



Energy and Climate Change Committee

Oral evidence: [Green Deal watching brief \(part 2\)](#), HC 1111

Tuesday 29 April 2014

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Members present: Sir Robert Smith (Chair); Ian Lavery; John Robertson; Graham Stringer; Albert Owen

Questions 62-130

Witnesses: **Claire Williams**, Managing Director, British Gas New Energy, **Gillian Noble**, Head of UK Government Obligations, ScottishPower, and **Simon Stacey**, Managing Director of Energy Services, RWE npower

Examination of Witnesses

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Q62 Chair: Welcome to the inquiry into Green Deal and thank you for agreeing to give evidence. I should remind the Committee of a non-financial interest as honorary vice-president of Energy Action Scotland, a fuel poverty charity, which is relevant to this inquiry. Perhaps for the record, you could say who you are and which company you are from.

Gillian Noble: I am Gillian Noble, ScottishPower.

Simon Stacey: Good morning. Simon Stacey from RWE npower.

Claire Williams: I am Claire Williams from British Gas. I am the Managing Director of British Gas New Energy and have responsibility for delivering our ECO and Green Deal programmes.

Q63 Chair: In your written evidence several of you noted that you are not yet involved in actively offering the Green Deal plans. Does this remain the case and, if so, why?

Gillian Noble: That is absolutely relevant for ScottishPower. In 2013 the priority for ScottishPower was very much our ECO obligation delivery. However, we are fully supportive of the principles of what the Green Deal aims to do, attracting private investment and therefore reducing the subsidy element associated with installing energy efficiency measures. We have financially supported the Green Deal Finance Company and, as we prioritised our ECO delivery, we have also worked alongside our supply chain companies who have entered this marketplace and are accredited to sell Green Deal finance plans, the aim being that while we were prioritising ECO delivery, we had access to companies who were also able to sell Green Deal finance plans.

Simon Stacey: Similarly for npower, our focus in 2013 was very much on ECO. We absolutely support Green Deal's ambition around the commitment to Pay As You Save. We are an accredited Green Deal provider. We also have invested in the Green Deal Finance Company and we remain in a position where we want to support Green Deal as and when the commercials make sense for us and, more importantly, the consumer.

Claire Williams: The position is a little bit different for British Gas. We also fully support the ambitions and goals of the Green Deal programme and we take both ECO and Green Deal very seriously. We are fully engaged on both programmes. In terms of specific numbers, we have delivered, through the ECO programme and Green Deal collectively, about 59,000 Green Deal assessments. We have done 12,500 Green Deal cashback installations and 319 Green Deal finance plans, which versus the market statistics that DECC produces are about 32% of the assessments, 88% of the cashback and about 32% of the finance plans.

Q64 Chair: What has motivated you to get more involved in the Green Deal?

Claire Williams: We absolutely support the fundamental intent of the Green Deal and the concept of helping customers with energy efficiency and saving money on their bills. That is something we believe in and are behind, and therefore we have engaged in the programme. We have been fully collaborating with DECC over the past year to make the Green Deal a programme that can grow in the future.

Q65 Chair: Mr Stacey, you referred to when the commercial signals look right. What sort of signals are you looking for?

Simon Stacey: A lot of the feedback we have had from customers is that they do not really understand the Green Deal. They find the complexity of a Green Deal plan difficult to understand, so it is about a general level of awareness. If awareness levels were higher, then clearly it would be far easier for us to start to invest time and money in Green Deal. The important thing for us is that the focus should be about making people's homes more

energy efficient rather than a Green Deal plan per se. It should not be about the finance mechanism. It should be about driving energy efficiency into people's homes. That is the most important thing. Raising that awareness is the key challenge we see with Green Deal today.

Q66 Chair: ScottishPower, you are about to start offering Green Deal?

Gillian Noble: We are accredited Green Deal providers and we are currently concluding the onboarding process with the Green Deal Finance Company to enable us to sell Green Deal finance plans.

Picking up on what Simon said, the key here is that through our experience in ECO, where we have installed a large proportion above our market share in terms of the number of measures installed, we have found that we have secured customer contributions. Those customer contributions come from a variety of mechanisms. We have, for example, the personal contribution whereby we work with local authorities and so on, which is slightly removed from the Green Deal. We also have instances where customers are willing to contribute financial support for the installation of these measures. So what we have found is that, while the customers have the opportunity through various parts of our supply chain, the customer is not opting to take out a Green Deal finance plan. I think there is a lot of awareness still to be created.

However, we still aim to launch in 2014 our specific entry into the Green Deal finance marketplace and very much linked to that will be the output of the recent consultation launch by DECC on the ECO amendments. We will consider that response and we will consider our remaining delivery strategy in 2014 and how that will work alongside our entry into the Green Deal finance marketplace.

Q67 Chair: How have you found it different?

Claire Williams: If I could just pick up on the comment about awareness, the most recent DECC statistics on awareness, which I think were collected in November 2013, showed that awareness of Green Deal as a concept is growing. They reported 23% general awareness of Green Deal and we have carried out our own customer research since then and we have a higher figure than that. Our most recent research says that general public awareness of the concept of Green Deal was 43%, which is quite high and obviously growing.

However, if you get behind the phrase Green Deal, awareness of the details of the scheme, how it works and what it is available, is considerably lower. Importantly, consideration of Green Deal—would I engage with the programme?—is a lot lower. Our statistics say that the 43% then drops quite significantly to just 17% who say that they would consider engaging with Green Deal. That drops even further when you start getting into the detail of the programme. For example, if you ask people, “Would you carry out a Green Deal assessment?” that consideration drops to just 9%.

So, while general awareness of the programme is growing, consideration of it is a lot lower once you get into the details of the programme. While we have seen some success with the Green Deal programme, in particular on the cashback incentive, we do agree that there are some aspects of the programme that need to be improved to drive greater take-up. That is right across the spectrum of all the areas of the programme, from assessments through to finance.

Q68 Chair: What makes it attractive for energy companies to be installing Green Deal? Presumably you are reducing the amount of energy that you are then supplying to the customer. What is the commercial driver?

Gillian Noble: The aim for ScottishPower is very much that it will reduce our costs of delivering the ECO programme, which in turn clearly reduces the cost burden in consumers' bills. My specific role within the company is to ensure that I deliver this programme as cost-effectively as possible for that reason. The principles of Green Deal or the principles of gaining customer contribution are a real step change from the previous obligations of CERT and CESP, whereby consumers came to expect energy-efficiency measures free of charge, regardless of vulnerability or ability to pay. Therefore, the move into ECO has been quite a substantial change in terms of changing that mindset. For us, the key driver commercially is to reduce the cost of the ECO programme.

Chair: Is it the same for you?

Simon Stacey: Yes, similarly for us ECO is our mandate; we have to deliver that. Therefore, we are looking to keep the cost of that down because ultimately all our customers are going to fund that. So that is a priority, in the same way that Gillian has articulated.

There is also a recognition that for energy companies to play a part in society going forward it is important that our customers have a relationship with us that they can value. If we are able to talk to them about Green Deals, if we are able to help them with energy efficiency, then we build a more sustainable relationship with customers and we can then talk to them about other things, particularly things smart: smart homes, smart thermostats, and other things that are going to help them manage their energy better.

Chair: Is it the same experience for you?

