The Green Deal: watching brief: Government Response to the Committee’s First Report of Session 2013–14

Second Special Report of Session 2013–14

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The Energy and Climate Change Committee

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Appendix: Government Response

Introduction

The Green Deal is the Government’s ambitious twenty-year programme designed to deliver energy efficiency improvements throughout Great Britain on an unprecedented scale. It will make a significant contribution to the Government’s work to reduce carbon emissions. It is a long-term and progressive programme, providing real opportunity for business growth and with the interest of consumers at its core. While the Green Deal is in its early stages of operation, it is already encouraging consumers to take action to keep their homes warm and bills down.

We are very grateful to the Energy and Climate Change Select Committee for conducting its inquiry into the Green Deal programme and its report of that inquiry, *Green Deal: Watching Brief*, published on 22 May 2013. The Committee has made a number of important and helpful recommendations and this memorandum addresses those recommendations, constituting the Government’s response to the report. In the following sections we provide the committee’s recommendations in italics followed by the government response. These are in two main sections (objectives outcomes and monitoring methodology; and, monitoring progress) reflecting the structure of the Committee’s report. In some cases we will need to consider further how the particular circumstances of Scotland need to be reflected in our approach to data collection and evaluation.

Objectives, outcomes and monitoring methodology

2. *We hope that, in the spirit of open scrutiny, the Department will set out in its response to this report what the most recent projected outcomes of the Green Deal and ECO are. In addition to expected carbon savings, it would be useful to identify outcomes for DECC’s other objectives of the scheme (namely: boosting the low carbon economy, empowering consumers, empowering businesses, levering in new private investment, and ensuring consumer standards are met).* (Paragraph 16)

3. While it would be useful for the Department to set out projections for uptake of the Green Deal, we do not believe that it is appropriate to set targets. The Green Deal uses a market-based approach and so setting fixed targets could lead to hard-selling or even mis-selling in order to meet goals. This would be detrimental to consumers. (Paragraph 18)
The Government agrees that it is important to assess the success of the programme in terms of overall impact and also that setting fixed targets is not appropriate for what is a market-based approach.

The Government considers that saving carbon is the principal objective of the programme and has projected savings of 4.5 million tonnes of CO2 per year by 2020 through the Green Deal and the Energy Company Obligation (ECO). We recognise that this is a long term projection and that the Committee will want to understand progress in the shorter term. We can therefore confirm that our expectation for March 2015 is to see one or more energy efficiency improvement measures fitted in 1 million households whether through the Energy Company Obligation, Green Deal finance or other financing options (or, indeed, through combinations of these financing options). Consumer choice, including around the use of finance, is key to the success of Green Deal.

The Green Deal and ECO offer significant opportunities to boost the low carbon economy and the following numbers of companies have already been registered and approved to act under Green Deal as at 16 June 2013:

- 63 companies to act as Green Deal Providers
- 1254 companies to act as Installer Organisations
- 206 companies to act as Assessor Organisations

In support of these companies, the Government has made £3.5m available to support training programmes for assessors and solid wall insulation installers. We will continue to monitor numbers of accreditations and to publicly report on them. We have not set simple numerical aspirations for numbers of registrations as this would not reflect the rich diversity in the type and size of companies that we expect – and are already seeing – to want to become involved in Green Deal.

Our Impact Assessment included projections on numbers of jobs, namely that the Green Deal and ECO will support 39,000-60,000 jobs in the insulation sector by 2015 – an increase from 26,000 in 2011.

On empowering consumers, we see choice as critical and the numbers of companies that are participating under the Green Deal framework, as set out above, is very relevant. But it is also important that consumers have access to impartial advice that is available through the Energy Saving Advice Service (ESAS) that the Department of Energy and Climate Change (DECC) has set up and that they can seek redress, if problems are encountered, through the Ombudsman that we have put in place. Our response regarding the statistics on both these services is later in this memorandum.

The elements of the framework that empower consumers (and ensure consumer standards are met) will also empower businesses as consumer trust in the Green Deal is essential to take up. Therefore the ability of the companies that are registered under Green Deal to use the Quality Mark symbol is vital to those companies in terms of demonstrating that they are reliable and will deliver work to good standards.

