



Response to Consultation on the Microgeneration Strategy

Introduction

1. Renewable Energy Assurance Ltd. (REAL) is a subsidiary company of the Renewable Energy Association (REA) with its own separate governance structure. It runs the REAL Assurance Scheme (www.realassurance.org.uk), the Biofertiliser Certification Scheme (www.biofertiliser.org.uk) and the Green Gas Certification Scheme (www.greengas.org.uk).
2. The REAL Assurance Scheme is backed by the Office of Fair Trading (OFT)'s Consumer Codes Approval Scheme (CCAS), and now has around 2,500 members. The centerpiece is the Consumer Code that dovetails with the Microgeneration Certification Scheme (MCS) installer scheme. The two schemes operate closely to drive up consumer protection standards on both the contractual and technical aspects of microgeneration. We work very closely with Gemserv, the MCS Licensee, and with the individual installer certification bodies and. We appreciate their co-operation on a range of issues.
3. With the OFT we have continuously adapted the Consumer Code to reflect changes in legislation and to take account of our members' and consumers' reported experiences. We have recently launched the Deposit and Advanced Payment Insurance Scheme so that consumers' funds paid up-front are protected in the event the company goes into receivership. We have developed a suite of model documents and guidance to assist our members. We are currently developing web-based training on consumer protection so members can readily access up-to-date information.
4. We are pleased to respond to the Government's consultation on a Microgeneration Strategy issued in December 2010. We contributed to some of the working groups from which this consultation has been developed and we are pleased to see a number of our suggestions have been included in the final document. Nonetheless, we do not consider that the document gives sufficient prominence to the work of the REAL Assurance Scheme in the domestic microgeneration sector. We hope the Government to take note of this, and to redress the imbalance in its decision document. We have only commented on those issues that directly concern our activities. Please see also the response submitted by REA which covers the full range of questions posed in the consultation.

5. In summary, Renewable Energy Assurance Ltd. considers it essential that consumers have access to adequate information, protection and redress as we move forward into the era of widespread domestic electricity and heat generation. This is particularly important given the way that generation is now being linked explicitly to income. We are ready to work with Government to ensure that this can be delivered. We would be very happy to discuss any of these or other issues further in order to assist the Government in setting a durable framework for a mass market in microgeneration.

Chapter 1 – Quality

Issue 1 – Protecting consumers and building confidence

6. REAL agrees that MCS should continue to be responsible for certification in the microgeneration section going forward, and that it should be put on a secure financial and legal footing. It is essential for consumers that there is a rigorous certification process for both products and installers going forward. Nonetheless, we consider that improvements need to be made if the MCS is adequately to fulfil this role. These are outlined below. If MCS is to become a separate legal entity certain issues will require to be clarified. The first is the ongoing relationship of DECC to the MCS. The second is the circumstances under which the role of Licensee could be subsumed into the MCS entity to ensure that the governance and transparency are safeguarded.
7. REAL considers that the MCS installer standards and their enforcement need to be more rigorous and effective. Since the announcement of the Feed-in Tariff in February 2010 the number of MCS-certified installers has increased dramatically, and this has placed pressure on the certification bodies. It is essential that the certification process remains rigorous and consistent in these circumstances which are likely to be repeated in the run-up to the introduction of the RHI. It is our observation that certain certification bodies are more rigorous than others. The introduction of competition into the process has meant that there are now a range of rates charged for installer certification. This is a positive development, but it must not result in certification bodies reducing their standards to an unacceptable level with a view to undercutting their competitors. MCS installer certification bodies must ensure that they have sufficient staff to carry out their role effectively. UKAS has a central role in ensuring that installer standards are rigorously and consistently implemented across the piece. Competition must not mean a race to the bottom.
8. One area of weakness in the installer certification process is the annual inspection. Currently, the installer selects the installation to be inspected. There are reports of the same installation being used for multiple inspections which, if true, is clearly unacceptable. There are also reports that the rigour of the inspections vary. Certification bodies must be able to select the installation to be inspected themselves from the Feed-in Tariff database (and, when available, Renewable Heat Incentive database), at least for the annual re-inspection, and for the mandatory spot checks carried out throughout the year. UKAS must ensure that the inspections have been rigorously and

consistently carried out. Strengthening this process will eliminate many problems subsequently faced by consumers, and will substantially reduce the level of post-contractual complaints.

