

Written evidence submitted by David Cowdrey

MCS Company

Since 2008, MCS has been the only recognised Standard for UK products and their installation in the small-scale renewables sector. It is a mark of quality. We create and maintain standards that allows for the certification of low-carbon products and installers used to produce electricity and heat from renewable sources. We are impartial: technology neutral, manufacturer neutral, and supportive of Installers committed to quality installations and consumer protection. Membership of MCS demonstrates adherence to recognised industry standards, highlighting quality, competency and compliance. Our mission is to give people confidence in low-carbon energy technology by defining, maintaining and improving quality.

MCS Charitable Foundation

Our vision is a world where everyone has access to affordable and reliable renewable energy and zero carbon technologies – for the benefit of our environment, our communities and the general public. As a Foundation we work to increase public confidence, awareness and access to renewable energy and zero carbon solutions across the UK. We support education and engagement programmes, fund research and facilitate innovative solutions to drive widespread adoption. In addition, the Foundation oversees the [Microgeneration Certification Scheme \(MCS\)](#) which defines, maintains and improves quality standards for renewable energy at buildings scale.

MCS Evidence

Background to GHGVS

To support economic resilience following the COVID-19 pandemic and the Government's goal for a green industrial revolution, the Green Homes Grant Voucher Scheme (GHGVS) was launched in September 2020. The voucher of up to £5,000 (general scheme) could cover a maximum two thirds of the cost of the included energy saving home improvements. Some homeowners on qualifying benefits could obtain a voucher covering the total cost of these home improvements, up to £10,000 (low-income scheme).

The GHGVS was initially introduced as a short-term stimulus, planning to run until March 2021, however in response to industry lobbying, the scheme was extended to March 2022. At the end of March 2021, the government announced the scrapping of the GHGVS due to a 'lack of interest' and the scheme closed to new applicants after 31st March 2021.

This review document covers, from the perspective of MCS, the successes of the GHGVS as well as the failures and what lessons can be learned from the issues associated with the scheme. Feedback on the framework and

delivery of the GHGVS must be fed into the design of forthcoming incentives schemes, to ensure the lessons of the failed GHGVS are not repeated in successor schemes, such as the Clean Heat Grant (or equivalent).

Statistics

The below details key statistics from BEIS analysis of GHGVS consumption (statistics up to date as of June 2021):

113,700 household applications associated to 167,900 vouchers.

Of these vouchers applied for, 65,900 were rejected, resulting in net vouchers applied for of 102,000.

Of these net vouchers applied for, 65,900 were issued, though subsequently 6,200 vouchers expired, leaving net vouchers issued of 59,700.

From the net vouchers issued, 20,600 measures were installed, and 15,500 vouchers were paid.

In terms of the measures included, insulation accounted for 77% of all GHGVS measured installed between November 2020 and June 2021, accounting for nearly 16,000 properties. Low carbon heat accounted for most of the remaining installed measures (22%), accounting for around 4,500 properties. Air Source Heat Pump installations accounted for 7% and Solar Thermal installations accounted for 12.5% (see chart and table below).

GHGVS Renewable Heat Installations (November 2020-June 2021)

