



## **RECC comments on BEIS Consultation on A Smart Export Guarantee**

Renewable Energy Consumer Code (RECC) is pleased to submit this response to the BEIS Consultation on a Smart Export Guarantee as part of the Future for Small-Scale Low-Carbon Generation.

RECC is the main Consumer Code setting and requiring high standards of protection for consumers wishing to buy or lease small-scale renewable energy generating systems, with 1,500 members. RECC was set up in 2006 by the Renewable Energy Association (REA) and is approved by Chartered Trading Standards Institute (CTSI) as part of its self-regulation initiative, the Consumer Codes Approval Scheme.

Businesses working with domestic consumers who wish to access the Feed-In Tariffs (FiT) or the Renewable Heat Incentive (RHI) must be members of a CTSI-approved Consumer Code. RECC members work with installers of the full range of renewable heat and power generating technologies as well as with related products.

The Code sets out standards under the following headings:

- general business standards
- pre-sales activities
- contracts
- completing the order
- after-sales activities
- in case of problems
- monitoring performance

**Respondent name:** Virginia Graham (Chief Executive)

**Organisation name:** Renewable Energy Consumer Code

**E-mail address:** virginia@recc.org.uk

**Contact address:** 80 Strand, London WC2R 0DT

**Contact telephone:** 0207 981 0866

---

## **Summary of views**

RECC welcomes BEIS' announcement that it intends to introduce a framework for a Smart Export Guarantee (SEG). RECC particularly welcomes the fact that BEIS has announced its intention before the official closure date for the Feed-In Tariff Scheme. This announcement has done a lot to allay the fears of installers in the sector who otherwise face a bleak future. Going forward, we would welcome further assurances for consumers and installers around a minimum standard for the SEG.

RECC noted, in our response to the earlier consultation, that the closure of the FiT scheme was likely to be followed by large-scale solar PV job losses and liquidated installer businesses. We based our view on responses to a survey of RECC members in August 2018 which showed an overwhelming view among installers that there would be widespread job losses in the industry: over 40% of companies who responded said they were considering withdrawing from the solar industry entirely.

RECC argued, along with other stakeholders, that continuing support for electricity generated by solar PV would deliver clean energy, comfort and savings for consumers, jobs and investment for the sector and a pathway to a low-carbon, flexible energy system. We argued that, without this clear pathway, there would be an impending 'cliff-edge'. RECC has thus been very supportive of a clear pathway to a low-carbon, flexible energy system. We consider it vital that domestic consumers have the knowledge and confidence to play their part in this transition.

RECC recognises that the Smart Export Guarantee will provide consumers with the means to take control of the electricity they generate and consume. It opens up the door for consumers to take advantage of time-of-day tariffs, demand-side response appliances, smart meters and EV home charge points. The more complex the range of offers for consumers the harder it will be for them to understand the likely benefits and disbenefits of what is being offered. It is essential that consumers do not become the unwitting victims of mis-selling of complex, bundled products.

RECC particularly welcomes BEIS' proposal to require that installers of systems qualifying for the Smart Export Guarantee should be MCS certified and that the equipment should be on the list of MCS certified products. MCS-certified installers must all be signed up to a CTSI-approved Consumer Code, setting and requiring a high level of consumer protection particularly for domestic consumers. This is essential in a sector in which each transaction can have a value of £10,000 or more, meaning that the scope for consumer detriment is extremely high.

## Responses to individual questions

### **28. Do you agree with our preferred approach to help ensure consumer protection? Is it practical and are there other factors that should be considered?**

The small-scale renewable energy generating sector poses particular consumer protection challenges. These have a number of separate, but linked causes. The first is the cost of installing a system which can be £10,000 or more. While the costs of solar PV have fallen, taken with battery storage, a typical domestic system would still be likely to cost around £12,000. This is a considerable outlay.

The second is that the high upfront cost lends itself to different financing models which can be opaque and hard to understand for consumers. Frequently RECC comes across consumers who have entered into expensive finance agreements when they cannot afford to do so. The justification for the finance is that the system will generate a monthly income sufficient to repay the loan.

The third is that domestic consumers do not understand small-scale renewable energy generating systems well and are unlikely to have purchased one or installed one before. This level of ignorance means that it is easy for installers to mislead consumers as to the likely performance of system, and thus the likely financial and environmental benefits it is likely to bring.