The Green Deal and ECO will lever in finance from the Green Deal Finance Company (GDFC) as well as from other sources. Our projection for ECO spend is £1.3bn per annum
and the Green Deal Finance Company (GDFC) has a funding package of £244 million. We are tracking spend against both of these. Where consumers install energy efficiency measures using other forms of finance, understanding spending is more challenging. But there is information available to us that will help including: take-up of the cashback scheme; updates to Energy Performance Certificates that are lodged on the EPC database following installation of measures; and, sample surveys of what households have done following assessments. We have already undertaken one household survey. The results, published on 25 June 2013, can be found at:


4. We encourage DECC to finalise its evaluation strategy for the Green Deal as soon as possible. This is particularly important for areas where baseline measurements will be required to assess changes over time (such as energy usage before and after measures are installed). (Paragraph 22)

5. We believe that all of the methods outlined in paragraph 23 could form a useful part of a monitoring and evaluation programme for the Green Deal. Two in particular strike us as being particularly important: research that seeks to understand consumer experiences on a longitudinal basis (following the Green Deal process from start to finish) and expert assessment of actual energy usage and expenditure on bills before and after measures are installed. We recognise that these types of study can be expensive to carry out. We therefore recommend that DECC should attempt to coordinate its own evaluation studies with research being carried out by other institutions in this area, in order to maximise the utility of any data being collected. For example, the five End Use Energy Demand research centres that were announced in late 2012 could potentially contribute towards the evaluation process. Energy companies will also conduct their own monitoring. DECC should use the Low Carbon Innovation Coordination Group to ensure that research is properly joined-up and provides the maximum use to policy makers. (Paragraph 24)

6. While we recognise that there will be a time lag involved in collecting some data—such as measuring energy usage, which needs to take place over a number of years—it is nevertheless essential to carry out monitoring of impacts in the short-term too, so that any teething problems can be identified and ironed out at an early stage. (Paragraph 26)

DECC’s evaluation strategy covers both an assessment of the impacts of Green Deal and ECO and an assessment of the effectiveness of the delivery framework that has been put in place. A range of projects evaluating key areas of the delivery framework is envisaged, including projects looking at consumer experiences at different stages in the customer journey. The evidence gathered will enable us to help improve the efficacy of the delivery framework as it matures as well as monitor the impact of the programme over time.

As well as longer term work, we are aware that early investigation and evidence is also likely to be helpful. The research survey on the early assessment experience is referred to above. In addition, awareness of the Green Deal has been tracked since November 2012, and the findings of this research were published on 25 June 2013 and can be found at:
DECC is currently procuring a supplier to deliver the evaluation of the delivery framework. We acknowledge the Committee’s helpful advice on co-ordinating evaluation with research being carried out by other institutions. We expect the supplier to be in place in August and we will work with them to explore opportunities to join up with third parties where it is practical and cost-effective to do so.

**Monitoring progress**

7. We welcome DECC’s intention to monitor awareness of the Green Deal over time. We recommend that this research should include an evaluation of DECC’s marketing campaign and cashback incentive scheme to assess their effectiveness in raising awareness and stimulating interest in the Green Deal. The Committee would find the outputs of this monitoring and evaluation work useful in its scrutiny of the Green Deal and we hope that DECC will share this information with us in due course. (Paragraph 34)

The Government already has plans in place to evaluate the marketing campaign and cashback incentive scheme. The evaluation of the marketing campaign will be conducted over the summer and the cashback scheme will be evaluated once it has closed which will be March 2014, or earlier if the funds are depleted. These findings will be published in due course. As noted above, the first research findings on awareness of the Green Deal have been already been published. The Green Deal Household Tracker found that awareness of the Green Deal had increased from 10 per cent pre-launch in November 2012 to 22 per cent in May 2013.

8. We welcome DECC’s intention to regularly track the number of assessments carried out, number of Green Deal plans taken out and number and types of energy efficiency measures installed. (Paragraph 36)

9. **DECC should monitor the “drop out” rate at each stage of the Green Deal process. This will require the data collected by the Energy Saving Trust (on usage of the Energy Savings Advice Service), Landmark (on Energy Performance Certificates (EPCs) lodged as part of a Green Deal Assessment) and Gemserv (on Green Deal plans taken out) to be collated. DECC should ensure that data is collected in a consistent manner to ensure that it is possible to combine it at a later point in order to track households’ progress from start to finish of the Green Deal process. Alternatively, DECC could seek to monitor “drop outs” as part of the collaborative research process described in paragraph 24.** (Paragraph 39)

