



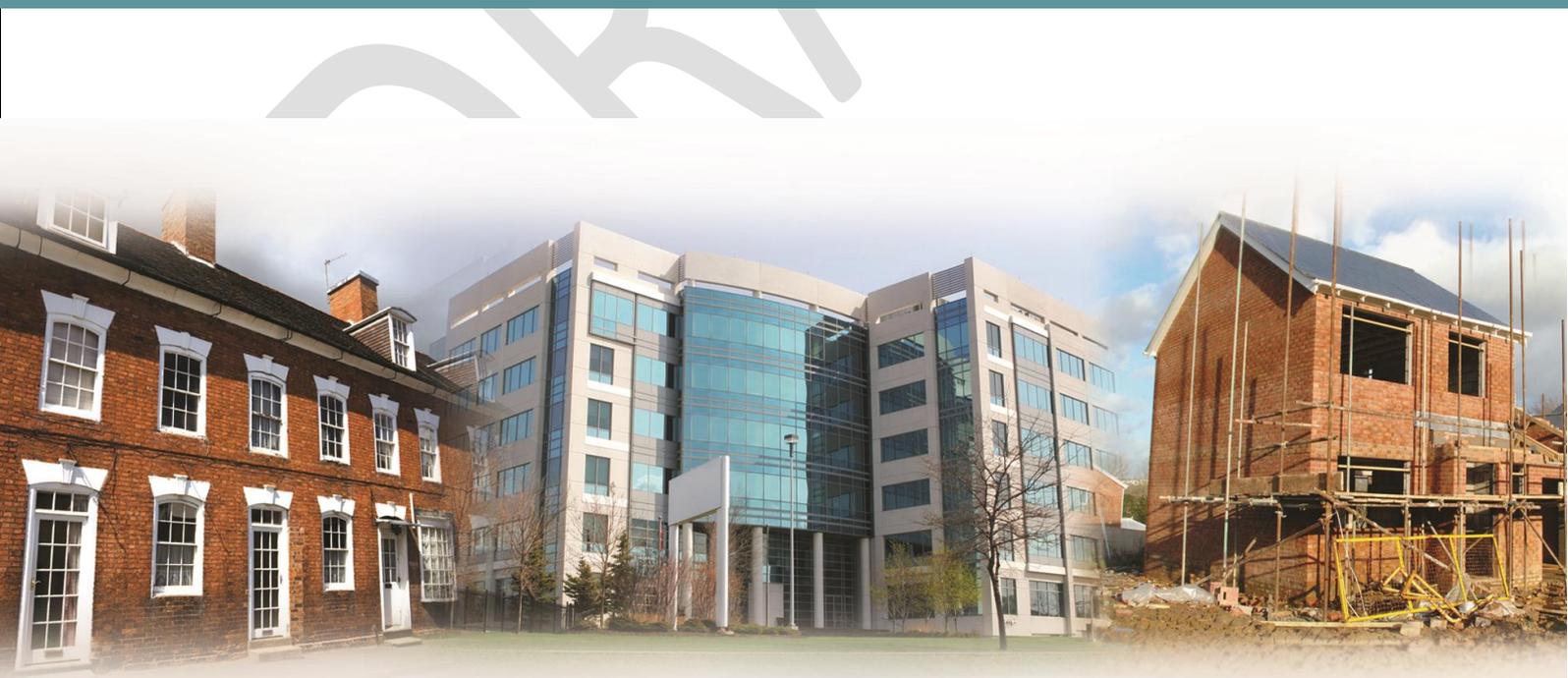
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EXCELLENCE
IN ENERGY
ASSESSMENT

Elmhurst Energy Response to:
“Energy efficiency scheme for small & medium
sized businesses”

Prepared for: BEIS

8th May 2019



Domestic

Commercial

On Construction



1. Introduction

Elmhurst Energy are pleased that BEIS are seeking a call for evidence on an 'energy efficiency scheme for small & medium sized businesses' and as such we are delighted to provide our considered response.

We have provided an overview of the issues and our proposals, then responded to the 14 questions asked in the Call for Evidence.

We hope you find the responses considered and useful for taking energy efficiency in SMEs forward in a progressive manner.

2. Elmhurst response

Elmhurst believe that government has already established many of the components for an effective energy efficiency scheme for small and medium sized business.

