



## **Community Energy Saving Programme (CESP) Consultation Response from the National Insulation Association**

This submission is from the insulation industry and has been produced by the National Insulation Association (NIA).

The NIA represent the manufacturers and installers of insulation products including cavity wall and solid wall insulation (internal and external solutions), loft insulation and draught proofing.

In our response we have only answered those questions that are relevant to us and where we have specific knowledge and information.

### **Summary**

- We support the idea of tackling the most deprived areas through energy efficiency and a whole house approach.
- Currently the CESP as proposed is overly complicated and very difficult to manage and there are far too many opportunities for gaming;
- CESP should focus on outcomes and not process. For example a bonus or uplift of savings achieved should be linked to the level of CO<sub>2</sub> reduction in the household and not the number of “measures” installed;
- The current CESP will have little impact on solid wall insulation – around 10,000 per year. Under EEC2 nearly 14,000 per year were undertaken and the CESP activity is unlikely to bring forward significant investment.
- CESP eligible measures should be restricted to the “expensive to treat” ones viz. solid wall insulation, fuel switching and replacing G rated boilers;
- The whole house approach can still be achieved as the energy companies will draw in other funds (e.g. CERT, Warm Front and the devolved equivalents) in order to achieve the CO<sub>2</sub> savings necessary in the property to meet the household CO<sub>2</sub> target and so qualify for the bonus (uplift of CO<sub>2</sub>) savings.

- Energy Companies should not be rewarded a “bonus saving” for carrying out a significant number of energy audits; instead the CESP approach should require a minimum threshold for the percentage of properties within the CESP area which have to be audited.

In view of the severe reservations we have about the current proposed CESP operational details, we have focused on alternatives to reach the Government’s objectives which we fully share.

### **Consultation Questions**

#### **Q.2: Do you have any comments on the partial Impact Assessment? Do you believe that there are other sources of evidence that could be used to help refine the assessment?**

The various Impact Assessments (IA) and their changing details are not correct with respect to pricing and are not consistent. However, as we believe the current CESP methodology is flawed, we would be happy to work with the Government during any revisions. We would also point out that a simpler model would result in a simpler IA.

#### **Q.3: Do you agree with the identified costs and the main groups on which they fall? If not, please explain why and suggest other costs which may exist and groups which may be affected.**

It is important to ensure that the assumed costs of measures are as accurate as possible and reflect the full costs of carrying out the work. In the case of solid wall insulation, the Energy Efficiency Partnership for Homes Solid Wall Insulation Supply Chain Review, April 2009 provides the most up to date and robust assessment of the costs of both external and internal wall insulation and should be taken into account. The NIA is unique in that we represent both internal and external wall insulation companies and we would be happy to work with Government in reviewing and refining the costs for these measures.

#### **Q.7: Do you agree that the scheme should be flexible to allow for the development of different forms of community partnership working?**

Yes. Flexibility is important as it provides the opportunity to test a variety of different approaches to the integration of funding, treatment of different property types and partnership working which will help to inform the development of programmes and schemes for the Heat and Energy Saving Strategy (HESS). However, it will be essential to ensure that robust monitoring and controls are put in place to enable the different approaches to be effectively evaluated and genuine lessons learnt.

At the Energy Efficiency Partnership for Homes HESS delivery seminar held on 6<sup>th</sup> May 2009, DECC officials put forward a broad range of potential delivery models the majority of which are not included in the HES Consultation. Therefore, it would seem sensible for Government to test a number of these options through the CESP. However, it will be important to ensure that this would not overcomplicate and delay the programme.

**Q8: Do you agree that it is reasonable to envisage that the natural incentives are strong enough to ensure an effective partnership approach for CESP? If not, why not?**

Yes. As 89% of the obligation under CESP will fall on the six large energy suppliers used to CERT, we believe that they will be able to manage alternative sources of funding as they have demonstrated in EEC and CERT.