9. The MCS installer standards must be based on certain core principles which are clear to all, with no ambiguity or exceptions allowed. This is not currently the case. If any element of the installation is sub-contracted, then the MCS-certified company must take full responsibility for the work. The rules for who can sign off and commission an installation and under what circumstances require urgent clarification. Here again, UKAS must have a more active involvement in ensuring that all certification bodies are interpreting the standards consistently. There must be clear and proportionate penalties for installers who do not comply with the standards. Certification bodies that enforce non-conformity rigorously must not find themselves at a disadvantage compared with others that do not. They must also be adequately protected legally so long as the process is fair and has been followed correctly. Gemserv should display clearly on the database the names of companies that move from one certification body to another with the relevant dates, so that the certification history of all companies is transparent.
10. In REAL's view, the company that signs the contract with, takes the payment from and provides the performance information to the consumer must be MCS-certified and a member of an OFT-backed Consumer Code. We have evidence of a number of MCS-certified installers who, in an attempt to exploit the current ambiguity over this point, have recently set up subsidiary companies with a view to being able to sell to and contract with consumers outside the MCS / REAL safety net. In this way, a large number of unsatisfactory contracts are being agreed and consumers are installing unsuitable systems for which they may have paid very high prices.
11. The company that installs and commissions the system must be MCS-certified. If they take sales leads from companies that are not MCS-certified, we consider that the companies generating the sales leads should be part of an OFT-backed Consumer Code even if they do not sign a contract with consumers. If consumers are given a false and misleading impression about the benefits from the system they are purchasing, then the detriment this causes will persist throughout the fulfilment of the contract, and indeed could persist for the life-time of the Feed-in Tariff.
12. We have observed a sharp increase in misselling since the introduction of the Feed-in Tariff, particularly among companies who sign contracts in the home 'on the night'. As described above, these companies are typically outside the MCS / REAL safety net. Examples include:
 - very high initial price being offered
 - discounts of up to 20% being offered during visit
 - reps staying up to six hours in the consumer's home
 - additional discounts being offered for monitoring, testimonials or referrals
 - exaggerated performance and financial pay-back predictions being provided
 - deposits of up to 90% of final contract price being required during visit
 - inadequate written documentation being provided, including unfair terms and conditions.

Complaints

13. Over the past four years the REAL Assurance Scheme has handled over 250 serious complaints. We have worked closely with the MCS installer certification bodies. In many cases we have carried out detailed investigations into the causes of the complaints, and brokered solutions. Our aim is to prevent our members and consumers from needing to seek recourse in law which can be costly, though of course they retain the right to do so. In over 20 cases we have made our independent conciliator available to the parties involved at our own expense. (Attached are some charts showing how these complaints break down by technology.)
14. Currently the system for dealing with consumer complaints is complex and opaque for consumers. MCS installer certification bodies are required to resolve complaints about the technical aspects of an installation, while the REAL Assurance Scheme resolves pre-contractual or contractual complaints. Often the distinction between the two is very unclear. Complaints can be referred to us by agencies such as EST, Consumer Direct, Trading Standards and Consumer Focus. This results in the consumer being passed from one organisation to another, and often back again. (Attached is a diagram which explains how the co-operation on complaints resolution should work.)
15. To address these issues, we have been urging the Government for a number of years to establish a one-stop shop for microgeneration complaints. This would consist of a central help desk with a database on which consumers' complaints would be registered, acknowledged and actioned, with published key performance targets. This resource should be centrally-resourced by MCS, REAL, EST and DECC and its equivalents in the devolved administrations. In this way consumers and companies would have a central contact point on which to track progress with resolution of their complaint. The resource would then identify the bodies required to investigate the complaints in detail and take action to resolve them within the prescribed timeframes. This would also allow for complaints statistics to be collected and analysed in a comprehensive manner. REAL would be happy to work this proposal up in more detail together with the other parties involved.
16. As part of this it is essential that the fund for independent expert reports be reinstated. Where negotiations between a company and a consumer have broken down, the only practical way to resolve the issue is to commission an independent expert report. In the past this system worked very well with a Government fund administered by the EST, but this has now been withdrawn. We propose that, going forward, it could be funded by the industry through the MCS payments, and administered by them as part of the one-stop shop outlined above.
17. There is too little consistency between the certification bodies in their complaint-handling. Response times can be long. In our view there are also a number of structural problems with the MCS rules that lead to consumers being left with serious complaints and no-one to turn to. We are convinced that the only way to resolve these will be for all MCS installer certification bodies to be required to:

- investigate complaints against a company they currently certify even if, when the complaint arose, the company was certified by a different certification body
- investigate 'legacy' complaints against a company they currently certify even if the company was not certified by them when the complaint arose
- refuse to certify companies against whom there are outstanding complaints
- set and implement key performance targets for complaint resolution, enforced by UKAS.