Awareness

The energy assessment industry is well established and with over 10,000 qualified and accredited assessors, over 1,000 of which are specialist in the commercial buildings sector, they need to be the first point of call for designing, promoting and delivering the energy efficiency scheme. Once engaged these individuals, whose passion is to save energy, will be excellent ambassadors for any scheme.

The Energy Performance of Building Regulations (EPBR) already requires building owners to have an energy performance certificates (EPC) "asset rating" whenever a building is placed on the market for sale or rent, Buildings that are visited by the public, which has unfortunately been interpreted to mean just publicly owned buildings, are also required to have a Display Energy Certificate to demonstrate how efficiently the building is being operated. By enforcing compliance and by introducing other regulations such as the Minimum Energy Efficiency Standards Regulations (MEES), you will have a low cost and highly effective way of raising awareness and the opportunities for improvements that are possible.

The government also need to provide marketing support to ensure that companies know what can and needs to be done, backed up with solid enforcement of EPBR when building owners are not meeting their legal obligations to obtain and energy certificates (EPC or DEC).



Advice

Any advice must be supplied by trained and qualified experts who puts the need of the building and the building owner first. Any situation that is led by an organisation that may have an ulterior motive, such as a utility supplier who wants to retain a client and sell more energy, or an installer/manufacture who is focussed only on their own products, will be less effective.

PAS2035 is a Publicly Available Specification for undertaking whole house retrofit of residential buildings and it involves the two key functions to ensure that the right solution is delivered. A 'Retrofit Assessor' undertakes an energy assessment of the building and records, amongst other things, details of existing measures and the condition of the building with the focus on issues that could impact upon future improvements. The second function, which may be the same person, is a 'Retrofit Coordinator', who reviews the assessment and using their extensive knowledge of retrofit compiles a 25 year improvement plan for the building, recommending measures, the sequence in which they should be installed and, as important, necessary repairs, maintenance and improvements (e.g. ventilation) to the building that could undermine the performance of recommended measures.

Once the plan has been agreed by the client the Retrofit Coordinator oversees the work done by the installers to ensure the plan is adhered to. Installers themselves must be independently certified to PAS2030 to assure the quality of the work that they do.

This models would fit equally well into the commercial buildings sector.

Finance

ECO has been effective in the fact that significant amounts of money have been spent on energy efficiency and many home owners have measures installed. There is however concern at the efficiency for the process and whether the right homes have been improved.

The process is flawed because;

- The current method of allocating funds actually encourages the improvement of large relatively high performing homes, while small and poor performing home are overlooked.
- Utility companies are commercial businesses that prosper by selling more energy. Giving them a remit to deliver an effective energy efficiency programme is really like asking turkeys to organise Christmas.
- The programme is delivered by installers who are again, and understandably, motivated to install the products that they themselves provide, irrespective of the needs of the building.
- The rules surrounding the process are now overly complex and extremely difficult for all stakeholders to understand and implement.

Elmhurst believe that the ECO delivery mechanism will not work effectively and efficiently until its structure is overhauled.



That is not to say that the utility companies and the distribution companies should not, through indirect taxation, fund energy efficiency in buildings. In the commercial sector this could operate through interest free loans to business. Nothing complex but simply any recommended measure, coordinated through the requirements of PAS2035 and installed by a PAS 2030 installer, could benefit from an interest free loan, presumably with a ceiling, for up to five years. The savings on energy will fund the repayments and we will have created a Pay-As-You-Save model without any of the bureaucracy of Green Deal.

Minimum Standards

One major issue for many SMEs is that they do not own the buildings in which they operate and obtaining landlord permission to make improvements is difficult. MEES has been demonstrated as an effective tool and Elmhurst would encourage government to accelerate the improvement of standards such that a landlord cannot refuse a tenant request when minimum standards have not been achieved.

We would advocate that there should be Incentives for early adopters and good practice offering discounts on business rates to building occupiers that exceed minimum energy standards before the MEES regulations require it.

Finally, and a bit like making a donkey move, we need a stick, a carrot and some noise. A carrot to incentivise companies who move early, a stick to punish those that don't and lots of noise and publicity to make sure building owners know about it.

3. Questions and Answers

1. **To what extent do you think that competitive tendering could be an effective mechanism to achieve energy savings through energy efficiency? What do you see as the pros and cons?**

The idea is too complex and will either fail to be adopted or will be abused by those that invest the time to "game" the market. Previous auctions, such as ECO brokerage, failed quickly and were withdrawn.

