

Circle Anglia response to the Consultation on Energy Efficiency in Homes

Consultation questions

Q1: Do you agree with the level of ambition and the indicative pathway set out in this chapter? If not, why, and what alternative would you suggest?

Yes, the ambition of the project is reasonable. It accepts that there are challenges but does not really make enough allowance for the inertia any programme that attempts to change public perception will face. Particularly where there will be meaningful cost and inconvenience.

Q2: Do you agree with the Government's policy approach set out in paragraphs 1.31 onwards to achieving our ambitions on heat and energy saving?

No comment

Q3: How can the Government encourage people and communities to change behaviour to save energy? What is the appropriate balance between changing attitudes, and providing advice and information?

We take the view that a mixture of incentive and regulation would have the largest effect. Currently there is a considerable amount of information and grant provision in the public domain but take up of serious measures to reduce energy usage is very limited.

There is also the perception that energy efficient measures save money but the pay back is very long-term. For homeowners that aren't planning to stay in their current property for any length of time this might not be seen as a good investment.

The current public attitude to buying an efficient home is seen as a nice to have as opposed to a must have.

Additionally access to grants for microgeneration is complicated and relatively inaccessible and the firms accredited to install technology are few in number and often charge monopoly prices.

Q4: How can home energy audits be made most useful, and do you agree that the Government should use Domestic Energy Assessors, who have been suitably trained, to deliver them as widely as possible?

Yes, we agree that the current EPC related method is simple to use and SAP based assessment is an effective way to present results that are understandable and comparable. Domestic Energy Assessors are an underutilised resource and would be an effective assessment tool.

Not sure whether to add John that (Energy Performance Certificates) for homes that are being rented by private landlords seem fairly pointless. They cost (£50 – 75) and then the landlord does not have to follow up with any action to improve efficiency. Would it not be better to say all rented homes need to fitted with energy efficient bulbs,(Bulbs make no real saving)

Q5: Should the Government work with industry to develop accreditation standards for advice about, and installation of, energy efficiency technologies? What would be the best model for such a scheme, and why?

There is lack of information to educate choices for most people. In our experienced installers drive the installation of technologies that produce the greatest cash return for themselves not

the best level of efficiency for the customer (really? Oh yes !!). Payback periods are routinely misrepresented or concealed and the customer has little protection.

There is a clear requirement to regulate the industry, set clear standards for the information provided to customers and benchmark the quality of installations, perhaps on a Gas Safe Register regulation model. It is also a requirement for 'target prices' for various types of work to be made freely available and as part of being an 'accredited provider' you should have to give customers guideline prices.

A criticism of the Warm Front scheme is high prices from EAGA tied installers, however this was not borne out by the Audit Commission review. If customers had access to information on average prices then the fear of being taken advantage of would be reduced. Additionally grant aided works would then be less subject to overcharging. Do they not have to? (They can charge what they like !)

It is also the case that entry to the market place needs to be simplified with lower entry complication for firms wishing to operate in grant aided installation. We suggest that training and start up support be provided free to operatives and a wide range of firms. This will stimulate price competition and broaden choice for customers.

We would also like to see programmes encouraging young people to do apprenticeships in this area and would be pleased to work with the government on a pilot scheme.

Q6: Are the information, advice and support services provided by the Government to businesses effective in encouraging them to reduce their energy use and their CO2 emissions? What other types of support services are useful and how can these be provided cost effectively? Is there scope to do more on behaviour change through businesses and their employees? Please support your suggestions with evidence.

This isn't true. Big business are better at it than us by a mile! Small business watch costs. The services that are funded by the government such as the Carbon Trust and Business links are encouraging businesses to address this issue particularly where cost savings can be made.

The concept of CRC will ensure that this issue is brought to the attention of businesses that are not currently on board as carbon allowances have to be purchased. It might be argued that this does not go far enough however the CRC is, at least initially, complicated and time consuming to administer.

Perhaps a simpler system could be devised for businesses below the CRC registration threshold that raises the profile of energy use in commercial activities. It could be incorporated into the tax return process?

Q7: Are the existing commitments for public sector buildings sufficient for the public sector to fulfil its role in driving improvements and leading by example?

Our opinion is that the commitments are not well publicised or understood inside or outside the public sector. We are unsure if there are any real repercussions for public sector organisations that actually have an effect on staff and managers to alter behaviours. Repairs and investment programmes are routinely under funded, this means there is little real likelihood of measurable change unless investment is made to save energy and reduce emissions.

Q8: What will be the most effective way for Government to develop RHI and FIT policy so that combined financing packages of insulation, renewable heat and small-scale low carbon electricity technologies might be offered?