Issue 3 – Maintenance requirements

18. The situation regarding maintenance, after-sales service and warranties is quite complex. Below is a description of the way in which the REAL Assurance Scheme Consumer Code covers these issues. There are already a number of insurance schemes and obligations in operation. These must be carefully evaluated before any additional insurance schemes are set up. The relevant section of the Code is at: <http://www.realassurance.org.uk/scheme/consumer-code#tag8.1>.
19. The Consumer Code obliges members who offer ongoing maintenance and service agreements to make the conditions, charges and procedure for cancellation very clear to consumers in advance of any agreement being signed. The Consumer Code further further obliges members to agree charges and conditions for any services and repair with the consumer before any work is carried out. This obligation applies whether or not the work is carried out under guarantee. Members are obliged to make clear to the consumer before the contract is signed if there is any requirement for regular servicing. Any regular servicing arrangements must be transferable to a new owner should the property change hands.
20. Members are obliged to set out all work in a written quote before it is carried out. If repair work is being carried out by some-one other than the installer, the Consumer Code stipulates that this person should offer the consumer a separate guarantee for the repair work. Finally, the Code prohibits members from charging consumers for remedies or repairs that would be likely to be considered by the Courts as reasonable in the light of faulty services.
21. The Consumer Code obliges members to insure deposits and advance payments. This is a requirement of the OFT. (They are also required to place these funds into a ring-fenced, third party account.) The rationale for this is that consumers' funds, paid in advance, will be protected in the event that the company goes into receivership before the installation takes place. We have set up the Deposit and Advance Payment Insurance Scheme with an insurance provider and paid the premium in order to help members comply with this obligation at no additional cost. Members can choose to register contracts using this scheme, or to make their own arrangements. The REAL Assurance Scheme does not receive any commission or other payment from any party for arranging the scheme.

22. The Consumer Code obliges members to issue workmanship warranties. (We provide a model warranty for members to use if they wish to.) Typically these warranties are valid for two years, but we have seen warranties that are valid for up to five years. Members must ensure that these warranties are insured so that consumers are covered in the event that the company goes into receivership during the period of validity of the insurance. There is an option for members to obtain this insurance for consumers using the Insurance Scheme defined above, or they can make their own arrangements. We are intending to include it in the package from the end of this year.
23. Manufacturers' warranties are distinct from workmanship warranties. Consumers may receive a number warranties in respect of their systems, for example, in the case of solar PV, both the panels and the inverter should be guaranteed. These warranties are typically valid for around five years, but individual elements of the system may have a longer or shorter validity. The Consumer Code obliges our members who offer to extend these warranties to provide consumers with full information including the details of the provider, the full cost, the length of cover, the terms and conditions and any exclusions. Typically extended warranties relate to manufacturers' warranties rather than installers' workmanship warranties.
24. In addition to the warranties and remedies outlined above, consumers are entitled to certain remedies by law. The relevant acts include the Sale of Goods Act 1979, the Sale of Goods and Services Act 1982 and Sale and Supply of Goods to Consumers 2002. The Consumer Code prohibits members from seeking to limit a consumer's legal entitlements in the event of a fault developing, for example by disguising the availability of a number of remedies set out above.

Chapter 2 – Skills

Issue 1 – Installation and maintenance skills and capacity

25. As the scheme develops, and the links with the CPS are strengthened, the individuals working in the installer companies also will be capable of being certified in line with the National Occupational Standards. Going forward it would be desirable for companies that specialise in one element of the supply chain to be MCS certified, for example, companies that specialise in the design element alone. It is essential that there is clarity about who in a company requires training and to what level, and that there should be the correct incentives for individuals and companies to invest in training.

Chapter 3 – Technology

Issue 4 – Integration with the broader electricity system

26. One of the questions posed in the consultation document concerns the wider deployment of heat pumps. This question is primarily aimed at understanding the implications of the increased load for the electricity distribution network. The REAL Assurance Scheme monitors all the complaints it receives on a regular basis. We currently have 25 active complaints concerning heat pumps,

primarily ground source but also air source. This represents around one third of the complaints we are currently working on. These complaints, the details of which have been supplied to DECC, typically involve systems that cost between £10 and £20k up front. The majority of the complaints involve undersized systems relying on the auxiliary energy source which is typically electricity. The result is very high electricity bills, between £5k and £9k per year. A high proportion of the complaints involve retired households off the gas network in Scotland. We are very concerned from this evidence that heat pumps are being marketed at unsuitable households, and that a high degree of consumer detriment has been caused.