Claire Williams: Yes, absolutely. I would agree with Simon's point. ECO is our first priority—we have to deliver our ECO targets—but our role is to deliver those as cost-effectively as possible to keep energy bills down. So, we look at the Green Deal programme as a means to reduce the cost of ECO, but outside the ECO programme we absolutely believe in Green Deal as a concept. We would like to help our customers control their energy bills, and Green Deal could play a significant role in that.

Chair: Thank you very much. If we could move on to the barriers to take-up.

Q69 Ian Lavery: It is very interesting to read about the progress, or lack of it, in terms of the Green Deal and about the barriers. I think British Gas suggested that “the length and

complexity of the Green Deal process is a major deterrent and an important reason for poor take-up of the scheme”. I am just reading some of the details here. The information we have is that there are only 626 Green Deal plans live at the moment. I would suggest it is an abject failure. Other people might have a completely different view on that. What are the key issues limiting the take-up of the Green Deal?

Claire Williams: We did document it in our response. There are a number of aspects of the programme that are holding it back from realising its true potential. We do think that the process that customers need to go through to engage with Green Deal is quite long and complicated. That starts with the Green Deal assessment. In order to engage with the Green Deal programme you need to have an individual assessment. In our experience that takes about two and a half hours. It is quite a long process in the home. It is also has a price associated with it; we charge £129 for our Green Deal assessments at the moment. So the process of Green Deal assessment can be a barrier to some customers.

You then move on to Green Deal incentives. There is a fairly large incentive pot available for customers, to stimulate demand for Green Deal and, while we have seen some success in using that incentive pot—I mentioned the stats before; we have taken up about 88% of all the cashback that has been released on the programme—the overall incentive pot is only about 3% spent. So I think the value of those particular incentives on each measure need to be more generous in order for that scheme to be taken up. An example of that would be on solid-wall insulation. The incentive for any given customer on solid-wall is, I believe, £650, whereas the average cost of installing solid-wall insulation in an average three-bed house might be something like £6,000. So I think that incentive needs to be more generous.

Then you move on to Green Deal finance, which again does have some factors holding it back. The process of applying for Green Deal finance is complicated, but the primary challenge we think with finance is the Golden Rule. The Golden Rule is the calculation of how much you can borrow in order to uphold the principle of your repayments being less than the savings you would make. Our experience shows that that Golden Rule is quite restrictive and is limiting the amount that customers can borrow and the amount of finance they are being offered, similar to the incentives, is not enough to cover the cost of the install, or a big proportion of it. So we think that needs to be amended to make the finance proposition more attractive.

Q70 Ian Lavery: How can the process be simplified so people do not find it complex and find it easier to understand so they might even engage and we might see a much bigger increase on the 626?

Claire Williams: First, the assessment. We have made recommendations on this both to DECC and to all the industry steering groups. There is definitely opportunity to make the assessment shorter, simpler, lighter and therefore less expensive. That would engage more customers and make it easier to carry out and, I think, have broader appeal.

On the finance in particular, we do think that the application process needs to be looked at and it is being looked at. We have been quite heavily involved in discussions with DECC

and with the Green Deal Finance Company about how to do that. They are now piloting a concept called Green Deal in a Day, which considerably shortens the application process to make it just a few days rather than what has historically been more than a couple of weeks to get a decision on your finance application. But ultimately we think the finance process needs to look and feel like a finance application process that you would get for other products like a credit card or a personal loan to get through that barrier of it being complicated.

Q71 Ian Lavery: Are many people being turned down for the finance?

Claire Williams: I do not have the data with me today on what the decline rate is—we could certainly follow up on that—but all applications for finance go through a standard credit-scoring exercise and affordability assessment, as you would expect.¹

Ian Lavery: That would be helpful. I am not sure if we have any statistics on how many people have applied for Green Deal and have been refused for whatever reason.

Claire Williams: We could supply you with data that we have from our experience.

Q72 Ian Lavery: Is it fair to say that the reason the interest rate is higher than what you can get on the high street is mainly because the loan is unsecured?

Simon Stacey: I think that is right. I would say that for an unsecured loan the rates are reasonably competitive, but in our experience the reality is that customers who are considering taking out an unsecured loan would want to invest in something more attractive than the energy efficiency of their home. Therefore, our view is that we need to do more to try to make those rates even more competitive and provide a greater breadth of measures that are perceived to be attractive to the customer—things like double glazing and micro-generation. The customers would see more attraction if they could process one of those through a Green Deal programme. They are some of the things that would help. The feedback we have had is that the interest rate is reasonably competitive.

Q73 Ian Lavery: I notice from your evidence, Mr Stacey, that RWE has said they believe the interest rates are competitive for the type of loan, which you have basically explained. What do you think are the pros and cons of potentially lowering the Green Deal interest rates?

Simon Stacey: Clearly someone would have to fund that and we would probably see that as being a Government-funded activity, if energy efficiency is important to the Government. The big pro for us would be that it would start to free up the market. In our evidence and consultation, we have provided a number of other thoughts about how we

¹ Figures from the Green Deal Finance Company show that c80% of consumers should be able to get a loan on Green Deal finance. This compares to around 50% of people who are typically able to get a more traditional personal loan.

could improve the take-up but I think lowering the interest rates to make it very competitive would be an important start. But I come back to the common theme that the most important thing is engagement; awareness of Green Deal, a true understanding of what Green Deal means for customers, and what they are able to do with it.

Q74 Ian Lavery: Is it a popular misconception that the Green Deal finance is uncompetitive? Why do you think that is the case?

Simon Stacey: I think people would assess it as compared with where else they might be able to procure finance, for example through a mortgage. If people are able to top up their mortgage, then obviously it is uncompetitive against mortgage finance. As an unsecured loan it is competitive, but against other forms of security—the secured loan and/or mortgage—it is uncompetitive.

Q75 Ian Lavery: So really it is the poorer people who are going to have to pay the most for a Green Deal.

Simon Stacey: Yes, in essence, because obviously they have much—

Ian Lavery: Those less able to pay are going to have to pay more for the Green Deal.

Simon Stacey: Yes, and in theory that is where ECO comes in because it should be able to support those people who are not in a position to get a Green Deal. That is where ECO has worked reasonably well. With any policy there are always complexities and problems, but ECO has worked reasonably well in that regard. There are aspects of ECO, for example the HHCRO market, where a vast number of people in this country have benefited from having new boilers fitted in their homes in the past year. I think for all of us on the panel today, our customers will have benefited from that this year and last year.

Q76 Ian Lavery: It has been suggested that the number of assessments is driven by the ECO rather than the Green Deal itself. How could the take-up of the Green Deal as a standalone scheme possibly be improved?

Gillian Noble: You are right. I go back to the point that there has been relative success in raising consumers' general awareness of energy efficiency as a result of ECO. Over 188,000 Green Deal reports have been completed.

In terms of Green Deal moving to a standalone area, I think the amendments to ECO proposed in recent months are perhaps one of the biggest areas of kick start that will see the Green Deal marketplace benefit. For example, a number of new companies have entered this marketplace now.

The policy intent was very much the introduction of more Green Deal providers in order that they could encourage Green Deal finance plans and that that would be topped up by ECO. What we have found in the last year—where demand has definitely driven the marketplace in terms of ECO obligations having to be met and getting ahead of a very

short time scale of 27 months—is that many of the new providers in the marketplace have entered in order to gain access to ECO funding. The very fact that the target is looking like it will reduce will encourage these companies that have entered into the marketplace to try to secure their share of the ECO carbon to be delivered in the marketplace moving forward. To do that, the price will have to be competitive as it becomes more of a supply-driven marketplace. The market dynamics will change as a result of the December announcements and I do think that that will be a key contributing factor to the success of Green Deal.

