

MCS

Consumer protection in small-scale renewables

Research report and findings from MCS

DECEMBER 2022



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The current landscape

The MCS (Microgeneration Certification Scheme) has come a long way from its small beginnings in 2008. Over the past 15 years MCS has developed into a significant certification scheme operating in an important and growing sector of the economy. Unique among equivalent sectors such as home improvements and energy efficiency, there are enforceable, industry wide standards in place.

Under new leadership, MCS has set out to pursue a mission “to give people confidence in low-carbon energy technology by defining, maintaining and improving quality.”

But the sector in which MCS operates in is not simple. While product certification is primarily a technical matter, other parts of the domestic renewable energy technology market are complicated. MCS has over the years provided stability in this growing sector and shown its commitment to high standards of consumer protection. It has done this by providing a suite of industry developed, robust and enforceable standards for both products and installers.

The scale of Government ambition for the sector is growing exponentially. In parallel, public demand for self-sufficiency and affordable energy is also growing.

Increased interest and activity also brings with it the danger of unscrupulous or unqualified installers entering the market. MCS is determined this will not happen and has undertaken a rigorous review of the consumer protection measures needed to maintain and enhance the reputation of the industry.





Consumer confidence is key



“There is enormous growth potential in the UK’s small-scale renewables market. Having benefited from regulatory support and government incentives in the past, to now fully realise the opportunity we need to ensure consumers have the confidence to invest in renewables for their homes and small businesses. These investments must deliver on the performance promised and come with the reassurance that if something were to go wrong, there is a clear route to redress.

The research that has informed this report, which has also drawn on research from others, presents clear evidence that the sector’s consumer protections fall short.

Consumers are confused as to where to turn to if something goes wrong. Today there isn’t an obvious single point of contact for the reporting, diagnosing and subsequent management and resolution of complaints. In what Citizens Advice refer to as the sector’s “net zero protections puzzle”, a successful outcome to a consumer complaint relies far too much on a consumer’s ability to navigate what can be hard to understand, restrictive and disconnected protections, offered by a confusing array of organisations.

Consistent outcomes to common complaints are inhibited by a difference in approach and operation of a contractor’s choice of Certification Body, Consumer Code and Insurance Backed Guarantee provider.

For contractors considering a move into the sector, the MCS compliance environment is not readily understood and can therefore act as a barrier to sector growth. The delivery of high quality, compliant installations is the focus of a standards organisation. The research suggests that contractors have to spend too much time on the process of MCS. A contractor’s achievement of MCS certification should be a means to the end of delivering high-quality installations, all of the time, for every customer. Contractors tell us that achieving certification can become the end itself, in that a contractor’s focus is on making it through the certification process versus securing the benefits of compliance to the sector’s quality standards. Given this complexity, many contractors subscribe to quality management services that offer to make compliance “easy”, which some Certification Bodies have accepted as a proxy for quality.

I’m determined to cut complexity and give people the confidence that they need to engage with renewables. To do so, we need to acknowledge and embrace the research findings and instigate change for the greater good of the market.”

Ian Rippin, CEO of MCS



Opportunity and Risk

The opportunity for home-grown energy is clear:

- With over 1.4million MCS certified installations since the launch of MCS, the sector has achieved a great deal over the last 15 years. However, if we are to realise the potential of home-grown energy, the sector needs to deliver 1million installations a year.
- The future is bright for domestic solar PV. The installation numbers continue to grow rapidly and the Government’s Energy Security Strategy includes the ambition to accelerate the deployment of solar PV five-fold by 2035.
- The Government’s aspiration for “clean heat” as set out in the ten-point plan for a green industrial revolution, aims for 600,000 Heat Pump installations a year from 2028.
- Under the Future Homes Standard, the aspiration from 2025 is to deliver homes that are “zero-carbon ready” which means that new homes will not be built with fossil fuel heating.

Pre-existing research

Over the last 12 months, MCS has conducted an extensive review of how the industry operates including reviewing existing research and literature reviews. We’ve also commissioned extensive research with consumers and contractors.

Taken together these findings make the case for change.

MCS can help address the barriers to growth of the UK’s small-scale renewable energy technology sector. This represents an exciting opportunity to deliver “home-grown energy” and secure the MCS Vision:

“To see MCS certified products and installations in every UK home and community”

and as a result achieve critical carbon savings from a change to the way we heat and power our homes and offices.