Q9: What action, if any, should the Government take to enable finance to be arranged for the higher cost energy efficiency and low carbon measures? Are there other

options the Government should consider? Please provide evidence to support your response.

1. The take up of these measures will depend on a mixture of encouragement and enforcement. If we accept that it is politically unacceptable to impose efficiency standards on home owners then a mixed approach is required.

For many householders the barrier to making substantial improvements is initial cost. Therefore any measure to reduce initial cost would be an improvement. For example zero VAT rating installation works would convince some people. Extending this idea further, perhaps it would be possible to have a negative VAT rate for energy efficiency works, essentially a tax credit for carbon reduction works.

Additionally the VAT rates for energy supplies could be adjusted so those who undertake works pay a lower rate or none for a period and those who refuse to improve their properties pay a higher rate to fund the revenue loss.

The current CERT regime means that energy companies are targeting families to meet their obligations. In the current economic climate it is probable that access to finance is a key reason for low take up of higher cost energy measures.

One idea might be for the government and energy companies to work with banks (particularly the ones where the government has a share) to provide low cost finance for home owners to make higher cost energy measures.

2. The private rental sector is one of the poorest performing in efficiency terms. As there is little incentive to improve, very many families vulnerable to the effects of energy poverty are trapped with little prospect of relief.

Therefore it makes sense from both an energy efficiency and a social welfare perspective to be far more robust with private landlords, many of whom can well afford to improve properties but choose not to.

All new lettings are currently required to have Energy Performance Certificates therefore it might be useful to set SAP targets for private lettings. Currently there is no pressure on the landlord to actually do anything with this information. If a target of say SAP 50 was set initially for all private lettings with an increase of 5 SAP points every five years until a minimum SAP of 65 was reached, then energy poverty would be reduced, works and jobs stimulated and carbon emissions reduced.

Private tenants would soon catch on to the benefits of more efficient properties. A possible downside is that tenants on housing benefits would subsidise some of this work but that is after all grant provision by a different route.

Landlords who fail to invest in improving their properties might be required to pay higher income tax on their rental income. This will also be likely to reduce demand for inefficient homes as landlords will initially attempt to pass the tax rise on to residents. Both these outcomes will have a positive effect on energy usage and the landlord clearly has a choice to improve or face increased letting costs.

3. In the social sector finances have been committed to Decent Homes compliance and new development for a considerable period. Many RP's business plans have been stretched by recent recessionary factors.

It is difficult to change the focus of delivery in the short term and recasting budgets and allocations is unlikely to develop significant resources to devote to efficiency works even in the medium term,

If it were possible to charge residents for improvements above decent homes standards then RP's could borrow against long term guaranteed income streams to fund expensive carbon reduction projects.

As the effect of these projects would be to reduce energy bills it would not be unreasonable to allow RP's the power to impose energy efficiency projects on residents, with proper consultation, provided there was a correlation between the reduction in energy bills and the amount of additional service charges.

4. Perhaps the Government might consider a borrowing vehicle similar to the Local Authorities Loans organisation which would keep rates low. RP's Boards will need to be assured that this investment is low risk and either supported by grants or recoverable through assured income streams.

Q10: What should the Government do beyond these initiatives to promote investment in energy saving and low carbon energy technologies in business and the public sectors?

Firstly reduce VAT to 5% or lower for these works. Perhaps this could be funded by VAT increases on energy bills for those who take no action with a sliding scale of VAT reductions based on better commercial EPC ratings.

This is a logical extension of the Carbon Reduction Commitment and would have the added effect of 'catching' more commercial organisations.

There are a number of free services provided by the Energy Saving Trust and the Carbon Trust for business and public sector. These could be expanded to include full-time secondments for businesses or public sector organisations that require them and can demonstrate a need for greater support.

Q11: Should levels of support through the Renewable Heat Incentive vary by technology and/or customer group? Are there any other ways of differentiating levels of support under the RHI?

We take the view that support should be targeted in various ways.

1. Those actually suffering energy poverty in whatever tenure.
2. The technology that provides the greatest reduction in emissions in any property.
3. A sliding scale of help with the poorest receiving the greatest grants.

It is the case that a majority of residents in the social sector are in the vulnerable groups mentioned above. It therefore makes sense to simplify the grant regime. Instead of complicated LCGP application procedures for grants RP's should bid for project funds through the Homes and Communities Agency as they do now for development funding. A simpler funding model is required.

Q12: How can we introduce the levy to fund the Renewable Heat Incentive so as to minimise suppliers' administrative costs and reduce uncertainty among suppliers of fossil fuels for heat?

