

ENERGY EFFICIENT SCOTLAND:

Transition Programme 2018/19

Further Call for Able to Pay Projects and LHEES Pilots

Scotland's Energy Efficiency Programme: Guidance



ENERGY EFFICIENT SCOTLAND PROGRAMME:

**TRANSITION PROGRAMME
Able to Pay – Second Call**

2018-19 PROGRAMME

GUIDANCE ON SCHEME DESIGN AND DELIVERY

INTRODUCTION

1. The Scottish Government launched the Routemap for the Energy Efficient Scotland Programme in May 2018. Energy Efficient Scotland is a co-ordinated programme to improve the energy efficiency of homes and buildings in the commercial, public and industrial sectors.
2. Our focus to date has been on trialling different approaches, building on the schemes we already deliver, through two phases of Energy Efficient Scotland Pilots. In May 2018 we have moved into the Transition phase of the programme where we look to streamline the approach of accessing funding and developing local delivery programmes for the able to pay market, and further developing our approach to Local Heat and Energy Efficiency Strategies (LHEES).
3. In this Second Call, we are inviting local authorities, charities and 3rd sector organisations to submit proposals to deliver energy efficiency and heat decarbonisation programmes in the able to pay sector (domestic and non-domestic). We are also we are inviting local authorities and to submit proposals to undertake an LHEES project
4. This guidance document sets out the principles and processes for:
 - Transition Programme Able to Pay – Second Call, open to Local Authorities and Third and Private Sector Organisations
 - Transition Programme LHEES – Second Call, open to Local Authorities only

Timeline

Friday 20th July 2018	Deadline for submission of all proposals
Friday 3rd August 2018	Scottish Government - Complete appraisal of Able to Pay and LHEES
w/c 20th August 2018	Scottish Government – offers of grant for Able to Pay and LHEES projects.

**Energy Efficient Scotland Transition Programme :
Domestic and Non-Domestic Able-to-Pay Programmes
Second Call**

Introduction

1. To meet the long term ambitions in our draft Climate Change Plan and support the further development of Energy Efficient Scotland we are asking Local Authorities and Third and Private Sector Organisations to submit funding proposals to deliver energy efficiency services in the able to pay market (domestic and non-domestic).

Funding

2. The Scottish Government has a limited budget to support this work, and the final allocation has not yet been agreed. We are not setting a specific cap on the proposals but given that this will be a new area of activity for many local authorities we anticipate that proposals will be relatively modest. We also anticipate that it may take some time to establish a project and projects can extend into FY 2019/2020, although all funding must be drawn down by Feb 2020.
3. In order to incentivise property owners to improve the energy efficiency of their properties the HES loan has a cashback offer. In any engagement with property owners we would anticipate local authorities highlighting this to encourage take up. Additionally, the SME Loan Scheme is currently piloting a cashback offer and we would also expect local authorities to promote this to businesses if they are delivering an able-to-pay programme.

Evaluation

4. Projects funded through the Energy Efficient Scotland Pathfinder fund have been subject to an independent evaluation. Projects funded through this call may be required to participate in a similar evaluation. The Scottish Government are exploring options to provide central support to the monitoring and evaluation and Local Authorities would be expected to engage with this.

Broad principles for choosing areas of activity

5. Applicants should demonstrate what existing strategies and information within the area covered, including any work done previously to develop an LHEES, have been considered to identify either geographical target areas or for a sectorial approach.

CRITERIA FOR PROPOSALS

Targeting

6. **Domestic** - The target market is able to pay customers, with poor EPC ratings who may not be eligible for current Scottish Government Programmes such as the Area Based Schemes or Warmer Homes Scotland. It may include owner occupiers or private rented sector landlords who wish to improve the energy efficiency and thermal comfort of their homes for themselves or their tenants. Where clients are found to be eligible for Scottish Government Programmes they must be referred to HES.
7. For domestic measures a whole local authority area approach may not be viable but consideration to a local housing market area or a market sector such as the private rented sector or a town/city approach may be more appropriate. Ultimately applicants are free to choose which geographic area they would like to focus as long as they can provide a clear evidence based approach to selection.
8. **Non Domestic** - The target market includes all non-domestic premises who are SMEs that are either occupied by the owner or where the occupier has a legal responsibility to manage the energy efficiency of the building.
9. For non-domestic we would expect that where a geographical domestic energy efficiency programme is in place that non-domestic premises within this area would also be targeted for support. We would anticipate that a whole local authority approach would not be feasible initially and that a more discrete geographical approach would be appropriate. For this sector we would also consider a sectorial approach.