One of the other elements that we are very keen on, very supportive of, within our consultation response is that Government have proposed a £450 million incentive package to account for what they believe will be the carbon that will be removed as a result of the ECO scheme and the proposal is that that money cannot be used alongside ECO funding. We would fully support that. We believe that if it was to be used alongside ECO funding, then it would reduce the number of measures to be installed within the marketplace in the coming years. Therefore, if that money can be used alongside Green Deal finance, again that will be another incentive to kick start the marketplace, to make it a standalone proposition and change consumers' behaviours in terms of paying for energy efficiency measures where they are able to.

Q77 Ian Lavery: On this issue, what specific actions that we have not already discussed this morning do you think DECC could take to improve the take-up of the Green Deal? We have discussed the financing, the complexity. What other actions do you think DECC could take to encourage people to take up the Green Deal?

Gillian Noble: Going back to the public awareness and what has to be achieved there, from our perspective it is like any step change; you would expect an overarching communication strategy. We did welcome DECC's investment last year to kick start that with the Let's Deal with It campaign. For it to be successful and penetrate through to consumers' awareness, it has to be ongoing, sustained, and that has to be the primary driver of the Government-led campaign where the trust is in the Government. We then would take on the secondary role. I say "we"; I mean any Green Deal provider. It is not just the six energy companies, it would be all Green Deal providers that have entered into this marketplace. They would have the responsibility on the doorstep, through dialogue with that customer to help them over the barriers to understanding what Green Deal is. Some sort of on-going consumer-led awareness campaign will be critical moving forward.

Claire Williams: I would agree with that. I think it is important, though, in order to make it as successful as possible, that some of the changes I outlined before are made first, then the marketing or communication strategy follows on from that. We think some of the changes I outlined are pretty critical to making it an attractive customer proposition, but once those things are in place, a good marketing strategy off the back of that would support and drive take-up.

Simon Stacey: I endorse all the previous comments. I think there is something around communication about Green Deal. Certainly there has been a lot of press recently about misselling of Green Deal. The sooner we can deal with that the better, and I know there are steps under way to deal with it.

The other thing I would add is that some flexibility around the Golden Rule would be helpful, largely on the type of measures but also on the length. We get a lot of feedback that customers do not necessarily want a 20 to 25-year payback. They would very happily take a shorter payback for certain measures. Perhaps for other measures, people might want slightly longer and perhaps not even to meet the Golden Rule itself. For example, micro-generation, double glazing, does not always meet the Golden Rule and, therefore, if you were able to flex that it becomes significantly more attractive for customers.

Q78 Ian Lavery: We are just touching on the next question, Chair, with regard to the public awareness.

Chair: Shall we move on to that?

Ian Lavery: Yes. Everybody has just mentioned there that there are lots of concerns about the level of public awareness on the Green Deal and Mr Stacey mentioned the fact that there are a lot of negative stories about the Green Deal. Why is this the case and how can the scheme's negative perception be in any way reversed?

Simon Stacey: There are clearly some concerns about the interest rate and the perception that it is expensive. More lately, there have been some stories around misselling. Both of those issues need to be dealt with. That can be done through action in the case of the latter and communications in the case of both. That is an important issue.

Then it is just about a concerted campaign on behalf of Government/DECC to raise awareness, and help customers to understand what Green Deal really is. So not just, "Yes, I know what Green Deal is" but what it really means for customers in their homes and how might it help them. If we get that right, then there is a lot more opportunity to start to get this off the ground.

Claire Williams: In our experience, and through the research we have done, there is a bit of disconnect between the phrase Green Deal and what customers perceive to be a good deal when they engage with the Green Deal programme. We have had feedback that what they think is on offer is not a great deal, and so some changes need to be made in order to increase the generosity of the scheme or make more funding or incentives available in order for customers to really believe that it is a good deal.

The biggest short-term opportunity in that space is the new incentive scheme that DECC are proposing, that they announced at the end of last year, details of which are being finalised at the moment. If that new pot of money—the £540 million—is used in such a way that it can create belief in a really good deal, then I think that will go a long way to change perception. I mentioned earlier that on the current incentive scheme, solid-wall insulation for example, the cashback offer is currently £650. There is a proposal to change that to £4,000 in the new scheme, which obviously would represent a great deal for customers and go a very long way to helping them install solid-wall insulation in their properties. If something like that were to happen and that was promoted, that would go a long way to changing perception.

Q79 Ian Lavery: You mentioned three figures before, which I quickly scribbled down: 43%, then 17%, then 9%. Can you just briefly explain what you meant by that?

Claire Williams: Those are the statistics from a research study that we carried out earlier this year. In a survey we asked some customers, “Are you aware of Green Deal, the concept?” and 43% said yes. If you then moved to the question, “Would you engage with the Green Deal?”, “Would you consider getting involved and having a Green Deal?”, that percentage dropped to 17%. Then when you asked a further question around the start of the process, “Would you consider having a Green Deal assessment in your home?” only 9% said yes.

Q80 Ian Lavery: So how can communication and public awareness be improved at local level?

Simon Stacey: The focus probably starts at a national level in terms of the debate. I think the debate for us is around energy efficiency as opposed to Green Deal per se. We need to raise awareness that for everybody in their homes, being energy efficient is going to be the thing that helps them manage their bills. The reality is that there is an underlying upward trend on prices that means that it is important that we as a society and customers in their homes use their energy really effectively. There are lots of things that can be done. There are still millions of homes that do not have the right treatments, whether it is solid-wall, cavities, lofts; there is still a huge opportunity for us as a society. So there is a general national message that needs to come out. There is then a role for local communities to help support what can be done there. Certainly in the ECO space it is happening; probably less so in the Green Deal space.

Gillian Noble: One of our key strategy points has been movement from ECO towards blending with Green Deal in 2014. In 2013 our focus was to develop large-scale social housing programmes and work alongside local authorities. We have been relatively successful in doing that. However, the key for us was once you have done that and you have that national debate going on, the real results come from people living in communities looking at what is happening around them. The next phase for us was to start working with our supply chain to offer Green Deal finance mechanisms or customer contributions for those properties within housing schemes that do not qualify because they are privately-owned.

A lot of that comes down to the trust of the community. They have seen the work being completed to a high standard through the contractors that have been operating. Let’s say it is not loft and cavity where you are in and out within a couple of hours and you might see a van move on. The people who are transforming these communities in terms of solid-wall insulation are there for a period of time and in many cases working with local authorities—community liaison support and so on are also within that community—and what you tend to find is that that is the key push for those people who have to contribute in some way to become involved in this scheme. They see the look and the visibility. Moving away from the energy-efficiency message, which is ultimately key in terms of reducing bills, for many people one of the key drivers is: what does the property look like? Is this affordable to make my property look as good as the property next door? That is when it

really drives down to the community and is where we have a responsibility, alongside our supply chain, to drive that message into the community and not just leave it there but to then help and inform how you start to use your energy-efficiency measures better once they have been installed. That is why local authority engagement for us is a key part of our strategy in any of this delivery.

