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energy

Date: 27/09/2021

Elmhurst Energy's final response to:

Strengthening the Energy Savings  
Opportunity Scheme (ESOS):  
Consultation on options

Prepared for: BEIS

## Introduction

Elmhurst Energy are pleased that BEIS are seeking consultation on “Strengthening the Energy Saving Opportunity Scheme (ESOS)” and as such we are delighted to respond to each question in turn.

The consultation asked 34 questions and we have answered them all below. We hope you find the responses considered and useful for taking ESOS forward in a progressive manner.

## Questions and Answers

### **Question 1: What is a fair and proportionate way of dealing with the small number of ESOS site audits which may have already been carried out under the existing audit requirements if we make subsequent changes to the Phase 3 compliance requirements?**

Whilst we agree that implementing improvements to ESOS would be the better option we believe that we should allow for the third phase of ESOS to be completed under the current requirements. The new proposed changes should be implemented for the next phase, phase 4, which starts in 2023 allow for stakeholders in the industry time to understand and adopt the changes. Allowing professional bodies and lead assessors to develop effective new processes and obtain upskilling to the new requirements in good time.

### **Question 2: Do you agree with the general principle of making ESOS reporting more standardised, as set out above? Are there any aspects of this proposal you have concerns with?**

Standardised reporting will allow for more efficiency compliance auditing and would assist professional bodies in providing more support and services as part of their role. It would allow for easier implementation of professional bodies to receive “lodgements” of ESOS audits from their members and give us the ability to improve quality assurance.

Elmhurst are keen for buildings within ESOS to be standardised, using government approved methodologies and utilising the existing frameworks such as EPCs and DEC's to improve consistency and reliability.

Elmhurst does not recommend standardisation for industrial process as these sectors can vary in complexity from manufacturing materials to food production. We recommend flexibility to allow for bespoke auditing specific to the industry using experts within the fields already available.

**Question 3: Do you agree with a change to the de minimis exemption to up to 5% of total energy?**

Yes – by reducing the amount of total energy consumption excluded it will allow companies to identify further ways to reduce energy consumption. This may however increase overall cost to organisations in meeting ESOS compliance.

**Question 4: Do you agree an energy consumption threshold should be added for individual group, sites, process or fuel types? Is 40MWh appropriate or is there a more appropriate threshold?**

With the lower thresholds of other European countries, Elmhurst suggest that the UK should lead the way and implement a threshold as low as possible to encourage as much uptake as possible. This would need to be met in conjunction with our suggestions in other questions around varying the ESOS timescales to allow for the market demand to be met.

As much of the organisations energy use should be audited where economically feasible.

**Question 5: Do you agree with the site sampling methodology proposed above?**

Yes – sampling must be representative of the wide variety of sites a company has within its portfolio. Ensuring this is clear is paramount to consistency within ESOS. The use of a minimum of 4 or 10% of energy consumption is supported by Elmhurst. We also suggest that it is mandated that a new sample is used per phase where an organisation has a large number of sites.

One of our members suggested a similar approach to Ireland could be used. The SEAI provides guidance on auditing types of sites and numbers of those types – so an organisation with a head office, regional offices, distribution centres and high street outlets would be required to specifically audit a selection of sites from each type, with guidance on how many sites within each category being indicated as:

No. of Sites	Determination of the Number of Audits	Audit No. (Range)
up to 15	3 sites	3
16 to 100	10 % of the number of sites	4 – 10
101 to 400	Square root of the number of sites	10 - 20
> 400	To be determined by the auditor	

**Question 6: Do you agree that ESOS reports should include an analysis of half hourly data where this data is readily available? What steps could Government take to support this?**

Yes – by improving the quality of the data, the quality of the audit will be improved. ESOS would be greatly improved by better data. It would allow assessors and organisations to make more informed decisions about their energy use and how to improve it.

To support this, BEIS should carry out the proposals in the “Maximising Non-Domestic Smart Meter Consumer Benefits” consultation, to ensure SMEs are aware of the benefits of smart metering and that smart meters are implemented by a larger number of organisations.

