

Eaga Partnership Ltd

Response to “Testing domestic consumer take-up of energy services: trial suspension of 28 day rule – Decision document.”

March 2004

Eaga Partnership Ltd – Background

Eaga Partnership welcomes the opportunity to respond to Ofgem’s “*Testing domestic consumer take-up of energy services: trial suspension of 28 day rule – Decision document.*”

In order to put our comments into context, it may be helpful to briefly outline Eaga Partnership’s role in the provision of energy efficiency across the United Kingdom and Ireland.

Eaga is an employee-owned Social Enterprise working for Central Government, Welsh Assembly Government, Communities Scotland and Department for Social Development in Northern Ireland, Utilities and others. Eaga also fund the work of the Eaga Partnership Charitable Trust who sponsor and finance research into the area of energy efficiency, fuel poverty and rural poverty, housing and health impacts.

Eaga has been involved in the delivery of energy efficiency and demand side management programmes throughout the UK. Over 5 million households have received assistance from Eaga through our energy efficiency schemes and other programmes of work.

Eaga conceived, developed and proposed the piloting of the ‘Warm Zones’ concept, which is discussed within the UK Fuel Poverty Strategy. Warm Zones are one way to provide a joined up delivery mechanism to tackle the problem of Fuel Poverty. Eaga have now developed more cost effective Integration Programmes to achieve the same outputs.

Likewise, Eaga has developed and is delivering a Benefits Health Check Service on behalf of Defra, the Scottish Executive and shortly on behalf of the Welsh Assembly Government. This means we are currently tackling two sides of the fuel poverty triangle: low income and energy efficiency. This energy efficiency experience means that we are in an ideal position to respond to this consultation. We are also now investigating how Eaga can affect the third side of the triangle: the cost of energy.

During this time we have also worked in partnership with Local Authorities and Public Energy Suppliers providing energy efficiency measures to domestic households under the existing Energy Efficiency Commitment.

Amongst these, Eaga manage a £150 million programme with the leading UK energy supplier, British Gas, to deliver their EEC funding to the Social Housing Sector.

This national scheme has been branded “here to *HELP*”, and provides a one-stop shop approach to reducing fuel poverty in some of the most deprived areas of the UK.

Our experience in assessing client eligibility and work to be carried out for low income and vulnerable domestic households across the United Kingdom has provided Eaga with a wealth of 'hands on' experience in the implementation and delivery of programmes targeted at that sector.

We hope that our contribution will be useful in highlighting the ways in which a 'joined up' approach can ensure that the issue of energy efficiency is given the commitment it needs.

Specific points from document:

Eaga would like to seek clarification on why the previous consultation documents, included white good and tax breaks etc however these have been eliminated from this consultation document.

Within the consultation document it is apparent that the 'fuel poor' have been segregated, and Eaga would appreciate clarification on whether Ofgem are going to put similar practices forward for the fuel poor as those outlined in this proposal

Eaga seek clarification on how the Energy Audit will affect homeowners who take up the offer of an Energy Audit via this pilot and then following the launch of the Governments "Home Information Pack" aka "The Sellers Pack" find they have to commission a second Energy Audit, should they decide to sell their property i.e. do they have to partake in two energy audits, or will one cover both?

Eaga would also like clarity regarding the credit agreements, i.e. does the agreement end once the client leaves the property and has to pay the full outstanding balance then or can they transfer the debt onto their new property?

Eaga wishes to further add towards the importance of how the message(s) are portrayed to the clients and that any energy saved by installing the energy efficiency measures is not lost through improvements in thermal comfort, i.e. the householder is not turning up the heat to such a volume that it is counteracting the energy efficiency measures that have been installed to help reduce their bills and then to find that due to their levels of thermal comfort have actually used more energy e.g. electric, gas etc. and are then faced with an increased bill instead of a reduction in their bills.

Eaga are also aware that the way the whole service is packaged must include the options for fuel poor households as clients who are selected for the trial may live next door to people who come under the fuel poor category and for clients who could fall into the fuel poor category at a later date. Schemes such as Warm Front etc. should be included in the literature left with the client for any referrals or change in circumstances.

Eaga would like to know what Energy Efficiency measures are to be included as there is a vast remit of services that can be offered beyond insulation measures i.e. cavity and loft.

