

# NON-DOMESTIC CUSTOMERS (BUSINESS PROPERTIES)

DECC has taken an integrated approach to the design of the Green Deal, so that the scheme is broadly the same for both the domestic and non-domestic sectors. However, there are a few areas where we have varied our approach to reflect the particular characteristics of the non-domestic sector and these are set out below. We believe non-domestic customers will be attracted by the prospect of no upfront cost for energy efficiency improvements that will be associated with the Green Deal; help in reducing their overhead of energy fuel costs as well as meeting their CRC Energy Efficiency Scheme obligations. We are working with the finance sector with the aim of securing the flow of low-cost Green Deal finance to a wide customer base, including the non-domestic sector.

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## ASSESSMENT

The Green Deal assessment process will make recommendations for energy efficiency improvements at a property and predict the likely energy savings were the improvements to be installed. Non-domestic buildings are often more varied than domestic properties, so the assessment method will necessarily need to be more complex in order to provide appropriate recommendations for the property. The assessment method for non-domestic buildings will build upon the existing SBEM methodology for producing an EPC for non-dwellings but will allow the actual use of the building to be captured as part of the assessment, enabling the Green Deal assessment to produce more accurate predictions of the likely energy savings occupants could make by installing a Green Deal package.

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## MEASURES

In terms of the measures that will be available under the Green Deal for non-domestic properties our proposed approach is have a single list of qualifying improvements for both domestic and non-domestic buildings. In some cases, recommendations will be similar in domestic and non-domestic properties, such as a shop converted from a dwelling. In practice, certain measures will not be recommended for different types of building.

We are inviting consultees to inform us of other measures which have particular relevance for non-domestic buildings which are not already listed in the consultation document. For example, Heating Ventilation and Air Conditioning (HVAC) systems, energy efficiency taps and showers<sup>1</sup> and low energy lighting should make much more significant energy savings in larger non-domestic buildings due to the scale of the retrofit.

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## CALCULATION OF THE GOLDEN RULE

The Golden Rule is the principle which limits the amount of Green Deal finance that a provider can attach to the energy meter to the estimated energy bill savings that are likely to result from the installation of measures under the Green Deal plan. The savings estimate from the generalist Green Deal Assessment will normally provide the upper limit for the Green Deal charge but we are creating more flexibility in the non-domestic sector by allowing for specialist assessments to provide a more detailed savings estimate, taking into account whole systems of measures and individual energy tariffs. We are not proposing to

limit applicable interest rate structures in the non-domestic sector as businesses should be well equipped to ensure they are entering into a deal which best suits their needs.

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### **WHAT SAVINGS ESTIMATES WILL THE ASSESSMENT MAKE?**

The assessment will make recommendations for energy efficiency improvements and predict the likely energy savings were the improvements to be installed. As the energy costs for non-domestic properties are likely to vary significantly depending on the building in question, only an estimate of the running cost savings will be provided, based on a simple representation of the business's marginal fuel tariff(s) or a default value. It is proposed that the tool will not represent the detail of the fuel tariffs, for example structured or variable tariffs.

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### **THERE ARE A NUMBER OF DIFFERENT ENERGY TARIFFS AVAILABLE IN THE NON-DOMESTIC SECTOR, HOW WILL YOU ENSURE THIS IS TAKEN INTO ACCOUNT TO PROVIDE ACCURATE SAVINGS ESTIMATES?**

The Green Deal provider will have the flexibility to adjust the savings estimate produced by the generalist assessment – which will include only a representation of the business's marginal fuel tariff(s) or a default value - to take account of the individual tariff of the business. The savings figure can only be adjusted by mutual consent.

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### **IF A SPECIALIST ASSESSMENT IS USED TO TAILOR THE ENERGY SAVINGS ESTIMATE TO THAT BUSINESS, THE CHARGE MAY NOT BE APPLICABLE TO FUTURE BILL PAYERS?**

The Green Deal provider will only be able to adjust the generalist savings estimate by mutual consent and the business will be made aware of what the new estimate is based on.

We expect Green Deals in the non-domestic sector to be shorter – to reflect payback in line with lease length - so this is less likely to be an issue. However, where a new business takes over the lease on a property during this period the Green Deal Provider will be required to make the business aware of the terms the estimate.

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### **WHO TAKES OUT THE GREEN DEAL – THE LANDLORD OR THE TENANT?**

It could be either. However, tenants will not be able to attach a Green Deal to a rental property without the consent of their landlord. In reverse, the landlord will need to gain the consent of a sitting tenant in order to attach the Green Deal charge to their electricity bill. We imagine that landlords will take advantage of void periods to take out the Green Deal (when they tend to undertake their normal cycles of improvement).

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## **WHY WOULD A NON-DOMESTIC CUSTOMER BE ATTRACTED TO GREEN DEAL FINANCE AS OPPOSED TO OTHER FORMS OF FINANCE?**

The Government recognises that non-domestic customers have more options than domestic customers to finance energy efficiency measures. However, the Government believes the Green Deal is an attractive proposition because there is no upfront cost and because Green Deal works and measures are protected by an accreditation and redress regime which will ensure that the works are carried out to a high standard. Also, not all non-domestic customers will have available cashflow or easy access to conventional loans – and we are working towards Green Deal finance being available to a wider customer base than is the case with current financing options.

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<sup>1</sup> Which also reduce water consumption.