In RECC's view selling high value, complex systems intended to last for 10 – 20 years is akin to selling a financial service the benefits of which will only come to fruition in 10 - 20 years' time. However, while the selling of financial services is highly regulated, the selling of small-scale renewable systems is only lightly regulated.

Since the inception of the Feed-In Tariff Scheme in 2010, MCS has offered a basis for ensuring that products are fit-for-purpose and installers are reliable and competent. Aspects of installing systems have been governed by the Building Regulations, particularly those relating to the electrical connections, which are cited in the MCS standard. MCS has also, through the Consumer Codes, required that installers maintain high standards of consumer protection. While this has not been perfect it has allowed consumers to have confidence in their decisions and to have a means of redress should something go wrong.

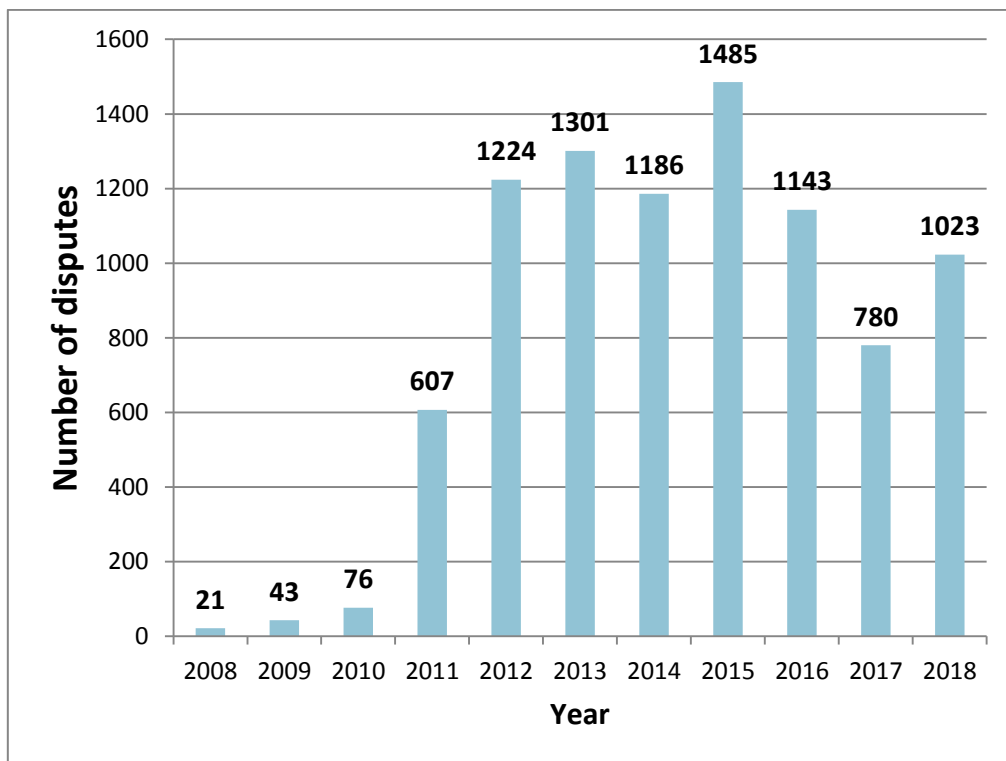
For these reasons RECC urges Government to require that systems qualifying for the Smart Export Guarantee are installed by MCS-certified installers and that the systems themselves are certified and on an approved list. In our experience, one of the most important elements of the MCS installer standard is the requirement on the installer to provide an accurate, site-specific performance estimate to the consumer before the contract is signed. This requirement is echoed in the Consumer Code.