Claire Williams: I would echo that. All the way through the previous obligations, pre ECO, in CERT and CESP and now under ECO, delivering our ECO obligations through partnerships with local authorities is a fundamental part of our strategy. Within the ECO programme, we are working with over 50 local authorities and housing associations to deliver energy-efficiency improvements in their areas. Once we move into a community and we start transforming communities through the installation of different measures, you find that residents get a much better sense of what it is all about. They can see it and they understand the look and feel and benefits of the programme in significantly more depth. That presents a great opportunity to promote Green Deal in that community as well and, in partnership with local authorities, use the demand that is created through the ECO programme to stimulate more demand for a broader group of customers to get engaged in the Green Deal programme. We are doing that in a few of our areas across the country. There are some great examples of different local authorities and housing associations trying to engage with the Green Deal programme—applying for Green Deal communities’ funding—and we are working with some of those to create local community programmes for Green Deal.

Q81 Ian Lavery: Do you think DECC and the Green Deal providers have failed in the way in which they have promoted the Green Deal? Do you think it has been an effective campaign or do you think they have failed?

Simon Stacey: I guess the reality is that against the ambition they set themselves, then the honest answer is, yes, they have failed. I think there was an ambition to do 10,000 by the end of last year. Against that ambition, yes, there has been a failure. But there is a willingness on behalf of all involved to address that. One would hope that the evidence that has been provided in this consultation and in this process itself will result in some changes. I think there is an opportunity to get it back on track. A lot of what we have spoken about today are good, sensible measures that would get it back on track to the sorts of levels at which the original ambition was set.

Q82 Ian Lavery: How would you think that DECC could improve public awareness so it brings the Green Deal back on track, as you put it? What can DECC do if it is about perception, if it is about awareness?

Simon Stacey: There is some stuff that we have spoken about already in terms of the nature of the Green Deal finance, the nature of the measures and so on, which all need to be addressed. Claire’s point was well made earlier: let’s fix some of that stuff first before we start to talk about it.

Then there is a national campaign—so national campaigning, national awareness—to try to build back that trust in Green Deal. Also I suppose there is a responsibility on behalf of all involved to talk properly about energy efficiency. As energy companies, it is important that we are positioned well in the community, that people are going to want to trust us to help support them. That trust does not exist today and, as npower, we are working hard to try to re-engage with our customers to a level that is more appropriate. There is responsibility on all sides to have a proper discussion with the UK about how we can better promote Green Deal and, more importantly, better promote the need for energy efficiency.

Gillian Noble: Picking up a point I made previously, we talk about DECC and they absolutely have a job to do. In terms of moving forward, the Green Deal providers, of which there are many now in the marketplace, have a responsibility as well as to the reason they entered into this marketplace. It was commercially driven. It is to install measures into people's homes. Therefore, the reliance on ECO in the first year of 2013 has diverted people's attention, particularly the Green Deal provider companies, from attempting to have that conversation at the customers' properties. These companies have been through a significant accreditation process and are deemed fit to be at a customer's doorstep selling and promoting and taking the customer through that journey. I think the key push will be that, as the level of ambition removes itself from ECO in terms of what was being proposed by Government, these companies will start to become more engaged. Again it will come to the dialogue. So the message will be there from Government, but it has to be about dialogue with the customer in their homes and creating trust, which many of these companies have been given the ability to do.

Q83 Ian Lavery: Finally, how do you think the message to the general public could be best co-ordinated for the different organisations: DECC, the providers, everyone involved in this, including the assessors and the installers? It appears that different organisations are doing different things; some are doing more than others; some are doing nothing. A co-ordinated approach would be much more effective. How could that be achieved?

Claire Williams: DECC could build on their marketing efforts that they began in 2013. I think DECC have already engaged with external agencies to deliver it for them.

Q84 Ian Lavery: It has generally been said that that has failed though, hasn't it?

Claire Williams: Simon answered that question. Given that some of the aspects of the programme are not working that well, it has still delivered 43% awareness of the programme, which is not immaterial. In order to co-ordinate, as you rightly say, the many voices that are involved in Green Deal right across the industry there probably needs to be some sort of independent body involved within it, whether that is a marketing agency or the support of some of the trade associations.

Q85 Chair: Do you think that will come—that as it becomes more of a commercially-driven operation the providers will see a value in the promoting and marketing it?

Claire Williams: I would think they will see value in promoting it. If some of the fundamentals of the programme are changed and that creates an opportunity for growth for those organisations that are in it for purely commercial reasons, then I am sure they would definitely get behind any programme that is going to support marketing of the programme.

Q86 Chair: You raised the softening of the Golden Rule. If you do that, do you not fundamentally change the whole concept of what is being offered?

Claire Williams: Yes, potentially. Our position on the Golden Rule is that it is currently too restrictive and we have lots of evidence that the amount being offered to customers is not enough. Within the bounds of responsible lending, credit scoring, affordability checks and so on, we think the Golden Rule should be reviewed in order to allow more borrowing, but also to give the customers optionality over how long to pay it off and what their monthly repayments should be, so more of an opt-out if customers would like to do that as an alternative.

Q87 Chair: Is that not already the case with those who can—that the Green Deal is triggering an understanding of their property and of their needs, but they are then opting out of the Golden Rule by funding it through an extension on a mortgage or through some other financial product?

Simon Stacey: I think the opt-out is more about allowing people to bring in other commercial lenders, perhaps to top up. But there is also the point that it is very complex. We should provide customers with greater flexibility in terms of the measures, the length of tenure of the loan and the underlying assumptions that dictate how much finance can be borrowed—because, again, they are extremely prudent. Without allowing customers to over-borrow, we believe that they should be able to borrow more through a Green Deal finance loan, or any other loan. Certainly with regard to the Golden Rule, they should be able to borrow more to get more measures away into their homes.

Gillian Noble: The Golden Rule is predominantly there to protect customers so that, whatever they choose to take out should pay itself back. So it should be a cost-neutral position. That protection is there. I think the key here is that the evidence is saying that it is not enough and therefore that can be a deterrent to the customer moving forward. The customer moves to customer choice at that point and they cannot do that within the realms of the Green Deal. The reason they move to customer choice might not be the key objective of saving money in that energy bill for the next 10 or 15 years. There is an argument around the future proofing of homes. So it might not be specifically meeting the Golden Rule here and now, but the customer is still willing to move forward because they see it as an investment to future-proof that home on an energy-efficient basis.

Chair: If we could move on now to the interaction with ECO.

Q88 John Robertson: The Green Deal Finance Company stated that Green Deal plans are not allied to the delivery of the major energy suppliers' ECO obligations. Do you recognise this concern? If you do, why have Green Deal plans not been allied to the delivery of your ECO obligations?

Gillian Noble: I do recognise that. The figures speak for themselves. The latest report is that over 68,000 measures have been installed under ECO and there have been 188,000 Green Deal advice reports. That would suggest the correlation that the majority of people have moved forward and installed measures, but have done so under other funding mechanisms. We go back to the point that we do not have our own installation business. At ScottishPower, we work with many partners across the supply chain and, as part of ECO, we have never worked with as many as we have in the last year. Part of the reason is that many installers understand the local community and the community that they are working within. However, unfortunately the demand of ECO and meeting an obligation naturally has forced the price higher than it would be if a Green Deal finance plan had been operating alongside it. We found that with trusted partners who have offered mechanisms for customers to reduce the cost, the customer is doing it through their own customer contribution and we are not seeing the finance plan correlate with the ECO funding. But overall the primary need is to meet the obligation, which is challenging within the 27 months.

Q89 John Robertson: Your company has stated that the Government efficiency obligations have forced you to prioritise certainty of delivery. How has the pressure to meet ECO targets led energy companies to prioritise this delivery of certain measures over others, and who picks which ones?