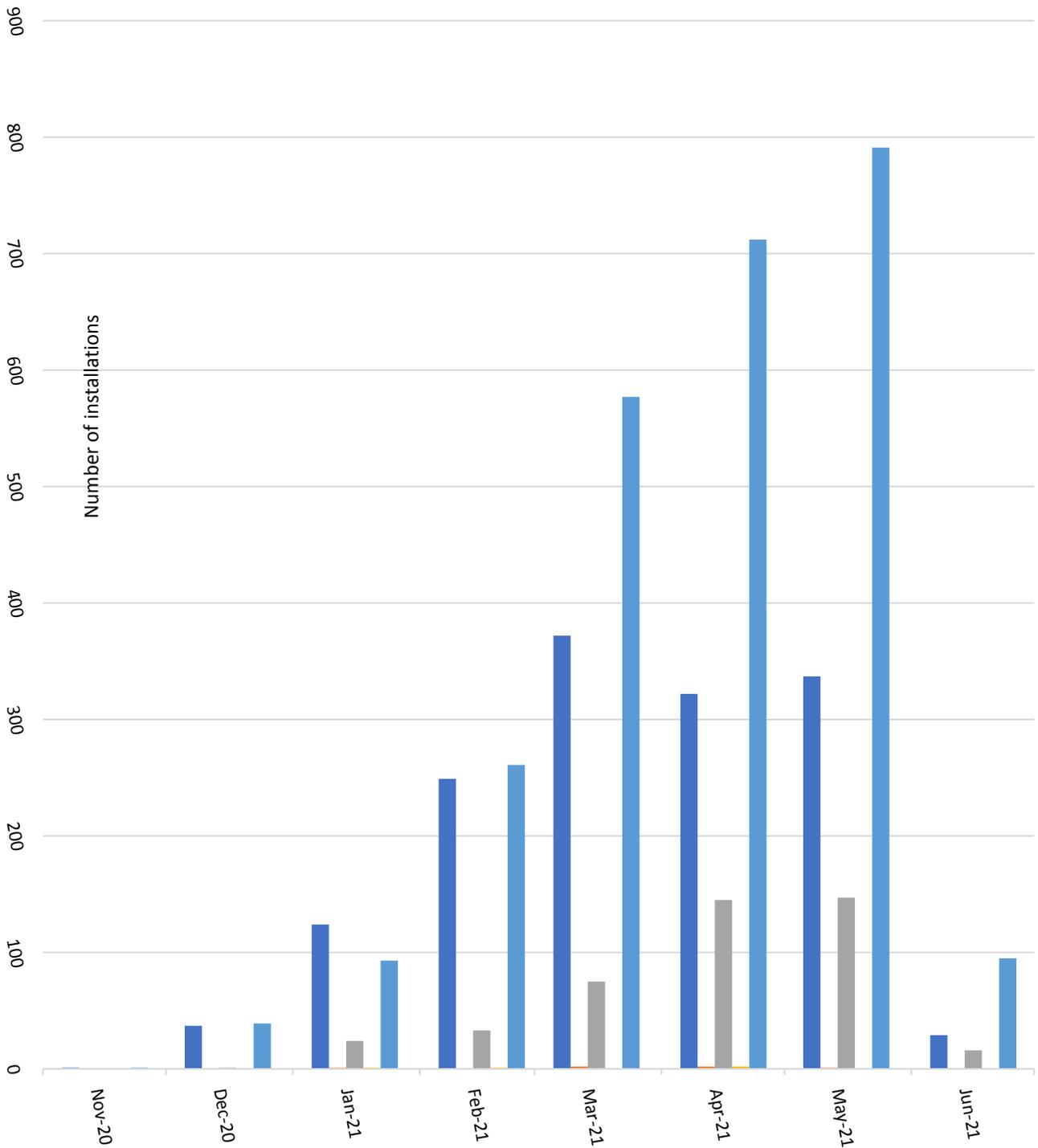


Table: Number of low carbon heat installations registered via the GHGVS (from November 2020 to June 2021).

Positive Impacts

Even though the GHGVS was widely considered a failure in the industry, the scheme did have some positive impacts on the market:

The GHGVS did spark some consumer interest in energy efficiency measures, with the MCS Helpdesk receiving an influx of queries from consumers regarding the scheme from September 2020 onwards. However, a lot of these queries related to interest in measures such as insulation rather than low carbon heat measures e.g., heat pumps. The swing towards measures such as insulation is evidenced by the GHGVS statistics above, in which there was minimal uptake of low carbon heat measures.

The 'voucher' mechanism of the scheme helped tackle the upfront cost barrier currently associated with renewable heat technologies (particularly heat pumps), as opposed to other ongoing incentives such as the domestic RHI, which only caters for those who are 'able to pay'. However, in reference to the earlier chart, the data shows that the uptake of heat pumps via the GHGVS was low compared to total MCS registered installation numbers. For example, in March 2021, a total of 2907 heat pumps were registered with MCS, of which only 372 were using the GHGVS (13%).