10. **DECC should seek to monitor the reasons for any “drop outs” along the Green Deal process. This data may help DECC identify any barriers to take up as well as to demonstrate the wider success of the Green Deal project if consumers are making efficiency improvements to their homes arising from a Green Deal assessment, without drawing on Green Deal Resources. The longitudinal research described in paragraph 24 could be used for this purpose.** (Paragraph 43)

DECC wants to be open and transparent and has issued Green Deal statistics on a monthly basis since March including numbers of Green Deal Assessments. Since June the statistics have also included Green Deal Plans taken out and ECO measures installed. We agree with
the Committee that this data is important, but we would emphasise again that there are a range of financing options for customers to choose from following a Green Deal assessment, not just Green Deal Plans. While assessments do not always result in plans, this does not necessarily reflect attrition from the process altogether, and we would challenge the concept of ‘drop out’. We also believe that it would be inappropriate to put too much weight on data on numbers of calls to ESAS as their nature varies considerably (we address this further below). But we do believe that it is important to understand the links between awareness, assessments, installations and, ultimately, carbon and bill savings. We will continue to monitor this through both quantitative and qualitative research. The research DECC published on 25th June covered consumers’ actions and intentions after having had a Green Deal Assessment and can be found at:


11. We welcome DECC’s intention to monitor carbon savings resulting from Green Deal and ECO. However, while data on estimated savings can be collected from EPCs, it is not clear to us exactly how DECC intends to measure actual savings. We recommend that the Department explains its intended methodology for this in its response to this report. (Paragraph 44)

12. It is crucial that DECC monitors whether the Green Deal and ECO are delivering carbon savings in practice (in addition to the estimated savings generated by the schemes). DECC should aim to measure carbon savings on an annual basis, starting a year after the launch of the scheme in 2014. Since this is not a straightforward operation and may require costly research, we recommend that the collaborative approach described in paragraph 24 be used to investigate this point. It is important that the right baseline measurements are taken ahead of a Green Deal or ECO package being installed to ensure that it is possible to make a before/after comparison. (Paragraph 46)

We agree that it would be useful to monitor whether the Green Deal and ECO are delivering carbon savings in practice. The Government will use data from the National Energy Efficiency Database (NEED) to monitor actual carbon savings resulting from Green Deal and ECO. This will require comparing energy usage in 2014 (i.e. post-installation) with that from pre-installation. There are necessary lags involved in this analysis and, as such, the aim is to make this information available – for installations taking place in 2013 – in 2016. We will also provide additional information from physical monitoring work taking place through other funding mechanisms, and information on carbon savings generated by some measures included in the Green Deal including cavity wall insulation, loft insulation and replacement boilers.

13. We recommend that the collaborative research approach outlined in paragraph 24 be used to monitor actual household expenditure over time and to investigate whether participating households are actually saving money in practice. (Paragraph 50)

We agree that it would be useful to monitor actual household expenditure over time. We are considering how to secure this information and the precise approach we take will necessarily depend on practicality and cost.
14. We welcome DECC’s intention to monitor the geographical coverage of Green Deal take-up and take-up among fuel poor consumers and carbon saving communities. We recommend that DECC should also investigate other distributional impacts and should monitor take-up by tenure, property type and socio-economic classification/income decile. (Paragraph 57)

Monitoring the coverage and take-up of the Green Deal is a central part of our research and intelligence agenda for the programme and therefore we accept the Committee’s recommendation to include distributional impacts. We will use a proxy approach on location to determine socio-economic classification. The first findings on distributional impacts were published on 27 June 2013 at:


The findings showed that:

- 84 per cent of GD Assessments up to end March were in owner-occupied properties (7,667), with the remainder split equally between the private rented sector and the social rented sector.

- 82 per cent of GD Assessments up to end March were in houses (7,550), 10 per cent were in bungalows (896), seven per cent were in flats (637) and two per cent were in maisonettes (141).