Gillian Noble: In terms of the priorities, the key thing to say is that the movement from CERT and CESP into ECO at the end of 2012 was absolutely transformational in terms of what was required across the entire industry. The many new rules that were brought into play, the new processes, systems and so on and the number of new measures that were also introduced placed considerable pressure to move early within a very short time scale. The 27-month programme is the shortest time scale we have ever had for probably the most transformational change in any obligation, and that is ultimately the priority for us. We have four sub-obligations—

Q90 John Robertson: So you are saying it is nothing to do with ECO, nothing to do with setting things up; it is a time thing that is causing you the problems?

Gillian Noble: It is time-driven and it is a supply chain transition itself to the types of measure that are required under ECO compared to what was required under CERT and CESP.

Simon Stacey: I would endorse that. There is a time pressure. It is a regulated obligation. We have to deliver on our ECO. All of the industry participants saw difficulties with delivering aspects of the predecessor schemes, CERT and CESP, towards the back end of

2012. Therefore, we want to get on and get our obligation delivered because fundamentally the costs of delivering that obligation are borne by our customers so we probably all sit here with an objective to try to deliver our obligations as cost-effectively as possible. The original expectation was that Green Deal plans would support the delivery of some of the ECO measures. The fact that that has not happened means that we have to find better ways of discharging that obligation.

Q91 John Robertson: How do you determine how much ECO subsidy there is to provide to each customer?

Simon Stacey: Fundamentally that is driven by the cost-effectiveness of the measures. We will look at each measure and work out—

Q92 John Robertson: So if it is not cost-effective, the customer does not get it?

Simon Stacey: In simple terms, yes.

Q93 John Robertson: Once again it is always the poorer houses, the poorer conditions, that are suffering.

Simon Stacey: Not necessarily, because there are certainly a lot of measures that have worked very well.

Q94 John Robertson: Like what? Name them.

Simon Stacey: The HHCRO market, the gas boilers; a lot of low-income families will have benefited from that.

Q95 John Robertson: Multi-storey flats do not have gas and they have solid walls.

Simon Stacey: I accept that.

John Robertson: What do you do for them?

Gillian Noble: Within the CSCO obligation, there is a clear objective. Any property that is off the gas grid does attract considerably higher savings, therefore it is attractive to us and we can install solid-wall within these properties.

Q96 John Robertson: They already have solid-wall because they are concrete blocks. What I am trying to say is, how do you help them get better when the walls are two feet thick and they are concrete and they do not have gas? What is in it for them? Nothing, because it is too expensive.

Gillian Noble: Not necessarily. We have engaged significantly in terms of our solid-wall delivery. We are currently sitting extremely high in the marketplace in terms of what we have delivered in 2013. We have done that predominantly through working with local authorities to attack and to move into areas of communities and not one-off properties, and those very properties that you describe are ones that we have worked on alongside local authorities. What we try to do is to lever in as many aspects of funding in order to make those properties cost-effective. We have found very much that the local authorities have engaged with us very early and very quickly to enable us to make those judgments.

Q97 John Robertson: Does the prioritising of certain measures on overall energy efficiency and carbon-saving targets work, and who benefits the most?

Gillian Noble: If I take, for example—

John Robertson: Just because I am Scottish does not mean to say ScottishPower has to answer all these questions.

Gillian Noble: No, I am happy to share our experiences. If you take, for example, one of the sub-obligations, the largest obligation, which is the CERO obligation, we can only install solid-wall or a hard-to-treat cavity in order for us to hit our obligations. Therefore, there is significant incentive at our side to find solid-wall properties.

Q98 John Robertson: I will give you a personal case of solid-wall, where they came to look at my house. Originally they said they would fill up the gap, and then when somebody came to look they said, “No, we don’t do that because it would deface your brick and it would make it look terrible because of the number of holes we would have to drill through your wall”. What do you do in those cases, because that is obviously going to be expensive?

Gillian Noble: There would be a discussion with the homeowner about what funding is available. That is where the Green Deal discussions should come in; it may not be suitable for the customer. We would take it very much on a case-by-case basis as well, depending on the vulnerability of the customer and whether or not they fall just slightly out of another element of the programme. But it would need to be derived on a case-by-case basis.

Q99 John Robertson: Good answer. How will the changes as proposed in the recent DECC consultation affect the delivery of energy-efficiency measures?

Claire Williams: I can answer that. The proposed changes to the ECO programme centre mainly around the CERO element of the obligation. As Gillian has just outlined, under the current rules of ECO we are mandated to deliver either hard-to-treat or solid-wall insulation as primary measures for that part of the obligation, which are typically much more expensive to deliver. So the changes that are proposed will enable us to deliver a broader range of measures in that category of the obligation—measures like loft insulation and simple cavity-wall, which is fundamentally going to change how much it will cost us to deliver the programme. That enables us to reduce energy bills.

From British Gas's perspective, when the proposals were announced in December we calculated that the changes would enable us to make savings for our energy customers equivalent to £41 off the average dual-fuel energy bill. We passed that back to our customers on 1 January in a 3.2% price cut. The changes allow us to take a broader set of measures that will be cheaper to deliver and that will enable us to pass those costs on.

Q100 John Robertson: Have you all passed on to customers the savings from the changes to ECO that the Government announced recently?

Simon Stacey: Yes, we certainly have.

Q101 John Robertson: I got a letter yesterday from a journalist who asked me some questions. It says, "The energy giants are set for a £2 billion windfall over the next three years due to Ministers over-estimating how deeply they needed to cut green levies in order for the savings to be passed on to the customers, according to new research". What are you going to do about this £2 billion? Are you going to pass it on to customers? I want each of you to answer this question.

Gillian Noble: We do not recognise the figures that were quoted in that particular article, and another one last week.

John Robertson: That does not surprise me. That does not answer the question, really. Let's hypothetically say it is correct.

Simon Stacey: If it is correct and we see that coming through in the cost of delivery, then clearly we are going to pass that on in the same way we passed on the previous savings.

Gillian Noble: Absolutely. The key for us is to remain competitive, so if we are reducing our costs, naturally within a competitive retail marketplace we would use that to our advantage to reduce our energy costs.

Claire Williams: Yes, I completely agree. We don't recognise the analysis in either of the two recent articles published in the press. As I said before, our forecast of costs, based on the changes announced in December of £41 off the bill, we have passed that back. If any future savings come through we will pass that on to customers.

Q102 John Robertson: Let's be honest here, because you are not well thought of out in the general public at the best of times. To say you don't recognise something sounds like you are already starting to work out how you can avoid paying. My problem is that I would like you to go and find out if they are right. It is not a question of not recognising if the £2 billion is right or wrong. It is to go and find out and, if it is, make statements and put out releases to say that this money will go back to the customers. That way you will get my backing. Otherwise, I will doing what I usually do with you and give you a hard time about not giving the customer a good deal.

Simon Stacey: That is fine, and we are absolutely working on both. There was a report last week, as Gillian said, and there was one I think in *The Telegraph* yesterday. The reason we are probably all saying we don't recognise that is certainly my suspicion is that they have extrapolated a certain subset of the programme and assumed that throughout. What it does not take into account is the amount of money that already would have been spent in 2013. It does not take into account some of the sub-obligations, for example CSCO rural, which I believe we are all struggling heavily with and is likely to cost a lot more than was predicted in the impact assessment. It does not take into account any of those things. If that were to come to a reality—I do not believe it will, but were it to come to a reality—we would absolutely look to pass those cost savings on.