GHGVS vouchers could still be used alongside existing incentive schemes such as the Domestic RHI, allowing homeowners to reap more financial benefits from the installation for an additional 7 years.

The GHGVS mandated that MCS certification was required for installers installing low carbon heat measures, ensuring that quality assurance was at the heart of the scheme.

The intention behind the scheme appealed to many installers in the industry as it was an opportunity for companies to generate new business, grow their workforce and help their businesses recover from the economic impacts of the COVID-19 pandemic. MCS surveyed 204 installers in September regarding the GHGVS, over 60% of respondents believed that the scheme would help stimulate demand and bring business opportunities.

In response to industry concerns regarding the initial strict timeline of the scheme, BEIS listened to the market feedback and extended the GHGVS by 12 months. This helped ease some of the initial congestion in the market in which thousands of homeowners scrambled for the vouchers.

The Simple Energy Advice (SEA) website was set up to help homeowners determine their eligibility and what energy saving home improvements would be most suited to their home.

The scheme triggered a reinvigoration in the installation of solar thermal technologies. In 2021, 4604 solar thermal installations were registered on the MCS Installations Database, which is the highest annual solar thermal installation volume since the inception of MCS.

Negative Impacts

Industry welcomed the intention and ambition behind the scheme, however the flaws associated with the design and delivery of the scheme ultimately led to its failure. The below section outlines the issues associated with the GHGVS and details the consequences it had on the market:

Timescales

The GHGVS was initially beset with problems due to the delays in launching and unrealistic timescales. The scheme was initially announced on 8th July with communications advising it was due to launch in September. On the 10th September, it was still unclear when the scheme would launch and when consumers could apply for vouchers. On 30th September, the scheme finally launched but the delays ultimately caused pressure within the industry.

The sense of urgency and panic in the industry was further accelerated by inaccurate messaging around 'limited number of vouchers'. The strict six-month delivery timeframe made it almost impossible for the

market to meet the surge in demand. As a result of the COVID-19 lockdown, installers already had an existing pipeline of work to carry out and did not have the capacity to take on any more work. The criteria for the scheme were too tight for SME's, catering only for the larger installation companies who were able to process enquiries on a larger scale.

Suppliers of heat pumps also struggled to keep up with the demand and could not fulfil many orders due to a lack of stock, mainly because of the supply chain issues following the COVID-19 pandemic.

Consumers rushed to gain quotes from installers, with many struggling to obtain the multiple quotes required, due to installers having no capacity. The requirement for multiple quotes caused difficulties for installers who struggled to accommodate the quote requests. Particularly with respect to heat pump installations where surveying is often required to devise an accurate quote. The lack of installers available to carry out measures under the scheme left many homeowners distressed that they would miss out on the opportunity to retrofit their homes with energy efficient and green measures. The scheme was incredibly rushed and the lack of notice for installers meant that there was not enough time to prepare, including limited time for installers to be able to expand their workforce, gain necessary accreditations (e.g., MCS, TrustMark). When the GHGVS launched, MCS surveyed 202 installers in which 53% of respondents advised they were not already TrustMark registered.

Lack of clarity regarding eligible measures

There was initially confusion and no clarity regarding what eligible measures were included as 'primary', with confirmation of the inclusion of biomass only arriving in September. Solar PV was also not included as a measure and there were mixed messages about whether the technology would be included or not in the scheme.

Limited consumer information & support

The delivery of the GHGVS, including the application process was very poor for consumers. The Environmental Audit Committee surveyed over 500 homeowners online and 86% of respondents rated their experience of the GHGVS poor or very poor.

The Government endorsed Simple Energy Advice (SEA) website did provide some support to homeowners (including how to determine eligibility and locate tradespeople), however as mentioned, there was a lack of installers having the capacity to participate in the scheme. There were some issues with the functionality of the SEA website, as homeowners were initially struggling to locate installers in their area as the search function did not display installer geography. Contact telephone numbers for installers were not pulling through correctly either and tradespeople that did not hold the correct certifications for clean heat technologies were being presented to homeowners in the search tool.

