

Community Energy Saving Programme (CESP)

May 2009

Northgate Public Services Response

Response

Introduction

1. Northgate warmly welcomes the opportunity to respond to the Government's consultation on the Community Energy Saving Programme (CESP) developed jointly between the Department for Energy and Climate Change (DECC) and Communities and Local Government (CLG)
2. CESP places an obligation on energy suppliers to reduce the carbon emissions of domestic energy customers by promoting carbon abatement measures. Suppliers and generators will be issued with a domestic emissions reduction target and have to meet the target as a requirement of their licenses. This will force them to reduce CO₂ emissions by introducing energy efficiency and small-scale generation measures to domestic energy users in specified areas throughout Great Britain.
3. There are two key aims of CESP: the first is to improve the energy efficiency of the existing housing stock, while the second is to reduce energy demand in the domestic sector. The combination of these two objectives will also ensure that households are likely to see permanent fuel bill reductions ensuring that they will be able to heat their homes more easily.
4. Our response focuses on the issues raised by the consultation where we believe our experience or expertise gives us insight into possible solutions or where we believe we have a contribution to make in terms of a substantive issue.
5. The response draws upon our experience of working for over fifteen years in innovative partnerships designed to promote energy efficiency and develop sustainable communities, as well as working with a range of stakeholders in the field of energy efficiency including local authorities, surveyors, architects and most recently domestic energy assessors.

General Comment

6. Climate Change is one of the most pressing problems facing the world. It requires all of us to act if we are to respond effectively. This challenge has to be weighed against the need to break down inequalities within our diverse communities.

7. The current economic situation presents an exceptional challenge. It requires a more co-ordinated response from key organizations - including government, developers, energy service companies, local authorities, social landlords, the not for profit sector and the private sector. This has to be aimed at enhancing collaboration and developing innovative implementation in the delivery of energy efficient, affordable housing and buildings, as well as one which above all promotes positive action to combat climate change.
8. We support the focus on a collaborative approach in CESP however we believe that there needs to be more clarification about the role of different parties in the arrangement. We suggest that a memorandum of understanding would be appropriate in outlining the relationship between key organizations throughout CESP, however, over the longer term we believe that central government should make provision for local authorities to have a statutory duty to promote climate change measures in their areas.
9. We wholeheartedly agree that the focus of any CESP measures should be on low income areas. We believe that by focusing on vulnerable sections of society, CESP will make great strides towards combating the two major problems of carbon pollution and fuel poverty.

The community approach - working in partnership.

10. Community Partnership is a key component of CESP. Local authorities can play a vital role in such partnerships because of their detailed knowledge. They are trusted by their local communities and can integrate other public services and strategies. Local Strategic Partnerships, Local Service Boards and Community Planning Partnerships are already in place in England, Wales and Scotland respectively.
11. There are also a number of other local agencies that may be able to act as key partners within a CESP scheme such as Regional Development Agencies (RDA), Social Enterprises, Housing Associations and Community Groups. These groups are traditionally able to reach the most deprived groups that are inaccessible to statutory organizations. Many of them also have experience of working in innovative fields.
12. Communities, and their representatives, can add value by helping energy suppliers and generators identify potential areas for measures, identifying synergies with other initiatives that have similar objectives, and providing input through related activities which serve the overall policy objectives.

13. We applaud the approach outlined in this consultation which is aimed at enhancing collaboration and developing innovative responses to the delivery of measures within the community which promote carbon efficiency.
14. Northgate agrees that community-based organizations are at the root of civil renewal and intrinsic in bringing people together and empowering them to meet local needs and transform local environments. Suppliers and generators will benefit greatly from working in partnership with relevant local authorities and community organizations, helping to promote and deliver the measures.
15. In the government's view, Local Authorities should be at the heart of CESP activity, however they believe that it is also important that there should be flexibility to allow a variety of different partnership models to develop on the ground. The government believes that the community approach to CESP can be delivered on a voluntary basis without the need for it to be prescribed through regulation, though they accept that this may not work in practice. For this reason the consultation proposes the idea of requiring suppliers and generators to produce a supporting letter from a local authority as part of their initial plans presented to Ofgem. This letter would confirm that the Local Authority had been involved from the planning stage and was content with the implementation methods.
16. Northgate agree that, in practice, there is a need to clarify the relationship between energy suppliers, generators and local agencies. We believe that an appropriate short term solution would be a memorandum of understanding between the parties involved. This would provide more detail about the role of all groups in the arrangement, rather than the supporting letter which only seeks to outline collaboration between local authorities and energy suppliers. Over the long term, however, we believe that the government should make provision for local authorities to have a statutory duty to promote climate change measures in their areas.