Introduction

Eaga Partnership welcomes the trial to test the proposition that removing the 28-day rule.

Timetable and responses.

Eaga have concerns that the timescales between the deadline for objections and Ofgem making the necessary modifications are extremely short. We hope that such deadlines will still ensure time for all objections and considerations to be taken fully on board.

Para 3.3.1. Background – ESWG research

Eaga Partnership agrees that apathy is a major problem and welcomes the commitment from Ofgem and Energy Suppliers to ensure that energy services are actively promoted.

We are a company who believe in the ESCO concept and feel that the way the whole package is portrayed to the client is crucial to its success. Eaga believes that an independent body should be commissioned to conduct an Energy Audit, an organisation such as the Eaga Partnership who can give an impartial survey with a full knowledge of the range of energy efficiency measures and will go some way towards avoiding “cherry picking”

Para 3.3.6. Eaga believe that face-to-face audits are vital if we are to overcome apathy. Our work with home assessors has demonstrated that these are an effective way for consumers to gain valuable advice.

These audits involve our home assessors carrying out an independent energy advice assessment, on a one to one basis with the clients. The emphasis should be on ‘low or grant aided’ measures which clients can carry out to save energy in addition to any measures which have been installed.

Para 3.3.7. To ensure that clients receive an independent audit and to protect all parties, Eaga believes that the way forward is for the pilot to run three separate facets, these being:

- *The Energy Supplier* e.g. British Gas, Powergen etc.
- *An Independent Energy Audit Company* such as Eaga who can fully assess any property and give an impartial Energy assessment on a full range of energy efficiency measures which will be both suitable for the property and the clients. To ensure customer confidence, a company which has a proven track record of dealing with clients in their home and who can be fully audited by any chosen body, should be selected. This approach will ensure that cost/prices are monitored to give the clients an agreed and competitive market price.
- *The Independent Credit Check Company.* This would facilitate the checking of all households credit to ensure that both the client(s) are covered and that the APR given is also reflective of the market. An organisation such as Eaga can also integrate a Benefit Health Check to enhance the service available to clients. Eaga also believe that an independent organisation will be reassuring to clients.

This independent approach will mean that clients get a fair, impartial price and service and will also be a mechanism to ensure that price monitoring can be maintained and that the Energy Suppliers do not inflate their APR following the signing of a contract or use impartial energy surveyors/processes.

This approach also re-enforces the ESCO philosophy by reassuring the client that they are getting a fair package that will take care of their energy/energy efficiency needs in a proposed monthly payment. Eaga also agree that it is paramount for prices to be preset, for a fixed period (e.g the first year), to ensure that a return can be shown to the client at the end of the first year. Providing the clients do not increase their “thermal comfort” too heavily to counter balance the savings from the energy efficiency measures.

Eaga are also sensitive to the fact that Energy prices are due to increase and that the clients need to fully understand the breakdown of energy price increases, thermal comfort and the APR for re-payments on the measures installed. If this is not conveyed correctly the clients will find themselves with higher bills despite the energy efficiency measures installed and tarnish the ESCO concept.

Ofgem's view

Para 4.11 Further to our earlier reference, we believe the best approach for the client is to have an independent body that can assess the energy efficiency measures needed and the full list of options to clients.

As suggested earlier, we further recommend the need for an independent credit check body that will also advise on the best options available. This body although independent, would be integrated with the other two bodies (energy audit and energy supplier) and thus help to guarantee the services success.

4 per cent/50,000 customer limit, two-year trial.

Para 4.14 Eaga would suggest that it is not necessary to postpone the trial as a result of the transformation from EEC 1 to EEC 2.

Definition of energy services.

Para 4.17 Eaga believe that for particular measures, calculating via the EEC methodology is the way forward. However we would recommend that there needs to be clear and concise guidelines for the calculations for all other energy efficiency measures such as fuel switching to ensure continuity and accuracy of carbon savings.

Eaga fully support any drives to help reduce carbon emissions, which is outlined in the Kyoto protocol however we feel that the main benefit to the amount of carbon credits saved will be more applicable to the Energy supplier, especially with the potential to trade carbon credits.

This is not to exclude the clients from this information as they may be fully aware of the need to reduce carbon emissions and may want to see on their statements what savings their energy efficiency measurers have contributed towards the global savings.