Q103 John Robertson: The Government have said that £88 million is going to be delivered through 24 local authorities and they will receive a share of that money to help assist with their energy efficiency home improvements. Are you seeing any of that coming through?

Claire Williams: I think that refers to the Green Deal Communities Fund that I mentioned earlier. We are working in partnership with a few different local authorities that have applied for that funding and have been successful. A great example of that is Plymouth, where we have a large ECO scheme. They have been successful in securing some of that pot of money and we are working with them to develop a scheme to promote the take-up of Green Deal, so I think it is happening.

Q104 John Robertson: What we are quite interested in is if the companies would let us know as these local authorities come on line to work with you. I always have a fear that if the money goes to the local council it ends up going somewhere that it should not. I want to make sure that they are spending that.

Where should the balance lie between cheaper, easy-to-treat measures and addressing the more challenging measures?

Gillian Noble: We are very much trying to strike the right balance with the changes that have been proposed. There is a case to be argued that there is an immediate pressure to reduce the cost burden in consumers' bills, and that is why the changes that are proposed to lower-cost measures have been brought in.

I think the reality is that absolutely we have to deliver this cost-effectively and we will now start our marketing activity to try to identify these properties, but the reality will be that it becomes more difficult. We already found at the end of CERT that it was becoming more difficult and more expensive to find the properties that could still take the loft and cavity insulation.

Q105 John Robertson: That would suggest to me all the easy ones are done and you are now getting to the stage where all the hard properties are left.

Gillian Noble: I think it is just more difficult as the volume starts to decrease. It is more difficult to identify where those properties are. We will do that with the aim of reducing the cost of this programme.

John Robertson: You make it sound as though you have done millions and millions of properties; you have not.

Gillian Noble: We have through CESP.

John Robertson: You have done a lot, don't get me wrong, but there are lots and lots and lots of properties still out there.

Gillian Noble: Absolutely, yes.

Simon Stacey: As Gillian said, there are still approximately 4 million treatable cavities and around 6 million treatable lofts.

Q106 John Robertson: When will you get them done?

Simon Stacey: I think the challenge is finding them, so this comes back down to the awareness and the willingness of the customer to allow people on to their properties to do that.

Q107 John Robertson: That leads me to my last question, which fits into that. What further changes could be made to ECO to ensure that energy companies are able to meet their obligations and also help customers?

Gillian Noble: I think there are still a number of amendments that we have discussed with DECC in the last year that could still chip away at some cost reductions. One goes back to who is getting access to ECO and whether it is attractive to certain property types.

One of the things that we would strongly argue for here is that we return to a deemed score. Currently a carbon score that we achieve out of a property is driven by that property and the individual using that property. We would like to see a return to a deemed score. Therefore, if it is a three-bedroom property, it does not matter what it already has installed. The contractor has no incentive to walk away or prioritise one property over the other. For us, deemed scoring would take out a lot of the process and the cost, but it would also improve access for the customers.

Q108 John Robertson: Have you told the Government that?

Gillian Noble: Yes.

Simon Stacey: I would endorse all of that, but also there is a greater opportunity for data sharing. If the Government were to data share better with the industry, that provides us access to get over the previous discussion around treatable properties.

John Robertson: The thing about data sharing is that there were problems with it. What kind of data are you talking about?

Simon Stacey: Customers' data in terms of—

John Robertson: That is against the Data Protection Act.

Simon Stacey: It needs to be done properly and there are ways around that. If we can have access to households that are low-income, on pension credit and so on, then we can start to talk to those customers about what we might be able to do for them.

Gillian Noble: There is a more basic point. One of the key factors here is that vulnerable customers have to share personal data with us and share with us documentation as evidence that they qualify, which is quite intrusive. We have proposed that there should be a live link straight into DWP, where the customer gives consent to say that we can verify them.

Q109 John Robertson: That is another inquiry. Ms Williams?

Claire Williams: I absolutely agree with the points on data sharing, particularly for helping us get to the right vulnerable customers, and Gillian's further comments. We do regularly feed back to DECC on how we think ECO can be improved.

One other area is the brokerage platform that DECC has set up to create an open market for trading ECO carbon. While that is a great platform that we have engaged with over the past year, we think that that could be improved to help specific parts of the programme. As Simon mentioned earlier, CSCO rural is a subcategory of ECO that is very challenging for us to deliver. If, for example, the brokerage platform was changed to address that particular commodity specifically so that we could buy access to the CSCO rural communities via brokerage, that would be a big help.

Q110 Chair: If you changed to a deemed score, would that mean that you might not be achieving savings?

Gillian Noble: I think the key here is that there are now 15 months of data that should give a good gauge of the average scores that are available. Balanced with that you are providing greater access and reducing the costs, I think there is enough certainty in terms of the average score that is available on a property type to determine what would be a safe, reasonable assumption on that deemed score.

Q111 Graham Stringer: Just to go back to Ian's question before I get on to the area I want to explore, is trust in the energy industry in general, and particular companies, one of the reasons why the Green Deal has not performed as well as it might have done?

Claire Williams: There is no doubt that there is a trust issue, or challenge, at the moment in the energy industry. I think, though, there is quite a big difference between perception generally of the energy industry and what we would refer to as perception of the brand versus actual customer feedback and satisfaction with the experience they get from the companies. We see very different results. If you ask customers how they feel about British Gas or the energy industry versus how do they feel about the product or service that we provide to them, we get very positive NPS scores from our customers.

We personally, with our experience in Green Deal, don't think it has been a deterrent or more of an issue compared with some of the practical issues I talked about. But I think we also recognise that both through ECO and Green Deal we can't do it ourselves and we work with lots and lots of partners in both areas to deliver our obligations and commitments. That can really help, so when we do community schemes, for example, we quite often do it under the brand of the local authority because we recognise that the local authority has more trust in that region. I think, therefore, there are ways around that.

Simon Stacey: From npower's point of view, we have invested quite a lot of money in a Green Deal provider journey to allow us to provide Green Deals. We are using that currently to deliver a lot of our ECO obligation. The feedback we get from customers is extremely positive on that journey and therefore trust is not really an issue for us. We got very high net promoter scores for all that we are doing in that space.

Gillian Noble: I echo the comments that have already been made, again not forgetting that Green Deal is not just about the six energy companies; it is about the many other Green Deal providers that are in the marketplace as well. Many of these companies have a local connection in many instances as well and therefore the trust in a local company or a van that you see in the streets can go a long way. That is what we find within our ECO obligation as well.

Q112 Graham Stringer: When Calor Gas gave evidence previously, they said they had serious concerns about the delivery of ECO into off-gas-grid areas in rural communities in general. Do you share those concerns?

Claire Williams: As Simon said earlier, delivery by all of the energy companies against what is called the CSCO rural category of ECO has been very slow. We absolutely welcome the proposed changes that the Government have announced in that area, which we think will make delivery of the CSCO rural target a lot easier going forward this year, not only because the criteria that we need to operate against

are easier but because they are proposing some additional benefits in terms of uplifts of scores that you could get for delivering in those areas. So I think it will get better.

Q113 Graham Stringer: What difference would it make if the rules took us one step further and it was mandatory to deliver ECO into relatively remote rural areas?

Gillian Noble: That already exists right now. In terms of the design of the scheme, the Government have tried to deal with many aspects that potentially have come under question in previous schemes.

