracting behaviour (10 minutes)

- How have you organised the <u>management</u> of the fulfilment of your ECO obligations (i.e. decision-making, strategy, audit/ compliance, reporting)? Probe:
  - Is there an internal team responsible for management? If so, how many people are employed to do this and has this changed over time?
  - Has management been subcontracted? If so to whom?
  - Does your approach vary between obligations (HHCRO/ AW, CSCO, CERO)? If so why?
  - Is this management approach the same as was the case for the delivery of CERT/ CESP? Did your management of CERT/CESP impact on your delivery approach for ECO? If so, how?
- How have you organised the delivery of your ECO obligations (i.e. installation of measures)? Probe:
  - Roughly what proportion of your obligations to date have been delivered via the following mechanisms?
    - Contracted via contracts awarded via the ECO Brokerage platform

    - Contracted via bilateral contracts
    - “Self-delivery” (i.e. installed by your employees)
  - What has determined these proportions? Has this been a predetermined strategy or has it been in response to circumstances?
  - Do these proportions vary between obligations (HHCRO/ AW, CSCO, CERO)? If so why?
  - How have these proportions changed over time? What has driven any changes in the use of different contracting mechanisms? Probe: role of ECO Brokerage in this (e.g. have relationships been developed that are now based on bilateral contracts)?
  - How do you expect these proportions to change in the future? If the proposed changes to ECO are implemented, how do you think that these proportions will change? Probe: effect of extension through to 2017, reduced CERO)and why?
- How have you modelled the delivery profile of your obligations over their lifetime? Do you have monthly, quarterly, and/or annual targets? What considerations have driven these targets (e.g. front-loading, back-loading)?
- As at the beginning of 2014, what proportions of your obligations had you already delivered/ contracted (under HHCRO/ AW, CSCO and CERO)?

Commissioning via ECO Brokerage contracts (20 minutes)

See note to interviewer on OP’s ECO Brokerage activity to date (number of contracts, volume, type of obligation, etc.)

- Why did your company choose to use the ECO Brokerage platform? Probe:
  - What are the advantages of the ECO Brokerage Platform? Probe: access to a range of installers; access to a competitive market; availability of market information; impact that ECO Brokerage has on the diversity of installers;
  - What are the disadvantages and risks of the ECO Brokerage Platform? Probe: ‘blind’ bidding and uncertainties; ability of installers to deliver if prices are too low
- Was there a process of ‘registering’ with ECO Brokerage, and if so what was your experience of this process? Probe: time taken to register, whether there were any costs incurred (staff time, expenses), whether there were any delays?
- Do you use the ECO Brokerage Platform to gather information about the market (e.g. prices)?
  - If not why not? Could the information released by DECC be improved?
  - If yes, what information do you collect? How often do you do this (including when you are not actively buying?)
  - How do you make use of this information? Probe: do you use this information to determine prices payable through bilateral contracts? Do you use this information in any other way (e.g. to monitor market delivery trends)?
  - Could the information released by DECC be improved?
- Is there a transaction cost to buying via ECO Brokerage? How long does it typically take to contract via ECO Brokerage, and how does this compare to commissioning via bilateral contracts?
- What are your views on the monitoring/ regulation of the ECO Brokerage Platform by DECC?? Do you think that the Platform operates fairly?

