



DEPARTMENT OF ENERGY & CLIMATE CHANGE

RENEWABLE HEAT INCENTIVE

PUBLIC CONSULTATION 1 FEBRUARY-26 APRIL 2010

Submission from The Builders Merchants' Federation

The Builders Merchants Federation (BMF) is the UK trade association representing the majority of companies in building materials' distribution. Our members sell everyday building, electrical, heating & hot water, insulating, plumbing and timber products - together with major manufacturers & distributors - we represent over 400 companies with combined annual sales over £7 billion.

Investment in existing housing to improve the condition and the fitting of energy saving devices are central to our members' businesses. Merchants earn a living from selling heating & hot water systems - namely boilers, thermostatic controls, radiators, water tank jackets, pipe lagging, underfloor heating and renewables' equipment like heat pumps. In fact, most of what DECC and DCLG ministers sought industry advice on in spring 2009 during the HESS consultation, we sell.

We are grateful for the chance to provide input. We confine our remarks to where we have direct experience, practical knowledge and relevant interest/expertise. If ministers or officials seek extra information, wish to clarify, or develop further arguments, we shall be pleased to meet face-to-face.

OVERVIEW

The BMF broadly welcomes the proposals in this Renewable Heat Incentive (RHI). It contains some good ideas and proposals designed to encourage heating from renewable sources.

The April 2011 start date is about right. By then, the related policy of Feed-In Tariffs for electricity micro-generation will have been running for 12 months - and should inform the RHI in good time.

The importance of investing to improve housing and reduce emissions cannot be overstated. If the UK is to succeed in reducing carbon, policy-makers must pursue determined, far-reaching actions.

We believe the single most important policy commitment for any new Government is to concentrate on 'consequential improvements' to de-carbonise housing. The easiest route to accomplish this would be to selectively reduce VAT on home improvements where specific actions to take carbon out of the building envelope are completed.

A 5% VAT rate already exists for fuel and some energy-saving measures. Extending this to home improvement will encourage both private & public homeowners to invest in ways to (a) use less energy; (b) use energy more efficiently; (c) obtain energy from renewable sources; or (d) prevent unnecessary & costly energy loss - at the same time as altering, extending or renovating homes.

This is good policy because spending is targeted effectively, where intended, offering maximum encouragement to voters to invest to bring properties up to modern standards. Such investment will continue to pay dividends for generations to come, over the lifetime of the building. Once this principle is established, demand can be regulated by simply fine tuning the list of qualifying improvements to reflect developing needs (either in product technology or price as markets unfold).

WHAT WE BELIEVE

Microgeneration Certification Scheme (MCS)

DECC ought to be in no doubt there are voices in heating & hot water who believe the Scheme is getting in the way of the ambition. There seems to be a bottleneck.

A view the BMF often hears is that to insist equipment & installers be MCS-certified unnecessarily stifles moves to expand the sector. Too few installers are registering - put off by what they see as bureaucracy & high fees that make it unattractive to seek accreditation.

You have only to read the trade press to know the difficulties forecast - notably:

- customers not being able to find an accredited installer
- customers not taking the plunge because their usual or preferred installer(s) not having bothered to sign up to the MCS scheme.

We suspect the (real or perceived) problem is one of costs versus quality assurance that affects capacity & capability. Unless/until this is addressed, SME installers will not seek accreditation. This puts at risk a successful start to the RHI next year - a politically unattractive outcome. The answer is not to be fixated on paperwork or procedure (especially in an economic recession).

There is also a noticeable difference in criteria between schemes. For instance, we learn there is variation between the Microgeneration Certification Scheme (DECC) and the Competent Persons Scheme (DCLG). If correct, these ought to be overhauled or merged between Departments.

Boiler Replacement

The BMF is astonished there is hardly any mention throughout this document of boiler replacement programmes - not least, the Government's own Boiler Scrappage Scheme. The Scheme started 4 weeks prior to the release of this consultation.

Plumbing and heating & hot water industry interests have urged officials to do more to incentivise householders to have a new boiler fitted (rather than repair ones with extended lifetimes).

The BMF suspects the Scheme will prove successful. We hope it is extended - irrespective of who is the next Government - because replacing boilers is a sure way to help get carbon out of people's lives. We appreciated being asked to help design it.

In addition to merchants, this Federation represents manufacturers such as Worcester Bosch & Baxi, and national chains like Plumbing Trade Supplies & Plumbase.

Training

The BMF urges officials to connect any proposed renewable heating training to existing schemes for training & vocational skills in the plumbing & electrical trades.

This year, we successfully launched a brand new 1-day "Understanding The Renewable Energy Products Market" training course for our members. Places on the courses sell out fast. If ministers or officials would like to see this learning for themselves, we could put one on for DECC.

