

Supply chain analysis of remote rural and island areas

Executive summary

This report presents research commissioned by the Energy Saving Trust (EST) with funding from the Scottish Government and undertaken by Changeworks into the supply chain for assessing and installing energy efficiency or renewables technologies in remote rural and island communities. The project was primarily undertaken to inform the Sustainable Energy Supply Chain programme, administered by the Energy Saving Trust on behalf of the Scottish Government. The key aim of this programme is to develop and support those Scottish businesses (particularly SMEs) which are committed to delivering a high quality, effective and professional service of assessments and energy efficiency/ renewable installations maximise their participation in these markets.

The overall aim of the research was to explore the sustainable energy supply chain in six remote rural and island local authority areas of Scotland (Western Isles, Orkney, Shetland, Highland, Scottish Borders and Aberdeenshire) and to identify the characteristics of these supply chains to assess what the barriers are for businesses in these areas. Recommendations for overcoming these barriers in those areas and beyond were also to be developed.

The project was undertaken in three phases. Seventy quantitative telephone interviews were undertaken with installers and assessors involved in the supply chain in these areas including both certified (MCS and Green Deal) and non-certified businesses. The second phase comprised 11 in-depth telephone interviews and one mini-focus group with businesses and stakeholders to explore issues related to the supply chain in depth. The final phase comprised six qualitative telephone interviews with householders from these areas that had recent experience of installing, or seeking to install, energy efficiency and renewable technologies.

Key insights into the supply chain

A review shows that there is no one single source of data on the size and areas served by the (certified and non-certified) supply chain in these remote rural and island areas of Scotland. A review of businesses that are Green Deal and MCS certified and located in these areas has shown that there are more certified renewables businesses than certified energy efficiency businesses located in these areas and that the number of locally based MCS certified installers is much higher in the mainland local authority areas (Aberdeenshire, Highland and the Borders) when compared to the Islands areas.

A review of the data describing the locations served by businesses as listed on the GD ORB website suggests that this data may be over-representing the number of businesses serving these local authority areas.

Installers

The installers contacted through the research tended to be micro-sized businesses (six employees or less). Those operating in Orkney and Shetland tended to be slightly larger and those operating in

Aberdeenshire, the Borders and Highland tended to be younger (less than 10 years). Businesses operating in the islands (Western Isles, Orkney and Shetland) were a mix of well-established (16+ years) and younger businesses.

Three-quarters of installers surveyed operate in both the domestic and the non-domestic market. Approximately two-thirds of those surveyed delivered renewable heat services, just under half offered renewable electricity services and one half operated in the energy efficiency market.

A significant number of these installers had not taken up MCS or GD/ PAS 2030 certifications for some of the services that they deliver. However, certification for renewables was significantly higher than for energy efficiency, with only one (out of 27) renewable heat and renewable electricity installers having no MCS certification for at least one of the services they deliver, compared to nine out of 17 energy efficiency installers having a GD/PAS 2030 certification. In total, 27 per cent of all services offered by installers were not MCS/GD certified.

Assessors

Assessors also tended to be small businesses but, unlike installers, they are a mix of established and relatively new organisations and are more likely than installers to be exclusively focused on the domestic market (although 45% indicated that they offered non-domestic services). Seventeen of the 44 assessors contacted could not carry out a domestic GD assessment due to a lack of certification, offering other energy performance services (e.g. EPCs).

Reasons for non-certification

Installers and assessors gave similar reasons for not becoming certified. The key barriers and reasons for the lack of certification relate to a perceived lack of return and a limited market for these certified services (specifically this relates to Green Deal-related energy efficiency installs), high perceived costs (in terms of training and maintaining certification) and complex administrative processes.

Allied to these concerns were poor perceptions of the Green Deal as a finance mechanism and concerns that the credibility of the sector was being damaged by the regular changes to, and complexities of, schemes. Particularly damaging were the number of businesses 'cold calling' households to promote Green Deal related schemes.

However, some current Government schemes (e.g. RHI and HES renewables loans) appear to be stimulating MCS certification for renewables installers, and GD certification for advisors, and also supporting these businesses in terms of enabling them to access work related to these schemes. There was also some evidence that the Green Homes Cashback scheme had also stimulated work for, and enabled the development of, some assessment-related businesses.

Awareness and use of Government schemes

Awareness of the Green Deal was universal across respondents to the survey, but delivery of Green Deal services was lower than for other Government-related work (e.g. FIT/RHI and Green Homes

Cashback). Awareness and delivery by businesses of other schemes (e.g. HEEPS and ECO) was significantly lower than with FIT/RHI and lower than the Green Deal. There are some differences across local authority areas, with businesses operating in Shetland indicating that they are more likely to have accessed HEEPS and ECO than those operating in other areas.

Approximately half of the installers surveyed, and a third of the assessors, expect to expand in the next 12 months and for most this will involve some form of certification. Expansion for installers was most likely to relate to renewable heat measures and for assessors the most frequently cited route for expansion was into the non-domestic market.

Barriers to engagement particular to remote rural and island businesses

The key barriers to engagement that have been identified in the research that appear to be particular for remote rural and island businesses are as follows:

- Additional time and cost issues related to accessing remote and island properties to undertake installation and assessment work.
- The significant challenges of adapting to Government scheme changes and undertaking training and certification activities for those remotely located and smaller businesses.

