



EMRGNT



## Places for People as an energy services provider

Places for People asked Emrgnt to prepare a report on the potential for Places for People to become an 'energy service provider' and increase the return of its investments in energy efficiency, not only for its tenants.

We identified three main reasons why Places for People is interested in such a solution:

1. The costs of providing tenants with effective heating equipment (including capital expenditure on new and replacement equipment, installation costs, and ongoing maintenance costs, for example servicing and repairs) are high and will increase as the requirement for heat to be low carbon increases.
2. New costs will be incurred from an internal Places for People target, that could become a statutory requirement by 2030, to achieve an energy performance rating of SAP 70 (EPC band C) for its 70,000 affordable rented housing properties. The type of heating and renewable technologies installed into properties is an important driver of the cost of meeting this target.
3. The majority of the financial benefit derived from Places for People's expenditure on heating, renewables and other energy saving technologies is gained by tenants – whether it be in terms of increased comfort for the same cost as before the technologies were installed; or the same level of comfort for lower costs. The rest of the financial benefits flow to the wider energy market, for example renewable electricity generation not used by tenants that spills to the grid. Places for People currently lacks mechanisms for capturing some of the financial benefit, which would enable it to generate a return on investment against the costs it incurs.

Emrgnt has developed a unique solution to address these challenges. Our solution is an innovation in network system and business-model design that enables 'place-based' organisations, with a focus on the housing sector, to share in the financial benefit heating, renewable and energy efficiency technologies create in order to help fund their cost.

Our solution is:

- Technology agnostic – we enable a return on investment in different technologies according to the specific needs of individual sites with the ability to accommodate new technologies as they become proven and cost effective. We offer robust financial outcomes without new technology risk; no gadgets or gismos that may or may not work.

- Customer centred - most people want two simple things from their energy supply: low cost and no hassle. Too often this is forgotten in the 'new energy economy' and consumers are offered increased complexity for uncertain rewards - for example in relation to time-based price signals for electricity use. Our solution is designed to work for customers: we provide the same energy service that they are used to, with a standing charge and unit rate, only cheaper. We provide a high-quality service using Pay As You Go smart meter technology that enables us to support the needs of low income and vulnerable customers.
- Commercially aligned - our solution is designed so that we share in the value we create for our clients and only make money if our solution delivers. Our interests are entirely aligned and we care as much as our clients that our projects succeed.

Places for People asked Emrgnt to explore the potential to apply its solution to a 105-property affordable housing estate it owns and manages in Padiham, Lancashire. Places for People recently faced a need to replace the existing electrical heating equipment on the Padiham estate and opted for new, efficient electrical heating. This was carried out in conjunction with energy efficiency improvements and the installation of solar panels.

The improvements undertaken at Padiham should lead to significantly reduced energy bills for the tenants. However, Places for People has no mechanism for recovering the substantial cost incurred by making the improvements and the ongoing servicing and maintenance costs.

Emrgnt's solution is most effective when used from the outset to inform the design of a project, including selecting which technologies are installed. Our report therefore focused on the potential for Places for People to apply Emrgnt's solution to its many other sites like Padiham, using Emrgnt's approach from the outset. Padiham provided the insight and data to inform our analysis, with scope for the estate to be used as a mini-pilot to validate the assumptions and commercial operation of Emrgnt's solution.

Our analysis found that the costs faced by Places for People when adopting its 'business as usual' approaches of installing replacement electrical or new gas heating equipment (including all capital expenditure, installation works and ongoing servicing and maintenance costs) for a site the size of Padiham were likely to be very high (significantly over a million pounds over 25 years).

We showed how Places for People could transform the economics of these projects by using Emrgnt's solution to unlock income and generate a return on investment. Our analysis projected outcomes with financial benefits to Places for People that would enable it to better meet the investment needed for its housing stock while benefiting tenants and meeting its environmental obligations.

Many other affordable housing providers face similar challenges, with a continual need to replace old heating systems, improve energy efficiency and meet ever increasing environmental regulations across their housing stock.