

Financing the Energy Efficiency Revolution

**Pay As You Save:
pioneering a flagship
energy efficiency
retrofit financing policy**



What will be covered...

- Brief explanation of UK energy policy and the Green Deal
- Introduction to PAYS and our evaluation
- Key findings and programme impacts
- Learnings for policy makers and programme designers



Current UK energy policy

- Government climate change targets:
 - 30% of electricity from renewable sources by 2020
 - cut greenhouse gas emissions by 50% on 1990 levels by 2025 (80% on 1990 levels by 2050)
- Targets enshrined in the Energy White Paper (May 2007) and Low Carbon Transition Plan (July 2009); updated in the 2012 Energy Bill.
- Primary responsibility lies with the Department of Energy and Climate Change (DECC)



The Green Deal

- Up front finance, assessment and installation support to households to enable energy-saving home improvements
- Repayment over time via energy bills
- Repayment no more than *the typical household should save* through the measures in energy costs
- A range of providers (often working as a partnership delivering different elements)

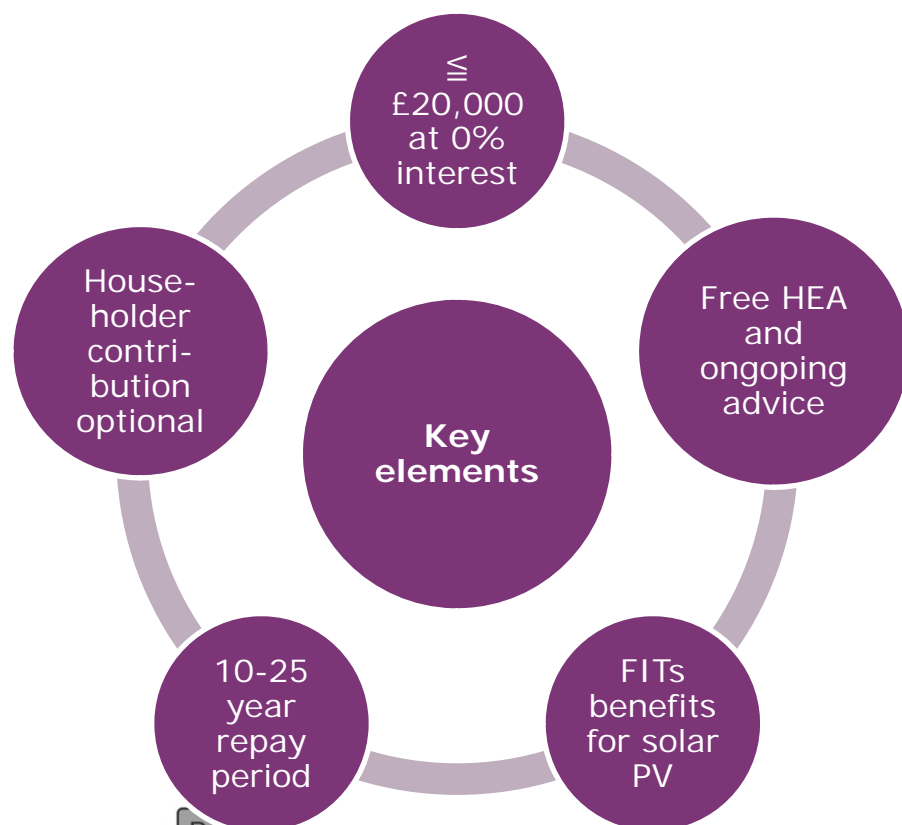
More information@

http://www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx



Pay As You Save (PAYS)

- A pilot announced in November 2009 to trial a range of generous financing repayment options to incentivise householders to install measures. Five partners selected to run pilot schemes.



Key differences from Green Deal:

- a. Very different financial package (in terms of interest rates and discounts)
- b. Not restricted to the 'Golden Rule' (by which savings over x period must be greater than monthly repayments)
- c. Targeted pilot areas as oppose to national rollout
- d. Clear government involvement / guarantee



Packages

- For most, any mix of measures up to £20,000.
- Must select at least one 'big' measure.
- Exceptions: the social housing PAYS provider specified the measures and one partner encouraged PV.

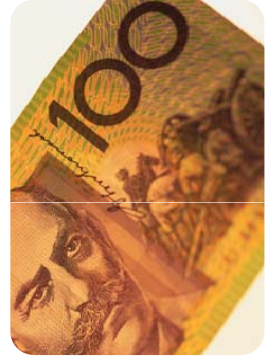


Our evaluation of PAYS

- Across 2010-11, evaluation concurrent to delivery
- Phased interviews with the 300+ participant householders, householders that applied to participate but were not selected, delivery partners and suppliers / installers
- Follow up study of selected participants across 2011-12 to assess energy bill impacts



Who participated and why?



- Motivations for action and engaging with PAYS predominantly financial.
- Almost half were refurbishing at the time of take up, though insisted this was not a trigger.



Designing a support package



- Most people wanted their hand holding through the process
- HEAs provided reassurance even where pre-existing measure ideas were held. Also provide verification for the provider.
- Most providers tried to ensure choice but also tried to guide selection.



Viabile for providers?



- No admin charges.
- Partners didn't expect to profit financially from a small-scale pilot; but the resource drain was bigger than anticipated – reassurance, communications, administration, addressing issues.
- Most measures threw up further cleaning / 'making good' work.
- People embarked on the process and then dropped out for a wide variety of reasons



Do the measures work?

- The measures are saving energy. Average daily consumption of both gas and grid electricity fell substantially
- Achievement of the Golden Rule was mixed. Some micro-generation recipients were more relaxed about electricity use because of the new technology.
- Significant changes to lifestyle – even in just twelve months - were common and likely to have substantially affected achieved savings.
- Not achieving the precise savings predicted did not seem to have affected participant satisfaction, as long as there were some savings.



Key lessons for up front capital EE retrofit [1]

Making the offer attractive:

- **There is an audience for this type of program** when incentives are deployed, but its size for a less generous offer is difficult to determine.
- **Perception of a very good deal is as / more important than the reality of payments vs. savings.** Predictions should be sensible (and account for household influence) but precise achievement did not seem essential to many.
- Although 80% savings in consumption are not being delivered, **the real reductions are substantial.**
- **To maximise savings, invest in concurrent behaviour change advice and / or smart meters?** Gives participants the means and skills to assess and influence performance.
- **Accreditation / certification enhances customer confidence**



Key lessons for up front capital EE retrofit [2]

Designing a package:

- **Public and private partnerships worked well.** Enable multiple providers and the market will decide who is successful anyway.
- **There is a lot of PM work, so should there be an up front administration charge?** Might be off-putting but might also filter out the waverers?
- **There should not be a one-size-fits-all package,** but the basic structure of engagement, assessment, consultation, installation, aftercare seemed to work for most.
- Customer expectations around disruption and installation times need to be managed.
- **Try to build a local supplier / installer network;** environmental, economical and a selling point to customers



Thank you
Questions?