Q13: Do you think that financial institutions, such as banks or other loan companies, would be an effective way of assisting potential small-scale heat generators (such as householders) with financing of the initial capital cost of renewable installations? What other considerations, if any, should be taken into account when determining eligibility for an up-front payment (for example, only generators with equipment below a certain size can apply, such as domestic customers)?

Given the financial sectors short term commercial pressures this could be challenging but we believe that there is a opportunity for banks to work in partnership with energy providers.

Any partnership and solution would need to be targeted at – actually why? All the help is going to low income families, what about middle income!?! Like us who might take up energy efficient measures with a very low cost loan.

It might be more effective to create a new type of low rate loan like a mortgage, which is attached to the property as a charge, either administered by a government agency or building societies.

Q14: How can we maintain demand for renewable heat technologies before we introduce the Renewable Heat Incentive?

See Q9 above. Lowering VAT and incentivising installation will maintain demand.

The industry as a whole will need to develop delivery capacity. Particularly if these works are to become mainstream and routine.

That capacity should be developed in a measured way over time if we don't want to over stimulate demand and create even more 'cowboy' installers than there are at present.

Q15: Do you agree with the proposal to continue with a CERT-type obligation until December 2012? Do you also agree that the proposed CESP framework should run concurrently to the same end date?

Yes, this is a system for delivery that, while not perfect, is delivering the limited funding available. But the CERT system should only be allowed against permanent alterations to buildings energy efficiency as opposed to short-term solutions such as energy efficient light bulbs.

16: Do you agree with our analysis of the potential impacts of a cap-and-trade approach to delivering energy efficiency in homes? Please support your answer with evidence.

No comment

Q17: Do you have views on the merits of moving to a different approach for delivering energy efficiency to households? Do you have other suggestions of alternative delivery models which might be effective in achieving our objective?

The current model is sufficient it just needs to be streamlined and easier to access funding and with greater access to a skilled, regulated workforce to complete the work required.

Q18: Would you support a voluntary code of practice on energy performance for landlords and/or builders? How high do you think uptake would be, and would it achieve much additional action? Please support your response with evidence.

Landlords

It is our view that SAP targets for both social and private landlords are a reasonable method of improving efficiency, not least because they will have a disproportionately positive effect on the least efficient properties. The Decent Homes Standard has improved the Social stock markedly. Given that measurable success there is no reason that, given time and support, the public and private sectors will find the resources to improve the national stock in energy terms.

Contractors

In view of the immaturity of this market and the limited number of accredited suppliers we support a mandatory code of practice and performance targets on a similar model to the Gas Safe register. However this needs to be balanced with making entry to the industry simpler and cheaper with support and training provided free or at low cost through accredited training courses.

Q19: Should we require marketing material for property sales and rental to feature the EPC rating more prominently? If so how? What delivery bodies or industry groups could be given access to the EPC database, and how could they make best use of it whilst ensuring that it is not misused? Please support your answers with evidence.

There is little evidence that EPC's or energy efficiency in general affect property purchase decisions, which are more driven by cost, location, appearance and other factors. Energy efficiency is not something that appears to be a strong driver either for owners or renters. The only way to have an effect is by raising the profile of efficiency either by incentive (grants) or negative factors, perhaps by raising VAT on energy supplied to inefficient privately owned homes. In reality raising the VAT on energy supplies to inefficient properties is likely to be far more noticeable in the public profile it achieves than in its financial effect, which will be a small increase in utility bills

Q20: Besides removing the threshold for consequential improvements, which will be considered in the consultation on changes to the Buildings Regulation in 2009, are there any other options for wider building regulation that you would like to see considered in the longer term? Please support your answer with evidence for the effectiveness of your suggestions.

Q21: Do you agree with the approach of conducting a review in 2012 to assess the effectiveness of other policies before considering further policy interventions for the energy performance of existing buildings? Are there other options you think should be part of our strategy? Please support your answer with evidence.

Yes we agree. It is vital to assess the effectiveness of the programme before investing any further funding in this strategy.

Q22: Do you agree that the Heat Markets Forum should consider regulatory arrangements for district heating to ensure consumer protection? Are there specific issues you think it should cover?

One of the areas of resistance to district heating was the fact that most installations did not measure the energy use of individual households. Therefore those who were profligate with energy were subsidised by their more responsible neighbours. This discredited the idea and was one of the main drivers for residents pressing to have their own individual systems.

New technology allows the measurement of heat use and proper apportionment of costs. Perhaps a code of practice should be introduced to ensure that systems are installed in such a way that the resident is billed for his own use and that management companies & landlords do not retain an unreasonable share of the savings at the expense of residents.

Q23: There are a number of ways to tackle commercial barriers to district heating. These include using the planning system and heat mapping, encouraging or requiring certain buildings to connect to networks and engaging property developers. Which of these options should be taken forward and why?

