



Department for  
Business, Energy  
& Industrial Strategy

# Introducing Performance- Based Ratings in Commercial and Industrial Offices above 1,000m<sup>2</sup> in England and Wales

Phase one of the introduction of a national  
performance-based policy framework

Closing date: 9 June 2021



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# General information

## Why we are consulting

In October 2019, the Government told the Climate Change Committee that it would consult on introducing a new scheme that would rate commercial and industrial buildings based on their actual energy consumption and carbon emissions.

This consultation delivers on that commitment. It seeks views on the Government's proposal to introduce a national performance-based framework for assessing energy use and carbon emissions in commercial and industrial buildings above 1,000m<sup>2</sup> in England and Wales. This paper looks specifically at the Government's plans to introduce the framework to the commercial office sector in Phase one of the framework.

## Consultation details

**Issued:** 17 March 2021

**Respond by:** 9 June 2021

Please do not send responses by post to the department during the coronavirus pandemic (COVID-19), as we will not be able to access them.

### **Enquiries to:**

Tel: 020 7215 5000

Email: [businessenergyuse@beis.gov.uk](mailto:businessenergyuse@beis.gov.uk)

**Consultation reference:** Introducing Performance-Based Ratings in Commercial and Industrial Buildings above 1,000m<sup>2</sup> in Commercial Offices in England and Wales: Phase One of the introduction of a national performance-based policy framework

### **Audience:**

Building owners, tenants, landlords, real estate investors and asset management/consultancies, from both large and small organisations as well as the wider energy efficiency supply chain that will be required to deliver building energy efficiency and management measures. Stakeholders in the office sector will also be a key audience for this consultation as the proposals set out here are particularly relevant to this sector.

### **Territorial extent:**

England and Wales only.

# How to respond

The use of Citizen Space would be the preferred response method. Please do not send responses by post to the department during the coronavirus pandemic (COVID-19), as we will not be able to access them.

**Respond online at:** <https://beisgovuk.citizenspace.com/energy-efficiency/introducing-a-performance-based-policy-framework>

or

**Email to:** [businessenergyuse@beis.gov.uk](mailto:businessenergyuse@beis.gov.uk)

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# Consultation Questions

To help you respond to both this consultation and the *Strategy Paper: Introducing a Performance-Based Policy Framework in large Commercial and Industrial Buildings in England and Wales*, these questions continue, numerically, from the *Strategy Paper*.

**20. The Government's approach for implementing annual performance-based ratings in commercial offices over 1,000m<sup>2</sup> follows the approach outlined in the strategy paper. Are there any considerations specific to the office sector, that are not covered elsewhere in this paper, that the Government should be taking into account? Please provide evidence where possible.**

**21. To resolve instances where the Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES) overlap with the requirement to obtain and disclose annual performance-based ratings, do you favour:**

- the 'hybrid option' as has been set out by the Government
- the 'hybrid option' with amendments. If so, please state the amendments you like to see made
- the 'do nothing' option
- a different option to resolve this issue

**22. Do you consider that there should be any other exemptions applied specifically to the office sector?**

**23. The Government's objective is to deliver an investment grade performance-based rating at the lowest possible cost. Do you consider that the proposals outlined above, and in Chapter 3, strike the right balance between cost and quality?**

**24. Do you consider the estimated cost of the rating to be realistic?**

**25. Do you consider the estimated cost of the rating to be affordable?**

**26. Do you favour:**

- Option one as set out by the Government, or option one with amendments. If the latter, please state the amendments you would like to see made
- Option two as set out by the Government, or option two with amendments. If the latter, please state the amendments you would like to see made
- A different option to resolve this issue.

**27. Is the approach taken to define the energy associated with a base building rating, including the interpretation of additional services added by a tenant, suitable to achieve an accurate and fair base rating?**

**28. Is the approach taken to define the energy associated with a whole building rating suitable to achieve an accurate and fair rating?**

**29. Do you support the Government's proposal for resolving boundary disputes? If so, are there any additional considerations or amendments you would make to the proposal? If not, do you consider that a different approach would be more effective? Please provide evidence and case studies to support your reasoning, where possible.**

**30. At this stage the Government welcomes views on how to deal fairly with situations where metering arrangements in offices are not ideal, and how to incentivise upgrades in the metering arrangements where that is the case.**

**31. Which of the options above is your preferred option for addressing situations where offices are in buildings with non-office areas? Are there other options that have not been considered? Please provide evidence, where possible.**