The vast majority of complaints notified to RECC about solar PV and battery storage systems concern inaccurate performance estimates and exaggerated financial, environmental and energy claims. Installers will include Smart Export Guarantee benefits in their financial projections going forward. It

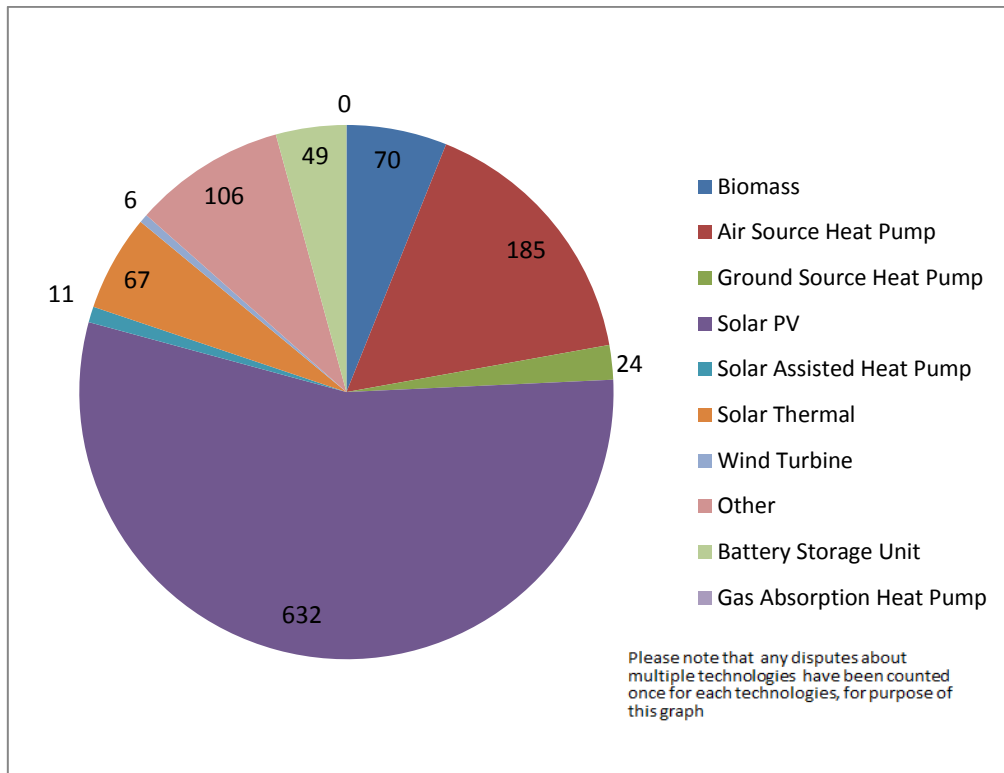
is essential that such claims continue to be regulated if there is to be a sustainable market going forward and consumers are to be able to have the confidence to take part in a flexible energy market.

We have included some statistics to show the types of complaints which were notified to RECC in 2018. These statistics provide a snapshot. They do not include those complaints resolved directly between the trader and the consumer, those notified to Citizens Advice and Trading Standards, to MCS and the Certification Bodies nor those which are not reported at all. The majority of complaints registered, in absolute numbers, concerned solar PV systems (632 out of 1,023). These accounted for 3 percent of all domestic solar PV systems installed during the year, the highest percentage for solar PV complaints during the lifetime of the Feed-In Tariff Scheme.

***Complaints registered with RECC by year***



**Complaints registered with RECC in 2018 by technology**



**Complaints registered with RECC in 2018 by technology**

Technology	Disputes registered by RECC in 2018	Disputes registered by RECC in 2017	Variance in 2018 over 2017	Variance in 2018 over 2017 (%)
Air source heat pump	185	115	70	+61
<b>Battery storage</b>	<b>49</b>	<b>69</b>	<b>-20</b>	<b>-29</b>
Biomass	70	56	14	+25
Gas absorption heat pump	0	1	-1	-100
Ground source heat pump	24	29	-5	-17
Other (non-MCS)	106	63	43	+68
Solar assisted heat pump	11	5	6	+120
<b>Solar photovoltaic</b>	<b>632</b>	<b>484</b>	<b>148</b>	<b>+31</b>
Solar thermal	67	37	30	+81
<b>Wind turbine</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>+20</b>