Deliverability

10. Proposals can span FY 2018/2019 and 2019/2020. However spend should be distributed over the two financial years and all grant must be drawn down by 28 Feb 2020. Applicants should also note that where the project spans 2 financial years that funding **cannot be accrued or carried over** from 2018/19 to 2019/2020.
11. Applicants will be required to show a track record of Energy Efficiency delivery within domestic or non domestic areas. Applicants should also show how they have contact with the Local Authority in the targeted area

Service Provision

12. For both domestic and non-domestic projects the service will help customers implement energy efficiency measures in their home or business including both insulation and heating solutions. It should ensure that records of contact and outcomes are recorded through the Home Energy Scotland (HES) network or Resource Efficient Scotland (RES) and that people receive advice not just on measures but also how to save energy use, fuel switching, post completion advice and all of this should be delivered in the home or business premises if

required by the customer. Providing Quality Assurance will be an essential criteria in developing the service. Applications should be clear about whether input is being sought from the national advice services (HES and RES) or the Applicant is procuring/providing advice through another route.

Key components:

13. The following are essential key components but they are not exhaustive and authorities in their proposals should develop these further:

a) Initial contact:

- By post, community events, referrals from HES, RES, MSPs
- No door stepping unless in conjunction with the local authority
- **No** cold calling by 'phone.

b) Assessment:

- This is likely to be face to face
- Provide EPC or RES Audit Report and recommended measures, expert advice about the installation of the measures, their benefits and the service that can be provided to deliver these.
- Advice on income maximisation (which may be delivered by a trusted third party)
- Advice and assistance for fuel switching (which may be delivered by a trusted third party)
- Advice on current heating systems and how to use these more effectively. See this link [Behaviour Change Research](#)

c) Funding of measures:

- Provide advice and options on the funding of the selected measures. Where necessary refer to the Home Energy Scotland loan scheme or Resource Efficient Scotland (RES) Loan Scheme. Please note that the only Scottish Government grant funding available to able-to-pay property owners will be the cashback element of our HES and SME Loans.

d) Delivery of measures:

The added value successful bidders can bring to the delivery of measures is in ensuring quality and certainty of cost. This could be achieved in a number of ways. This could, for example, include developing a trusted trader contractor framework using local contractors to deliver the measures or using existing tender frameworks (Scotland Excel, Scotland's Procurement Alliance) procured for delivering area based schemes where appropriate. This should include an entry and exit point for contractors based on price and quality and performance on site and ensuring contractors meet the conditions of the HES/RES loans. In delivering a support service to able-to-pay property owners Applicants should consider how they could deliver the following:

- Developing a Plain English contract for the work to be carried out. Such that the property owner clearly understands the activities, timescales and cost.
- Supporting the client in achieving an appropriate number of quotes from the trusted trader framework and selecting a contractor or through its existing frameworks obtaining a quote on behalf of a customer.
- Supporting any building warrant and planning permission exercise. Ensuring, where applicable, work does not start until these are secured.
- Provision of site supervision and quality control for the work including sign off on completion.
- Ensuring a complaints process is in place with the contractor and where issues arise, work to resolve complaints with a final complaint leading to an independent third party for assessment.
- Ensuring an appropriate guarantee is provided by the contractor for the life time of the measure(s)
- Providing a post completion visit to the client to ensure they are happy with the work carried out and further information on how the client should maximise the energy performance of the home post installation.
- Using post completion satisfaction to review contractors performance and whether the contractors place on the framework should be reviewed.
- Ensuring that where external funding, such as ECO, is sought by the contractor this is taken account of in any costing.
- Funding of the measure must come from clients own resources or other funding such as HES/RES Loans or ECO.
- The potential for this type of service provided to become self-sustaining in the future, although we appreciate that in the initial phase there may only be a nominal charge or be or free at point of service. The customer fee can be added to the value of the HES or SME Loan.

Quality Assurance

14. The objective of the support service provided above is to provide quality assurance at all levels of the energy efficiency improvement process. This is the added value we see successful applicants bringing to Energy Efficient Scotland.