Product Certification

The BMF recommends officials link the manufacturer's assessment of equipment to existing British Standards or EU Markings.

DETAILED OBSERVATIONS ON THE CONSULTATION DOCUMENT

The BMF is a trade association and confines itself to what it knows most about. For instance, we have no expertise of biomass/bioliquids/biomethane. We respond to only 12 of the 30 questions.

INTRODUCTION

Renewable Heat Technologies

Allowing the widest possible range of qualifying technologies in primary legislation means the market can work properly - and it will soon find a level for each available type.

Funding the RHI

Page 12 - You say the Government is considering what would be the most effective way of funding - a planned further announcement was to be made in the Budget (24 March 2010). We have checked the DECC website - what there was referred to biomass. This suggests either delay or disagreement about how best to proceed.

CHAPTER 1 - ACCESSING THE RHI

Who Can Benefit From The RHI ?

Rural Communities

The BMF agrees the potential benefits to rural communities are considerable - especially where voters are not connected to the gas grid.

Winter 2009/10 was the most severe one endured for 30 years. Taking East Anglia as an example, the position & topography of that region - a very rural part of England - meant residents suffered Arctic winds bringing sub-zero temperatures for weeks. For this reason alone, the drive to help them complete actions eligible under the RHI to combat such extremes is incontrovertible.

It should not be forgotten that years ago - before privatisation - energy companies (notably British Gas) had high street showrooms. This gave them a public face, something that has been lost. This has led to a void in public awareness - i.e. being able to see heating & hot water products at first hand - both conventional & renewable varieties.

Builders' merchants (particularly plumbers' merchants) are likely to be the only place in market & coastal towns where consumers can see demonstrations or working models for themselves.

Merchants operating in rural areas can aggregate products accordingly, and tend to offer free home delivery. This puts our members in a very good position to reach rural households. We stand ready to explore avenues of mutual commercial benefit and policy objectives with anyone.

Role of Local Authorities

The BMF agrees with the concept of local carbon frameworks - and that local authorities are uniquely placed to advance low- or zero carbon solutions.

Industrial and Commercial Sector

The BMF agrees non-domestic buildings offer great potential for on-site renewable heating. Vast areas of roof surface make them highly suitable for multiple devices to be fitted at the same time. For example, a football club ought to use renewable heat for both (a) space & hot water heating internally and (b) for underfloor heating.

Financing

The BMF accepts conventional forms of heat are currently cheaper than those from renewable sources. Extra funds are necessary to establish & expand the market. Otherwise, initial set-up costs are simply too prohibitive for homeowners to contemplate.

Apart from taxpayer subsidies, the BMF urges officials to examine alternatives to monetary considerations as other approaches can yield results:

- extending permitted development rights
- relaxing the requirements for environmental or other types of permits
- reducing Council Tax payments for completed work
- simplifying & streamlining administrative procedures for applicants.

The claim that the RHI will stimulate the market with different financing options is presumptuous and remains to be seen (even when the UK comes out of economic recession).

We support the introduction of Green Mortgages and the "Pay As You Save" scheme to identify new sources of finance for renewable heat & power.

Question 2 - Yes. The failure of banks & building societies to start lending responsibly again to existing creditworthy borrowers - let alone new/novel ventures like RHI - is the problem.

The Initial Registration Process

Small & Medium Generators

As outlined earlier, it seems there is a bottleneck in the current MCS. Unless this is tackled, SME installers and customers will both be disenfranchised from the RHI.

Owner-Occupiers

The claim that homeowners will have information on renewable heating options when their boiler breaks down is fanciful. When boilers break down, consumers make what is called a 'distressed purchase'. We do not think it is likely renewable options will be explored in such circumstances.

Getting Paid: Ongoing Obligations

Question 3 - No. The registration & payment proposals rely on the Microgeneration Certification Scheme. The MCS must become more mainstream if the RHI is to succeed.

CHAPTER 2 - ELIGIBILITY AND STANDARDS

Consumer Protection Standards

The point about this market being in its infancy - and might be seen as unproven - is a good point, well made. Regrettably, there will be unscrupulous types (either cowboy installers or dodgy traders) keen to take advantage. Consumer protection and quality assurance are needed.

Questions 4, 5 & 6 - No, for the reasons explained above/earlier about the MCS.

Eligibility

Cooling

The BMF has been thinking about solar-powered ventilation & cooling for some months now. With longer, hotter & sunnier summers predicted, this ought to come into its own. It is ideal for buildings not occupied constantly (e.g. holiday lets & second homes). In poor sunlight, some devices automatically turn the fan off but still allow ventilation. In hot, sunny conditions, the fan starts to increase airflow, remove excess heat & humidity, and cool down buildings.

Building Standards & Energy Efficiency

The BMF recognises it is desirable to stipulate a basic level of insulation be completed successfully before any renewable heating or hot water action. It is sensible not to exclude anyone from the RHI who has already fitted or surpassed the minimum standard.

