

Draft Scottish Energy Strategy

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Changeworks are one of Scotland largest environmental charities and have been involved in the delivery of HEEPS:ABS from the outset in 2013. This has primarily been in its capacity as a managing agent for the delivery of HEEPS:ABS in South East Scotland local authorities. Changeworks have led the way on effective targeting of programmes using available data and suitable proxies, the introduction of behaviour change to the customer journey and more stringent quality control of installs.

Changeworks also successfully bid and are delivering three SEEP Pathfinders Pilots as part of round one funding. These integrate both domestic and non-domestic properties in the one programme. In round two, we are involved with two further pilots at Phase 2 stage that display ambition, an energy masterplanning approach to effective delivery and much wider engagement.

1. *What currently works well, including aspects of existing schemes that should be retained?*

- **Clear ambition** for the contribution that energy demand reduction can have to the wider energy strategy. This should continue to be fully supported.
- **Planned / area-based schemes** to date not been full area-based but small scale and limited to a specific housing type. Having a dedicated and well equipped supply chain established contributes to an effective method of delivery.
- **National reactive schemes / Warmer Homes Scotland** works well since it is clearly targeted at those in poverty who are living in energy inefficient homes. The long term nature of the programme is ensuring that wider community benefits are being accrued in terms of employment and training.
- **Independent advice / Home Energy Scotland** supports a continued need for a Scotland wide independent advice service as delivered by Home Energy Scotland to promote and give advice on energy efficiency measures and support households and small businesses in the longer term reduction in energy usage
- **Energy Efficiency Standard for Social Housing** has improved the energy efficiency of the social housing sector.

2. *What are the main delivery challenges faced at present and how might these be overcome?*

- **Energy efficiency rating**
Programmes to date have been focused mainly on improving the theoretical energy efficiency as measured by the EPC rating. There are concerns about the accuracy of the EPC which does not reflect the Scottish housing stock nor the

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acceptable heating regime that most people adopt. Some of the issues are being addressed by the review of SAP. A more fundamental issue is that the EPC rating does not reflect the expected usage of the home or building but the usage per m². Homes can be considered to have a good energy efficiency rating but are also expected to be high energy users because of the larger area. It is also the case that a property can be considered to have a relatively poor energy efficiency rating but expected to be a low energy user since it is small. This is not understood by the wider public and many in the industry and policy makers. It is the norm for cars and appliances to be rated on the overall expected energy usage and the issue of size ignored.

Solution: A change to overall energy rating (rather than per m²) for homes and business should be considered since this is likely to drive a different programme which will result in significant energy usage reduction.

- **Local authority leadership** enables a unique strategic position to support and facilitate scheme development and delivery but a significant burden is being placed on relatively junior staff who often do not have the capacity, skills or influence to lead effectively on the programme. The combination of domestic and non-domestic property activity falls across departmental boundaries which presents challenges where different departments have different priorities.

Solution: A structured and resourced engagement programme with local authorities at a senior level may result in greater commitment from local authorities.

- **Central support and direction** are needed. Local authorities are expected to have a leading role but there are a number of activities which will be better carried out at a national level. There is a requirement for clear methodologies, procurement guidance, quality standards, best practice sharing and clear guidance on appropriate works for the Scottish Housing stock rather than generic proposals given by the EPC process.

Solution: The establishment of a suitably resourced central support team.

Improving the quality as the current PAS system does not ensure that the teams delivering have the skills and procurement only assesses the quality as documented in the bid and not previous experience nor the opportunity to take up reference from other purchasers. There are no clear and consistent guidelines or expectations of what should be carried out with regard to quality control.

- **Solution:** Tackling quality is a big issue covering skills development, standards, guidance, procurement and scheme management. It needs to be incorporated into work in all these fields.
- **Full integration of behaviour change** as the installation of physical measures on their own do not result in the expected energy efficiency savings.

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(<https://www.gov.uk/government/statistics/energy-follow-up-survey-efus-2011>).

Many households are considered to have relatively good energy efficiency but their energy usage can still be reduced through better use of heating controls and other energy efficient behaviours.

Solution: A full programme of behaviour change needs to be integrated in to the delivery of all programmes.

- **Low carbon heat** is not receiving the level of attention required.
 - **Solution:** A more proactive approach is required by both central and local government.
 - **Supply Chain** must be better informed and equipped in order to realise the ambition and outcomes of the programme both now and in the future and not limited to a small number of contractors that are not embedded in local communities, thus limiting the wider economic benefit.
 - **Solution:** A structured engagement programme is needed to build up knowledge on future opportunities and challenges that they will face. The procurement and contractual process should be revised to facilitate a greater number of contractors, including smaller local ones, to take part.
 - **Funding Timescales** currently squeeze the process from procurement through to engagement, monitoring, evaluation and completion into less than a year. With more complex projects these timescales may undermine or curtail the overall quality achieved. They also undermine the chance for delivery agents to plan ahead with more confidence.
 - **Solution:** The expected implementation period for an area-based scheme should be three to five years. This will allow for the development of local supply chains, much wider public engagement and both the earlier adopters and mainstream households and businesses to install measures and take part in behaviour change programmes.
3. *How can Scotland best meet this vision and underpinning objectives in a way that is both socially and economically sustainable and supports long-term inclusive growth?*