**32. Subject to the outcome of this consultation, the Government will work with the ratings administrator, and with industry experts, to tailor the framework appropriately to the office sector. At this stage, the Government welcomes any additional feedback on the high-level technical considerations outlined in this chapter, especially where there may be key considerations that we may have not addressed, or not been able to cover.**

**Where possible, it would be helpful if you could provide evidence and case studies to support your response.**

# Executive Summary

The aim of this consultation paper is to set out, in more detail, how the Government proposes to implement the performance-based framework in Phase 1 to commercial offices above 1,000m<sup>2</sup>. It complements the *Strategy Paper*, and the Government has published an Impact Assessment alongside this consultation.

The Government considers that offices, especially purpose-built modern offices, are currently the best prepared sector to adopt an annual performance-based rating. The reasons for this include the consistency of building type across the sector (as opposed to the hospitality sector, for example, which would include hotels, pubs, restaurants, etc.), the fact energy and heating demand in an office is fairly straightforward and consistent, and the fact that significant improvements in energy performance can be made through existing technologies.

In Australia, the National Australian Built Environment Rating System (NABERS) has been in place in the office sector for over two decades. The scheme has achieved world leading results in reducing energy intensity and is widely recognised as best practice.<sup>1</sup> The NABERS scheme is now expanding into additional sectors, which, as set out in the *Strategy Paper*, is an approach the Government aims to replicate.

There are approximately 10,000 commercial offices above 1,000m<sup>2</sup> in England and Wales.<sup>2</sup> In line with the proposals set out in the *Strategy Paper*, the Government proposes that owners and single tenants of a commercial office in England and Wales above 1,000m<sup>2</sup> will be required to get an annual performance-based rating, and to disclose their most up to date rating publicly online.

In order to reduce the burden on landlords and businesses, and streamline regulatory requirements, the consultation outlines proposals to help landlords of rented offices above 1,000m<sup>2</sup> meet their existing requirements under the Non-Domestic Private Rented Sector Minimum Energy Efficiency Standards (ND PRS MEES) regulations.

The Government estimates that introducing the performance-based framework in large commercial offices in England and Wales could deliver up to 1MtCo<sub>2</sub>e over Carbon Budget 5 and reduce annual business energy bills by £116m by 2030.

This consultation is concerned with how the performance-based framework could apply to England and Wales. It should be read in conjunction with the *Strategy Paper*. It is not a stand-alone document but, rather, a more detailed explanation of how the Government proposes the performance-based framework will work in the office sector. It should be assumed that the

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<sup>1</sup> The NABERS scheme provides a rating of 1-6 stars (with 1 being the minimum) for energy, water, waste and an indoor environment rating that measures the indoor air quality, lighting quality, temperature, thermal comfort and acoustic quality of a building. It is possible to be awarded half stars from 1.5 to 5.5 stars.

<https://www.nabers.gov.au/&https://nabers.info/annual-report/2019-2020/office-energy/>

<sup>2</sup>Internal BEIS analysis of ND-NEED 2020, Coverage: England and Wales.

proposals set out in the *Strategy Paper* will also apply to the office sector, unless stated otherwise in this paper.

This paper is structured as follows:

**Chapter 1** provides a summary of what building owners and single tenants will be required to do as part of the framework. It also sets out the Government's plans for addressing those large offices which will be covered by both the performance-based framework and the Non-domestic Private Rented Sector Minimum Energy Efficiency Standards.

**Chapter 2** looks at the level of energy and carbon savings the framework could deliver in the office sector, and costs of the framework.

**Chapter 3** provides a summary of how the technical design of the performance-based framework rating could be structured for the office sector. It will also set out the data that will be required from office owners and single tenants.

**Chapter 4** sets out more detailed timings and next steps for the performance-based framework in the office sector.

# Chapter 1 - Implementing the Performance-Based Framework in Commercial Offices over 1,000m<sup>2</sup>

This chapter sets out what office owners and single tenants will be required to do under the Government's proposals for introducing an annual performance-based rating in the office sector.

This chapter should be read in parallel with chapter 4, which provides additional technical detail on the Government's proposals for how the different rating types should be applied to commercial offices above 1,000m<sup>2</sup>. Chapter 4 will also discuss proposals for addressing mixed use buildings.