Monitoring

15. Develop a monitoring process including pre and post EPCs, fuel savings, social survey, fuel switching savings. Where private rented properties are assisted assess any impact on rent levels. This is not exhaustive and should be further developed by the applicant.

16. Assess after the pilot pricing, points for making this self-sufficient.

Criteria For Assessment

17. Clear approach to areas or sectors selected for the **target market** with evidence of knowledge of Local Housing Strategy, HEED, local studies, early LHEES work, local economic strategies or other relevant documents.
18. **Delivery Vehicle.** Well-presented and thought through approach to delivery. Good bids may show analysis of options available for delivery and reason for preferred option. Whether the applicant or selected delivery partner has a track record in this field. Readiness for implementation of service and speed to go live. Contacts with relevant local authority and any third party agencies for referrals and for partnering.
19. **Hand Holding Service** delivers on key components and has developed proposal which meets the stated service provisions:
 - i)Contact
 - ii)Advice
 - iii)Assessment of property
 - iv)Tender framework
 - v)Quality Assurance - inc. complaints, and post completion service
20. **Funding.** Well presented with reasonable costs in comparison to expected capital expenditure by clients. Will include clear understanding of components of costs and service required to deliver outputs and outcomes. Includes a cost to the customer and has developed a clear pricing structure for this. Provides a two year funding plan showing reduction in start-up costs and looking to move to mainstreaming service for 19/20 and beyond.
21. Approach to **monitoring and evaluation.** Any successful project will need to develop a monitoring process including pre and post EPCs, fuel savings, and a social survey of households which includes changes of attitudes to the scheme. This is not exhaustive and should be further developed by the applicant.

Energy Efficient Scotland Transition Programme: Local Heat and Energy Efficiency Strategies (Local Authority led Applications Only)

INTRODUCTION

1. Our Routemap for the Energy Efficient Scotland programme sets two main objectives, removing fuel poverty as a driver for energy efficiency and reducing greenhouse gas emissions through more energy efficient buildings and decarbonising their supply. To meet these objectives, offers of advice and support will be organised both nationally as well as locally through targeted area based schemes led by local authorities.
2. In terms of energy efficiency, Scotland's local authorities have been successfully delivering area based fuel poverty programmes for a number of years and are well placed to continue this approach and expand into the able-to-pay areas necessary to achieve the objectives set out in the Routemap.
3. We are proposing that local authorities expand their activity to offer a facilitated, integrated service which covers:
 - advice, support and assessment for domestic and non-domestic buildings
 - tackling fuel poverty
 - domestic and non-domestic able-to-pay energy efficiency (with loan funding provided by national loan schemes)
 - public sector energy efficiency
4. In terms of heat decarbonisation, we recognise that taking early action, in advance of decisions yet to be taken at a UK Government level regarding the future of gas, would risk backing the wrong solution, potentially imposing excessive or unnecessary costs to customers. As such, following advice from the committee on climate change, we are prioritising low regrets opportunities for heat decarbonisation measures in off-gas areas and district heating where it can be demonstrated that it's the best option regardless. We are proposing that local authorities take a lead role in helping to identify and plan for the delivery of such low regrets options.

LHEES

5. To help coordinate local delivery of heat decarbonisation and energy efficiency, we have consulted on the possible introduction of a statutory duty for Local Authorities to produce a local heat and energy efficiency strategy (LHEES). Each local authority would assess the building stock across its area, identifying the potential for improvement in energy performance of buildings and low regrets opportunities for heat supply decarbonisation. The strategy would allow local authorities to prioritise delivery programmes over a 15-20 year period and designate zones that set out the most appropriate energy efficiency and heat

decarbonisation options for the area, providing valuable market information to investors.