**Question 7: Do you agree with the proposal to require that ESOS reports use an existing auditing standard such as ISO 50002 or EN 16247?**

Yes - Making the audit process more standardised and to a specific standard would help to reduce confusion and improve consistency and quality. The standards should be made freely available if specified within ESOS.

**Question 8: Do you agree with the proposals set out here to improve the information provided to participants on ESOS recommendations and how they are performing against an energy intensity metric?**

We believe that building energy performance should be based on 3 assessments types. Referred to in our manifesto for change as the “Golden Triangle”:

- Asset (in the form of an EPC)
- In-use (in the form of a modernised DEC)
- Predicted - (to be developed)

This would provide all of the building efficiency information for participants to make the most informed decisions in reducing their energy consumption.

The EPC should be used for a building comparison and benchmarking tool. It would allow for a standardised, government approved methodology for participants to compare their building stock to other participants building stock. It could lead to an “ESOS participant building league table” to encourage organisations to improve and provide a competitive market.

The DEC should be modernised and used to represent the in-use energy performance. This allows for energy management changes, fabric and services improvements to be assessed. This could also be used as a way of providing a league table of building ratings.

**Question 9: Do you agree there should be an explicit focus on rating and improving energy management processes within ESOS?**

Yes - no strong opinion

**Question 10: Do you agree with the proposal to remove Display Energy Certificates and Green Deal Assessments as compliance routes for ESOS?**

We agree that the Display Energy Certificate and Green Deal Assessments should not be enough to simply meet the requirements of ESOS. A modernised DEC should be mandated for building energy use assessment to assist in ongoing monitoring, measurement and improvement as part of ESOS. This should be included in the annual reported we have suggested in Question 13.

**Question 11: Do you agree with the proposal to improve the processes to ensure ESOS assessors are appropriately trained and monitored and are there other issues that we should address in improving the ESOS process that relate to assessors?**

Professional bodies should be given more responsibility to assist in ensuring quality is maintained within ESOS. By ensuring ESOS Lead Assessor issue a summary report of the ESOs findings to professional bodies, they can complete random and targeted quality assurance procedures. This would look similar to the processes and monitoring currently carried out with Energy Performance Certificates and Display Energy Certificates. The professional bodies could then use the process to develop more bespoke continued personal development based on the common issues found during auditing procedures. This in turn can inform the Lead Assessor qualification training as a loop of training, quality monitoring and improvement.

Also, an audit regime could reflect whether or not an ESOS LA retains their registration over the four years or only renews it when work level picks up – some assessors drop their registration, but continue to produce site audit reports, then renew their registration in the reporting year in an effort to avoid ongoing expense of annual registration. By doing so allows for a CPD requirement loophole and an admin burden for professional bodies every 4 years.

**Question 12: Do you agree with the proposals set out here to encourage organisations to engage an ESOS assessor with appropriate skills and experience?**

Yes we agree that participants should engage with ESOS Lead Assessors with appropriate skills and experience however the Lead Assessor should be able to identify what they're competent in and instruct ESOS auditors to cover areas whereby they lack the skills and experience.

There should be more opportunities and information provided by the Environmental Agency (EA) and professional bodies on upskilling to relevant competency schemes and training qualifications to meet the demand for specific skills and experience.



**Question 13: Do you think that we should make changes to the scheme to change the Qualification date or stagger phases for different sectors, or will the softer measures set out be sufficient to encourage more participants to comply earlier than the final compliance year?**

Participants should be set a target or action plan and report progress annually. We suggest that this is taken further by merging SECR and ESOS. By merging the two schemes, it would allow for more effective use of ESOS Lead Assessor resources by allowing participants to choose when they have their ESOS and SECR.

With ESOS and SECR being aligned in their requirements, we suggest that the first year an organisation meets the qualification criteria, they have a full ESOS type audit. This would be based on their financial year and require them to publish a standardised summary of the ESOS findings and their target or action plan within their accounts. The second, third and fourth year should be a desk based SECR type assessment whereby the data is updated and any improvements are reported on. The summary report would be updated each year with the latest 12 month data. The fifth year triggers the start of phase 2 and a site based ESOS type assessment is required again. This would keep the process in line with ESOS every 4 years and SECR annually.