You ask whether (or not) to require householders to provide proof that a minimum level of work has already been carried out. If BMF concern overt CERT and DIY loft insulation (articulated over the past 12 months) had been taken more seriously by both DECC and OFGEM, you would have a better-informed answer to this. We notice the next sentence says you do not propose to make this an eligibility criterion.

Question 10 - Yes.

Planning Permission or Environmental Consents

The BMF agrees changing or extending permitted development rights for small-scale renewables equipment is sensible & logical. Non-monetary approaches can yield the results you hope to see.

CHAPTER 3 - TARIFFS

Overview

The 'hassle factor': your point about compensation for disruption when digging up gardens to install ground source heat pumps is a good point, well made.

Tariff-Setting Methodology

Tariff Lifetime

You propose to pay support to participants over a number of years (rather than a single upfront payment). This is sensible for the reason given: care & maintenance of equipment over its working lifetime. But this will have to be carefully calibrated to make it enticing for newcomers to invest.

Metering & Deeming

The observation about generating more heat than any single participant needs is a good point, well made. The risk is a surplus is generated and simply not used. The question of whether (or not) surplus heat is exported will be partially answered when you assess this same question in relation to electricity micro-generation.

Multiple Technologies On The Same Site

The BMF agrees offering eligibility when more than one device is installed is sensible & logical.

Wet underfloor heating is a good example. Heat could be from either a ground source heat pump or solar thermal - and the electricity need to drive the system could be from a solar PV panel(s).

Heat from below is evenly spread around rooms, eliminating 'hot spots' (unlike radiators or traditional fires), resulting in half the heat emitted as low-temperature radiant heat. This method warms the lower part of rooms and human bodies, providing natural warmth where it is needed most - i.e. namely the lower body & limbs, rather than the head.

CHAPTER 4 - THE RHI BEYOND 2011

Fixed Levels of Support

The concept of 'grandfathering' is introduced to protect the level of aid received over the lifetime of an installation. We agree support levels ought not to be changed later on (apart from inflation).

Question 22 - Yes.

Innovation

Allowing free enterprise the scope to invest to create enduring demand and grow markets is critical if your ambition to transform the market is to be realised. The (current) Prime Minister repeatedly tells British business leaders to invest more in R+D and technology transfer if the UK is not to be left behind. A proper return on investment (via higher tariffs) can help emerging technologies.

Question 24 - Yes.

Duration of the RHI & Reviews

Keeping the RHI open to new applicants until at least 2020 is sensible & logical. Year 2020 is an important end-date for so much of the effort to get carbon out of people's lives.

CHAPTER 5 - INTERACTION WITH OTHER POLICIES

Interaction with other Government Policies

CERT

The BMF's views on this scheme - and towards the proposed extension to 2012 - are well known. Steps must be taken to ensure there is no scope for double counting or double payment.

Boiler Scrappage Scheme

As stated earlier, we are astonished the Boiler Scrappage Scheme is not covered here.

Transitional Arrangements

Question 28 - First part = yes and second part = not qualified to answer.

CHAPTER 6 - ADMINISTRATION

You intend OFGEM to be responsible for the overall administration of the RHI. In principle, we accept this regulator already exists and has similar functions with other carbon reduction policies.

The BMF's view of the administration, compliance & auditing of the RHI will be informed by our well-known position towards CERT - and the manner in which energy suppliers choose to fulfill their legal obligations. We contend OFGEM simple does not do enough on compliance and auditing.

Question 29 - Yes. Unscrupulous minds may be tempted to meet the Merton Rule by installing renewable heating equipment but not connect/operate it - defeating the object of the exercise.

IMPACT ASSESSMENT

H) Impacts

(vi) Impact on Small Firms

The claim that small firms will benefit from the support payment provide cannot go unchallenged. As outlined earlier, there is a bottleneck in the MCS, and SMEs are not seeking accreditation.

CONCLUSION

The BMF welcomes and supports the objectives behind the Renewable Heat Incentive.

For over 100 years, the BMF has represented businesses of all sizes - national names, regional chains, specialists and small/local independent firms - in city centre, suburban & rural locations.

Merchants are the single most efficient route-to-market. Many are moving to stock renewables like ground source heat pumps & solar water heaters. Staff in merchants are trained to a higher level of knowledge and understanding of solutions available - and are well-placed to give impartial advice at point-of-sale about what works best.

A handwritten signature in black ink that reads "Peter Matthews". The signature is fluid and cursive, with the first name "Peter" and the last name "Matthews" clearly legible.

Peter Matthews
Federation Secretary
The Builders Merchants Federation
15 Soho Square
LONDON
W1D 3HL
(020) 7439 1753
www.bmf.org.uk