Initially, the TrustMark installer search tool did not display installers that were MCS certified for clean heat technologies such as heat pumps, when MCS and TrustMark accreditations were required to participate in the scheme as an approved installer.

Consumers who had limited digital skills or no access to the internet struggled with finding information online and communicating with the scheme administrator via email.

There was generally a lack of consumer understanding and awareness with respect to the clean heat technologies. Homeowners did not understand what technologies would be most suitable for their property or how they could get sufficient value for money.

To cause further confusion, there was incorrect pricing guidance for the technologies on the SEA website which caused issues for installers. Also, the SEA energy saving plans that were generated for consumers for GHGVS purposes, listed Solar PV as a recommendation in many instances, leading consumers to believe that this technology was included under the GHGVS.

The functionality of the SEA website appeared to place bias on solar thermal, which can be evidenced by the high uptake of solar thermal out of the clean heat measures (see earlier statistics). This ultimately affected the number of solar thermal related enquiries that installers received.

The application process proved complicated, and many consumers had to wait a long time for vouchers to be issued, with the risk of vouchers expiring before work could be carried out. Due to poor levels of communication to consumers, MCS set up a Green Homes Grant advice page to help plug communication gaps, link here: <https://mcscertified.com/green-homes-grant/>.

Poor administration

The scheme administrator for the GHGVS was ICF Consulting Services Ltd, who were responsible for application approvals and releasing payments to installers after voucher redemption.

The biggest issue with the administration of the scheme was the slow roll out of payments to installers, which left tradespeople out of pocket for completed work for significant periods of time. Installers were expected to receive payment 5 days after voucher redemption, however there were reports of certain payments being overdue by more than 40 days, with a few fringe cases where installers had to wait over 150 days for a payment. Installers had to self-fund a lot of equipment for the installations and the delays in payment severely impacted cash flow for a lot of installation companies.

In addition to this, there was a delay in vouchers being issued to consumers and installation work was not permitted until voucher issuing. This created a backlog of orders that installers could not carry out, which impacted on diary planning, work force and stock control.

When installers were applying to be GHGVS approved installers, the intended turn around to gain approval was 14 days however this acceptance period was much longer in certain scenarios, again causing more delays. Installers were often questioned on quotations for work by the administrator even though they were line with market rates, indicating that ICF did not have a full understanding of installation costs.

Upon the launch of the GHGVS, it was unclear as to where a consumer could go for assistance with the scheme. Multiple helpdesks were being ran by various stakeholders (including MCS, SEA & Trustmark), however there was no single point of contact for consumers. This led to consumers being given conflicting advice or being passed between organisations which caused frustration.

On Christmas Eve, the administrator ICF sent out an email to thousands of homeowners applying for grants, advising that the quotes submitted were too high. It appeared that these emails were sent out indiscriminately and caused confusion in the installer community, as the costs were generally in line with the current market rates. MCS also received many reports that these emails damaged relationships between consumers and installers participating in the scheme.

For installers, ICF created a mobile phone application called ICF Sightline, where installers could record and submit the photos and information about the installation, that they need to upload for voucher processing. Sightline was difficult to use, and installers experienced many technical issues with the app.

The lack of reporting and communications from ICF left other parties, including MCS with limited access to up-to-date statistics throughout the scheme. This ultimately left various parties disconnected and unable to get a clear grasp on how the voucher redemption process was going week on week. Having more access to data would have bolstered MCS comms and PR work, including how many MCS installers were involved in the scheme and which clean heat technologies were proving most popular amongst customers.

Installer Terms & Conditions

There were several aspects of the installer terms and conditions that were problematic, which ultimately led to several installers opting out of the scheme. There was significant risk involved for installers with respect to payments, which was the last step in the scheme process.

For low-income households which could obtain up to £10,000 vouchers, many installers would not engage as they could not claim deposits prior to installations, which assist with upfront material costs. This meant that instead of the scheme providing improved accessibility to low-income households, it had the opposite effect.