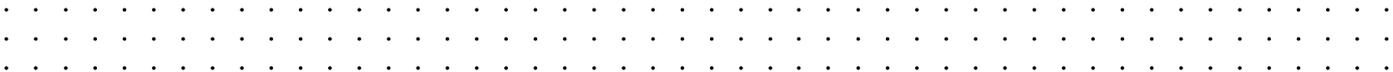
A review of literature and previous reports and research findings all point to the same conclusion – the need for simplification.



Each Home Counts, 2015

This “independent review of consumer advice, protection, standards and enforcement” for home energy efficiency and renewable energy measures in the UK concluded that “the myriad schemes, brands, certification bodies and organisations operating across the energy efficiency and renewable energy sector give a confusing, even bewildering picture for the consumer.”

The most recent research commissioned by MCS suggests that this analysis of the market still largely prevails today.



The net zero protections puzzle, 2021

This Citizens Advice report was based on a survey of 6,000 consumers and called on the Government to invest in improving information, protection and support for consumers.



“Cutting through the current confusion caused by the number of protection schemes, codes and bodies is going to be vital.”

The report makes the case for a single accreditation and inspection body, with powers to audit providers and prevent a company that falls below minimum standards from operating.

Citizens Advice advocate that people should be at the heart of the transition to net zero. The target should be to “... give people the confidence to engage”, reflecting that “currently, for consumers considering home energy improvements there are too many opportunities for things to go wrong. It all needs to be a lot simpler.”

The findings of several other reports have been considered, including:

UK Rooftop Solar Behavioural Research (Basis Social) commissioned by the Department for Business, Energy & Industrial Strategy (BEIS) in 2021 concludes that satisfaction amongst adopters is high. However, “having a guarantee in place in case anything goes wrong” was most important for those looking to install solar panels.

Citizens Advice Navigating Net Zero report and Home Truths report both published in March 2021, consider the problems consumers face when installing home energy technologies, with a call for a net zero homes guarantee to be established.

Pye Tait Consulting’s Quality assurance in energy efficiency and low carbon schemes report from 2015 considers the various schemes in the energy efficiency sector, assessing their strengths and weaknesses, mapping out the consumer journey and developing an understanding of where things go wrong and what needs to change in order to strengthen the quality assurance landscape for consumers. The report concludes that there is a lack of trust among consumers, identifying concerns with the various schemes’ limitations in enforcing quality, issues with the operation of Certification Bodies and the fitness of purpose of the sector’s guarantees and warranties that incorporate highly restrictive clauses and caveats.

MCS’s Audit and Verification Report published in May 2020, inspected a sample of 400 certified installations across all technologies, to provide a clear and comprehensive understanding of installation compliance to the standards. The report concludes that compliance is not being maintained and therefore a more effective approach is required, raising questions of contractors and Certification Bodies alike.





“Consumers are, unsurprisingly, guarded about spending large sums on what are perceived as new or at least unfamiliar technologies to provide an essential service to their homes. Overwhelmingly, their answers indicate that they need reassurance about taking the plunge: they want certified, qualified installers who know what they’re doing and who have rules to follow and who install products that meet standards and are proven to work. And they want to know there is some protection should anything go wrong.”

rb&m research findings

The need to “de-risk” the consumer journey

To help understand the consumer protections necessary for sector growth, our research partner rb&m delivered an extensive programme of consumer research in early 2022. The approach included:

- An online survey of more than 2,000 nationally representative individuals who have responsibility for their home energy decision-making;
- An online survey of 500 individuals who have one or more renewable energy system at home;
- Several focus groups to dig deeper and understand root causes, with these groups consisting of those with and without small-scale renewable energy technology systems.

The research found that what is in place today falls short of what consumers would expect to be in place to offset their perceived risk when investing in renewable technologies, that while proven, remain unfamiliar to most.

There is considerable evidence that the route to resolution for a consumer with a problem is often unclear. This is due to complex processes and confusing inter-relationships between the organisations that currently work to deliver MCS.

Although consumers state they would like “extended warranties” the current sector provision of Insurance Backed Guarantees (IBGs) are not the panacea of protection they might first appear to be. They are highly caveated, have restrictive clauses, they don’t cover the entirety of the workmanship, and have unrealistic excesses.

What is stopping consumers adopting small-scale renewables?