As a result of this, tailored support may be required to engage the smaller businesses that make up the supply chain in these areas. For a small business in particular, these issues are likely to be highly significant as the scope to invest in training and certification is likely to be more limited.

Issues for householders

Householders and businesses contacted as part of the research both highlighted that the current Green Deal customer journey for householders is complex, involves too many agencies, requires too many steps and, as a result, does not make it easy for installations to take place. In addition, the research has highlighted that the current route to finding certified installers and assessors (the Green Deal ORB) is not an effective device to enable householders to find certified businesses in these areas. For those who fail to find a certified supplier in their area, there are no other central or local sources of information on businesses.

Recommendations

Based on the findings in this report, the following recommendations can be made:

Recommendations for the Energy Saving Trust Sustainable Energy Supply Chain programme and other supply chain support programmes in Scotland

1. Identify and promote clear reasons for businesses to become certified with Government schemes. This is particularly important for energy efficiency installers as the business case for becoming certified (based on the findings in this research) is, at present, very limited.
 - In light of this, consideration should be given to how HEEPS programmes could be developed or promoted to these smaller remote rural and island businesses.

- Consideration could also be given to aggregating information on the demand for Green Deal Assessments and/or the measures identified by these GDARs to demonstrate the scale of possible demand for measures.

This first recommendation cannot be underestimated in relation to the energy efficiency-related supply chain. Until installers can see a market for Green Deal certified work, the certification process will not be deemed worth the effort and investment. The predominantly smaller installers that supply these areas are unlikely to risk a significant investment in becoming certified for no obvious income opportunity.

Secondary recommendations include:

2. Focus on raising awareness and knowledge of current schemes in these areas.
3. Bring training and topic specific workshops (e.g. procurement) closer to smaller remote rural and island businesses to reduce costs.
4. Develop targeted support and training that is suitable for smaller businesses in these rural areas to help them go through the certification process. Routes to streamline the certification process for smaller businesses in these areas should also be explored.
5. Consider how businesses operating outwith the Green Deal and related programmes could be supported through the supply chain programme (e.g. via networking and linking to other providers, being introduced to new technologies etc). This would foster greater support and engagement with the Government-related supply chain.
6. Communicate the detail of administration and processes required to become certified to the supply chain simply and clearly to overcome concerns and any possible misconceptions.
7. Work with MCS, British Standards Institute (who deliver PAS) and GD ORB to explore routes to reduce paperwork.

Recommendations for the Scottish Government / EST

Where possible, the customer journey to accessing these schemes, and installations in general, need to be improved to stimulate more demand. This could include the following:

8. Maintain the use of Green Homes Cashback to pay for GDARs if measures are installed. This will create a simple starting point for householders on the journey to installation. It is likely to reinvigorate demand for assessments and may lead to further installations.
9. Consider ring-fencing Green Homes Cashback funding for remote rural and island areas to ensure adequate uptake and targeting of resources in these areas.
10. Provide additional funds to cover travel and other specific additional costs for remote rural and island area installations and GDARs.
11. Develop routes to include smaller local businesses in HEEPS-related work. This would provide smaller, local businesses with a reason to become certified.
12. Consider developing localised area-wide schemes or managed networks of local installers and assessors to develop a one-stop shop for householders.
13. Develop local, targeted portals or databases containing all assessors and installers (e.g. a GD ORB 'local' or similar database that can be held, monitored or facilitated by Home Energy Scotland). This would be similar to the current Renewable Installer Finder tool.
 - Consideration should also be given to including non-certified installers interested and able to do work in specific local areas, particularly if they are working towards certification.

(The inclusion of non-certified installers would need to be resolved with the high emphasis that the Scottish Government place on certification in relation to supported work.)

- Any database should contain and be searchable by:
 - Level and status of certification
 - Location(s) of business and areas of operation
 - Services/technologies offered
 - Recent work undertaken with possible inclusion of customer reviews.

Recommendations for the Green Deal ORB

14. It is recommended that the content, structure and outputs of the GD ORB are reviewed to more accurately represent available locally based delivery and to include information on local Green Deal Advisors and not just Assessor Organisations.
 - This could include amending the GD ORB search outputs for these remote rural and island areas to only include businesses that have explicitly stated that they serve these areas (rather than including those that cover all of the UK or Scotland).

Recommendations for future research

To best deliver on some of the recommendations described above some further research may be required. This could include:

15. Extend the current mystery shopping DECC-funded research of Green Deal installers being undertaken in England and Wales by EST (and about to commence in Scotland) to specifically target remote rural and island areas of Scotland. This will provide robust data on locations served and response times to householder requests. Given that this may require significant resource implications for businesses (e.g. planning and/or conducting visits) the ethics of this approach will need to be considered carefully.
16. Further research into exploring how non-GD/MCS certified companies could be supported by the supply chain programme.
17. Research or pilot projects to develop routes for smaller businesses to become involved in HEEPS-related work.
18. Research or pilot projects to develop routes for smaller businesses to become involved in one-stop shop-type area wide networks in these areas.
19. Work on the feasibility of developing local databases of businesses.

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