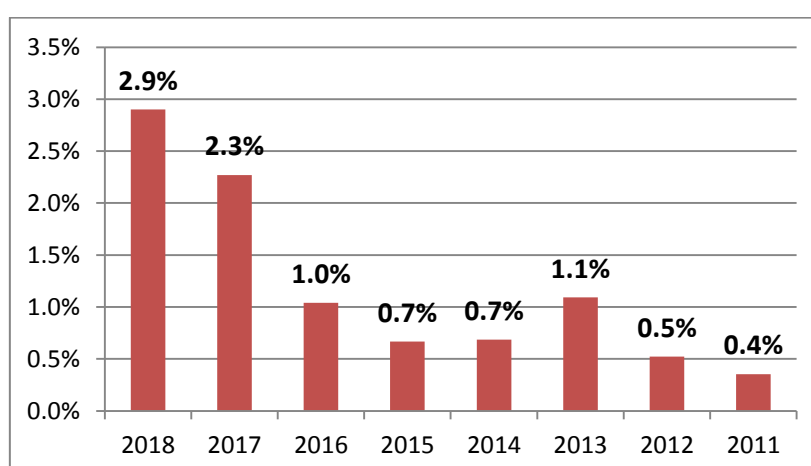
**Complaints registered by technology as a % of all domestic installations in 2018<sup>1</sup>**

Technology	Complaints registered with RECC in 2018	Domestic installations in 2018	Complaints registered with RECC in 2018 (% of domestic installations)
Air source heat pump	185	4,589	4
Biomass	70	119	59
Ground source heat pump	24	790	3
<b>Solar photovoltaic</b>	<b>632</b>	<b>21,874</b>	<b>3</b>
Solar thermal	67	276	24

**Solar PV complaints registered with RECC by year as a % of all domestic solar PV installations**

Year	Solar PV complaints registered with RECC	Total domestic solar PV installations	Total domestic solar PV installed capacity (MW)	Complaints registered with RECC (% of domestic installations)
2018	632	21,874	78.6	2.9
2017	484	21,325	77	2.3
2016	764	73,433	288	1.0
2015	948	142,250	517	0.7
2014	754	110,120	406	0.7
2013	937	85,755	313	1.1
2012	1,051	201,178	687	0.5
2011	439	124,385	381	0.4

**Solar PV complaints registered with RECC by year as a % of all domestic solar PV installations**



<sup>1</sup> Please note that disputes registered with RECC may relate to systems installed before 2018. These figures are provided as a guide only. Firm conclusions cannot be drawn between the numbers of disputes registered in the year as a proportion of the total domestic installations for 2018 for a given technology.

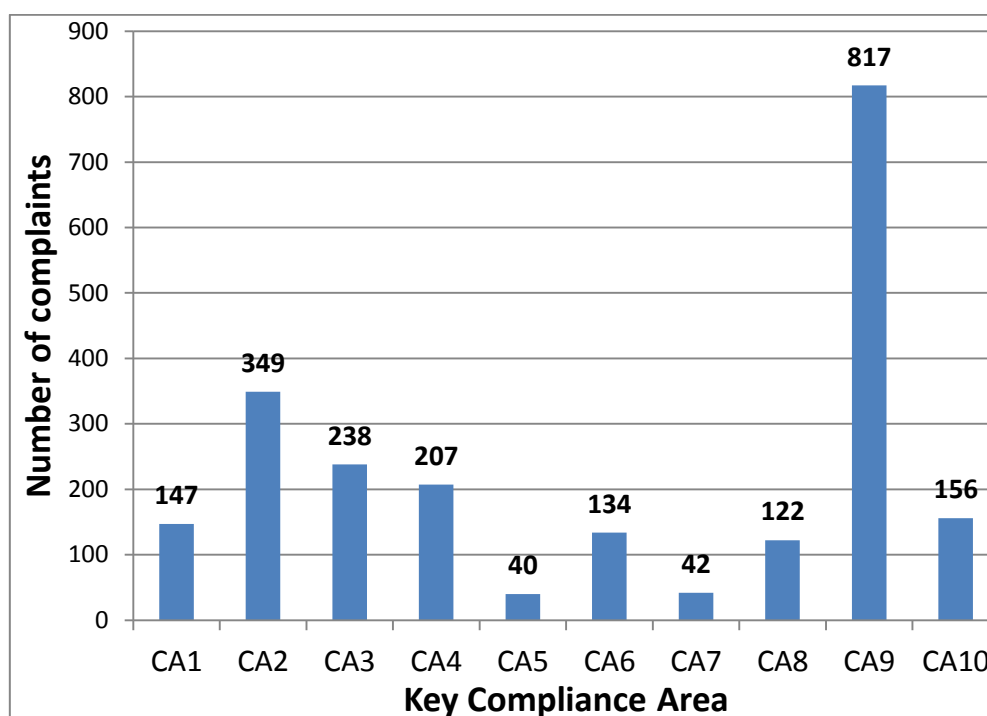
RECC categorises the complaints it registers according to Key Compliance Area, each of which represents an area of consumer detriment. Many complaints are about more than one area. The chart below shows the number of complaints falling into each area.