Chapter 4 – Advice and Information

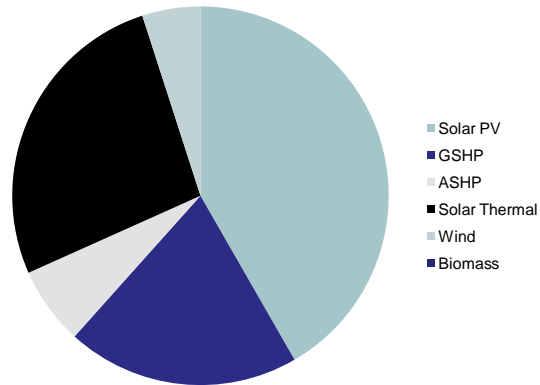
27. Our experience clearly shows that consumers currently lack information about microgeneration technologies, their likely performance and output, and their approximate cost. The Government's introduction of the Feed-in Tariffs scheme in April 2010 was unfortunately not accompanied by a consumer awareness campaign. The first most consumers knew about the scheme was from hard-selling company representatives visiting their homes. The result of this has been for many consumers that the behaviour change model set out in the Consultation Document has been catapulted into a few hours.
28. As a result, many consumers have been given unreasonable expectations of what the system will provide and can end up paying well over the odds for it. Typically we find that consumers only find out about the REAL Assurance Scheme, the MCS, DECC, Ofgem and the Energy Saving Trust after they have signed a contract, or even after they have had a system installed. We consider it essential that consumers are provided with all the requisite information before they sign any contracts. To this end, we have been working with Gemserv and EST to ensure that we provide consistent messages, and reinforce links to each others' resources. We have a Consumer Guide on our website (<http://www.realassurance.org.uk/consumers>) including Top Tips for consumers. Gemserv has recently invested in information for consumers, and EST will be upgrading its website shortly. Importantly, EST is funded by Government to provide information to consumers, and so it is essential that we build on that capability. In particular we welcome the EST's recent updating of its target price information which is an essential tool in the fight against rogue traders.
29. The Top Tips for consumers on our website are as follows:
- only sign a contract with a company that is [a member of the REAL Assurance Scheme](#)
 - only sign a contract with a company that is [certified under MCS for the technology you want](#)
 - make sure you read this guidance carefully before you sign the contract
 - check [the Energy Saving Trust website](#) for objective advice about the technologies
 - check the Energy Saving Trust website for objective advice about the [costs of and savings](#) you can expect from a system
 - get at least three quotations before you decide which company to contract with
 - make sure you have everything in writing and you understand it before you sign the contract

- do not pay a deposit before you are happy with everything in the contract
 - remember you have the right to cancel the contract within 7 working days with no penalty
 - if you subsequently make any changes to the contract make sure they are agreed in writing
 - remember to [send us your feedback](#) once the job has been completed.
30. There are still some very important barriers to accessing the information. One is that the target group for many installers is the retired and the recently-retired. These groups do not necessarily have access to or familiarity with the internet. We have recommended an awareness campaign that targets these groups through the local press and local radio as well as specialist channels such as Age UK, Saga &c. The information disseminated needs to encourage consumers to invest in microgeneration but to check first that the technology is suitable for them, that the price is reasonable and that the company they are buying from is bona fide. Simple and straightforward signposts are required to accessible information about different technologies, Government incentive schemes, consumer protection and, very importantly, the expected financial consequences of an investment.
31. The REAL Assurance Scheme publicises the names of companies whose membership of the scheme has been terminated together with the reason. It is essential that MCS does the same. We are investigating the possibility of publicising the names of companies with outstanding complaints against them. Government needs to be aware that many of these companies concerned are extremely litigious. MCS requires comfort that, so long as due process has been followed by the certification body, they will not face adverse consequences from publicising company names. This needs to be part of the terms and conditions companies sign on applying for certification. If the other recommendations in this paper are acted on certification bodies should end up taking action against a much larger number of non-conforming installers, and this needs to be communicated to consumers.
32. DECC is working on a UKAS-accredited certification scheme for Green Deal advisers. The standard against which advisers are certified needs to include reliable information about microgeneration technologies. The fact that advisers will have no financial interest in the advice should help ensure that consumers are not given misleading advice.
33. This is not always the case for companies that stand to benefit from the advice they provide consumers. In particular, we have found that companies that only deal in one technology are less likely to tell consumers that it is unsuitable for them. It is essential that companies are prevented from misleading consumers by exaggerating the performance, suitability, costs and benefits of a system. One way to do this would be to ensure that all companies who advertise and sell microgeneration technologies should be bound by the Trade Descriptions Act, and subject to the Advertising Standards Authority's jurisdiction.

Virginia Graham
Chief Executive

15 March 2011

Complaints by technology 2010



Complaints by technology 2011