We believe this would stagger and loosen the bottle neck of ESOS Lead Assessor resources required all at once as the current ESOS dates and timescales cause. This would give participants audit information aligned with their financial year allowing for better budgeting decisions.

The "lodgement" of the summary report/action plan to professional bodies could then allow for a record of each annual assessment and would allow the professional bodies to provide an auditing process. This would improve the overall quality of the schemes and efficiency of assessors.

**Question 14: Do you agree with the proposals to provide an ESOS recommendations template to improve the presentation of ESOS recommendations and the information provided on next steps?**

Templates are very useful for assisting in guiding, improving and standardising the process. We agree with the proposal to provide a recommendations template however believe that this should be provided as an optional tool. In many cases, Lead Assessors have developed effective presentations over the past two phases and it would be wrong to expect the work and effort to be ignored by mandating a template.

More responsibility should be given to the professional bodies to encourage and develop better presentation of ESOS recommendations in conjunction with guidance and assistance from the Environment Agency (EA).

**Question 15: Do you agree with the suggestions to provide better guidance on next steps in order to encourage uptake of recommendations and the requirement to share the ESOS report with subsidiaries?**

Elmhurst agree that there should be better access to support and next steps. We recommend the use of PAS when retrofitting buildings to ensure quality is maintained and the correct measures are installed in the correct order. The development of PAS 2035 and PAS 2038 have already had a substantial impact on government policy for retrofitting buildings for fabric and services improvements.

**Question 16: Do you agree that ESOS should include an assessment of actions needed to meet future net zero commitments, as set out here? If a net zero element is included as set out above how might this impact the cost of an ESOS audit?**

Elmhurst agree however we strongly recommend the use of a modernised Display Energy Certificate (DEC) to fulfil the requirement for buildings. The expertise and knowledge is readily available for this task to be taken on and could be applied within Phase 3. DEC assessors could be used to satisfy a simple solution to providing a net zero action plan and benchmark. The DEC scheme is a government approved measurement tool already used on public sector buildings. It is quality assured by government approved accreditation bodies. If the DEC was used it would be a simple, low cost solution. The majority of Elmhurst's ESOS Lead Assessors are also DEC assessors and would only need an upskill to the net zero requirements. This would be very cost effective and have very little impact on the ESOS audit cost. It is currently a route used by many assessors. This being said we do not think it should be a route to showing an organisation is compliant with ESOS, it should be used as a mandatory tool for assessing and benchmarking energy use in buildings.





**Question 17: Do you agree that this should include impacts on the electricity system as well as direct carbon/greenhouse gas emissions?**

Yes - no strong opinions

**Question 18: Do you think that the net zero element to ESOS should be included within the existing report structure or added as a separate reporting element?**

We would like to encourage BEIS and the Environmental Agency (EA) to define the scope for net zero within ESOS to ensure that it is clear what is expected of organisations. Net zero can simply mean offsetting carbon emissions or waiting for the grid to become net zero. Elmhurst believes we should be ensuring buildings, transport and industrial processes are as energy efficient as possible in the first instance. We think this is likely to be the direction organisations want to take anyway as it results in lower costs to the organisation. Achieving net zero may not impact the energy efficiency of the organisation and may not affect the organisations spending on energy. In some cases, net zero could simply be a cost to the organisation. By ensuring the organisation is energy efficient first, net zero measures will likely be less of a cost impact on the organisation leading to more uptake of measures and movement in the net zero direction.

The net zero element should be a separate reporting that highlights a medium to long term plan to 2030 and 2050. This would encourage Lead Assessors and organisations to have a closer relationship encouraging discussion around long term budgeting and innovation in energy and carbon saving products.

**Question 19: Do you agree that government should set out a methodology for companies to include other net zero and climate aspects including adaptation in their audit if they wish to?**

Yes, Elmhurst agrees that further emerging and future impacts could be included within ESOS. We highly recommend the use of competency schemes such as the Elmhurst Overheating competency scheme to ensure assessment of adaptations like overheating in buildings is carried out to a quality assured standard.