**Q9: Do you agree that there should be a requirement for some form of evidence of Local Authority endorsement, such as a letter of support?**

Yes. At the pilot stage of CESP, a letter should be sufficient. This can be reviewed after the first 18 months.

**Q.10: Do you agree that CESP should target fewer homes but provide greater CO2 and fuel bill savings for homes targeted?**

Yes. Given that the aim of CESP is to provide learning for the development of whole house programmes and packages under HESS then it must be used as a vehicle to build industry and energy company understanding and capacity to deliver a whole house approach.

However, there are certain measures such as solid wall insulation which must be positively encouraged as there is significant scope and need for learning in this area given that there are around 7m properties with solid walls that need insulating. Therefore we believe that the range of qualifying measures in CESP should be refined and focus purely on the key expensive to treat homes measures to maximise the volumes undertaken and opportunity for learning. Within this consideration should be given to ring fencing the solid wall insulation volumes. We believe that this is a far simpler solution than applying weightings to different measures. Other measures such as cavity wall and loft insulation should be removed from the mix to avoid diluting funds for the more expensive measures and to avoid any unintended consequences that could arise from gaming. These lower cost measures can be funded from CERT, Warm Front etc.

**Q.13: The Government requests stakeholders to explain whether or not they support the inclusion of installing gas central heating in non centrally heated homes and provide evidence in support of their comments.**

The absence of central heating is strongly linked to fuel poverty and so we support the proposal. However, central heating should only be undertaken where full insulation measures have been installed first including internal and external wall insulation and draught proofing in addition to cavity wall and loft insulation. This would ensure that the central heating system is properly sized (and potentially lower cost) and deliver genuine additional carbon savings. The installation of central heating without the full insulation of the property would provide increased comfort but fail to maximise the carbon savings or minimise ongoing financial costs to the household.

**Q.14: What types of Solid Wall Insulation are available and what are their relative costs and CO2 savings?**

There are a wide range of external and internal wall solutions available. The Energy Efficiency Partnership for Homes Solid Wall Insulation Supply Chain Review – April 2009 provides the most up to date and comprehensive assessment of the products and costs.

However, as per our answer to Q.3, our membership comprises both external and internal wall companies and we would therefore encourage Government to work closely with the NIA and its members following the consultation to review and sense check this area based on the responses received.

**Q.15: Do you agree with the proposed list of measures available under CESP?**

No. Hitherto the Government's approach has always been to focus on the desired outcome and not individual processes required to reach that objective. This is why EEC and CERT have been so successful. Energy audits are an important activity but they do not necessarily guarantee the desired outcomes of lower CO2 emissions from the house and lower fuel bills for householders.

Consequently, we strongly disagree with the inclusion of Home Energy Audits/Advice in the list of measures available under CESP particularly if the carbon savings attributed to these would be in line with those proposed under the Amendments to CERT consultation. We have serious concerns over the scores proposed and the deployment of Home Energy Advice which are detailed in our Amendments to CERT consultation response. If however, Home Energy Audits were to be included in CESP then they should only be credited where a whole house upgrade is undertaken and not in isolation.

In terms of heating measures, as per our answer to Q.13, these should only be undertaken where full insulation measures have been installed first.

As per our answer to Q.10, we believe that the list of measures should be refined and focus on the expensive to treat homes measures to maximise the volumes undertaken in order to provide future learning to inform the development of the whole house approach under HESS. Within this consideration should be given to ring fencing the solid wall insulation volumes.

**Q.19: Do you think that our proposed bonuses for scoring measures encourage the delivery of a whole-house approach? If not, please explain why and offer an alternative set of incentives.**

No. See our answer to Q.20.

**Q.20: Do you agree that this scoring system will encourage the delivery of measures that will meet the CESP objectives of reducing CO2 and fuel bills? If not please explain your reasons and offer an alternative methodology.**

No. The proposed scoring system is far too complicated. This complication and complexity could delay the introduction of new CESP schemes, produce unpredictable outcomes and could be subject to gaming. We see no reason why the CERT scores for CO2 savings should not be adopted for CESP (this includes the uplift factors).