Demand reduction will make low carbon heat more achievable but this is not synonymous with energy efficiency. You can have a highly energy efficient building but if the occupiers, both domestic and non-domestic, do not adopt energy efficient behaviours, energy demand will not decrease. For those with high levels of fuel poverty there is unlikely to be any demand reduction with householders improving their heating levels, albeit efficiently. Action has also got to be taken by higher energy users who may or may not live in energy efficiency homes. It is going to be

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important not to just focus on the least energy efficient homes and business since there are other segments which make up a greater proportion of the energy demand.

Whilst the focus on SEEP is on existing buildings it is vital that all new build is to a sufficiently high standard that the energy demand is minimised and there will not be the need to retrofit measures. Weaknesses with the EPC system may hinder achieving actual improvements. More work is required on decarbonising heat and clearer analysis is required on the pros and cons of district heating, electric heating or decarbonising the gas network.

- 4. We would welcome stakeholders' views on how to set appropriate milestones for energy efficiency improvement and heat decarbonisation of buildings to ensure that the level of emissions reduction ambition (i.e. near-zero carbon buildings) is achieved.*

Targets should be set on the reduction in energy demand rather than for energy efficiency improvements. The targets of 10% reduction for non-domestic and 6% for the domestic sectors are very unambitious and will make the achievement of decarbonisation more challenging, thus a target of 20% is required as a minimum.

- 5. How might regulation and standards be used most effectively across the different sectors and when should they be applied across the lifetime of the programme?*

Regulation is a vital element of the wider programme and should cover all tenures in the domestic and non-domestic sector. We propose that the regulatory level of EPC band D for 2022, increasing to EPC Band C by 2030, should be adopted. Regulation will also be required for the new build sector and the de-carbonisation of heat.

- 6. What should be the trigger points for buildings to meet standards? Should this differ between domestic and non-domestic buildings, and if so, how?*

For the domestic sector there are clear trigger points at the change of tenancy or ownership. The non-domestic sector has a greater variety of ownership and tenure structures which makes identifying set triggers more difficult and hence a set time frame may be more appropriate.

- 7. What do you think are the benefits of using financial and fiscal incentives to support energy efficiency in domestic and non-domestic buildings? Please give examples, from Scotland or elsewhere, of where incentives have been used in this way to good effect.*

When considering the use of financial or fiscal incentives it is worth considering behavioural change science applicable to decision making, as well as the

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administrative costs of establishing incentives which are not directly related to the programme and may have limited impact.

- 8. What is the best approach to assessing energy efficiency and heat decarbonisation improvements to buildings? How could existing approaches best be used or improved and at what level and scale (e.g. unit, building or area) should assessment be carried out?*

The measurement of how a building should perform is a useful tool. EPCs are an established methodology but have some major flaws that need to be addressed.

- A rating should be given for total theoretical energy usage, not just the m² rating. Widespread misconceptions exist as to which properties have a high / low theoretical energy usage.
 - The SAP and rdSAP methodology needs to be improved to more accurately reflect the performance of different elements, particularly solid walls, the expected heating regimes and variations caused by selecting different tariffs
 - More robust quality assurance including on-site checks and accreditation of assessors
 - With grid de-carbonisation and other low carbon heat being introduced it will be important that these are reflected in the EPC rating
- 9. How should the installation of energy efficiency improvements and lower carbon heat supply through SEEP be funded? In particular, where should the balance lie between grant funding and loans for homeowners, landlords and businesses?*

We agree that there will be a need for both public and private funding of energy efficiency improvements. For those in greatest need, grant funding should be available. It is important that the right proxies are used for evaluating those in greatest need – Council Tax banding as used in a number of HEEPS:ABS schemes is not a good proxy for fuel poverty. As well as loans, other options such as cash back or installation support including procurement and quality control should be considered.

- 10. What is needed to encourage private investment in energy efficiency and heat decarbonisation, including the take-up of loans by a wider range of owners and occupiers?*
- 11. Of the current sources of finance which are currently available for energy efficiency and lower carbon heat supply, which are working well and which are not? Are there successful examples of attracting private sector finance to support energy efficiency improvements that could be explored? Are there any others which should be developed or made available?*

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12. *How do we ensure that householders and owners are well advised and supported in making decisions on how to improve the energy efficiency of their building and install lower carbon heat supply through SEEP?*

The successful delivery of SEEP requires a much broader and deeper approach than the installation of insulation measures, including household / business engagement, advice and support for householder / business, procurement, site management, quality control and behaviour change.