- Consumers cite the lack of access to accurate, reliable, impartial information as to what would work for them as their number one concern. Without it, they lack the confidence to install renewables.
- Over 90% of consumers are looking for minimum standards that can be enforced to protect their investment.

What else did the research tell us?

- As a further priority, the majority of responders cited extended warranties and Government-recognised certification as important attributes when selecting their installer.
- In the focus groups, the level of satisfaction was high; all of those with solar PV were very satisfied with their systems, with the performance, the savings on bills and, for those who had had them for several years, with the payback.



Complaints management confusion

When something goes wrong and a consumer needs to complain it is confusing as to what to do and who they should speak to. There isn't a single point of contact and there is an unrealistic expectation that the consumer can diagnose the issue with their installation in order to determine where to turn.

Due to the fragmented nature of complaint handling across the industry, the ability of MCS to analyse disputes is limited. This is linked in part to the current scheme model and disputes passing between Consumer Codes and Certification Bodies.

There are instances when MCS has had to intervene to handle a dispute, typically because the original contractor and the various agencies involved have struggled to arrive at a resolution that is acceptable to the consumer or because the consumer has got lost in the process.

Consumer feedback suggests that it can be a challenge to raise and obtain support for their complaints, especially in situations in which their original contractor is being unresponsive, is no longer MCS certified or has gone out of business. The options available to consumers in these situations are not clear.

Consumers shared that once in the complaint process, it can be very complex, confusing, lengthy and stressful. Consumers can find themselves being "passed from pillar to post."

The Which? report "**Are ADR Schemes working for consumers?**" suggests that a single scheme approach enables a more comprehensive picture of the sector, the provision of insightful data and constructive engagement with companies. It states:

"In sectors where there is competition for Alternative Dispute Resolution (ADR) it has not been shown to promote greater engagement by traders, improve consumer awareness or outcomes. Evidence suggests that it only serves to increase consumer confusion, and potentially puts pressure on ADR schemes to find in favour of companies rather than consumers."

Falling between the gaps

The feedback MCS has collected from consumers suggests there are far too many opportunities for complainants to “fall between the gaps”, with no one able to help them in situations where:

- The original contractor refuses to come back or goes out of business; it can be a challenge to secure a contractor to finish or rectify another contractor’s work.
- The original contractor loses their MCS certification – either voluntarily or due to its removal, which then limits any further action their Certification Body can take.
- A consumer uses a different contractor to remedy a problem, invalidating their Insurance Backed Guarantee (IBG).
- A consumer uses a different contractor to remedy a problem, limiting the action the Consumer Code and Certification Body can take to hold the original contractor to account.
- The complainant does not want the original installer back to rectify their problems.
- Unknowingly the consumer did not contract directly with an MCS certified contractor.

The evidence supports a single consumer facing body that can host disputes across all small-scale renewable energy technologies and as such reduce confusion.

Insurance Backed Guarantees (IBGs) fall short

The limited scope and restrictive clauses inherent in IBGs, fall short of what consumers expect from the financial protections that can “de-risk” their renewable technology purchase. There is strong support for new protections: more than 80% said they supported a “fund of last resort” (that will put right problems that the installer can’t or won’t fix) and more than 80% supported compulsory performance guarantees.

IBGs, or specifically the protections that they have been assumed to offer, are a requirement of the Chartered Trading Standards Institute that approves the current Consumer Codes that support MCS.

- According to the Citizens Advice’s report “Lessons for Net Zero”, guarantee providers have relied on over-generous or ambiguous exclusion clauses to avoid paying out, or only pay a fraction of the costs of the damage. Consumers are not made sufficiently aware of exclusion clauses and caveats.
- IBGs act as “cease to trade” policies that only apply if the original contractor is no longer in business.
- IBGs do not cover product or protect consumers where a system has been designed incorrectly, where consumers have been mis-sold to, or where damage is caused to the property during installation.
- IBGs do not help when a contractor leaves MCS or simply refuses to remedy a problem.
- Contractors report that they see the IBG requirement as another expense to them, and it is clear from consumers and assessments of contractors, that sometimes these requirements are not put in place.

Insurance policies that protect consumer deposits have not evolved to meet current market conditions. Longer lead times on products and materials have extended the time a deposit could be held before work can commence.