Many organisations also use vast amounts of water as part of a process for manufacturing. A number of Elmhurst's members highlighted the suggestion to include water use as part of the ESOS requirements. We are keen on ensuring that all

environmentally impacting resources used by organisations are reviewed but do not want to dilute the energy and carbon aspect of the scheme.

**Question 20: Do you agree with the proposal to require participants to set a target or action plan and report on progress annually?**

Yes we agree that participants should be set a target or action plan and report progress annually. We suggest that this is taken further by merging SECR and ESOS. By merging the two schemes, it would allow for more effective use of ESOS Lead Assessor resources by allowing participants to choose when they have their ESOS and SECR.

With ESOS and SECR being aligned in their requirements, we suggest that the first year an organisation meets the qualification criteria, they have a full ESOS type audit. This would be based on their financial year and require them to publish a standardised summary of the ESOS findings and their target or action plan within their accounts. The second, third and fourth year should be a desk based SECR type assessment whereby the data is updated and any improvements are reported on. The summary report would be updated each year with the latest 12 month data. The fifth year triggers the start of phase 2 and a site based ESOS type assessment is required again. This would keep the process in line with ESOS every 4 years and SECR annually.

We believe this would stagger and loosen the bottle neck of ESOS Lead Assessor resources required all at once as the current ESOS dates and timescales cause. This would give participants audit information aligned with their financial year allowing for better budgeting decisions.

The "lodgement" of the summary report/action plan to professional bodies could then allow for a record of each annual assessment and would allow the professional bodies to provide an auditing process. This would improve the overall quality of the schemes and efficiency of assessors.

**Question 21: Do you agree that additional ESOS data should be collected for the purpose of compliance monitoring and enforcement?**

Yes as long as the additional data is used for analysis to improve ESOS and other schemes within government to improve energy efficiency and energy assessment industries.

**Question 22: Do you agree with the proposal to require public disclosure of ESOS data as outlined above?**

Yes we agree the proposal for public disclosure of ESOS data. SECR and ESOS should be merged to allow for this to be completed annually. Please refer to our answer in Question 23 on our suggested approach to the merging ESOS and SECR.

**Question 23: Do you agree that the qualification criteria for ESOS and SECR should be aligned as set out above?**

Yes we agree that the criteria should be aligned. We suggest that this is taken further by merging the two schemes. By merging the two schemes, it would allow for more effective use of ESOS Lead Assessor resources by allowing participants to choose when they have their ESOS and SECR.

With ESOS and SECR being aligned in their requirements, we suggest that the first year an organisation meets the qualification criteria, they have a full ESOS type audit. This would be based on their financial year and require them to publish a standardised summary of the ESOS findings and their target or action plan within their accounts. The second, third and fourth year should be a desk based SECR type assessment whereby the data is updated and any improvements are reported on. The summary report would be updated each year with the latest 12 month data. The fifth year triggers the start of phase 2 and a site based ESOS type assessment is required again. This would keep the process in line with ESOS every 4 years and SECR annually.

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The "lodgement" of the summary report/action plan to professional bodies could then allow for a record of each annual assessment and would allow the professional bodies to provide an auditing process. This would improve the overall quality of the schemes and efficiency of assessors.

**Question 24: Do you agree in principle that ESOS should be extended to smaller enterprises (either to all Medium-Sized Enterprises, or to a subset of Medium-Sized Enterprises)? Are there any concerns or risks with this approach?**

Yes we agree that ESOS should be extended to smaller enterprises using the threshold approach. Requiring organisations with very little energy use would be a mistake. We suggest mandatory asset ratings (EPC) and in-use performance (DECs) ratings for buildings occupied by Medium-Sized Enterprises to provide a simple, low cost solution to measurement as a basis of starting them on the first step towards reducing their energy consumption.

**Question 25: Is a lack of information on opportunities for energy efficiency a significant barrier to action for Medium-Sized Enterprises?**

Lack of information is always a barrier. How organisations go about implementing recommendations has always been a major problem. ESOS would provide a solution to assisting Medium-Sized Enterprises in moving forward with their energy efficiency improvement opportunities. Engagement with an ESOS Lead Assessor would encourage a medium and long term plan for improvement. This would then need to be backed by government incentives to assist in the funding of the opportunities.