The Whole House Approach

17. Northgate agrees that, in order to meet its objectives, CESP should take a whole house approach. This involves installing as many energy efficiency improvement measures as possible and appropriate within a single home. Northgate also believes that CESP should focus on 'hard to treat homes' such as those that are currently fuel inefficient in terms of their energy use because of their design or age. These measures should particularly benefit those that have not been able to receive measures under CERT.

18. The consultation discusses the idea of providing incentives to secure the whole house approach, proposing that a bonus is applied to actions taken in combination within the same property. We discuss this issue at a later stage in this document.

The target and obligation

19. The overall target for the CESP obligation will be specified in legislation as a score. The companies will discharge their obligation by delivering carbon abatement measures in homes. Each measure will be worth a particular points score. The scores for individual measures will be set out clearly so that companies can plan how many measures they need to deliver.
20. We agree that this target should be split equally between the supplier companies and the generating companies, with each individual company then receiving an individual target according to its supply of the market. It is appropriate that all companies in the energy market bear some responsibility for making the nation's housing stock as energy efficient as possible.
21. We also support the exemption of suppliers with fewer than 50,000 domestic customers and generators with less than 10 TWh/yr of electricity from the scheme. This will avoid introducing barriers to entry into the energy supply and generation market, and will also protect smaller micro-generation and other renewable energy projects from being affected by the obligation.

Home Energy Audit

22. Home energy audits provide householders with advice on reducing energy usage in homes. The advice could make alterations to the home as well as changing behaviour. CESP's community approach could mean that almost every home in a targeted area would receive a home energy audit, and measures could be scored individually or collectively. We discuss the issue of collective scoring further on in this document.
23. Northgate agrees that, if advice offered under CESP is to be trusted and credible, advisers must have been suitably trained and appropriately qualified. We share in the opinion that Domestic energy assessors (DEAs) are well equipped to assess the measures which are suitable for a household and also to offer basic behavioural advice.
24. DEAs must belong to an accreditation scheme, this will provide reassurance to customers that assessors are competent and impartial. It will also provide customers with a means to complain and seek redress if something were to go wrong. We believe that only those who are DEA accredited should become a Home Energy Assessor or

Community Energy Advisor as an assurance to the consumer that they will be provided with a high quality service.

25. Northgate believes that DEAs could have a major role to play in offering advice to communities on measures they might choose under CESP. With additional training, advisers will also be able to provide advice on energy reduction, sustainability, and renewable energy technologies.

District Heating

26. District heating has been identified as a possible option for providing sustainable domestic heating, because it can deliver high fuel efficiency levels and can also be powered by a range of different fuels.
27. We believe that, due to the nature of district heating schemes, the delivery of such schemes should be considered on a case by case basis. We accept that although a number of district heating schemes have been shown to reduce total CO₂ emissions from groups of dwellings, users do not always notice significant decreases in their fuel bills. For this reason it would only be appropriate to deliver district heating in areas where properties are, for example, sufficiently insulated and where the maximum benefit of district heating measures can be obtained.

Scoring System

28. Each measure available under CESP will have an associated points score. The points score will be based upon the lifetime CO₂ savings provided by the measure and how well the measure meets CESP objectives. The points score will ensure that the most significant CO₂ and fuel bill cutting measures are the most cost effective options for generators and suppliers to install.
29. To promote the whole house approach the government proposes to introduce a points increase for every additional measure installed within a single house. The proposal is to add a 10% bonus to the score of all measures in a house for each additional measure installed.
30. Northgate agrees that there is a need to provide incentives for the whole house approach. However, if incentives are to be applied in the form of a 10% bonus, it is important to remember that this will in fact reduce the amount of 'real' carbon savings delivered by the measures.