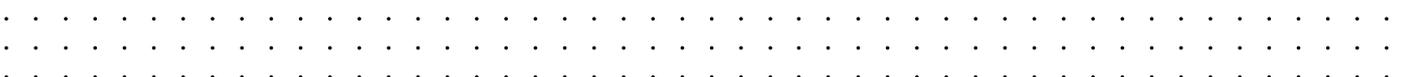


What contractors want

Towards the end of 2021, MCS conducted a survey of its certified contractors. This was to learn what MCS certified contractors think of MCS, the associated organisations and the current scheme model.

The overarching themes from our survey results included:

- The principles of MCS were supported, with contractors supporting the need for both technical standards and consumer protections.
- There was less support for the current model, with feedback suggesting it is burdensome, complex, and costly, and that it focuses too much on paperwork and not enough on the quality of the installations.
 - This environment has encouraged a number of third-party software, training and consultancy services to offer compliance solutions to contractors, adding to the overall cost of maintaining MCS certification.
 - There is clear evidence that the current model restricts new market entrants, inhibiting the workforce growth the sector will need to realise its potential.
- Contractors want to see greater 'policing', especially of a small number of so-called phoenix companies and that when action is taken, this is made public.
- Contractors, and reportedly consumers, do not understand the role that Consumer Codes play in support of the MCS and the reasons behind some of their requirements.
- A majority of contractors believe there needs to be a higher standard of training to be an MCS certified installer.



Plan for the future

The findings of our latest research and feedback captured directly from consumers and contractors underlines the need for change.

The next wave of renewable energy technology consumers will build on the early adopters, representing the market's early majority. As such there are consumers that are ready to be convinced of the benefits of solar panels and heat pumps, but need clearer evidence of high-quality products, properly specified and installed to a good standard, with appropriate service levels and mechanisms to sort out problems should they arise.