6. The initial scope and context of LHEES was set out in the Scottish Government's policy scoping consultation paper on *Local Heat & Energy Efficiency Strategies, and Regulation of District Heating* (published January 2017). Our response to this consultation has been published as part of a subsequent consultation on our proposals during Autumn 2017.
7. In 2017, as part of the SEEP Pathfinder fund, 12 Local Authorities were supported financially to test the LHEES concept. The aim of the pilot projects is to improve our understanding of the tools, data, skills and resources required for local authorities to deliver such strategies, should they be introduced as a statutory duty.
8. As set out in our second consultation, we would envisage that prior to the introduction of a statutory duty, all local authorities would have the opportunity to pilot approaches and build capacity. If appropriate, a wider Energy Efficient Scotland Bill later in this Parliament would make any legal provisions to support our approach to LHEES. At this stage, we wish to support local authorities by funding projects that continue to test the LHEES concept. The lessons learned from these projects will be used by the Scottish Government to inform the design of any eventual statutory duty, associated guidance documents or regulations. As such, we are now inviting local authorities who have **not yet received such support** to bid for resource funding to undertake an LHEES project.
9. **Through this call, we are looking to support local authorities to pilot an LHEES to help target schemes. Please note, funding for the delivery of such schemes is being offered through a separate call.**

Funding

10. We anticipate that we will have sufficient funding to support around 5 local authorities in this financial year.

Support and Evaluation

11. To date, LHEES projects have been subject to an independent evaluation. Projects funded through this call may be required to participate in a similar evaluation. The Scottish Government are exploring options to provide central support to the monitoring and evaluation and Local Authorities would be expected to engage with this.
12. In addition to financial support, LHEES pilots are being supported by the Scottish Government to build capacity and ensure the wider dissemination of knowledge across all of Scotland's 32 local authorities. This includes coordination of support available from our funded programmes such as Resource Efficient Scotland, the Energy Savings Trust, and the Scottish Futures Trust (SFT). This same support will be available to projects funded through this call and participants will be invited to attend workshops, training events and seminars. As set out in our second consultation, we would envisage that prior to the introduction of a

statutory duty, all local authorities would have the opportunity to pilot approaches and build capacity to deliver LHEES.

CRITERIA FOR PROPOSALS

Deliverability

13. All LHEES projects should be completed and all grant drawn down by December 2019

Key components

14. To date, LHEES pilot projects have mostly focused on distinct geographical areas. This is helping us to understand the requirements of developing strategies in urban, suburban and remote rural settings such as island communities.
15. Now, we are also looking to better understand the requirements associated with developing LHEES focusing on particular sectors. As such, we invite proposals for projects that focus on developing a strategic framework and delivery programme covering the following areas:
 - Energy efficiency in the “able-to-pay” (both domestic/non-domestic Sectors)
 - Energy efficiency in the domestic private rented sector
 - Energy efficiency in the SME sector (both industrial and services)
 - Energy efficiency in public sector buildings
 - Identifying opportunities to establish or support energy efficiency and low carbon heat supply chains
 - Identifying low regrets opportunities for the decarbonisation of heat supply
16. Final outputs of funded projects should suggest the content, timescales, cost, funding and appropriate vehicle(s) for a delivery programme in one of the above areas.
17. In addressing these issues, applicants may choose to consider them on a local authority-wide basis, or in specific urban, suburban and remote rural settings . This may be an important consideration for local authorities where particular geographies will have a bearing on the approaches taken to address energy efficiency and heat decarbonisation at the strategic level. Projects should be undertaken at a sufficient scale to allow for outputs to suggest appropriate targeting on area based delivery programmes.
18. Projects should be delivered by December 2019 and successful proposals will be required to agree a work plan with the Scottish Government. Proposals should outline the chosen focus area, provide details of the local authority team working on the project and how funding will be used, including any outline requirements for consultancy support.

Criteria For Assessment

Understanding

19. Bids should demonstrate a clear understanding of the aims and objectives of LHEES.

Rationale

20. Successful bids will show a clear rationale, justifying the choice of focus area from those listed above and the geographical location of the project.

Project Team/Governance Structure

21. Successful bids will provide a project governance structure with clear roles and responsibilities. This should consider what input and representation may be required from relevant services across the local authority and its corporate governance frameworks. Bids should consider how any analysis (either from consultancy support or developed internally) will be used to inform their internal decision making process.

Existing Strategies and Datasets

22. Successful bids will have considered what existing local strategies and datasets could be used to inform the project

Funding

23. Successful bids will provide clear details of how funding would be spent. Costs should be reasonable and bids should provide outline requirements for any consultancy support and/or details of the desired skills/expertise of any funded officer role. Match funding is not obligatory, however any bids which commit match funding towards the project will be considered favourably.