Over 800 complaints concerned ‘after-sales’ which includes guarantees, workmanship warranties and warranty protection, after sales support: customer service (CA9). The high number in this category reflects the fact that many solar PV installers have left the sector, often ceasing to trade. This means that consumers who discover a problem with their system have no route to redress. (RECC requires members to arrange for workmanship warranties to be insurance-backed in the event they cease to trade.)

Other than after-sales, the other important areas were marketing and selling, estimates and quotes (particularly performance estimates and financial incentives) and technical issues, which are referred to the relevant MCS Certification Body. These were the most common areas of mis-selling which underlay a high number of complaints. If consumers are to have confidence in the technologies they are buying and installing if they must be provided with sufficient, accurate information before they enter into a transaction.

Several finance companies withdrew from the small-scale renewable energy sector when they understood the potential for mis-selling. The number and size of loans that they have been forced to cancel is higher than in any other sector. Typically, they did not understand the complexity of the technologies and the way they interact with consumer behaviour before they set ambitious targets for lending, secured on consumers’ properties. In addition, many high profile cases were referred to the Financial Ombudsman who ordered the finance company to cancel the loans.

***Individual issues underlying complaints registered by RECC in 2017 by Key Compliance Area<sup>2</sup>***



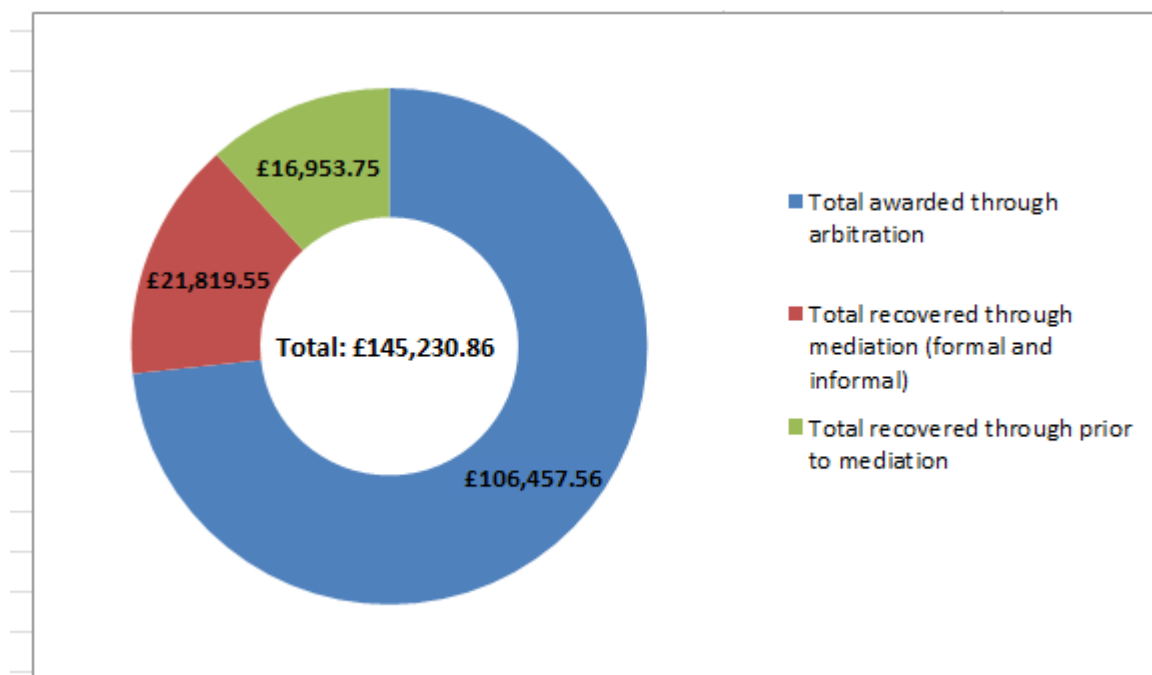
<sup>2</sup> Please note that issues pertaining to more than one CA may underline a single complaint.