- What determines your <u>level of activity</u> (i.e. how often you purchase Lots) on the ECO Brokerage platform? Probe:
  - Whether the level of activity has changed over time
  - Progress towards meeting obligations and/or monthly/ quarterly/ annual targets
  - Perceptions of the behaviour of other energy suppliers (e.g. how many are buying)
  - Perceptions of the behaviour of GD Providers (e.g. how many are selling). Probe: do you think there is a competitive market amongst GD Providers on the ECO Brokerage platform?
  - Selling price on ECO Brokerage platform
  - Capacity via other delivery mechanisms (i.e. bilateral contracts, self-delivery)
  - How does the level of activity vary between obligations (HHCRO/ AW, CSCO, CERO)?
- What affects the <u>price that you will buy for</u> on ECO Brokerage? Probe:
  - Whether buying price has changed over time, and if so why?
  - Do you have an target average price? Do you have a minimum/ maximum buying price?
  - Prices achievable via other delivery mechanisms (i.e. bilateral contracts, self-delivery)
  - Do you factor in the risk of sellers not delivering Lots in the price you will purchase for?
  - How does price vary between obligations (HHCRO/ AW, CSCO, CERO)?
  - Will the proposed changes to ECO have any impact on the prices that you expect to pay for via ECO Brokerage?
- Have you ever purchased a Lot via ECO Brokerage but subsequently experienced problems with delivery? If yes, probe:
  - What was the nature of the problem? Probe: under-delivery and by how much (% of total); delays; compliance/ reporting problems (lack of/ inadequate evidence, rejection by Ofgem)?
  - What was the cause of the problem? Probe: capacity of GDPs to deliver; GDPs selling at an unachievable price
  - What happened as a result of the problem? Probe: was a penalty levied?
  - What was your experience of the standard terms and conditions for ECO Brokerage in the context of this problem?
  - How has this experience affected your approach to buying via ECO Brokerage? Probe: min/max purchase price; Lot size etc.
- Are you still purchasing Lots via ECO Brokerage or have you stopped? Probe:
  - If you have stopped, what were the reasons for it?
  - If you are still seeking to purchase Lots, has your approach been influenced by your experience (e.g. learning from watching bidding)?
- Have you developed any contractual relationships (bilateral contracts) with GDPs as a result of buying from them via ECO Brokerage? This could include increased work with a GDP that you already had links with, and/or contracting with a GDP that you had not previously worked with.
  - If no, why not? Probe: dissatisfaction with the performance of GDPs; company policy

  - If yes, how many GDPs? Would you have considered contracting with these GDPs bilaterally before, and if not why not? What changed as a result of your experience through ECO Brokerage?
- Has the ECO Brokerage Platform resulted in any innovation in the design and delivery of energy efficiency measures? Probe:
  - The ‘auction’ approach
  - Whether it drives innovation in product design/ delivery mechanism (e.g. to lower costs)
  - Whether this is within their organisation or within the industry generally
- Is there anything that you would like to change about the ECO Brokerage Platform? Probe:
  - Disaggregating CERO into Lots for Hard-To-Treat Cavities and SWI? If so why?
  - Inclusion of any more technologies within ECO (note: proposed inclusion of Easy-to-Treat/ standard cavities and loft insulation)
  - How will the proposed changes to the SWI target affect your approach to ECO Brokerage? Probe: will you use ECO Brokerage for SWI?

Commissioning via bilateral contracts (10 minutes)

- Why does your company deliver ECO via bilateral contracts? Probe:
  - What are the advantages of bilateral contracts? Probe: control over contracting arrangements; visibility of contractors
  - What are the disadvantages and risks of bilateral contracts? Probe: transaction costs/ negotiation time
- How are bilateral contracts commissioned? Probe
  - the process of selecting installers (e.g. existing relationships, tenders; criteria upon which installers are evaluated/ selected). Do you take account of Green Deal when contracting with installers? If yes, in what ways?
  - Do you think that the Green Deal has had any impact on the ‘market’ in terms of the number and profile of organisations delivering ECO?
- On a like-for-like basis, how do prices achieved under ECO Brokerage compare with those achieved under bilateral contracts? Probe:
  - Which is higher, and why is this? Probe:
    - Role of transaction costs
    - Role of competition/ blind bidding under ECO Brokerage
  - Whether/ how this varies between obligations (HHCRO/ AW, CSCO, CERO)?
  - Whether this has changed over time, and if so why?
  - How do you think prices will change in the future? What will be the likely impact of the proposed changes to ECO on prices under bilateral contracts?
- Are your bilateral contracts different to ECO Brokerage contracts, and if so how? Probe:
  - Size and duration of contracts
  - Reporting/ audit requirements
  - Perceptions of levels of risk
  - Treatment of under (& over) performance, penalties and clawback

