

Energy Company Obligation (ECO3): improving consumer protection

Citizens Advice response to BEIS
consultation

August 2019



About Citizens Advice

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain. The service aims:

- To provide the advice people need for the problems they face.
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2018, Citizens Advice Service helped fix 174,000 energy problems through our local network and 39,000 through our Consumer Service Helpline. Our Extra Help Unit specialist case handling unit resolved 7,600 cases on behalf of consumers in vulnerable circumstances.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

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Summary

We welcome the government's desire to improve consumer protection for consumers installing energy efficiency technologies in their homes. The new TrustMark quality scheme, as recommended by the Each Home Counts review, is key in achieving this. We support the proposal that firms delivering ECO should belong to this scheme. The government also should set out plans for monitoring and feedback of the new scheme, to demonstrate that it is operating effectively and providing consumers with adequate protection.

Consumer protection and ECO

For too long consumers have faced risks related to installation of energy efficiency measures¹. The consultation document sums up these issues well:

There remain too many instances of poor-quality installations. We have seen the impact such installations can have; they can create problems with the integrity of buildings; exacerbate issues such as damp and mould leading to health problems, which in turn lead to the need for expensive remedial work... Ultimately, such poor practice can damage people's lives.

Calls to Citizens Advice's national consumer helpline² demonstrate the problems these consumers face and the serious impacts they have. We often hear from people who have suffered from damp in their property, where cavity wall insulation has either been installed badly, or shouldn't have been installed in the first place. While most cases of this type relate to cavity wall insulation, there are also a significant number relating to other technologies, notably solid wall insulation. Where things do go wrong, consumers have often struggled to get appropriate redress. We also see many problems with marketing and sales, related to misleading information cold-calling, pressure-selling and scams.

As the consultation points out, these problems "risk destroying consumer and investor confidence in energy efficiency retrofit". Many consumers contact us with questions about the legitimacy of the traders offering energy efficiency work. Householders report being put off by energy efficiency firms taking a 'hard sell' approach³. In focus groups we held in 2016, consumers spontaneously

¹ Dr Peter Bonfield, OBE, FREng, [Each Home Counts An Independent Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy](#), December 2016

² The [Citizens Advice consumer helpline](#) is a national advice service that gives consumers help with consumer problems

³ Citizens Advice, [Energising homeowners: Research into consumer decision-making on energy efficiency improvements](#), 2016

brought up reports about cavity wall insulation causing damp as a reason not to take action⁴.

Improving consumer protection is a prerequisite for the take up of energy efficiency and other home energy improvements needed to deliver the government's fuel poverty and carbon targets between now and 2035. Meeting these targets will require many more installations each year than at present. It will also require a greater proportion of more complex measures like solid wall insulation. If consumer trust is damaged then it will become harder and more expensive to meet these targets.

We agree with the consultation document that these problems result from "systemic failures across the market, including gaps in standards and skills". This echoes the findings of research we carried in 2015, and the Each Home Counts review, published in 2016⁵. The lack of a single quality mark made it difficult for consumers to identify trusted traders, to know who is ultimately responsible for getting things right, and to get help if something goes wrong. Certification bodies responsible for checking that installers and assessors met the relevant standards varied in their approach and had incentives to do just the minimum⁶. Standards and training did not necessarily ensure installers had the right skills to deliver high-quality measures.

The Each Home Counts review set out a range of measures that together could address these shortcomings. Many of these have been taken up by Trustmark. Key measures included:

- A single quality mark for all energy efficiency and low carbon home improvements
- A clear redress process with minimum timescales and minimum standards for guarantees
- Improved standards for installation, through improvements to PAS 2030
- Introduction of the retrofit coordinator role, through PAS 2035 to cover the whole lifecycle of a project from assessment, design, installation, and evaluation, to help avoid unintended consequences
- Improved compliance and enforcement, with stronger oversight of certification bodies

Making TrustMark a requirement of ECO is essential to ensure that consumers receiving measures through this scheme are protected and the issues outlined above are addressed. ECO is by far the largest source of home energy

⁴ Citizens Advice, [Energising homeowners: Research into consumer decision-making on energy efficiency improvements](#), 2016

⁵ Pye Tait Consulting for Citizens Advice [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#), 2015

⁶ Citizens Advice blog, [Warm homes without false economies](#), February 2017

improvements in Great Britain. Without requiring membership to participate in ECO, and in the absence of a demand-led consumer market outside ECO, there is little incentive for firms to join TrustMark.