15. We welcome DECC’s intention to track consumer satisfaction with the Green Deal. We recommend that this should include investigation of: understanding and perception of financial savings achieved; experience of sales and marketing practices; experience and understanding of the assessment, quote and installation process; experience of customer service and redress processes; and experiences of consumers wishing to move home or settle early. There should also be a focus on the experiences of fuel poor and/or low income households to ensure that they are not being sold Green Deals inappropriately. The longitudinal research approach outlined in paragraph 24 could be used to investigate consumers' experiences of the Green Deal process. (Paragraph 65)

We welcome the Committee’s acknowledgment of our commitment to tracking consumer satisfaction with the Green Deal and the research published by DECC on 25 June on the early assessment experience is evidence of this. This research found that:

- The majority of consumers who had had a Green Deal assessment were satisfied with how long they had to wait for an appointment (76 per cent) and with the ease of finding an assessor (62 per cent).

- 75 per cent of households found the assessment useful and 77 per cent had confidence in the recommendations made by the assessor.

- Households were asked which things were made clear to them in either the Green Deal Assessment Report or in discussion with the assessor: 74 per cent said it was clear which energy saving improvements were recommended during the assessment, 64 per cent said it was clear what the improvements would entail and 61 per cent said the next steps were clear.
We broadly agree with the Committee’s recommendations on the elements of consumer satisfaction that should be investigated and that conducting research into the experiences of the fuel poor and/or low income households should be undertaken. We anticipate this will be part of the main evaluation. However, the methodology for this research will be decided as part of the existing procurement exercise and will be subject to coherence with the overall evaluation strategy and resource constraints.

16. The Committee would find the following information useful in its on-going scrutiny of the Green Deal:

• the number of calls made per month to the Energy Saving Advice Service (Paragraph 35);

Call numbers to the Energy Savings Advice Service have been high, over a quarter of a million calls since April 2012 and numbers received in April/May 2013 have more than doubled compared to the equivalent period last year. However, ESAS covers a range of issues beyond Green Deal. It is also the case that call volumes can tell different stories. Falling numbers for instance, could be a sign of a move to digital channels or more call handling by Green Deal Companies. We are considering how we can best organise this data.

• the number of unique visits per month to DECC’s Green Deal website (gov.uk/greendeal) (Paragraph 35);

We accept the Committee’s recommendation to make available information on the number of unique visits per month to DECC’s Green Deal website.

• the value of cashback incentives paid out per month (Paragraph 35);

DECC publishes as part of the monthly Official Statistics release the value of cashback incentives paid out per month and therefore accepts this recommendation. The latest Official Statistics showed that 5,118 cashback vouchers had been issued to 16 June. Of these, 968 cashback vouchers had been paid (following installation of measures) up to 16 June with a value of £263,452.

• the proportion of Green Deals that are taken out by individual households compared with organisations acting on behalf of individuals (such as housing associations and local authorities) (Paragraph 36);

We do not hold information on the proportion of Green Deals that are taken out by individual households compared with organisations acting on behalf of individuals and therefore cannot action this recommendation in the way envisaged. We are thinking further about the evidence in this area. As a proxy in the short term, we do publish quarterly data on the number of assessments by tenure, and in due course will publish quarterly data on the number of plans by tenure.

• the number of households that contact the Energy Saving Advice Service but do not go on to have a Green Deal Assessment (Paragraph 40);

The Energy Saving Advice Service (ESAS) offers impartial energy-saving advice. It is not a sales service and consumers call the service for a range of reasons including schemes
beyond the Green Deal. We do not hold sufficiently accurate information on the number of households that contact the Energy Saving Advice Service on Green Deal, but do not go on to have a Green Deal Assessment. Robust information would be disproportionately difficult and costly to obtain and the Government therefore does not accept this recommendation.

- the number of households that have an assessment, but do not take out a Green Deal Plan (Paragraph 40);

DECC already publishes Official Statistics on the number of households that have an assessment and the number of households that take out a Green Deal Plan, so this information is available. The data does require careful consideration. I have cautioned above that Green Deal Plans are far from the only option after an assessment. It is also necessary to take into account the likelihood of time lags between assessments being undertaken and installations being put in place. Some householders, for instance, may want to wait for other improvement works they are having done. On 25th June my Department published research on consumers’ actions and intentions after having had a Green Deal Assessment. The research is available here:


- estimated carbon savings per year from all Green Deal and ECO installations (Paragraph 47);

We intend to publish Official Statistics on the estimated carbon savings per year from all Green Deal and ECO installations from September 2013 onwards and therefore accept this recommendation.

- measured carbon savings per year from Green Deal and ECO installations (Paragraph 47);

We refer the Committee to my response on this on page 6. Estimated Carbon Savings from Green Deal and ECO installations will be assessed in the longer term using the National Energy Efficiency Database (NEED) to give an indication of actual carbon savings.

