

## STA Position Paper Is MCS fulfilling its potential?

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26<sup>th</sup> September 2014



Thank you to all those STA members who have expressed their views in the preparation of this position paper.

### Introduction

*MCS is now in its eighth year and the UK renewables industry has grown substantially during that time. It might therefore be expected that the MCS scheme has had sufficient time to mature and fulfil its potential.*

*The solar industry is the largest source of income for MCS, representing more than 92% of income received by the scheme in registration fees. The purpose of this paper is to express the views of the STA about the success of the scheme so far and discuss ways it could be improved to help the solar industry to grow.*

*This paper will form the basis for STA's future engagement with MCS.*

### Scheme Success

The aims of the MCS scheme are to:

1. Give the buying public confidence in emerging renewable energy technologies
2. Ensure public funds are used to support good quality installations

There is little empirical data or hard evidence to objectively assess the success of the scheme (an issue in itself) so most of the following is either based on the experiences of working group members and/or representations made throughout the industry on an anecdotal basis.

- Brand awareness and scheme engagement is low. There's been little or no marketing directed at consumers. Where stories appear about renewables in the general media, MCS is rarely mentioned. The only marketing I've seen MCS undertake has been targeted at the installer/manufacture communities although even then in limited publications missing the key non-renewable publications that should be the focus of the schemes efforts to promote the benefits of the scheme.
- There is wide-scale non-compliance and many reported instances of sub-standard installation.
- Certification bodies' focus during audit centres on the management system with the technical inspection being quick/cursory/superficial. I've personally witnessed a first assessment, complete with an office audit of the Quality Management system and technical inspection of three technologies installed on the same property, undertaken in 3hrs including a 15minute each-way journey to the customer's house. My own experience is matched by many similar observations reported by STA members.

- The way in which the scheme operates (and structures fees) means it is better aligned to the dedicated specialist installer that seeks to install reasonably large numbers of systems. The generalist installer which may only install few systems as its main business focus is elsewhere can struggle to justify the cost of MCS. For most technologies this is not an issue but it is an issue for solar thermal. A key route to market for solar thermal is through the plumbing and heating installer that might sell only a small number of solar thermal systems in conjunction with a boiler swap but given the number of boiler swaps annually this could still be significant. There are about 1.6M replacement/retrofit boilers installed annually in the UK and if only 5% included solar that would represent an increase in m<sup>2</sup> installed of over 700% from current levels.
- Certification bodies' response to complaints and issues brought to their attention (those that I have raised or been witness to) is exceptionally inefficient and often typified by a meek acceptance of the story given by the installer with little investigation apparent. CB's appear very quick to distance themselves from their responsibilities.
- Even where complaints are escalated to MCS because the CB has not addressed them, then in many cases MCS itself does not pursue it.
- MCS has so far failed to find a way to spend its accumulated funds for the benefit of the industry. To date the scheme has capital reserves of £6.6M (Source: Gemserv Financial Reports) and, based on domestic PV installations, is in receipt of around £41,000 each week (out of which operating costs are met). This is in addition to the annual £110 fee paid by certified contractors which amounts to a further ~£300k per annum.

## Discussion and Conclusion

The STA thinks there should be support for a strong MCS but needs to see significant improvement so that it offers real tangible benefits to the members beyond being just a tick-box route into FiTs/RHI. Given the solar industry's financial contributions account for more than 92% of the scheme's income there is a natural justification to expect to see these benefits soon.

In STA's view the required changes and developments are as follows:

### 1. Overall governance and decision making

Decision-making appears interminably slow, especially when it concerns spending even small amounts of the surplus. Examples of this are:

- Proposal for a project to gather empirical data on PV fires to inform standards making submitted in July 2014 is "still being considered" even though there are negative headlines in the media requiring an urgent industry response and the amount requested is little more than a single day's income for MCS.
- The Chairman of the Wind Working Group presented a similar idea to the Steering Group in June 2013 where it was generally agreed to adopt but little action since.
- Several working groups submitted a request for access to British Standards via BSI on-line over 12 months ago. The working groups are unable to appropriately harmonise their work with British/European/International standards without visibility of those standards.

There is a real concern at the apparent absence of pro-active decision-making, leadership and transparency that would give a robust direction for the scheme. There appears to almost be a paralysis in decision-making. It could be because of a lack of empowerment of the Management Panel or Chair but, whatever the cause, this is likely to be the fundamental reason for some of the other scheme failings listed below and needs urgent attention.

One idea would be the formal appointment of an employed Chief Executive reporting into the Steering Group. The role of Steering Group Chair could revert to a voluntary position with a fixed rotation amongst Steering Group members. In this way clear objectives can be set so that the performance of the Chief Executive can be measured.

## 2. Enforcement and Certification Bodies' accountability to the Scheme

STA believes this is the most pressing issue given the number of poor quality installations that can often be seen simply by driving down many streets. Trade association members which aim for the highest standards in their own work suffer most when competitors are allowed to get away with cutting corners because of weak enforcement. Although quality may be worse without MCS, things should be better than they are.

A series of random inspections carried out in October 2013 revealed many issues but we are not aware of any follow-up activity. The report circulated to the Steering Group stated that CBs would be notified and asked to do further inspections of the installers concerned but it is not known if this has been done. Either way, MCS should develop more enduring methods for gathering evidence of the quality of installations.

The only development implemented with the stated intention of driving quality across the board has been the new competency criteria. However STA would argue that just because people are qualified to design and install correctly this does not stop them still cutting corners if they are intent on doing so. Therefore without enforcement this simply becomes yet another bureaucratic burden on installers without benefits.