The quality mark is an essential protection but it needs to be delivered in a cost-effective way, particularly as it will largely be paid for by energy consumers. Key to this is ensuring that the scheme delivers its aims. We support the recommendation of the BEIS select committee, that the government:

put in place the necessary monitoring and feedback mechanisms to ensure that the TrustMark scheme is operating effectively to provide consumers with adequate protection

Citizens Advice will be working with TrustMark and BEIS to feed in our insights from our consumer helpline to the development of monitoring of the quality mark.

The scheme should also seek to achieve its aims in the most cost-effective way possible. More targeted, joined-up and effective compliance and enforcement mechanisms could lead to greater consumer protection benefit for the same level of monitoring time and cost. However, we understand that cost increases are required to deliver the required levels of consumer protection. We are satisfied by the impact assessment that the proposed changes will not add excessively to consumer bills, provided that they deliver their aim of improved consumer protection. In the current scheme they will largely be offset by current scheme delivery patterns.

We welcome the introduction of the retrofit coordinator role, through PAS 2035. This addresses a key shortcoming in the existing framework. While retrofit coordinator is a new role, it is not necessarily a separate or new member of staff, and should not add an unreasonable burden on SMEs. However, the government should monitor the impact of this, and other requirements, on businesses of different size, and in different locations, particularly remote rural areas. We would also like more clarification on the anticipated costs of this function. The impact assessment implies the cost would be flat between different technologies (for example solid wall and cavity wall insulation), when these technologies could be expected to require different levels of oversight.

More detail is also needed on plans for technical monitoring. The technical monitoring carried out to meet Ofgem ECO requirements is currently an important part of the quality assurance framework for the schemes, although it is insufficiently joined up with compliance and enforcement measures. In principle we support moving overall responsibility for technical monitoring from Ofgem to TrustMark where it could be better integrated with the wider quality framework. However, BEIS and TrustMark should set out plans for this and how

any risks will be mitigated. Overall monitoring rates should be maintained and period of overlap between the two systems may be required to allow a smooth transition.

Beyond the TrustMark quality mark, to address consumer protection in this market, the government should:

1. Design energy efficiency schemes that are clear and consumer-friendly

The supplier delivery model used to deliver ECO can lead to a lack of transparency for the consumer about what measures are on offer, whether they will need to make a contribution to the costs and who is responsible for the installation⁷. In future, the government should design schemes to be more transparent and consumer-friendly, reducing the risk of confusion and consumer detriment.

2. Work to better understand the scope of the consumer issues with energy efficiency.

Work needs to be done to understand the extent of existing quality issues with home energy improvements and to help consumers affected. The Each Home Counts review focused on putting the sector on a sound footing for the future. But problems with insulation under previous schemes may be more widespread than is currently understood. These issues are invisible to the consumer and take many years to come to light. There is currently little clear evidence on the scale of problems under previous schemes and the redress needs of consumers affects.

Heat networks

Any heat network scheme that receives funding from a Government-backed scheme, such as ECO or the RHI, should be required to make arrangements that provide consumer protection equivalent to that found in the regulated (gas and electricity supply) sector.

In the short term, the government should require that heat networks and heat suppliers join the Heat Trust scheme, which sets out minimum standards for heat providers and a clear right to redress for consumers in case of any disputes. We think that consumers on heat networks installed through ECO should not be left without this level of protection and we are not aware of an alternative scheme or arrangement currently available that is adequate. However, the government should introduce a specific mandatory framework for protecting consumers on heat networks.