Currently we have a sub-obligation called the rural sub-obligation by which we are mandated to do exactly as you say. As Claire mentioned, that has been slow in 2013 and we have made significant progress in the other obligations, so it has been slow for a reason. One of the key reasons has just been some determination around the specific areas that we are allowed to go into and that will count towards our target. That was clarified towards the end of last year, so that has been a positive and we have started our delivery as a result of that. The changes that Claire also mentions are something that we have fed back to Government a number of times. The key for us is that we do not want to preclude someone in a rural area because they do not fit the vulnerability criteria, and they don't have the evidence that is currently required. The changes to remove that aspect means that a supply chain can go in and address an entire community in that rural area rather than one-off properties where the customer may be deemed vulnerable by certain rules. So I think you will most definitely see progress being made in 2014 to hit the mandatory target that you describe.

Q114 Graham Stringer: How do you currently prioritise where it is cost-effective to deliver against the rules? There must still be an internal process of giving priority to this area and not that area.

Claire Williams: For us, it does not depend on regionality or geography. We operate on a national basis from Plymouth to Glasgow and we have no particular preference. It absolutely just comes down to the property types and the interest and demand that we can generate from customers in certain property types, the kinds of measures that we are able to deliver and how cost-effective they are. Geography is not really how we prioritise.

Simon Stacey: Similarly for us, it is simply down to the economics of the respective schemes. We have no particular bias to any particular region; it is all about the economics. As I said, fundamentally our customers will pay for the ECO cost of delivery.

Q115 Graham Stringer: Asking the question the other way around, are there any particular parts of the country that you are aware of that do not have access to ECO?

Claire Williams: Not that I am aware of.

Simon Stacey: No.

Gillian Noble: No.

Q116 Graham Stringer: You think there is an equitable distribution of ECO across the country? That is not the evidence we have had before.

Simon Stacey: No, I think there is not an equitable distribution, because clearly the large, dense communities will always be more attractive, but within the rural subset of the obligation—and that is now a challenging obligation for us—there is no differentiation. It is basically down to the economics.

Gillian Noble: Detailed information is published so you can see the various regions on a monthly basis that are receiving measures. Exactly the same, we try to work with local authorities to try to identify what is the most cost-effective way of delivering this but, as we do have a mandated target within the rural sub-obligation, the key for us is to find a rural community that will engage and a supply chain that will move into that community. That is the key driver, not the regionality of that community.

Q117 Chair: In the schemes you have talked about today, you talked about boiler replacements as being quite a cost-effective way of improving someone's bills and energy efficiency, but I don't think any companies are offering it to those off the gas grid. Those with an old oil boiler or an old LPG boiler do not get access to a new boiler. What are the barriers to achieving that?

Gillian Noble: I think one of the key points is cost. One of the proposals that has been put forward by DECC as part of the consultations is to look at ways to incentivise that and find a way to encourage cost-effective delivery. One of the key things that we would support is increasing the scoring mechanism for these properties to make them more attractive. That would clearly lead to a debate about the scale of the programme and not detracting the heating points from that programme. Options are available that we have fed back that we would support, but right now it would come down to the cost and cost-effective delivery.

Claire Williams: I agree with that. We do carry out those kinds of boiler replacements through our internal boiler business, so we do it as a business, but how much of that we do under the ECO programme absolutely comes down to cost-effectiveness. I think changes have been proposed that will make that more attractive going forward.

Q118 Graham Stringer: Going back to the Green Deal discussion, to make it more effective and to increase its impact, a lot of the solutions have been to lower the interest rates, increase the amount of cashback, and to put more cash into it. Does that indicate there is something fundamentally wrong with the structure of the scheme? If you were starting afresh would you structure it differently and, if so, how?

Claire Williams: I think the fundamental challenge is that the Green Deal is aiming to help customers make energy-efficiency improvements to their home and in large part to pay for those. The Green Deal is trying to help customers get access to some money that will subsidise it, but the majority of the programme focuses on insulation. Over the years, the general public have got used to insulation being largely free or very heavily subsidised, so the Green Deal is trying to change an entire public's perception of paying for energy-efficiency measures, which is not something that people actively consider doing unless they are renovating their property or something like that. It is not top of the list of things to spend your money on. It is a tall order. I think the incentives and the finance go some way towards helping customers move to a place where they are prepared to pay for those measures, but I think that will be quite a long journey.

Simon Stacey: Just to add to that, I made some previous comments about allowing people to introduce other more perhaps attractive measures like double glazing and micro-generation to sit alongside the solid-wall. That then makes the customer feel perhaps that they are getting something that is more beneficial to their home, rather than solid-wall, which is perhaps less interesting.

Q119 Graham Stringer: To what extent do you think DECC is meeting its aims and objectives in either scheme in terms of carbon saving and energy savings?

Claire Williams: I think the savings being demonstrated by the energy-efficiency obligations are going very well. Huge savings were achieved through the CERT and CESP programmes, and ECO is progressing well. We know from our own data that hundreds of thousands of measures are being delivered every year, so I think that is going well.

As we talked about this morning, Green Deal is off to a slow start. The ambitions are not so obvious, so it is quite hard to put the progress in context of a target. There is no

doubt that Green Deal is off to a much slower start, but I think the ECO programme is working well.

Q120 Graham Stringer: How do you think the recently proposed changes to ECO will affect the carbon savings?

Gillian Noble: They shouldn't. In terms of the proposed changes—

Graham Stringer: Won't it take them longer to achieve because the programme is being stretched?

Gillian Noble: In terms of the targets that have to be achieved, the biggest change that has been proposed is the 33% reduction within the main sub-obligation of CERO, but the package of measures that Government are also proposing right now, the £450 million, should create a carbon neutral position. From that perspective, the intentions at the start of ECO should continue to be delivered.

Claire Williams: The two-year extension to the programme involves a pro rata increase in target as well. Although the target has been stretched to 2017, aside from that reduction in CERO, the targets for all the other areas of ECO have just been pro rata extended, so we will deliver more over that period.

Q121 Graham Stringer: Which of the energy-efficiency measures do you think are likely to have the greatest impact on carbon savings and energy savings?

Claire Williams: Solid-wall insulation is the most impactful measure that can be installed. However, it is typically the most expensive as well so, while it has the biggest impact relative to the others, it is much more cost-inefficient compared to something like simple loft insulation that has, in absolute terms, a smaller impact, but is significantly more cost-effective.

Q122 Graham Stringer: How can it be maximised if it is going to have the greatest impact? How can the take-up be improved?

Claire Williams: I think some of the areas we have talked about before will definitely help, particularly the new incentive scheme. I mentioned before that there is a current

proposal to change the Green Deal incentive to £4,000 for solid-wall insulation, which will go a long way to stimulating that market.

Q123 Albert Owen: You mentioned about ECO being stretched and the Green Deal having a slow start. Could you tell the Committee how many new jobs have been created as a consequence of Green Deal and ECO?

Simon Stacey: From npower's perspective, we are delivering some of the measures through our own teams and we have created around 100 new jobs within npower as a result of that. We also have contracts with about 80 third parties and clearly there will be job creation as a result of that as well.

Albert Owen: When you say new jobs, are they staff who have been redeployed, retrained, upgraded or are they—

Simon Stacey: A combination of both. Clearly, to the extent that we are able to redeploy people from elsewhere in the business, we look to do that if they have the appropriate skills. Equally there are a lot of skills that sit outside the typical energy industry in terms of people going out and assessing customers' homes and so on. Those are skills that require a certain amount of training and industry experience, so we have brought those skills in from outside the energy industry.