Currently one of the main problems with district heating is the method for recovering costs from residents. The technology exists to bill by calorie or therms but it is not well understood either by residents or landlords.

If there were a statutory framework allowing landlords to install district heating schemes, with proper safeguards for consultation and resident protection then high efficiency projects become far more viable.

District heating can achieve high efficiencies and will therefore save residents money as a result. When used with CHP or Biomass boilers then carbon reductions are very marked.

The second issue is cost, these solutions invariably cost more than simple systems and there is often a 'conversion' cost arising from new pipework & pumps etc, none of which can be recovered from residents or elsewhere. It is therefore difficult to make a compelling business case in the social sector.

It would therefore be an effective use of funding for these additional costs to be met by grants.

Q24: What are your views on the options for reducing the risks of poor returns on investment in district heating networks? Which do you think would be most effective and are there other more appropriate solutions?

There is some resistance to district heating as a principle. Not least because the Social Housing sector has spent many decades investing in the removal of shared heating plant.

This does work well in European countries, both social and privately owned properties connected to central boiler plant, including semi and detached housing.

There is an opportunity to substantially reduce carbon emissions using existing small CHP units retro fitted into blocks of social housing, new technology using smart calorimeter meters allows an effective distribution of costs and landlords benefit by not having to do costly servicing and arranging access for gas safety checks.

It is however highly capital intensive and moderately intrusive to change systems. There would have to be a cash or tax incentive to commit to the capital works, otherwise landlords will persist with existing provision.

Perhaps capital costs in this area could be offset against Carbon Reduction Commitment payments, or tax rebates against VAT payments.

Q25: Will the ETS and other policies, such as the Carbon Reduction Commitment and support for renewable combined heat and power, send a strong enough signal to encourage the development of CHP schemes and more efficient use of surplus heat? If not what measures do you believe would provide sufficient stimulus to accelerate new CHP capacity build? Can you provide evidence to support your view?

The CRC hasn't permeated the sector consciousness to any degree. There is some doubt as to whether many RP's will be required to register let alone contribute. Most of the smaller RP's will not have to comply with this.

If the application of CRC to the largest Social Landlords means in effect that they are being fined for their size and efficiency, perhaps it makes sense to extend the CRC to all landlords holding over a certain number of units, say 1500. This would level the field and prevent large organisations being made less competitive by having to tie up capital in carbon contributions.

Making the use of CHP and district heating more mainstream as an option relies on the costs being comparable to traditional boiler provision.

Q26: As electricity generation overall becomes much less carbon intensive than today, the advantages of CHP powered by fossil fuel in reducing carbon emissions will diminish,

although it will continue to be a cost-effective energy efficiency measure. When do you think CHP powered by fossil fuels will no longer help to reduce emissions because the alternatives are less carbon intensive?

The reduction in carbon emissions from central generation of electricity is outside the foreseeable future. The lead times for changing the proportion of electricity generation to low carbon sources will be so long that alternative technologies such as Micro CHP from gas powered fuel cell boilers will ultimately reduce the demand for centrally generated power.

That being the case, will generating companies be prepared to invest capital in renewables.

Q27: Should the Government do more to publicise the opportunities and benefits of CHP and surplus heat? If so, how should it do this, and which are the key audiences we need to reach?

Yes, many possible schemes do not proceed because there is a considerable up front requirement for increased investment. Without compulsion or incentives change simply will not occur due to commercial or budgetary pressures.

The private sector is struggling to act in any way that reduces carbon emissions if there is any cost attached. This is evidenced by the dismal performance of the building industry in producing properties for sale that are energy efficient

Q28: Do you consider such cooling technologies can play a role in delivering a renewable and low carbon energy mix? What opportunities exist for their exploitation in the UK? What further factors do we need to consider?

Heat producing industries tend, for obvious reasons, not to be located near to residential areas. This being the case heat transmission plant will only be funded from the public purse or through very long term contracts, like PFI's. As a result the low cost heat available is wasted.

Is there a funding route to develop heat distribution plant? Perhaps Regional Development Agencies should have their remit extended to use EU funding to invest in heat distribution networks. Where these networks are created planning law could make connection mandatory for new development and RDA funding could subsidise retro fitting laying supply pipes to residential areas.

Q29: Do you agree with our analysis of the likely impacts of the proposals in this document and in the associated impact assessments on:

- carbon dioxide emissions?
- energy prices?
- fuel poverty?
- security of supply?
- sustainable development?
- the economy?

Are there any other wider issues that we should consider?

Do you have any other comments on the Impact Assessments?

We believe that the analysis goes some way to predict the impacts. However, we believe that the government needs to go further, perhaps taking on board some of the ideas outlined in this document.