⁷Citizens Advice, [Citizens Advice response to BEIS's consultation on the Energy Company Obligation \(ECO 3\) 2018 to 2020](#), August 2018

New heat networks should also be required to sign up to the Chartered Institution of Building Services Engineers Heat Networks Code of Practice which covers the build and installation of the network.

Answers to consultation questions

Question 1

Do you agree with the proposal for the incorporation of TrustMark into ECO3 and, in particular, for installers to have to be TrustMark registered businesses to deliver eligible ECO3 measures, with the exception of Demonstration Actions and certain District Heating Systems (DHS) measures?

In particular, do you agree that the increased financial protection requirements under the TrustMark Framework should apply in respect of ECO energy efficiency measures (except demonstration actions and certain DHS measures)?

We agree with proposals for installers in ECO to be TrustMark registered.

TrustMark is the main initiative to deliver the Each Home Counts recommendations, which, as outlined above, are required to address serious shortfalls in consumer protection in the market for home energy technologies.

We agree that energy efficiency measures installed under ECO should be covered by the increased financial protection requirements set out by TrustMark. Financial protection was identified as a key consumer protection gap by the Each Home Counts review. The TrustMark appropriate guarantee criteria and financial protection requirements were developed to address this gap. Financial protection that meets these requirements should be a baseline that all consumers installing energy efficiency measures can expect. In the past, protection has been undermined by exclusion clauses and caveats in guarantees⁸. TrustMark and BEIS should work to ensure these do not persist or re-emerge within the current requirements. This should be supported by effective monitoring of consumer redress outcomes.

We understand the rationale behind the exemptions for both demonstration actions and district heat schemes. However, consumers receiving these measures through ECO should not receive a lower level of consumer protection. Our views on consumer protection in district heating schemes is outlined above. With demonstration actions, where firms are not covered by the TrustMark quality mark, BEIS should set out the consumer protection levels it expects from them, how this will be enforced and how outcomes will be monitored.

⁸ Pye Tait Consulting for Citizens Advice [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#), 2015

Question 2

Do you agree that incorporation of TrustMark into ECO3 is sufficient to demonstrate certification and compliance with the appropriate PAS standards?

We agree that TrustMark should be the route to demonstrate certification and compliance with the appropriate PAS standards. As outlined above, ongoing work is required to ensure that TrustMark delivers sufficient levels of compliance and consumer protection outcomes.

Question 3

Do you agree that incorporation of TrustMark into ECO3 is sufficient to allow all solid wall, cavity wall and park home insulation measures delivered under the scheme to receive the relevant standard applicable lifetime?

We agree that compliance with TrustMark appropriate guarantee criteria and financial protection requirements is sufficient to allow measures to receive the relevant lifetime score for that measure.

Question 4

Do you agree that underfloor and room-in-roof insulation measures should be accompanied by a 25 year or more guarantee under the scheme which not only meets the TrustMark financial protection requirements that apply to all ECO energy efficiency measures but also as a minimum meets the TrustMark “appropriate guarantee” criteria?

Yes.

Financial protection was identified as a key consumer protection gap in the Each Home Counts review. The TrustMark appropriate guarantee criteria and financial protection requirements were developed to address this gap. These requirements should apply to all products. We agree that guarantees for these products should reflect the lifetime of the product used for ECO scoring.

Question 6

Do you agree that, to the extent they would apply to demonstration actions and certain DHS measures exempt from the TrustMark requirements, the current ECO3 requirements should be updated to move to the new PAS standards (PAS 2035:2019 and PAS 2030:2019) subject to similar transitional arrangements to those set out in paragraph 15 above?

No.

We recognise the need for a transition period for the introduction of the new requirements, particularly the new PAS standards. However, the government

should look to speed up this transition if possible, and certainly avoid any lengthening of timescales. The recent BEIS Select Committee report highlights the need for timely action in this area:

Over two years after the publication of the Each Home Counts review, the Government has no excuse for the delays in implementing all of the 15 recommendations. The longer the Government neglects this issue, the more people are at risk from sub-standard interventions in their homes.