- the total expected lifetime bill savings for all Green Deals (£)(Paragraph 49);
- average measured annual bill savings for Green Deals undertaken each year (£)(Paragraph 49);

We can accept these recommendations but will need to make a proxy from actual carbon savings using data from the NEED database.

- the average interest rate charged on Green Deal finance per year (Paragraph 52);

Interest rates for Green Deal Plans are variable and will depend on a number of factors, ranging from type of measure installed to loan term. Neither the Green Deal Finance Company’s rates, nor those of Providers, are set by Government and publishing average interest rates could mislead and confuse consumers who may expect to get those rates. Therefore we do not intend to accept this recommendation.
• the average cost of a Green Deal assessment (Paragraph 52);

We cannot accept this recommendation. The Government does not hold information on the average cost of a Green Deal assessment and considers that obtaining this information would not be cost effective or necessarily beneficial to consumers. This is because there are a number of offers in the market which include plans where cost is off-set against work if works are carried out. This means that any information made available could be misleading.

• the proportion of Green Deal plans that incorporate the assessment charge versus those where it is paid up front (Paragraph 52);

We do not hold this information and therefore cannot accept this recommendation.

• the number of early repayments of Green Deal finance (Paragraph 52);

We accept the Committee’s recommendation to make this information available and will do so in the quarterly Official Statistics series.

• the total cost of ECO to consumers per year (Paragraph 54);

We can accept the Committee’s recommendation to make this information available, as far as possible, and will provide information on the costs of ECO delivery, but have to make the caveat that the data will be provided by energy suppliers and Government may not be able to fully verify it. It may be particularly difficult to gauge the manner in which costs are passed through to consumer bills, not least as different companies may adopt different practices.

• the proportion of ECO installations that have Green Deal co-financing (Paragraph 54);

We intend to publish Official Statistics covering this information.

• the proportion of ECO installations with no other form of co-funding (Paragraph 54);

We can only partially accept this recommendation as we do not hold robust data on whether any self-financing has been contributed and would need to obtain this through periodic surveys.

• the number of households per year that have been refused a Green Deal loan (Paragraph 58);

We expect to make this information available on a six monthly basis. There will be constraints in terms of accessing the full data, for example refusal at the point of contacting a Green Deal Provider. It should be noted that the data available may include cancelled loans in addition to refused loans.

• the number of households taking out a Green Deal plan broken down by socio-economic classification, income decile, tenure, property type, geographical region and urbanity/rurality (Paragraph 58);
We accept this recommendation. We will hold much of the data on this but we will need to undertake proxy analyses on location to determine socio-economic classification and urbanity/rurality. We intend to make this information available through our quarterly Official Statistics series.

- the number of homes receiving ECO funding under each of the three strands of the scheme (Paragraph 60);

DECC already publishes Official Statistics on the number of homes receiving ECO funding and will break this down by obligation in future releases. Provisional figures, which are subject to further checks by Ofgem, show there were 81,798 measures installed under ECO up to the end of April. Over 70,000 properties benefitted from one or more ECO measures being installed.

- a breakdown of the households receiving ECO carbon saving funding by income decile (Paragraph 60);

We do not hold this data but will be able to undertake proxy analyses on location to determine socio-economic classification.

- the number of complaints to the Ombudsman per month (Paragraph 66);

We accept this recommendation and will publish figures in due course.

- the number of compensatory financial awards required by the Ombudsman per month (Paragraph 66);

We accept this recommendation and will publish figures in due course.

- the number of disconnections related to a Green Deal charge per year (Paragraph 68);

We accept this recommendation. However, we won’t be able to determine whether disconnection is due to failure to pay Green Deal charge or any other element of the fuel bill.

- the number of accredited assessors and installers and the number of each working in the SME sector (Paragraph 71)

We recommend that this information should be collected and published by DECC.

We accept the recommendation regarding the number of accredited assessors and installers. However, the Government does not hold information on the number of assessors and installers working in the SME sector and will be dependent on surveys. We expect the Green Deal Oversight and Registration Body to publish information on this shortly.

Conclusion

This memorandum forms the Government’s response to the recommendations set out in the Committee’s report Green Deal: A Watching Brief. The Government has and will continue to regularly publish information on progress of the Green Deal, keeping the Committee and other stakeholders informed.