Gillian Noble: Clearly it is the same in terms of the growth internally, but if you look at the figures and the statistics that have been published by DECC, they are quite substantial in terms of the growth that has been created. In terms of assessor organisations, in October 2012 they were sitting at 13 and in March 2014 it was at 364. That level of growth is witnessed across the individual advisers that are now live, which is just under 3,500. The Green Deal providers are at 143 and the installer organisations are just over 2,500, so significant growth has been created through ECO and Green Deal.

Q124 Albert Owen: What period are you talking about there?

Gillian Noble: From October 2012, when ECO commenced, to March 2014, the latest figures that have been published.

Claire Williams: I would echo those comments. There is clear evidence that the number of Green Deal providers is growing, which absolutely has a positive impact

on job creation. I think future job creation will depend on the success of the Green Deal programme. We have created an in-house team of Green Deal assessors. We have 300 working right across the country carrying out Green Deal assessments, which has been a positive move for our business.

Q125 Albert Owen: The biggest increase is in the number of assessors, but the evidence that we have had suggests that, because of the proposed changes to ECO, the effect on the supply chain has been to decrease the number of jobs. Have you seen this within your own companies?

Claire Williams: In terms of the proposed changes to ECO that were announced in December and that are currently out for consultation, we are seeing some disruption. I couldn't comment on whether that has led to job losses. As Simon mentioned before, the HHCRO element of the obligation has gone very well for all organisations, and the proposals are giving us some uncertainty about how we can move from where we are today to the later stages of the obligation. That is creating some uncertainty in the boiler install market. The other changes proposed on ECO shouldn't have too much of an impact, because they mean just a shift in focus from different types of insulation.

Q126 Albert Owen: But the evidence we have had from previous witnesses and the written evidence suggests a substantial number of job losses as a result of the move from CERT to ECO, for instance, and that drawing it out is prolonging it.

Simon Stacey: Some things that were part of CERT and CESP are no longer part of ECO and we were seeing more solid-wall schemes under ECO. The Government changes allowing us to install more cost-effective measures meant that some solid-wall schemes were put on hold for a period while we, as an industry and other Green Deal providers, assessed whether or not they were still good, economic schemes. I suspect that may be a part of it.

I would endorse the comments around the HHCRO market. That has been a very effective channel, certainly for us and I believe for others. We are seeking clarity from DECC about our ability to carry those measures forward into future years, because we don't want to put things on hold and then have to start the wheel rolling again. Once we get that clarity, it would be nice to keep things flowing at a sensible pace. I think that has created some concern within the marketplace.

Gillian Noble: It is interesting because clearly uncertainty has been created but, when you look at the actual figures, speaking for ScottishPower, we had higher install months from December through to the end of March than we had in any previous

months, and we were an early deliverer of ECO. We have not halted our delivery as a result of those changes and our supply chain has been kept fully employed and working as planned.

I would absolutely endorse the comments that have been made. We have been an early mover and we are clearly at a point, not just in HHCRO but across the other obligations, where it is vital that the recent consultation gives some early clarity so that we can continue to install measures throughout 2014 and into 2015 at a rate that is acceptable, to keep moving our supply chain and also to ensure that the vulnerable customers in particular are given the measures that are required before the next winter. One of our key asks of Government right now is that we get early clarity.

Q127 Albert Owen: Although you, as individual companies, have employed more people and retrained more people for the ECO schemes and Green Deal, you do acknowledge, just for clarity on the record, that there have been some job losses. One of the reasons for those job losses has been the Government's lack of clarity as to where it is going forward. Are you saying that you just need clarity from the Government and these jobs will come back because they have only been temporarily suspended, or do you think people have done the early assessments and might not come back and you will not need to have the skilled labour in place?

Simon Stacey: I think historically there were some job losses within the industry as a result of the change from predecessor schemes to ECO.

Albert Owen: Substantial figures, we have been told, 7,000-plus.

Simon Stacey: I am not in a place to comment on that on the record. I wouldn't know. The changes that the Government made in the autumn have opened up some of those opportunities, particularly in CERO, around the easier-to-treat measures. One would expect that jobs would have been created there. I think probably what we are all saying is that there is a potential for job losses in or around the boiler replacement market if we don't get clear instruction from Government about what we can expect with our measures as we carry them forward to allow the supply chain to continue operating effectively.

Q128 Albert Owen: So the Government needs to be clear there. That is helpful, because we certainly will put that to DECC. Again, the figures are quite substantial. A 90% movement from CERT to ECO has been reported to us, yet the Government's target for the future is an increase to support 39,000 to 60,000 jobs in the insulation sector through Green Deal and ECO by 2015. Do you think that is realistic?

Gillian Noble: Just echoing what Simon said, the biggest change and the biggest challenge for the supply chain was the movement from the lower-cost measures into

solid-wall. I don't think the complete reversal that some of these companies had to go through can be underestimated. The changes that have been brought in around the lower-cost measures—Simon mentioned the figure of £4 million of opportunity still out there on the lower-cost measures—should enable a number of these companies to look to the future. I know a number of the companies that I work with are looking at the future. If we can get the clarity on continuing to move, they are looking at the future in terms of what that means for growth within their companies. Again, that clarity that we can continue to fund is vital for the long-term business opportunities.

Q129 Albert Owen: What do you want to hear from the Government now, so we have that clarity and so that we can maximise the job creation in the supply chain?

Gillian Noble: We would like to see that there is no cap placed on any excess measures that we take forward from the 2015 target into 2017. If there is, and they feel the need that they have to do that, it should be a sensible cap that takes account of the current position and the current delivery position, and a sensible date should be placed in the future as to when that would take effect. Right now we are in a position of unknowingly knowing whether or not we have stranded carbon that is sitting that does not comply with potential new rules moving forward.

Claire Williams: I completely echo that. The only point I would add is that we also need clarity on whether any excess actions that we can carry over need to comply with new rules. There is a proposal in the consultation that there is not just a cap on carryover but that anything that is carried forward under that cap needs to comply with the new compliance rules, and we do not yet know what they are.

Simon Stacey: From our side, I would endorse both comments. That was what we put into our response to the consultation document.

Q130 Albert Owen: When there was movement from one scheme to another, did you warn Government that there would be job losses? Did they enter into dialogue with you and say, “Can you hold on? These schemes will be up and running in a few months’ time”?

Simon Stacey: From our point of view, not really, in the sense that we would look at the supply chain. We would have had that conversation, but I guess, being candid, that that was not at the front of our minds, because our responsibility is to our customers and delivering the obligations as cost-effectively as possible. Clearly there will be industry participants that would have been having those conversations with DECC.

Claire Williams: The discussions that we had with Government when ECO was being designed were all about how cost-effective it was going to be to deliver. We were concerned, and we raised our concerns repeatedly, that the CERO category in particular and the mandate to do hard-to-treat and solid-wall insulation was going to be particularly challenging from a cost perspective. The discussions were focused on that.

Gillian Noble: Exactly the same comments. The one thing that I would say is that it was a very easy debate to have. If you move from one day to the next from one scheme where you are installing easy lofts and cavities to a solid-wall programme that takes two to three months of development—and that is on a good run at it—then clearly you are going to have a delay. That delay, from a cash flow perspective, creates a difficult cash position for any period of time for many of the companies who are seriously investing and seriously want to be participants within the ECO marketplace. You could argue that the people who thought about it or could see that transition were the ones who have been able to survive through into the 2013 and 2014 period.

Chair: Any further questions? If there is anything you think you should have said that you did not manage to get across, we will take written submissions afterwards. If there is anything we need to follow up, we will back in touch. Thank you very much for your evidence.