  - Payment times. Probe: what causes delays in payment?
  - Whether there are variations between obligations (HHCRO/ AW, CSCO, CERO)?
- Have you ever experienced problems with delivery on a bilateral contract? If yes, probe:
  - What was the nature of the problem? Probe: under-delivery and by how much (% of total); delays; compliance/ reporting problems (lack of/ inadequate evidence, rejection by Ofgem)?
  - What was the cause of the problem?
  - What happened as a result of the problem? Probe: was a penalty levied?
  - How does this experience compare to your experience of contracting via ECO Brokerage? Probe: are problems more or less common under bilateral contracts? Why is this? Is recourse easier or harder under bilateral contracts?
  - Has this experience affected your approach to buying via bilateral contracts and/or your use of the Brokerage platform?

Self-delivery of ECO obligations (10 minutes)

Note to interviewer: check answers to overview section – do they self-deliver? If not, then ask:

- Have you considered self-delivery? If yes, are you planning to self-deliver in the future?
- How do they imagine their self-delivery will change if proposed ECO changes go ahead?
- Why have you not self-delivered ECO obligations? Probe: whether they have the capacity to do so (in terms of management and/or installation); whether they have a route to market; whether they perceive there to be disadvantages to self-delivery)

Then skip the following section.

- How do you manage/ implement the self-delivery of ECO obligations? Probe:
  - Do you employ surveyors (to carry out property surveys) directly? If so how many at present, and how has this number changed over time?
  - Do you employ installers (to install the measures) directly? If so how many at present, and how has this number changed over time?
  - Do these surveyors/ installers work exclusively on ECO? Do any also work on Green Deal?
  - Do you subcontract to surveyors/ installers (and if so if/how this differs from a bilateral contract)?
  - Are you able to install all ECO measures using direct/subcontracted installers?
  - Have you encountered difficulties in recruiting skilled surveyors/ installers, and if so has this affected particular geographies/ measures?
- How do you self-deliver ECO obligations? Probe:
  - How do you identify properties where ECO measures can be installed? Who does this (installers, surveyors etc.)?
  - Do you make use of Green Deal Advice Reports to identify ECO properties? If so how?
  - Do you carry out any marketing/ promotion? Use any referral mechanisms?
  - Do you target any particular geographical areas, types of customer/ property etc.?
  - Are some methods of identification more effective than others?

- When self-delivering ECO, do you ever take account of the Green Deal?
  - If no, why not? Probe: who do they think GD is aimed at, and is there overlap? Whether they as an organisation see GD as a market
  - If yes, in what ways? Probe: whether they would advise customers to consider GD; do they refer customers to a GD Advisor/ GD Provider?
- What are the advantages of self-delivery? Probe:
  - Price relative to other delivery mechanisms
  - Speed of response relative to other delivery mechanisms
  - Level of risk
  - Whether this varies between obligations (HHCRO/ AW, CSCO, CERO)?
- What are the disadvantages of self-delivery? Probe: costs/ rigidity of employing staff directly; access to routes to market; cost relative to other delivery mechanism
- Has your experience of contracting via ECO Brokerage and/or via bilateral contracts had any impact on your approach to self-delivery? Probe: whether they have increased/ decreased self-delivery on the basis of other contracting methods
- Has your experience of self-delivery had any impact on your approach to contracting via ECO Brokerage and/or via bilateral contracts? Probe: whether this shapes price, etc.

Changes to ECO Brokerage and ECO (5 minutes)

Note to interviewer: this is also a chance for the energy company to raise any other issues they might want to discuss in relation to ECO Brokerage.

- If not covered already, are there any changes that you would like to see made to:
  - The ECO Brokerage Platform
  - ECO more generally.
  - What are your views on regulation and oversight of ECO (e.g. by Ofgem)? Could this be changed?

Closing

Thank interviewee again for their time.

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