High quality structured advice will be required for both householders and businesses with a clear target of enabling action to be taken. Home Energy Scotland is in a strong position to develop the service to meet the requirements of SEEP and support the delivery alongside local authorities and other partners.

13. *Are the current mechanisms for providing advice sufficient? What changes, if any, do you think are required?*

Provision of high quality advice and support is going to be one of the key elements of a successful SEEP. Home Energy Scotland is well placed to deliver advice and support but the services it delivers will need to evolve from the provision of information and generic advice to a more tailored service which provides advice and support to guide householders through the SEEP programme. SEEP engaging with all of Scotland requires a wider range of communication channels including a proper web presence and the HES service must keep abreast of the development of digital delivery methods. Behaviour change support is also vital to ensure the uptake of measures and optimising energy efficient behaviours. A programme of behaviour change activity will require a structured range of activities that HES would be in a strong position to deliver.

14. *What are the opportunities to link SEEP delivery with other initiatives, including the UK Government's smart meter rollout, so that we maximise the benefits for the people of Scotland?*

Current rollout by utility companies hasn't been structured round SEEP. Engagement with utility companies at a national level is likely to be required, particularly to achieve behavioural change.

15. *How can SEEP be designed and promoted to build consumer confidence (as a trusted 'brand')? What are the risks and opportunities associated with particular approaches?*

16. *Is there a tried and trusted form of consumer redress that should be adopted or, if not, what should such a mechanism look like?*

17. *How should SEEP look to integrate the findings of the Each Home Counts Review – e.g. could it be used as a basis for developing a consumer protection framework for SEEP?*

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18. How can local supply chains be expanded and up-skilled to ensure that maximum economic benefit and job creation is secured across all of Scotland?

A more informed and well equipped supply chain has to be developed but, in fact, the whole approach to procurement has to be reconsidered. With the expansion into the commercial non-domestic and the non-fuel poor household sectors the contractual relationships will have to be reviewed and amended. If a full area-based approach is adopted a range of framework contracts and recommended suppliers should be developed with the opportunity for small scale local contractors to be incorporated. Quality frameworks must fit the measures being installed.

19. How can communities best benefit from the expected job creation?

20. What provision could be made at a national level to ensure companies increase the capacity of the supply chain across all of Scotland to support local delivery of SEEP, particularly in the rural and remote areas?

21. What do companies need to do to increase their skills base to deliver a programme of this nature?

22. What roles should national and local bodies play respectively in delivering SEEP and how can national and local schemes best be designed to work together towards meeting the Programme's objectives?

The Warmer Homes Scotland as delivered by Homes Energy Scotland and Warmworks works well at national level for those households most in need who cannot wait until an area-based scheme comes to their area.

A well structure national programme of support for local authorities in their role in direct area-based schemes is required to ensure that best practice is shared and standards are maintained with regard to quality and that all elements including behaviour change are integrated in to the programme.

Local authorities should identify the best delivery model for their local circumstances by direct delivery or use of a managing agent. Either model must be supported by strong quality control. We do have grave concerns about adopting a model similar to the PFI for schools with a contractor and insufficient management by the client either directly or through a managing agent.

23. What are your views on the relative benefits of area-based schemes as against those targeted at particular sectors or tenures in delivering SEEP? What other targeting approaches might be effective?

Neither a full area-based scheme nor a programme targeted at particular sectors has been piloted. A well-structured pilot that is properly evaluated will provide very

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useful insight and guidance on future delivery. It is likely that the most successful approach will be a combination of the two.

During its delivery, SEEP will have to cover all of Scotland and the range of demographics, property archetypes and business that entails. As delivery is established it will be very useful to develop approaches to engagement, schedules of works required and successful behaviour change activity for each element of the segmented market. If district heating is going to become an important element within SEEP it is going to be vital to have an area-based approach combining both domestic and non-domestic.

SEEP is a long term programme and it will take many years to cover all areas. It is therefore vital that to continue with a properly funded reactive Warmer Homes Scotland programme so that those most in need are not forced to live and die in sub-standard housing,

24. How best can we align nationally set standards with local, area-based delivery?

25. What should the overall balance be between national and local target setting? Should local authorities set local targets with the flexibility to determine whatever methods they want to meet the Programme vision? Or should there be a greater degree of setting the target(s) and delivery methods by national government?

Local authorities do have a key strategic understanding of the local environment and should be an important part of SEEP. There are considerable resource constraints within local authorities and SEEP delivery particularly in the able-to-pay and the non-domestic sector which will require a range of different skills and approaches to deliver successfully. As SEEP develops across the country its impact will be maximised to ensure that best practice is identified and disseminated. The best approaches for over-coming challenges will also need to be shared. Without strong central support there is likely to be considerable reinvention taking place and the delivery of SEEP will be less effective.

26. What would a good governance structure to oversee any framework of responsibilities between national and local government look like? What examples are you aware of within the UK or elsewhere?

27. What should be included in a monitoring framework to ensure that the Programme is effectively monitored and evaluated?

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