AGENDA ITEM 4

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Members' Sustainable Development Advisory Group**
2.	**Meeting Date:**	**3rd September, 2010**
3.	**Title:**	**Energy Efficiency updates**
4.	**Directorate:**	**Neighbourhoods and Adult Services**

5. Summary

The Government believes that climate change is one of the gravest threats we face, and that urgent action at home and abroad is required. They feel we need to use a wide range of levers to cut carbon emissions, decarbonise the economy and support the creation of new green jobs and technologies. They therefore will implement a full programme of measures to fulfil their joint ambitions for a low carbon and eco-friendly economy.

The Coalition Government has made a number of policy announcements and changes to present policies their implications are noted and discussed in this briefing.

6. Recommendations

Members note content of this briefing

7. Proposals and Details

Energy Bill 2010
Legislation will be introduced to improve energy efficiency in British homes and businesses, to promote low carbon energy production, and to secure our energy supplies.
This Bill would deliver a national programme of energy efficiency measures to homes and businesses.

The purpose of the Bill is to provide a step change in the provision of energy efficiency measures to homes and businesses. It is also to put in place a framework to deliver a future with secure, low carbon energy supplies and fair competition in the energy markets.

Key Elements
The main elements of the Bill are:

- Implementation of a "Green deal" to deliver energy efficiency to homes and business – delivering a framework including potential incentives to energy suppliers and households that will transform the provision of energy efficiency in the UK by enabling a 'Pay as You Save' approach.

The Bill may also contain measures to:

- Regulate the carbon emissions from coal-fired power stations
- Reform energy markets to deliver security of supply and ensure fair competition
- Put in place a framework to guide the development of a smart grid that will revolutionise the management of supply and demand for electricity
- Require energy companies to provide more information on energy bills in order to empower consumers and to ensure fair access to energy supplies
- Ensure that North Sea infrastructure is available to all companies to ease the exploitation of smaller and more difficult oil and gas fields
- Create a Green Investment Bank to support investment in low carbon projects to transform the economy

Announcements and actions

- Establish a smart grid and roll out smart meters.

A smart meter is an advanced meter that identifies consumption in more detail than a conventional meter; and communicates that information back to the local utility for monitoring. Implications are a customer's tariff can be changed in seconds. You can have day by day statements as electricity pricing usually peaks at certain predictable times of the day. Prices can rise significantly during these times as more expensive sources of power are purchased. It is believed that billing customers by how much is consumed and at what time of day will force consumers to adjust their consumption habits to be more responsive to market prices. In May 2009, the Government unveiled plans for smart meters to be installed in every home by the end of 2020. The projected cost of fitting approximately 22 million gas and 26 million electricity meters was estimated at £7 billion. This project will still go ahead and the cost will be met by the utility company's.

- Establish a full system of feed-in tariffs in electricity.

Feed-in Tariffs (FITs) became available in Great Britain from 1st April 2010. Under this scheme energy suppliers make regular payments to householders and communities who generate their own electricity. The tariffs have been introduced by the Government to help increase the level of renewable energy in the UK towards our legally binding target of 15% of total energy from renewables by 2020 (up from under 2% in 2009).
The Tariffs give three financial benefits:

- A payment for all the electricity you produce, even if you use it yourself maximum £800
- Additional bonus payments for electricity you export into the grid 3p/kWhr
- A reduction on your standard electricity bill, from using energy you produce yourself 3p/kWhr

With the exception of solar PV (25 years) and micro-CHP (10 years) the tariffs last 20 years for almost all of the renewables systems.
The Coalition Government has made the following policy pledges establish a full system of Feed-In Tariffs in electricity, seek to increase the target for energy from renewable sources, subject to the advice of the Climate Change Committee, encourage community-owned renewable energy schemes where local people benefit from the power produced.

The Renewable Heat Incentive is a new Government-backed measure being introduced in 2011 to produce renewable heat. And will work on the same lines as the Feed-in Tariffs (FITs).
The Renewable Heat Incentive is still being designed, so all the details described are provisional and may change.
Payments for the renewable heat produced earn a fixed income for every kilowatt hour of heat this is likely to be used in the property.

Renewable Heat Incentive Eligible energy sources are Solar heating systems Ground source heat pumps Biomass boilers Air source heat pumps. For almost all of the renewables systems the tariffs will last 20 years

- Create a green investment bank.

The present government has pledged to create a GIB, but these plans will not be announced until after the Comprehensive Spending Review on October 20.

- Retain energy performance certificates.

The Coalition Government have suspended Home Information Packs which was a manifesto pledge from 20th May 2010. HIPs was a Labour Government

initiative requiring home owners to have a pack produced prior to sale containing local authority searches, title documents, guarantees, home condition report etc. as well as the energy performance certificates.
The Coalition Government can scrap the HIP but not the energy performance certificates as this is a European requirement.