**Question 26: To what extent do Medium-Sized Enterprises already have a system or approach in place to monitor and improve their energy efficiency? (This could include energy managers or consultants, smart meters, audits, sector benchmarking, or energy management systems like ISO50001)**

No strong opinion.



**Question 27: How could ESOS audits add value in improving energy efficiency in these organisations (Medium-Sized Enterprises or a subset of Medium-Sized Enterprises) – beyond what is already being done? How might the effectiveness of these audits differ between buildings and industrial processes? How will the value added by ESOS proposals differ for different sub-sectors of business (e.g. services, and energy-intensive vs non energy-intensive industry)?**

ESOS audits on buildings would likely be similar across all sectors as building fabric and services are very similar in most buildings and can be standardised. This is why the use of EPCs and DEC's provide simple, low cost solution to energy performance and energy use measurement.

Industrial process can be very complex and can vary drastically between sectors. Internal expertise will likely be in place already looking at production efficiency solutions. The use of internal expertise should be utilised if part of the ESOS process.

**Question 28: If including a consumption threshold for including Medium-Sized Enterprises in ESOS, how might it best be set?**

With the lower thresholds of other European countries, Elmhurst suggest that the UK should lead the way and implement a threshold as low as possible to encourage as much uptake as possible. This would need to be met in conjunction with our suggestions in other questions around varying the ESOS timescales and compliance periods to allow for the market demand to be met.

**Question 29: Of the three approaches to extending ESOS set out in this consultation (extending to all Medium-Sized Enterprises, extending to high-consuming Medium-Sized Enterprises using a consumption threshold and extending to industrial Medium-Sized Enterprises only), which do you think would be the most appropriate?**

We prefer the threshold approach as this would likely include the majority of industrial medium-sized enterprises whilst also included non-industrial medium-sized enterprises within scope.

**Question 30: What alternatives might there be for improving energy efficiency specifically in industrial Medium-Sized Enterprises, other than extending ESOS?**

For buildings, Elmhurst suggests the use of Energy Performance Certificates (EPCs) and modernised Display Energy Certificates (DECs) on all buildings occupied by Medium-Sized Enterprises. EPCs could be used to set minimum standards for building fabric and services. Modernised DECs should be used to monitor in-use energy performance. These are reasonably low cost measurement methodologies, approved by government to provide a basic understanding of energy performance and energy use. These tools are already widely used in the industry to measure buildings and for making decisions on energy efficiency improvements.

**Question 31: Do you think that we should pursue the option of mandating ESOS participants to take action? Are there pros, cons and/or risks not identified here?**

Elmhurst suggest the use of a carrot and stick approach. Pursuing the option to mandate action will ensure measures are taken to move participants to better and more efficiency energy use levels. We recommend the government invest in providing advice and funding for next steps to assist participants in making the move first.

**Question 32: Which approach would be most appropriate of those set out here (requiring uptake of all recommendations that meet a payback period criteria, a requirement for ongoing reductions in energy use and/or a requirement to take action on energy management practices)?**

We believe that mandating an economically feasible approach seems logical however it should also be allowed that ESOS Lead Assessors produce an investment or action plan that is agreed with the participant. This would result in better engagement between the participant and assessor. Funding mechanisms would be extremely useful for participants to plan improvements. The improvements need to be implemented when most appropriate for the participant, i.e. during Christmas shutdown periods. It would be inappropriate to expect an organisation to stop production when it doesn't suit them.

**Question 33: Do you think we should pursue alternatives to regulation to increase take up of ESOS recommendations and are there further options not discussed here?**

There should be incentives such as tax breaks, grants and funding to encourage more up take of the ESOS recommendations.

**Question 34: Do you agree with the suggestions to encourage the uptake of ISO 50001 as a compliance route? Are there further ways in which we might encourage uptake?**

We suggest ISO 50001 should be a route to compliance however must not negate the need for an ESOS Lead Assessor to “sign off” the participants. We must ensure the participant still meets the requirements of ESOS in regards to the proposed Net Zero requirements.



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