MCS surveyed 195 installers regarding their experience of the GHGVS, in which 73% of respondents had completed work under the GHGVS. For the remainder who had not completed work, the main reasons for not participating were that a lot of installers had enough work already and nearly 50% had been put off by what they had heard about the scheme.

72% of installers surveyed advised that they would need reassurance over payments to be able to offer the GHGVS to their customers, as well as improvements to scheme accessibility.

There were contradictions between the GHGVS installer terms and conditions and the MCS Standards. Firstly, the installer terms and conditions advised that sub-contractors had to meet all MCS requirements, which conflicted with the sub-contracting guidance in the MCS Standards. MCS requested an amendment to this section of the installer terms and conditions to ensure it complied with the MCS Standards.

There was apparent confusion between hybrid heat pumps and hybrid heating systems in the terms and conditions, with the former being an eligible measure and the latter not being included in the scheme. MCS requested an amendment to the definitions regarding hybrid heat pumps to avoid confusion. In addition, there was initially a lack of guidance for what the minimum quotation requirements were for the GHGVS, causing further confusion amongst installers.

Auditing

TrustMark pledged to audit 10% of GHGVS funded installations to track quality and compliance. There were concerns that this level of auditing was too ambitious, there were over 20,000 measures installed meaning that Trustmark would have had to audit 2000 installations, including energy efficiency and clean heat measures. This high volume of audits potentially contributed to the delays in installer payments.

Overcomplexity

The application process for consumers and installers was deemed complicated. Voucher redemption was confusing for installers to understand as it was very dependent on the consumer and the administrator. The paperwork requirements were also difficult and longwinded, with the process being very bureaucratic. Both TrustMark and MCS accreditations were mandated for installers to install low carbon heat technologies (such as heat pumps), with Trustmark accreditation adding an extra cost to many installers during already difficult times. Installers were confused why MCS accreditation on its own did not suffice for installing clean heat systems under the scheme.

The other complexity to the scheme was the sequencing of the measures. The fact that consumers had to qualify for primary improvements before secondary, meant that those who had already invested in primary improvements were unable to do secondary upgrades under the GHGVS. The primary improvements included insulation measures as well as low carbon heat measures. The secondary improvements included draught proofing, window, and door upgrades as well as heating controls.

This eligibility criteria of the GHGVS prevented homeowners being able to access vouchers for actual measures they required. Also, the sequencing meant that certain secondary measures (e.g., draught proofing, heating controls) could not be installed first, when it is usually wise to install these measures before a heat pump.

Early closure

The early and unexpected scrappage of the GHGVS hurt numerous installation companies who had invested in staff in good faith to meet the initial high demand in technologies, ultimately leading to job losses. MCS surveyed 195 certified installers, with many advising they had invested in new equipment due to the expected work generation and over 50% of respondents had employed extra staff.

Since the scheme closure, the communications around voucher extensions have been confusing. MCS published a press release to help outline important information here: <https://mcscertified.com/new-deadline-for-voucher-extensions-under-the-green-homes-grant/>.

Lessons Learned

So that policy makers and scheme administrators can learn from the failures of the GHGVS, we propose that the following factors need to be considered when designing future incentive schemes:

There needs to be clearer guidance on the scheme that the whole of the market can access, including homeowners, installers, suppliers of products etc.

Coherent information provided to homeowners regarding suitability of technologies and savings on running costs so they can make more informed decisions regarding measures. This also includes guidance around the average costs of installations and the work involved.

Clearer guidance on the voucher issuing and redemption process with a guaranteed turnaround time for payments to installers. Repayment of vouchers need to be quicker so the cashflow of businesses will not be overstretched.

Clear, integrated communications appropriately segmented and targeted to audiences with consistent messaging

Provide installers with advanced notice of the scheme so they have time to digest and prepare for scheme delivery (time to expand workforce, gain any necessary accreditations). Also inform product suppliers earlier so they have time to build up stock, otherwise this causes supply chain issues at times of very high demand. Application processes need to be more streamlined to ensure consumers are not waiting on the issuing of vouchers, which in the case of the GHGVS delayed many installers carrying out work.

