

**Minutes of 34th Meeting of the Supervisory Panel
Renewable Energy Consumer Code
10th December 2014**

Present:

David Laird (Chair)

Bryn Aldridge - former Director of Trading Standards and Veterinary Services for The City of London

Walter Carlton – Deloitte

Amanda Clark – Certsure

Tom Chapman - MCS

David Frise - B&ES (part)

Gretel Jones - Independent Social Issues Expert

Stephen Lisseter - (Formerly OFT)

Jim Thornycroft - Independent Solar PV Expert

Observer:

Tom Allard - OFGEM

In attendance:

Virginia Graham – RECC

Mark Cutler – RECC

Sarah Rubinson – RECC (minutes)

Sue Bloomfield – RECC (part)

Sarah Langley – TSI (part)

Apologies:

Liz Laine - Citizens Advice

Dave Sowden – Sustainable Energy Association

Philip Wolfe – Independent Solar PV Expert

Alistair Boon – DECC (Observer)

1. Welcome, Introduction and Apologies

The Chair welcomed attendees to the 34th meeting of the Supervisory Panel. Panel Members introduced themselves and noted apologies for absence.

2. Minutes of the 33rd Supervisory Panel Meeting

Panel Members agreed the Minutes of the 33rd Supervisory Panel Meeting as being an accurate record of the meeting.

3. Matters Arising

The Executive ran through the matters arising from the Summary of Actions from the 33rd Meeting. The Executive reported that, following a discussion at the previous Panel meeting, an article on the issue of VAT had been published in the recent edition of the RECC newsletter.

The Executive reported that the Monitoring Strategy had been circulated to members of the Panel and that Sue Bloomfield, independent auditor, would attend later in the meeting to present it.

4. Highlight report

Membership

The Panel noted that RECC membership had remained fairly constant during 2014, but noted that there had been a spike in RECC membership during June and July 2014. The Panel wondered whether this may have been related to the launch of the domestic RHI. The Panel asked whether a significant number of small businesses were likely to join RECC on account of the launch of the RHI.

The Executive reported that, at that moment, there were 4,000 registered RECC members. 600 membership renewals and 82 cancellations had been received for 2015. By comparison, 500 membership renewals and 102 cancellations had been received at the same time the previous year. The Executive explained that invoices had been sent out to all members on 1 November 2014, and that members renewing before 31 December benefitted from a 5% discount. Regular renewal reminders would be sent to those who had not renewed, and 300 payments were due to be taken by direct debit.

The Executive explained that, it was usual for a proportion of members not to renew each year, and provision for losing 20% of its membership had been built in to the 2015 REAL budget. However, the Executive reported that more businesses appeared to be joining compared with the same period the previous year.

The Panel enquired about the size of the RECC members leaving the Scheme. The Executive explained that the majority of members not renewing were likely to be small businesses or sole traders. The Panel asked whether this data could be included in the next Highlight Report. The Executive commented that many RECC members declared that they had between 1 and 6 employees when this was not in fact the case. This was something that was flagged up at the time of audit and enforcement action would be taken against those found to have made incorrect membership declarations.

Monitoring

The Executive explained that, throughout the year, RECC compiled a list of members posing a risk to consumer detriment on the basis of which they should be audited. Mystery shopping, used in conjunction with auditing, also tended to be carried out on a risk basis.

The Executive reported that a new version of RECC's Consumer Satisfaction Questionnaires had been provided to QANW. The questions had been redrafted to reflect the Key Compliance Areas in the Monitoring Strategy (see below). The data in the Highlight Report before the Panel had been based on a sample of 90 questionnaires returned directly to RECC. The Executive explained, given that the questionnaires were only distributed to consumers of members using QANW insurance-backed warranties, the returned questionnaires could not be said to reflect the whole range of membership, but only around 25%. The Panel asked for a comparison with the results from questionnaires received over the previous 6 months, focusing on the areas that are of most concern.

Complaints

The Panel pointed out that there had been an increase in the number of complaints received in September for the past two years in a row and asked why that might be. The Executive explained that the timeframes within the complaints process were better defined now. It was made up of three 8-week periods: the first being the time between registration with RECC and allocation to a

case handler; the second being the time the case handler devoted to try to resolve the complaint; and the third being the period in which the independent arbitration service considered the complaint.

The Panel queried whether it was acceptable to have an 8-week period between the time a complaint was registered with RECC and the time it was allocated to a case handler. The Executive clarified that, once RECC receives a complaint, it is immediately acknowledged to both the consumer and the member, who is encouraged to resolve the complaint without delay. Only those complaints which had not been resolved in this way would go on to be allocated to a case handler. The Executive explained that the number of complaints being received was not within RECC's control and that there was a limit to the number of complaints that each of the seven RECC complaint handlers could deal with at once.