The stated objective of CESP is to reduce CO2 emissions and fuel bills. The proposed scoring system with its range of uplifts and reductions will distort the outcomes. We would recommend that you base the scheme on CO2 savings and refine the list of qualifying measures, focusing on expensive to treat homes measures which have a significant correlation with fuel poverty and those measures where maximizing volumes is important in generating learning such as solid wall insulation. In the case of solid wall insulation which is the key measure within the CESP programme consideration should be given to ring fencing the volumes. Measures such as cavity wall and loft insulation should be excluded from CESP and funded from CERT, Warm Front etc. to avoid diverting funding and diluting the number of high cost measures.

We would also propose that a minimum threshold of carbon savings per dwelling be introduced so that the schemes address a challenging set of properties. To encourage a whole house approach we would recommend that a bonus be applied to the CO2 savings per property above the agreed threshold level. This would incentivize the installation of multiple measures and remove the potential for gaming and marginal 'step effects' associated with adding low effectiveness measures.

**Q.21: Would uplifts on a points score, proportional to the density of homes reached or measures introduced, encourage intensive action within a targeted area?**

No. It runs the risk of very high selectivity in the choice of CESP area which will not therefore be relevant to a later mass roll out. As explained above, CESP should focus on improvement per household and auditing a significant proportion of these in the CESP area should be a requirement.

**Q.22: Do you think any of the described options will deliver intensive action in specific areas? If so, which option do you favour? If not, please explain your reasons and offer an alternative.**

As outlined in our answer to Q.20 this seems a very complicated and artificial way of encouraging a specific outcome and adds to the complexity of the scoring system. This complication and complexity could delay the introduction of new CESP schemes, produce unpredictable outcomes and could be subject to gaming.

Therefore we would propose that DECC specifies the outcomes it is looking for and this is included within the scheme criteria and guidelines. These would then have to be adhered to by energy suppliers and generators.

**Q.23: Do you agree CESP should use the income domain of the Index of Multiple Deprivation as the measure of income deprivation? If not, what should be used and why?**

Yes.

**Q.25: Is the assumption that suppliers and generators will themselves have to bear the whole cost, or the very great majority of the cost of the measures which they deliver a reasonable one? If not please state why.**

It is reasonable to assume that energy suppliers and generators will be seeking to maximise funding from social housing providers to minimise the cost of delivering the programme. As evidence we would point out that in EEC2 the average share of the cost of solid wall insulation to energy suppliers was 15% - the other funding came from "third parties" which in reality was social housing providers.

Consequently, the current assumption on energy company share of solid wall insulation costs in CESP is wrong although the need to treat non social housing properties within the CESP approach will mean a higher contribution than pertained in EEC2.

**Q.29: Do you agree that CESP should run from autumn 2009 until December 2012? If not what other option do you prefer and why?**

Yes. Although as outlined in earlier questions it is essential that the scheme and scoring system is simplified so that schemes can get off of the ground as quickly as possible. We see no reason why the CERT scores for CO2 savings should not be adopted for CESP (this includes the uplift factors).

In addition, planning for the 'CESP' post 2012 needs to begin well in advance of December 2012 and therefore it is critical that CESP schemes get underway as quickly as possible to provide the necessary learning. To this end energy suppliers and generators should be required to report on progress with their schemes throughout the period as opposed to reporting results at the end of the programme as is the case with CERT.

#### **Other Points**

- In view of the need to reconsider the philosophy for CESP, we would recommend that DECC arranges a special post consultation working session with key players, including the insulation industry via NIA to agree a common way forward.
- A robust mechanism also needs to be introduced within the monitoring of the CESP to avoid double counting of measures and savings between programmes for example CERT and CESP which both include solid wall insulation.

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