If implemented then it would be a "race to the bottom" with respects quality where only price matters. This will result in inefficient buildings, wasted investment and damage to the reputation of energy efficiency sector. It also doesn't appear to answer the vital part, how do business owners know what measures they want to put into the building in the first place.



2. **What are the different ways of designing an auction, and which would be the most appropriate for energy efficiency measures targeted at SMEs?**

Elmhurst is against auctions however the idea of collective bargaining is interesting and could assist the SME sector.

Government could, maybe with the CBI or similar, create 'energy clubs' who can coordinate businesses wanting similar measures and offer that to a selection of PAS 2030 installers. Expertise within the 'energy club', who should be trained and qualified as a Retrofit Coordinators under the requirements of PAS 2035, will also oversee the procurement process and installation to ensure the planned activity is delivered and protect the interests of business owners who have neither the time nor expertise to become involved.

3. **What approach should Government consider for funding a business energy auction scheme?**

Government should not consider funding an energy auction scheme. See question 2 for our proposed solution.

4. **What level of co-funding would maximise the value for money from the auctions and minimise competitive distortions, while providing a sufficient incentive for SMEs to take up the measures?**

Reducing the price of installations is not the obstacle to overcome. The government needs to focus on; assessment, independent advice, financing and assuring quality.

5. **What are the pros and cons of implementing a new business EEO?**

If a new EEO is expressed as an interest free loan, rather than a grant, then the money will go further and the likelihood of it being perceived as a gravy train will lessen. Don't fall in the trap of "cash for ash" that blighted RHI in Ireland.

6. **What are the relative merits of placing the obligation on suppliers, network operators, generators or other bodies?**

Elmhurst is not an expert in this area but as a layman;

- Suppliers have interest in selling more energy, not reducing consumption.
- Network Operators and Generators will have the need for further investment reduced if energy consumption is reduced and/or managed better.

Decisions on the influence of these stakeholders have on the delivery of energy efficiency should be recognised.



7. **What models of EEOs would minimise costs while delivering efficiencies?**

See question 2

8. **A number of countries operate EEOs, what can we learn from their experiences?**

No experience beyond the UK.

9. **What level of co-funding would maximise the value for money from an EEO and minimise competition distortions, while ensuring a sufficient incentive remains for SMEs to take up the measures?**

No strong opinion

10. **How could the ESCO 'pay as you save' model be adapted for SMEs?**

No strong opinion

11. **Do ESCOs and banks see additional risks operating in the SME market?**

Not appropriate for Elmhurst to respond to the question

12. **Do you believe a scheme encouraging and helping lenders develop more innovative and attractive finance products will help generate interest amongst SMEs?**

No. SMEs will not borrow money to spend on energy efficiency measures just because it is available but if, through awareness and advice, they see the benefit and an easy process is introduced then finance will be valued.

13. **What types of innovative finance products or banking initiatives would attract SMEs into taking action on energy efficiency? Please provide examples.**

See question 2. An interest free loan from the 'ECO pot' would be the most attractive.

14. **Do you have an alternative model for the business energy efficiency scheme that we should consider?**

As stated in the introduction to our response Government has already established many of the components for an effective energy efficiency scheme for small and medium sized business.

The energy assessment industry is well established and with over 10,000 qualified and accredited assessors, over a 1,000 of which are specialist in the commercial buildings sector. These energy assessors need to be the first point of call for designing, promoting and delivering



the energy efficiency scheme. Once engaged these individuals, whose passion is to save energy, will be excellent ambassadors for any scheme.

That Energy Performance of Building Regulations (EPBR), if properly policed, is an effective way of raising awareness of energy efficiency and the opportunities that exist.

Many SME businesses occupy rented buildings and that the roll out of Minimum Energy Efficiency Scheme (MEES) should be accelerated to ensure all buildings achieve a minimum standard.

That building occupiers should receive favourable consideration with business rates for making improvements to the buildings that they occupy.

Trained and competent energy assessors should be available to assess the needs of a building.

Each building should have an improvement plan that ensure the right measures are installed in the right sequence.

Installers should be independently certified so that the quality of work is assured.

ECO funding for residential dwellings should be extended to include interest free loans to businesses for the purpose of making energy improvements.

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