

Government response to the consultation on the Green Deal and the Energy Companies Obligation (ECO)

Purpose of Report

This report provides an update on the Government's response to the consultation paper on the Green Deal and ECO 1, which was published on 11 June 2012.

Summary

A range of points are covered in the Government's response. Consumer protection has been strengthened, and various operational issues and ways to reduce industry costs are covered and will be of interest to providers.

The total sum of money from the Energy Company Obligation (ECO) is expected to be around 1.3bn per annum. Of this 75% will be allocated to the carbon saving element and the remaining 25% to affordable warmth. The affordable warmth element is only available to poorer householders with a private tenure. The carbon saving element of ECO will be used to tackle harder to treat properties and is available to householders of any tenure.

The final proposals also include a new obligation of the carbon saving element called carbon saving communities, designed to target insulation measures in low-income communities.

Recommendation

That members note the report.

Action

As directed by members.

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Background

1. The government published its response to the consultation paper on the Green Deal and ECO on 11 June 2012. Local councils were the largest group of responders and the LGA also submitted a detailed response. The consultation closed in January 2012.
2. The consultation response highlights the potential for SMEs to get involved in the Green Deal and for the supply chain to create local jobs. DECC have a range of activities for SMEs and suppliers and there is potential for the LGA to add to this by looking at the role of local councils and LEPS to support SMEs. Tools and advice for elected members on this topic will form part of the LGA offer to councils on the Green Deal.
3. More detail has been provided on consumer protection and the assessment process. DECC have also provided high level advice about consumer behaviour, however this is still a gap on raising public awareness at the local level, and what the role of councils in endorsing the Green Deal might be. To avoid potential duplication and to help councils think about the level of control they will have in endorsing a commercial product, a Green Deal communication tool will also be part of the LGA offer to elected members and senior officers.
4. DECC has published a number of documents alongside the consultation response about the operation of the Green Deal. These will be of interest to councils who intend to become Green Deal providers.

Summary of main Points

5. **Consumer protection** has been strengthened. In advance of a visit the Green Deal assessor must declare their status and whether they are receiving any payment or commission. They must also request permission in advance for any additional services being offered, including sales. Further measures are also included to ensure that assessors are not pressured to convert quotes into sales.
6. Cold calling is permitted, but after consultation the government has strengthened the cooling off period. Measures to protect consumers with low energy use are introduced, in response to concerns that they would end up with higher energy bills. Consumers spending more than 10,000 through the Green Deal also have some protection, and the methodology has been revised, which will be of interest to providers.

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7. Interest rates and charges have also been reviewed, and again will be of interest to providers. Further details about handling complaints and the right to appeal are covered.
8. **Reducing industry costs** are covered and the detail of this section including updates on guarantees and warranties will be of interest to providers.
9. **Operational issues** covers the detail of billing arrangements, fees and data sharing. These are back office functions but will be of interest to providers.
10. **Revising the Energy Company Obligation (ECO)** provides further information on announcements about the extension of ECO. These have been trailed in advance of the consultation, notably in a speech by the Deputy Prime Minister.
11. In summary the total sum of money from ECO is expected to be around 1.3bn per annum. Of this 75% will be allocated to the carbon saving element and the remaining 25% to affordable warmth.
12. The **affordable warmth** element is only available to poorer householders with a private tenure, as initially proposed by the government. The measures available under affordable warmth have been extended and “any measure will be eligible for support if it reduces the notional cost of heating the property”. The proposed restrictions to limit availability to poorer household remain in place, reflecting the same super priority group that is used for existing CERT and CESP schemes. The LGA had argued for affordable warmth to be available to all tenures, and with a broader definition of need. This has not been reflected in the final shape of ECO, however there are significant changes to the carbon saving element.
13. The final proposals include a new obligation of the **carbon saving element** called **carbon saving communities**. “This is designed to target insulation measures in low-income communities defined using the bottom 15% of Lower Super Output Areas from the Index of Multiple Deprivation, or equivalent indexes in Scotland and Wales”. Around 190 million per year from ECO will be available to support this element of ECO. To ensure access for rural communities 15% of the carbon saving communities element must be spent in rural areas. The focus is on low income households in settlements with a population lower than 10,000, and meeting eligibility requirements on poverty. A wider range of measure will be available through carbon saving communities, and the government expects loft and cavity wall insulation to form the majority of installations.

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14. The **carbon saving element of ECO** will be used to tackle harder to treat properties and is available to householders of any tenure. In response to concerns through the consultation, the final design has been changed to include solid wall insulation and non-standard cavity wall insulation.
15. A brokerage system will be put into place to ensure “fair and transparent access to ECO subsidy”. A further consultation will be held over the summer on the brokerage scheme. This will be of significant interest to local authorities.
16. The response sets out the outline monitoring and evaluation arrangements with an initial evaluation at 6 months and a first year review in late 2013/early 2014. Timing for the implementation of the Green Deal is not changed and early October is confirmed as the start date. However, the consultation does refer to the complexity of some of the processes need to support the Green Deal, for example the collection of payments and not all of these will be in place by October 2012.
17. Changes to the Home Energy Conservation Act (HECA) are mentioned in the consultation response but no further details are provided. Further details on HECA are still awaited.