Haringey Green Deal Pilot

Background

Investment in energy efficiency can provide long term cost savings to householders, as well as increased thermal comfort. However, many people lack the up front capital to make energy efficiency investments in their homes, even though some measures can pay for themselves from the savings they make.

The Green Deal, sometimes referred to as Pay As You Save (PAYS), concept is designed to overcome this barrier. In a Green Deal scheme, the consumer is offered a package of measures, a low interest loan to pay for them and a payback plan based on predicted savings. The scheme will not guarantee savings, as energy prices and behaviour are outside of the Council's control, but will offer a finance package which is structured to provide savings from day one. Energy bills are anticipated to rise by as much as 15% in 2011, meaning the Green Deal will offer insurance against future energy bill rises.

The Muswell Hill Low Carbon Zone has a carbon reduction target of 20.12% by 2012, and analysis has identified that domestic emissions reduction will form the backbone of this target. The Green Makeover service has been successful in engaging residents and installing some simpler measures. However, the Zone's action plan recognises the need for a step change in the second year of the project. More substantial energy efficiency measures are required to ensure the target can be met.

This programme fits within the wider delivery strategy of the 20.12% carbon reduction for the area by 2012. In initial planning, the majority of this reduction (14% of the total footprint) was planned to happen in the domestic sector. It was estimated that this would mean around 20 solid walled properties receiving solid wall insulation. As the programme has developed, it has become clear that innovative financing models will be required to hit targets.

Objectives of Green Deal Go Early

The Green Deal pilot scheme has two main objectives:

1. To support residents of the Low Carbon Zone to hit their target of a 20.12% carbon reduction target by 2012. The scheme has the following provisional targets:
    - 20 solid wall insulation installations being completed.
    - 35 houses with multiple carbon saving measures installed
    - Evidence of reduced energy bills

2. To build capacity and knowledge within the Council of low carbon finance schemes, to ensure the Council is best placed to take advantage of emerging policy such as the national roll out of Green Deal.

PAYS

Detailed research has taken place with LB Sutton and Parity Projects, who managed a Pay As You Save pilot in 2009/10 in partnership with B&Q. The model suggested for delivery is very similar to the approach from Sutton but amended to take into account the views of the Low Carbon Zone residents. The procurement route for goods and services has been modelled on Stroud District Council's scheme. Interviews have also taken place with Birmingham Energy Savers, and the Energy Saving Trust Pay As You Save team, who oversaw DECC PAYS pilot schemes in 2009/10. Feedback from the EST team focussed on ways of testing new areas of relevance to national policy such as loans for solid wall insulation.

Consultation also took place with the LCZ steering group, who were strongly in favour of the approach. The LCZ representatives thought the general offer was attractive and wanted PAYS operational as soon as possible. In operational terms, they are keen to have as much choice as possible of systems and have the ability to use existing negotiated bulk discounts, so rejected the idea of a single delivery partner. They are also keen to ensure residents receive some hand holding support from the Council throughout the process.

They were keen to see Solar PV supported through Green Deal Go Early to incentivise take up and raise awareness, but with restrictions to ensure the scheme did not focus entirely on Solar PV and was providing strong incentives for other measures such as solid wall insulation.

Scheme
Due to the small size of the scheme and feedback from the LCZ, the Council will manage the scheme in house. A full time Green Deal officer will be required to act as a key point of contact for the scheme. Householders will need to take an active role in managing the works to their home but will be supported by the Green Deal officer.

An external agency will be procured to provide initial detailed energy assessments, on which the Green Deal agreement will be based. (Current energy assessments undertaken by CEN do not record sufficient information to base a loan agreement on). Energy Assessments will be free to the householder if they proceed with a Green Deal agreement.

Customers will be presented with a range of options for payback scenarios based on their house assessment, and will be able to work with the Green Deal officer to tailor these. They will have some flexibility on the duration of their loan and repayment rate, but parameters will be set by the Council to ensure reasonable payback periods. It is anticipated that all loan negotiation will start from the position of providing energy savings with some value share with the customer. Where LCZ subsidies exist, these will be discounted against the measures.

Measures permitted
- All reasonable forms of insulation (loft, cavity, external solid wall (subject to planning), internal solid wall insulation, floor, draught proofing.
- Double or Triple glazing (subject to planning)
- F or G rated Boilers – replaced with an A rated boiler
- Domestic voltage optimisation
- Solar PV (with an interest rate of 4%)
- Solar Thermal (this will be supported under RHI from Autumn 2012, after Green Deal Go Early has finished, but the subsidy is not as generous as solar PV).
- Other renewable heat measures where feasible (these are typically not carbon effective unless the house is heated by electricity).

To ensure value for money and quality, a framework of contractors will be established, similar to Haringey's Adult Social Care personalisation "Accredited Supplier" process. A similar model was used by the Severn Wye Energy Agency acting on behalf of Stroud District Council in their PAYS pilot scheme. The Council will publish a series of criteria and invite businesses to demonstrate how they fulfil the requirements (such as professional accreditation or insurance). Householders will be required to use a framework contractor to access a loan from the Council. This will enable the Council to have some control over products chosen, but will not require the Council to procure them directly.

Once an agreement has been reached, the householder will undergo a credit check on the specific value of the loan and the Council will check the land registry to ensure the property is in their name. On acceptance of these checks, the householder and Council will sign a loan agreement.

The householder will be responsible for scheduling the works to their property. The Council will pay the householder direct on receipt of a copy of the invoice from the contractor, and will also fill in a direct debit form. A local land charge will be placed on the property by the Council. A system will be put in place by the Green Deal officer to monitor the repayments. If the householder wishes to move house, they will clear the balance of the loan against their property.

Finance

The interest rate was designed to balance between incentivising harder and more expensive measures, and enabling residents to benefit from popular measures such as solar PV. For a loan to cover Solar PV, a 4% interest rate will be charged. The revenue generated from this will cross subsidize other measures, allowing the Council to provide a zero interest loan for all other measures covered. A limited number of £1000 grants will be available for solid wall insulation to help cover the initial costs of surveying and planning. This can be accommodated within the original budget of £500,000. The scheme is not designed to make a profit, but any revenue generated can be reinvested in carbon projects.

Loans will be offered for a maximum of 25 years and a maximum total loan of £18,000 (subject to credit checks). This means that the maximum monthly payment under the scheme would be around £100, although from the EST run PAYS pilots, most people chose loans in the region of £7,000 – £10,000. The higher cap for the Low Carbon Zone reflects that residents in the zone may have a more ambitious approach to retrofit, and the housing stock typically requires a more complex and expensive set of measures than was the case in the EST PAYS pilots.

The minimum loan will be £500. The lower limit was chosen to ensure everyone participating in the initial stages of the audit was eligible for some measures under PAYS.

Robustness of the scheme

Checks will be in place to ensure the householders spend the loan on energy efficiency measures. The loans will be clawed back if this criterion is not fulfilled.

The legal agreement with the householder will set out the Council's approach in the case of default. A default rate of 10% has been modelled in, which is believed to be a high estimate, especially as all participants will be credit checked. A model of the scheme has been developed for testing robustness of the scheme against early payback or default.