The government and TrustMark should ensure firms are not incentivised to delay accreditation and continue operating at a lower standard. As the impact assessment shows, firms complying with the higher standards of PAS 2035 will have higher costs. Unless they are prevented or otherwise disincentivised from doing so, firms would be discouraged from registering with these standards until the end of the transition period (and firms that go early would be disadvantaged). A shorter transition period would minimise this risk.

Question 7

Do you agree with our proposed amendment to remove the 400% uplift for replacement boilers delivered outside of the broken heating system cap?

Disagree

We agree that insulation and First Time Central Heating (FTCH) tend to be better long-term solutions to reducing fuel poverty than boiler replacement, in part because of the latter's shorter lifespan. But a functioning boiler has a crucial role in providing comfort and affordability of warmth for householders. Many vulnerable and low-income consumers are likely to require support for boiler replacement or they may have to take on unsustainable debt or live in dangerously cold temperatures. Beyond ECO there is currently no other nationwide scheme to help households whose boiler has broken and have no other way to heat their home⁹. In the ECO 3 consultation we responded that we considered the 35,000 broken heating system cap too low to provide support to these households. The government should set out what the impact of removing the 400% uplift would be, on numbers of boilers replaced and overall effectiveness of the scheme in tackling fuel poverty, which are not set out in the impact assessment.

Alternative measures we think should be introduced to address some of the problems associated with boiler replacements are:

⁹ Support for these consumers was provided by Warm Front in and is still provided by separate schemes in Scotland and Wales

- lifting the boiler cap where the householder is referred because of a health condition
- banning householder contributions, which have often been required for boilers in order to help consumers in genuine need receive support. As outlined elsewhere, the current approach, where householders are often required to help pay for boilers appear to prevent access for consumers in the most need¹⁰

Question 8

Do you agree with our proposal to change the measure lifetime assumption for first time central heating measures to 20 years?

Yes.

Support for FTC can be a highly effective measure in tackling fuel poverty, including as an alternative to broken or inefficient electric storage heaters¹¹. We agree that a measure lifetime assumption of 20 years is a more accurate reflection of the lifetime of a central heating system and would lead to a better distribution of support between this and other measures.

Question 9

Do you agree that first time central heating (FTCH) should be eligible in PRS EPC Band F&G rated properties?

Yes we agree that FTCH should be eligible in PRS properties rated in EPC Bands F & G. The cost cap on the minimum energy efficiency standards for these homes means that this is unlikely to be installed otherwise. However, the government should revisit these standards to raise the cost cap to £5,000, which would reduce the need for ECO to fund this measure.

Question 10

Do you agree that first time central heating (FTCH) should be included in the LA-Flex in-fill?

Yes, we agree with this proposal. FTCH can be an effective measure of combating fuel poverty. We agree that this can encourage the delivery of FTCH, which is normally most cost-effectively done on an area-by-area basis, for example through extension of the gas network¹².

¹⁰Feedback from bodies delivering ECO collected by NEA on behalf of Citizens Advice, see [Citizens Advice response to the Help to Heat consultation](#), 2016

¹¹ Citizens Advice, [Citizens Advice response to BEIS's consultation on the Energy Company Obligation \(ECO 3\) 2018 to 2020](#), August 2018

¹² Done through the Fuel Poverty Network Extension Scheme (FPNES)

However, the government ensure, through the LA flex mechanism, that information is collected to effectively monitor of FTCH measures delivered as in-fill, to understand the impact of this policy fuel poverty.

Question 11

Do you agree with our transitional arrangements for all proposed changes?

See question 6 on the transitional arrangements related to TrustMark.

Question 12

The Government invites views on the general requirements set out in this consultation and the illustrative draft of the amending ECO3 Order, once available.

No answer

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