The paperwork requirements should be condensed to reduce the bureaucracy of the scheme and allow installers to spend more time in the field.

Provide long term guarantees to the industry, to avoid consumers and installers panicking and rushing. These long-term guarantees will mean installers are more confident in investing in the market and there will be more prospect of hitting net zero targets.

Simplify contractor requirements to ensure contractors do not have further any expense on gaining accreditations.

The installer community should be consulted on the design to ensure the rules and regulations align with current market operations.

Conclusions

The Green Homes Grant Voucher Scheme (GHGVS) introduced in September 2020, was designed to drive much needed uptake of green energy measures, provide an industry boost following the COVID-19 lockdown and set us on course to net carbon zero by 2050. Unfortunately, due to several issues it was not able to fully complete this goal.

The GHGVS generated a significant increase in interest in the green measures and heating technology, but due to a complex design and poor administration it was not able to meet the demand and deliver the volume required for the scheme's success. This was reflected in the statistics published by BEIS, which show large numbers of vouchers applied for, but a low percentage of vouchers being paid.

While the scheme had the intention of boosting uptake in green technologies and helping the Government start its "green revolution", most of the work conducted under the GHGVS was for insulation. According to the

data on GHGVS consumption as of June 2021, low carbon heat accounted for only 22% of installed measures (~4500 properties), with air source heat pumps accounting for only 7%.

There are several lessons that can be learned from the GHGVS for future Government schemes. Incentives need to be thoroughly planned and fully developed to ensure for a smooth delivery. A longer life span will help to avoid a rush and allow the industry to grow sustainably. Finally, the designated term of the scheme should be committed to and early cancellations avoided, to reduce the risk of installer or consumer detriment.

Any new scheme needs to be a long-term scheme of at least 10 years in length, it needs to be simple to use and will provide the right level of incentives for consumers to take advantage of it. A new scheme needs to pay contractors quickly and should require MCS standards or higher to provide consumer confidence in home grown energy. It also needs to have sufficient money to retrofit at least 1 million homes a year if we are to reach Net Zero targets by 2050. The UK has 29 million dwellings and one million homes will need to have some form of retrofitting.

There is also a requirement to 0% rate VAT on all domestic renewables and energy efficiency measures in line with new homes, which are zero rated. With 29 million dwellings across the UK, the Government will need some form of retrofitting and also broad-based tax measures, like zero rating VAT for a period of 10 years. This will help the renewables industry and home owners and provide the positive incentives to decarbonise their homes. It also provides an encouragement and in the absence of any grant of scheme, especially one that does not cover energy efficiency, there are no targeted tax measures or incentives. We need to learn the lesson from France, Germany and Italy who have some of the highest uptakes of heat pumps in Europe.

As part of a suite of measures there also needs new Property Assessed Clean Energy (PACE) loans at 0% interest rates and repaid through a local land or energy tariff charge as a pay as you save on your bills. These loans are aimed at the able to pay sector and should be time limited to 20-25 years. The loan stays with the property and not the person, but this will need new legislation.

It is only by having a suite of measures that we can hit Net Zero targets and having long term grants, zero rating VAT, new PACE loans and a clear and supportive Heat and Buildings Strategy that required zero carbon options in all new homes. MCS would also highlight that standards for installations are critical for consumers to have confidence and MCS needs to become the benchmark standard for the domestic renewables industry. These measures will require investment and support from the Treasury and hope that the forthcoming Net Zero Strategy, Comprehensive Spending Review, Clean Heat Grant and the Heat and Buildings Strategy will all support zero carbon technologies and help to retrofit at least 1 million homes a year between now and 2050 if we are to meet Net Zero targets.

Witness if required to provide verbal evidence to the Committee

Mr Ian Rippin, CEO MCS Certified please contact David.cowdrey@mcs-certified.com to make arrangements.

September 2021