31. Under CESP, cavity wall and loft insulation would only score half as many points as their lifetime CO₂ savings would otherwise suggest. This is because these measures are already at the centre of the existing CERT programme and the government wants to avoid unnecessary overlap between the two schemes. Northgate agrees that scoring these measures at a lower rate than CERT should ensure that they do not come to dominate CESP and distort its fundamental focus on higher value measures.
32. The community emphasis of CESP means that promoting intensive action within a targeted area is a central focus. Following discussions with generators and suppliers the government believes that the most effective way of delivering CESP measures in a specified area will be through engagement with every home in that area and they outline three options for incentivising this way of working. Northgate believe that it may be possible to combine certain elements of the three outlined approaches in order to create a single incentive model for intensive action.
33. One suggestion that Northgate would make on this issue is that the tangible benefits of any measures implemented could be assessed through a before and after audit in the area. This could be carried out by a DEA who would provide the area with a community score which could be used to assess the effectiveness of the measures carried out. This information could then be used to attribute an appropriate bonus to the energy supplier or generator.

Low Income Households

34. One of CESP's stated aims is to target areas of low income across Great Britain. There are a variety of potential approaches to targeting areas for CESP, however the consultation proposes using the Indices of Multiple Deprivation (IMD) to identify areas with the highest levels of low income households. The IMD combine a number of indicators, covering a range of economic, social, and housing issues, and each ranks small areas in each country accordingly.
35. Northgate agrees that the IMD appear to be the most open and transparent way for suppliers, generators, and their local partners to select areas that could benefit most from CESP.
36. The government proposes that areas eligible for a CESP scheme must be within the lowest income decile in England and the 15% most income deprived areas in Scotland and Wales based on a comparable level of income deprivation. Suppliers and generators will need to work with local partners to identify areas with a significant potential to benefit from CESP and then apply to Ofgem before work starts to ensure

an area is eligible for CESP.

37. As the intention of the scheme is to provide intensive community action, the Government proposes to target work at all households in the area, regardless of tenure. This will mean that both social housing and private sector housing will benefit from CESP measures. Northgate wholeheartedly agrees that both social and private housing should benefit from CESP. There is concern that private landlords under-invest in energy efficiency when tenants pay the bills and that, conversely, tenants do not economise when landlords pay the bill. Northgate share in the opinion that the improved asset value of the property and the provision of low-cost or free measures available to the householder under CESP will encourage private landlords to participate in the scheme.
38. There is a view that Britain's social housing generally has a better energy efficiency rating than private sector housing, and a question as to whether social housing should therefore be included as part of the programme. As the aim of CESP is to assist all households in targeted areas, its objectives would not be met if social housing were removed from the scheme, and if it were, the scheme would not be seen as fair to all those within a CESP area.

Charging

39. The Government proposes not to prescribe what suppliers and generators can charge for their measures. It will not insist that measures are offered free of charge, nor will it penalize companies who are able to leverage in other sources of finance to help with the cost of measures. The government believes that this strikes the right balance between reaching those households most in need and allowing suppliers and generators to deliver schemes in the most effective way. The design of the programme, according to the government, will mean that suppliers and generators are likely to offer the vast majority of measures for free, or at very low cost.
40. Northgate believes that the government should encourage free measures within low income households and ensure that, wherever charges are applicable, they are fair and reasonable.

Conclusion

41. We support the overall aims of this document. Improving the energy efficiency of existing housing stock and reducing energy demand in the domestic sector are essential steps towards combating climate change.

42. We welcome the community approach component of CESP and consider local agencies to have an important role to play in delivering measures to communities. For this reason, Northgate sees a memorandum of understanding as a more appropriate means of clarifying the role of all parties in the programme.
43. We wholeheartedly agree with the emphasis of CESP on the whole house approach, and in particular the focus on hard to treat homes. By adopting the whole house approach, CESP will minimize disruption to householders. Also, by making a commitment to implement measures on hard to treat homes, CESP will ensure that households are not only able to receive the benefits of CERT but will still have the opportunity to improve the efficiency of their households.
44. We welcome the emphasis on Home Energy Audits and we recommend that only those who are DEA accredited should become a Home Energy Assessor or Community Energy Advisor as an assurance to the consumer that they will be provided with a high quality service.
45. We completely support the focus of CERT on low income across areas Great Britain. It is right that the most vulnerable members of society deserve to receive the benefits of greater fuel efficiency and a reduction in domestic energy bills. Due to the focus of the CESP on low income areas we believe that the government should encourage the implementation of free measures, and where charging is necessary, the government should ensure that charges are fair and reasonable.