Government is currently considering rewarding people that improve the energy efficiency performance of their home by moving up the Energy Performance Certificate rankings it is proposed that a tax would be placed on energy inefficient homes (those rated F or G) and a rebate would be available for significant improvements.
Homes rated F and G are expected to make up less than 8% of the market.
Costs for improvements to homes would range from £800 to over £9,000.
Funding is available for assistance for many of these measures such as Carbon Emissions Reduction Target (CERT) or the Community Energy Savings Programme (CESP).
An EPC is needed for all properties within 28 days of the property being marketed. The EPC rates the property from A to G as to how energy efficient it is and it will recommend measures that can be undertaken to improve its rating. These measures are being considered as part of a collection of initiatives to improve the energy efficiency of existing homes.

- Warm Front

Labour Government flag ship fuel poverty scheme
It looks increasingly likely that Warm Front's contract which is due for renewal in 2011 will not be renewed. Warm Front will begin scaling back from September and will take no new applicants and completely close its doors by May 2011 when it will have run out of money and all schemes currently in the pipe line will have been completed. The implications of this are being felt now where applications for boiler replacements are falling as customer are being refused help.

- Green Deal

Homeowners will be able to spend up to £6,500 improving the energy efficiency of their homes through 'Pay as You Save' (PAYS). Repayment will be from savings in future energy bills – but with the homeowner still seeing an overall saving. Crucially, if the property is sold, the repayment will continue to be made through the energy bills by the new owner. The key benefit to this is the concept that the barrier of the upfront cost is removed and the savings exceed the costs irrespective of how long the person making the expenditure is in the property – so it always makes sense to act.
However, there remains a lot of uncertainty and confusion as to how the Green Deal will work. The most immediate question is how the Green Deal will affect social housing.
The signals from CLG indicate that an EPC would be required before you would be able to agree Green Deal measures with homeowners.
Unfortunately, the signals from DECC have been much more ambiguous.

What is clear is that the Coalition Government - is optimistic that Green Deal is going to have a significant impact. Previous initiatives have been fragmented and insufficient. Green Deal will be a "real game changer" and help to "reach the remaining 14 million households in the UK in a meaningful time scale". Green Deal will "unlock billions in new private capital to support energy efficiency". There is also the suggestion that Green Deal might not be entirely optional. The Minister Grant Shapps has said "through legislation and opening up new markets with new regulation, we can ensure that there is no cost up front to every single householder".

Legislation: Green Deal requires new primary legislation – the Energy Bill will be introduced later this year. This is needed to create the legal framework for the financing arrangement.

Measures: Green Deal is about financing straight energy efficiency measures. It is also unclear whether it will cover heating system upgrades – one could hardly justify 25 year financing on a replacement boiler.

Coverage: Green Deal will cover both homes and businesses – especially small and medium-sized ones.

Timing: Green Deal isn't going to have any impact in the short-term. It looks as though the intention is that Green Deal financing and the revised supplier obligation (CERT) will both come into force at the end of 2012.

8. Finance

The Feed-In Tariffs scheme could be viewed as potentially an investment and funding stream systems can be obtained through EAGA for £6,000 if 2,000 properties where retrofitted with PV installation then that would generate £1,600,000 income per year. In 25 years the income would be £40,000,000

Warm Front's cancelation represents a saving of £75m on current contract. The introduction of Pay As You Save in 2012 was expected to be the replacement part of government reform to move away from grants to loans.

The Government has estimated that building the new low-carbon infrastructure that the UK needs will cost £550bn between now and 2020. The total bill over the next twenty years could hit £1tn. Three quangos with an annual budget of £185m to be folded into a Green Investment Bank (GIB) - the Carbon Trust, the Energy Technologies Institute, and the low carbon wing of the Technology Strategy Board. They also have their eye on six government funds with a total budget of £2bn.

Pay As You Save has been reduced from proposed £10,000 to £6,500; this will not cover many of the energy improvements available. Its clear householders will be expected to install measures at their own cost. With the implication that properties with low RdSAP ratings will be penalised with a tax it is not clear how this helps the fuel poor.

9. Risks and Uncertainties

The Feed-In Tariffs scheme will be reviewed by the government every five years, to coincide with the reviews of the Renewables Obligation.

The first review is due in 2012, with any changes suggested becoming effective in April 2013.

The energy bill has not yet been finalised and it will need to go through due process which may result in changes and the time frame may slip.

The cost and complexity of Pay As You Save that is being proposed the parties involved – retailer, installer, finance provider and energy Companies - will need to cover their administrative costs and expect the scheme to contribute to their profits. This may well create a scheme that will cost more than it is intended to save. Then there is the 25-year pay back period and the fact that the householder may move or change energy company at any time. There will be a complex IT system needed to underpin this. One possibility will be to link this to the plans for centralised data collection from smart meters. But any project that relies on integration with the billing systems of energy companies will be an IT nightmare. The proposal not to fund boiler replacements in PAYS removes the largest number of energy improvements asked for by householders and will probably encourage whole heating replacements when this was not necessary; therefore generate a larger cost implication to low income households.

10. Policy and Performance Agenda Implications

Warm Front are redirecting calls to the council in the hope we can fund applictions for boiler replacements - the winter months may well see an increse in calls. With funding in our South Yorkshire energy advice centre less than in previous years we shall only be able to help a small number of aplicants.
Staff time will be taken up explaining to customers that funding is not availble.

Pay As You Save the Coalition Government is expecting councils to play a large part in the scheme though as yet it is not clear what this may involve

11. Background Papers and Consultation

None

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