Certification Bodies should be required to provide monthly management data in order for the Management Panel and Steering Group to assess their effectiveness. This data could include the following metrics:

- Number of complaints received (absolute and as a proportion of the certified companies)
- Number of complaints open
- Number dismissed and number upheld against the installer
- Of those complaints upheld, the disciplinary action taken

This information is essential for managing the scheme's effectiveness and previous requests for such reporting were dismissed without reason being given. (Published? For transparency? Do we want a section on transparency – publishing accounts etc?)

The scheme requires certified companies to operate a Quality Management System (QMS). This is so companies cannot use the excuse that a non-compliant installation (or product) was simply a one-off. The audit of the QMS should therefore be supplemental to the technical inspection but it has become the primary focus of most audits leading to accusations of MCS being all bureaucracy and paperwork. MCS should require the certification bodies to focus more on the technical inspection and less on the QMS. Technical rigour should therefore increase without audits taking longer to complete, which means that it should not put upward pressure on costs.

Finally, now we have the MCS Installation Database, CBs can be given a list of their installers' installations and so, in preparation for audit, select those they want to see. This avoids the obvious issue which currently exists where the installer can cherry pick which installation is audited.

If MCS can resolve this area then the scope for PV might safely be extended beyond 50kW (perhaps by adopting the IET Code of Practice currently in development) which would help resolve the complexities and delays of obtaining RoofIT accreditation for >50kW systems. It is also possible that overall improved enforcement may not lead to increased costs as competition between certification bodies should keep prices down and CBs may have sufficient margin/contingency in their pricing.

### 3. Marketing

STA believes that the scheme needs to urgently market its brand, the technologies and their benefits (inc FIT/RHI) to potential consumers in appropriate media. The published Decisions and Actions paper from the February 2014 of the Steering Group refers to a discussion about marketing but is not conclusive and it was proposed that Gemserv arrange a marketing strategy day for the Steering Group.

Another "Working/Discussion Group" will simply delay this and re-enforces the impression of paralysed decision-making. I would propose the award of a contract to a marketing consultant or agency with a brief to develop consumer-focused strategies based on a range of budgets, say, £100k/£500k/£1M.

### 4. Communication & Transparency

The scheme needs to more pro-actively communicate its activities and successes to all certified installers and manufacturers. Newsletter updates to date have been largely concerned with standards updates or changes to the installation database. Such newsletters should include key information about the scheme such as headlines from its annual accounts, results of random inspections, an aggregation of CB complaint data etc.

In summary, MCS could be a good scheme and so STA wants to see it succeed and benefit its members, but significant changes are urgently needed to achieve this.

End.

# Supplementary Note: About the Microgeneration Certification Scheme

## History and vision

MCS was born of the learnings from the Clear Skies scheme (managed by the BRE) and Major PV Demonstration programme (managed by EST). Both schemes included quality obligations on product manufacturers and installation contractors to:

3. Give the buying public confidence in these emerging technologies
4. Ensure public funds were only used to support good quality installations

It is generally agreed that these two objectives still apply (we now have FiTs and RHI in place of capital grant programmes). As the industry strives to release itself from the dependency on support from public funds, the need to maintain and grow public confidence in renewable technologies, and those that install them, should become more important.

The original vision / objectives of MCS were:

- A scheme requiring periodic technical inspections (the previous schemes only inspected once on application/appointment)
- Applied objective, publicly available, technical standards so manufacturers and installation contractors knew exactly what was required to comply. Such technical standards to be freely available and maintained on an on-going basis so as to adapt to industry practice and technological advances.
- Require certified companies to operate a quality management system so that any technical issues with a product or installation could be extrapolated across all the companies' products/installations (i.e. couldn't claim to be a one-off).
- Scheme requirements applied rigorously, fairly, and objectively using established principles of certification (according to EN45011) by experienced certification bodies themselves accredited by UKAS.

In developing the scheme, it was understood that any form of regulation needs to be applied fairly, robustly and consistently to create a level playing field for all participants. If not, then the companies wishing to offer a quality product/service to their customers by satisfying all the requirements suffer a competitive disadvantage when compared to those prepared to cut corners. This is clearly the exact opposite of what such schemes are intended to achieve.

## Structure and Governance

The main body responsible for the scheme's strategic direction (and answerable for its success or failure) is the MCS Steering Group with an elected Chairman. This consists of members from stakeholder groups including the trade associations. The Steering Group meets around twice a year.

Reporting into the steering group are:

- Management Panel – responsible for day-to-day management decisions. The Steering Group Chairman heads-up the Management Panel.
- The Certification Bodies Forum – for the Certification Bodies to discuss certification related issues and implement continuous improvement
- Standards Management Group – responsible for managing the development and consistency across all the technical standards

Reporting into the Standards Management Group are:

- A technical working group for each of the technologies – responsible for the development and maintenance of their respective product and installer standards
- A technical working group for roofing specific issues.
- Competency working group – defining the minimum technical competencies for each of the technologies.

### **Developments to date**

The scheme was originally developed by BRE with BRE Global Ltd being the sole certification body. Upon completion of the original DTI contract, Gemserv were appointed to be Licensee responsible for day-to-day operation in 2008 and (in approximate chronological order):

- Multiple certification bodies were granted licenses to operate the scheme to create a competitive market and drive down costs of certification.
- The Steering Group commenced work determining the most appropriate legal structure of the scheme and its management for the long term (this is still on-going)
- The Installation database was created with the £15 fee per certificate to fund the on-going operation of the scheme (replacing DTI funding)
- The Management Panel was formed for quicker decision making
- The Standards Management Group was formed
- Technical standards have been reviewed/updated and new ones issued e.g. PV Guide and MCS012
- Competency criteria developed and now being phased in.
- MCS undertook a series of random inspections to gauge compliance throughout October 2013.
- The scheme successfully defended itself in a Judicial Review regarding its position and treatment of Thermodynamic systems in November 2013.