Audit

Para 4.19 Eaga accept that it is not necessary to conduct a home visit; however there are several points we feel should be mentioned. A home visit will reassure the client that they are receiving a quality and tangible service that can be questioned and answered via a fully qualified assessor. The alternative, of not visiting could also give rise to missed opportunities, which could take various forms from the loss of advice to clients losing out on a fully be-spoke service. The home visit will also identify a more accurate energy efficiency audit rather than audits done via other means i.e. via telephone, which could lead to complications later on.

Compulsory provision of credit.

Para 4.21 Under the ESCO banner we feel that the main philosophy is to make the whole process easy and to some degree cost effective to the client. With Eaga's suggestion of having two separate bodies from the Energy Supplier we can provide the client with consumer choice and also simplify the process. We would recommend that payments should then be integrated and manageable for the consumer, while still being fully separate from the Energy supply bill that they will receive in conjunction with the re-payments for Energy Efficiency measurers installed.

Requirement that customers should save money.

Para 4.34 We would suggest that the independent bodies, which we have proposed, would ensure the regulation of all the terms and conditions to make sure the client gets a fair contract.

Written quote and an second opinion

Para 4.39 We would refer to Para 4.34 and would urge careful consideration of the wording and presentation of the written quotation. In particular we feel that too much detail may make some customers feel saturated by information and lead to apathy, whilst those who are more environmentally aware, may value detailed information. Therefore we suggest that a 'happy medium' needs to be found, possibly offering customers the option between a detailed and a non-detailed quote.

Cooling off periods

Para 4.41 Eaga feel that there should be some form of 'cooling off' period. However, we would suggest that the priority should be aimed at reassuring the client that they are getting a good package and not a service, which locks them into a contract over an extensive period with no option to change their minds in the early stages.

The duration of this process is a secondary issue to the customers overall needs.

Termination.

Para 4.42 Eaga would suggest further clarification is needed regarding the termination charge. We believe that any confusion over termination rights and termination charges could lead to negative media and thus affect the ability of the trial to stimulate the market.

Written quote and an independent second opinion.

Para 4.51 Eaga believe that by having independent bodies that conduct the energy audit and credit checks this would avoid the need for second opinions.

Eaga feel that second opinions reassure the clients and are vital to the whole ESCO concept, this reassurance for the client means that they are receiving a full impartial service. We suggest that the second opinion, potentially an "ESCO Watchdog" could be accessed easily via the telephone, email, post etc and will not need to warrant another full survey simply clarification that the service and price are correct. This allows the continuity that the whole service is easy and "hassle free" to the client.

Enforcement and verification, and evaluation

Para 4.59 Eaga would highlight our response in paragraph Para 3.3.6. We welcome clarification of the evaluation, however would also recommend that the evaluation be carried out through the use of a home assessor. This 'human' touch allows for issues to be highlighted, which may otherwise be missed by a 'desktop' evaluation.

Process for setting up the trial – Procedures for collective licence modification (CLM)

Para 5.3 Eaga question whether the procedure for modification of the licence should be based purely upon percentage of objections. We would suggest that if an independent audit can be carried out, then this should be carried out on the basis of the quality of the objections, rather than a simple percentage analysis.

Options – Consumer clarity

Eaga would recommend that the wording of bills must be carefully presented. The fact that 'payback' from energy efficiency measures will not be measurable for the first year could cause consumer dissatisfaction with the trial.

The fact that there is no requirement that consumers actually save money also needs to be carefully presented. The ability to save money would be the biggest stimulant to the market and therefore it is important to ensure that the fact that this is not a requirement, is not perceived as a disadvantage.

Suppliers

Eaga would suggest that one way for energy suppliers to assess whether a property has cavity wall insulation, for instance, would be for energy suppliers to work closely with organisations such as ourselves and also local authorities grant schemes, in order to gain this information as part of the audit.

Distributional affects

Eaga feel that the way in which the service is offered to the clients should also encompass how those in "fuel poverty" can benefit from the services provided from schemes such as Warm Front. This is vital to ensure that no one is excluded including those (once affluent) clients whose circumstances change whilst still within contract.

Energy Service Contract

Eaga would like clarity on point 8 where the provision of "advice" is stated, as we are not clear if this is applicable to the 'energy advice' or any other advice?