The Panel suggested that charging members for complaint-handling could provide an incentive for RECC members to resolve complaints without having to be allocated to RECC case handlers. However, the Executive pointed out that neither the MCS Certification Bodies nor Ofgem currently charged for complaint-handling, and that this could set up an imbalance given that we all have to work so closely together on the same complaints. The Chair stated that he had given some thought to the idea of charging members for complaint-handling, and suggested that the Executive convene a meeting with Lawrence Slade from Energy UK in order to explore the pros and cons of this strategy further.

The Executive pointed out that the technologies eligible for RHI payments were very complex, and that this was likely to lead to an increase in the number of complex complaints being registered. The Executive pointed out that the revised MCS Installer Standards for these heat technologies were also very complicated. The Panel requested complaint statistics specifically about the RHI, divided into technology categories.

The Executive estimated that at least 50% of complaints being handled by RECC at the moment involved a loan agreement. The Executive explained that, from RECC's experience, the Financial Ombudsman Scheme generally did not uphold a complaint against a finance provider in cases where the finance had been mis-sold by an installer.

5. Update on Renewable Heat Incentive

Ofgem explained heat technologies are principally intended to be replacing LPG or oil, and that the incentives had been calculated on that basis.

Ofgem explained that 70% of RHI applications were 'legacy' applications. These were mostly air source heat pumps, but were being overtaken by biomass. Solar thermal and ground source heat pumps accounted for a smaller proportion of the total. Ofgem reported that 'legacy' applicants are more likely to have experienced registration issues since they would have purchased their systems before the RHI was officially launched and may have been provided incorrect information. Registration of new applications was increasing but these were still the minority.

The Panel pointed out that some consumers whose installations had been registered with MCS had still not applied for the RHI. Ofgem explained that some consumers had received funding from the Renewable Heat Premium Payment (RHPP), and may have decided not to pay for a Green Deal Assessment in order to apply for the RHI as well. (The RHPP grant would have to be deducted from their RHI payments.) Other consumers may not have known about the RHI and were difficult to contact, particularly if they had had their system installed in 2009 or 2010.

The Executive pointed out that one third of consumers installing renewable heat technologies, and in particular air source heat pumps, were on the gas grid. It was unlikely that these heat technologies would be more efficient than natural gas, and so are likely to have been mis-sold. The Panel commented that old, leaky properties were probably not suitable for heat pumps either, and that there are many risk factors associated with installing heat technologies.

The Panel discussed the risk of increasing the incidence of fuel poverty as a result of the mis-selling of air source heat pumps. For example, this could be the result of unaffordable loan repayments and/or by higher electricity costs. Companies mis-selling in this way could be in breach of the Consumer Protection Regulations (CPRs). DECC needed to keep this danger in mind rather than concentrating simply on the number in installations under RHI and the total installed capacity.

The Panel suggested that a 'red flag' system be developed indicating where mis-selling was likely to have occurred. The Panel suggested that this could be a one-page document agreed between RECC and MCS highlighting what consumers should be provided with pre-contract. This was something that finance providers were interested in and could be checked by Ofgem alongside the RHI application process. David Frise agreed to assist with this if he could. In parallel, the Panel suggested that better consumer advice was needed in addition to the 'top-line' information provided by EST. In particular they stressed that older consumers were less likely to have internet access.

6. Update on marketing and communications

The Executive explained that RECC would be increasing its effort and expenditure on marketing and communications. This would be more important in a scenario in which multiple Consumer Codes enter the sector. The Executive planned to build up case studies and background documents as collateral. A RECC Twitter account had been set up and tweets were being issued on a daily basis. This was in addition to the quarterly RECC newsletter.

The Executive reported that they had also considered the possibility of allowing consumers to give feedback about members online by writing installer reviews, something that EST Scotland and Yougen already do. (RECC already analyses consumer satisfaction from the questionnaires returned directly to us, and there is a "good news stories" section on the RECC website relating to resolved complaints.) The Panel agreed that there were pros and cons to this, but thought it should be given further consideration.

The Executive explained that it was planning to host interactive training webinars to showcase the online e-learning resource already available on the website. RECC is also considering posting pre-recorded animated guidance on the RECC website alongside recordings of training webinars. In this way the Executive hoped to make its materials and guidance available to a wider audience. The Executive explained that it would be attending DECC Roadshows in England and Wales, Eco Build and other trade shows and exhibitions; it would be writing a blog and contributing to magazines on a more regular basis. The Panel suggested that RECC could link up with the MCS marketing strategy.