**Key Compliance Areas**

CA1	Awareness of consumer protection / RECC (including staff training)
CA2	Microgeneration Certification Scheme (MCS)
CA3	Marketing and selling
CA4	Estimates/quotes, particularly performance estimates and financial incentives
CA5	Finance agreements
CA6	Contracts and cancellation rights
CA7	Taking and protection of deposits and advanced payments
CA8	Completing the installation
CA9	After-sales (guarantees, workmanship warranties and warranty protection, after sales support: customer service)
CA10	Disputes numbers, handling, procedures

CTSI requires Consumer Codes to offer consumers and members access to Alternative Dispute Resolution. RECC has contracted with CEDR to provide an independent arbitration service which is available once our internal mediation service has been exhausted. Given that MCS does not have an ADR arrangement set up, RECC has allowed many consumers with technical complaints to use the independent arbitration service as an alternative to taking action through the courts. The chart below shows the breakdown in the way that complaints were resolved. It also shows that, in 2018, RECC recovered a total of £145,231 for consumers through the Dispute Resolution Service. In previous years this figure has been as high as £400,000.

**Breakdown of amount RECC recovered for consumers in 2018**





**29. This policy is focused on power generation, however increasingly we anticipate that installations will be integrated with battery and vehicle-to-grid technologies. What additional technical challenges might we need to consider for example relating to installation standards, and how would this effect the development of the market?**

RECC is working closely with MCS to develop installer and product standards for battery storage. These will be closely linked to the IET standard which is itself in its third iteration. RECC has also worked closely with researchers at Loughborough University who have developing guidance on self-consumption for solar PV and solar PV with battery storage. We understand that this work, funded by the MCS Charitable Trust, will shortly be published as a guidance note. This will inform the installer standards, particularly as regards performance estimates.

We consider it essential that reputable and accessible standards are in place for battery storage. In this way a range of actors such manufacturers, insurers, mortgage lenders and others, can ensure that systems have been installed correctly and to a high standard. Early in 2016 RECC published, along with BRE Solar Centre, guidance for consumers on battery storage installed alongside solar PV: [http://www.bre.co.uk/filelibrary/nsc/Documents%20Library/NSC%20Publications/88166-BRE\\_Solar-Consumer-Guide-A4-12pp-JAN16.pdf](http://www.bre.co.uk/filelibrary/nsc/Documents%20Library/NSC%20Publications/88166-BRE_Solar-Consumer-Guide-A4-12pp-JAN16.pdf) . This guidance will be updated shortly to take account of the new work on self-consumption. RECC also issued a note for installers on the information they should provide consumers thinking of installing battery storage: <https://www.recc.org.uk/pdf/guidance-on-battery-storage.pdf> .

Recently, RECC has developed guidance for consumers considering signing up to a Demand Side Response offer for their home: <https://www.recc.org.uk/pdf/demand-side-response-guide.pdf> . In developing this we worked closely with the Association for Decentralised Energy who developed a Code for non-domestic consumers. Finally, RECC has developed guidance for consumers thinking of installing an EV charge point in their home: <https://www.recc.org.uk/pdf/consumer-guidance-on-ev-home-chargepoints.pdf> .

RECC intends that this suite of guidance will contribute to informing consumers and giving them the necessary confidence to take advantage of the new offers they are confronted with. We hope that this suite of guidance will contribute to the setting of minimum standards which will be required by the range of interested parties listed above.

We are particularly interested to understand the services being offered to domestic consumers by aggregators and we consider that the Smart Export Guarantee will be a part of this. We hope that consumers will have access to sufficient, objective information on the Smart Export Guarantee offers available to them. It is important that consumers understand whether they are tied in to a given arrangement, whether there are exit fees and whether the payment they receive is related to market prices.

RECC considers it essential that domestic consumers are protected by robustly enforced minimum standards. These need not stifle the market or impede development. However, they will mean that consumers have the confidence to participate in a market which they understand.

**05.03.2019**