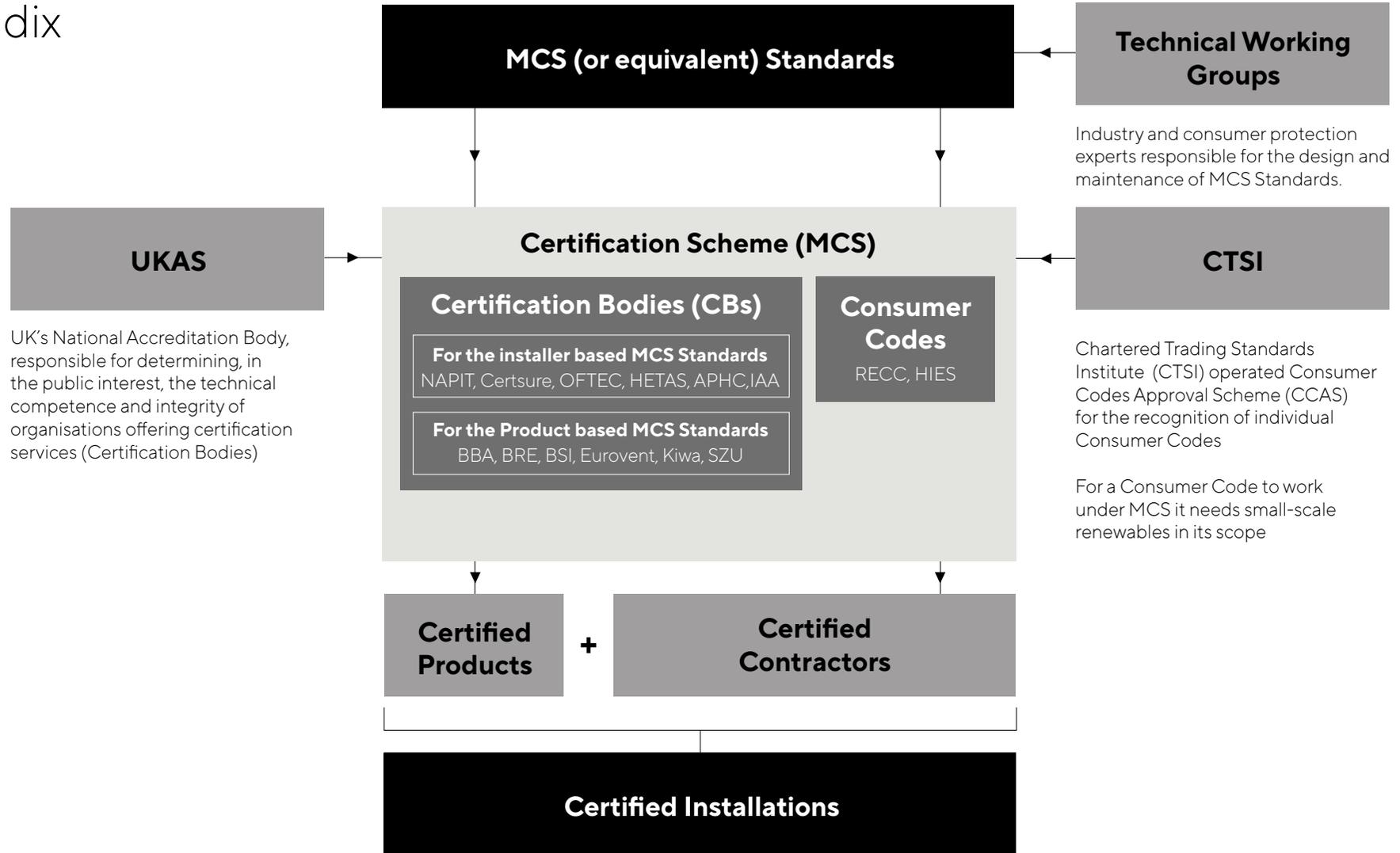
Next Steps

MCS plans to address the needs and challenges presented in this publication with the aim of "de-risking" the investments that consumers want to make in renewable energy technology.

In the first half of 2023, MCS will make four fundamental changes to the delivery of the sector's consumer protections:

- 1** Simplify the current scheme. (See appendix for the current framework). This includes simplifying contractor requirements to treat consumers fairly and comply with the law on consumer protection.
- 2** Take a more active role in the management of consumer complaints and disputes, while being faster, consistent and more transparent.
- 3** Address the limitations and weaknesses of workmanship guarantee insurance products.
- 4** Raise the standard of installations for consumers, through a resetting of the contractor compliance regime as operated by Certification Bodies, to focus more on assessing the quality of installations on site and less on back-office systems and paperwork.

Appendix



Additional research sources

BEIS (2021) Domestic Renewable Heat Incentive: ensuring a stable scheme

BEIS (2016) Evidence Gathering Low Carbon Heating Technologies

BEIS (Various) Public Attitudes Trackers

BEIS (2021) UK Rooftop solar panel behavioural research a report by Basis Social

BEIS & Department for Communities & Local Communities (2016) Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy

Citizens Advice (2021) Home Truths

Citizens Advice (2021) Net zero joint letter to the Prime Minister

Citizens Advice (2020) Lessons for net zero

Citizens Advice (2021) Navigating net zero

Citizens Advice (2020) Taking the temperature - Consumer choice and low carbon heating

Citizens Advice (2021) The net zero protections puzzle

Gas Safe (2017) The Decade Review

Ministry of Housing, Communities & Local Government and Building Regulations Advisory Committee (2021) Golden Thread report

HIES (various) Annual Reports

Impact for Ofgem (2020) Deep dive on attitudes supporting decarbonisation

Ipsos for Ofgem (2021) Insights into consumer attitudes to decarbonisation and future energy solutions

MCS (2021) Renewing Britain

MCS (2020) Audit & Verification Project Report

MCS Charitable Foundation (2020) Energising Advice - A scoping study on domestic consumer energy advice and information services in the UK



Ofgem (2020) Consumer opinion about climate change and decarbonisation

Ofgem (2020) Insights into consumer attitudes to decarbonisation and future energy solutions

Ofgem (2015) Review of Ombudsman Services - energy

Public First (2021) Research on opinions towards Air Source Heat Pumps

Pye Tait for Citizens Advice (2015) Research into quality assurance in energy efficiency and low carbon schemes in the domestic market

RECC (various) Annual Reports

Social Market Foundation (2022) Installing for time? New evidence on the attitudes of home heat installers towards decarbonisation and heat pumps

The Deloitte Consumer Review (2014) The growing power of consumers

TrustMark (2021) Framework Operating Requirements

UK Energy Research Centre (2016) Best practice in heat decarbonisation policy: A review of the international experience of policies to promote the uptake of low-carbon heat supply

Which? (2021) Are ADR schemes working for consumers?

Our thanks

Lorraine Haskell facilitated the research and findings that has informed this publication. Lorraine has been a well-respected member of the renewable energy sector for well over a decade. Lorraine currently supports a range of organisations, researching and writing about renewable energy, electric vehicle charging, community energy, and energy saving advice and fuel poverty alleviation.