7. Update on multiple TSI Approved Codes

The Chair asked TSI for an update on the introduction of multiple Codes into the sector. Sarah Langley, on behalf of TSI, reported that a meeting about a Memorandum of Understanding between different Codes had taken place the previous week and that good progress had been made. A follow-up meeting would take place with DECC the next week.

Sarah explained that the parties involved in developing the MOU had agreed to keep the independent Panels in place in order to ensure that the standards of consumer protection remain at a high level. The purpose of the MOU was to ensure that a business would not be permitted to switch Codes if there were outstanding complaints against them, if they owed consumers money, or if they owed a Code sponsor or administrator money. She explained that compliance with the requirements of the MoU would form part of the CCAS approval, and on-going approval. The Consumer Codes Approval Board would be monitoring compliance with the MOU alongside each code.

Sarah agreed that TSI had lessons learnt from the experience of introducing multiple Certification Bodies into MCS to consider when drafting the MOU. She confirmed that the CCAS Board had granted the Home Installation and Energy Services Scheme (HIES) Code Stage One approval.

Sarah explained that the Consumer Codes Approval Scheme was open to all. Therefore it was likely that there would be more instances of multiple Codes in a single sector in the future. There were already multiple Codes in some sectors such as the selling and servicing of motor vehicles. The Chair thanked Sarah for attending the meeting and for updating the Panel.

The Executive pointed out that HIES already had at least 50 members in the small-scale renewables sector. Those members that RECC was aware of focused on doorstep selling, and consequently signed a high number of contracts with consumers each week. The HIES business model meant that HIES stood to gain from each contract a member signed through revenue from the associated insurance-backed warranty policy, worth around £50 per contract. In the light of this, the Panel discussed the need for extreme caution in guarding against the use of high pressure selling tactics being used to close deals on the day.

8. Monitoring Strategy

Sue Bloomfield, independent RECC auditor, introduced the Monitoring Strategy which TSI had recently been approved, and which would shortly be on the RECC website. She explained that TSI had different monitoring criteria from those of the Office of Fair Trading (OFT). As a result, RECC's monitoring strategy had had to be approved by a statistician in order to demonstrate that it was capable of delivering against the criteria. One of TSI's stated aims was to measure the reduction in consumer detriment delivered by each approved Code.

Sue outlined that the Monitoring Strategy involved both on-site and desk-based auditing, as well as increased desk-based background checking of applicants. Sue explained that RECC would be required to carry out more monitoring in order to satisfy TSI's criteria, while trying to strike a balance due to resource constraints. She explained that Key Compliance Areas of the Code have been identified, and that these had been mapped onto the audit questionnaire, the desk-based compliance questionnaire and the consumer satisfaction survey. Each question in the audit questionnaire had subsections designed to assess the level of compliance that has been achieved. The audit now had a 'positive' scoring system as opposed to the previous 'negative' scoring system.

Sue explained that outcomes of the Monitoring Strategy would be published in the Annual Report and to TSI, although a timeframe and format still needed to be agreed. She stressed that the audit was intended to be an educative process, and that auditors often flagged best practice from their audit site visits. RECC auditors frequently made use of model documents and guidance to assist members to comply with the Code and consumer protection legislation in force. It was agreed that it was important to feed this back learning from the monitoring into constant improvement of the scheme.

The Executive explained that RECC had to keep adapting to market changes, while the auditors had to become experts in the different technologies in order to understand and identify the potential for mis-selling. The Panel suggested that members who do particularly well in their audit could be provided with a certificate of achievement. The Executive pointed out that in the past such members had been shortlisted for the REA Installer of the Year Award.

The Panel enquired about how consistency could be ensured within the audit process. The Executive explained that a consistency programme was carried out which involved one auditor shadowing the others and preparing a report on his findings for the Auditors' Round Table. The Executive also pointed out that there are extensive notes for auditors on the questionnaire itself (not visible to members) which assisted auditors to take a consistent approach to their work.

9. A.O.B. and date of next meeting

The MCS Administrator reported that several MCS installer standards had been updated, that handover requirements for solar thermal had been published and that 'Solar assisted heat pumps' now had a product standard, though no products had yet been certified against it. Full details were available of all these updates on the MCS website.

The Chair suggested the dates of the 2015 meetings should be 18 March, 10 June, 9 September and 2 December 2015. The Panel agreed to check their availability and confirm. There being no further business the Chair closed the meeting and thanked members for their attendance.