## Who will be required to get a performance-based framework rating?

The Government proposes that offices above 1,000m<sup>2</sup> in England and Wales will be in scope of the framework in phase one.

The Government proposes that individuals or organisations that meet the following criteria will require a performance-based framework rating:

- **Owners of a commercial office above 1,000m<sup>2</sup>.** If the owner also occupies the office, a 'whole building rating' will be required or, if the owner rents out the office, a 'base building rating' will be required
- **Single tenants who occupy a commercial office above 1,000m<sup>2</sup>.** A single tenant is defined as a tenant in an office above 1,000m<sup>2</sup> where there are no other tenants in the office. These tenants will typically be responsible for all energy and services in the office and will be required to get a 'whole building rating'

These different types of rating are needed to reflect the extent to which the owner or single tenant is responsible for energy use within the office. The difference between these types of rating is discussed in the *Strategy Paper*, and a detailed overview of the Government's proposal for what these ratings should measure in an office is provided in chapter 4 of this paper.

The Government will explore the feasibility of making the performance-based framework rating available on a voluntary basis for owners and single tenants of offices below 1,000m<sup>2</sup>, and welcomes views on the impact that this may have.

Where a building is only being used as an office, the distinction between a ‘whole building rating’ and a ‘base building rating’ is relatively straightforward. It is more challenging where the landlord rents out office space and other commercial or domestic space within the same building. The options for how the performance-based framework could treat mixed-use buildings, and when a landlord or building owner might be expected to get a performance-based framework rating, are also addressed in chapter 4.

The Government would welcome feedback on whether it would be beneficial to make the performance-based framework rating available on a voluntary basis to tenants in a multi-tenanted office with a large (over 1000m<sup>2</sup>) lettable area. These tenants could choose to receive a ‘tenant rating’. The estimated percentage of large offices (over 1,000m<sup>2</sup>) with multiple hereditaments is 15% (assuming that all of these multiple-occupancy buildings are in the rented sector).<sup>3</sup> Further details on this rating are similarly provided in chapter 4.

## What will those in scope of the performance-based framework be required to do?

The Government proposes that the requirements set out in the *Strategy Paper* should apply without amendment to the office sector. Therefore **the Government proposes that owners and single tenants of private offices above 1,000m<sup>2</sup> will be required to:**

- Onboard their building onto the rating framework - the target years for onboarding are 2022/3
- Submit, every year, their metered energy use data (and other relevant information) to the ratings administrator
- Receive a rating based on the building’s annual energy and carbon performance

### **The rating will then be:**

- Disclosed, publicly, both in the building and online\*

*\*Subject to the outcome of this consultation the Government will seek to legislate to enable mandatory disclosure from the second year of being on the framework. In the first year, building owners and single tenants will be encouraged to disclose their rating on a voluntary basis.*

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<sup>3</sup> This estimate for multiple occupancy is based on the Valuation Office Agency’s hereditaments data from the ND-NEED framework. Please see the Impact Assessment for more information about the rating of rented buildings.

In terms of public online disclosure, the Government proposes that a building owner or single tenant business will be expected to publish:

- The name of the organisation responsible for getting a performance-based framework rating for the office
- The up-to-date performance-based framework rating for the office
- The location of the office

The building level data that the Government expects the ratings administrator will require is set out in full in chapter 4. This data would be required to produce a performance-based framework rating. The data would be stored safely by the ratings administrator, and there would be no obligation to disclose this data publicly. The Government will seek appropriate data sharing arrangements to enable access to this data to assist in further policy development.

## The requirement to obtain annual performance-based ratings and existing EPC obligations

Under the current Energy Performance of Buildings (England and Wales) Regulations 2012 (EPB regulations), commercial offices which meet the definition of a 'building' set out in the EPB regulations require an Energy Performance Certificate (EPC):

- On construction, sale or rent

The EPC:

- Is then valid for 10 years and can be reused as required within that period
- Should be displayed in commercial premises larger than 500m<sup>2</sup> that are frequently visited by the public, and where one has previously been produced for the sale, construction or renting out of the building

As set out in the *Strategy Paper*, the Government's is committed to ensuring that building owners do not have an unreasonable number of regulatory obligations. In **Question 6** of the *Strategy Paper*, the Government has asked for feedback on the proposal to consider whether annual performance-based ratings could be used to satisfy some of the current 'trigger points' that exist under EPC regulations, specifically where the building is sold or let. This proposal would apply in the office sector – if you have any specific feedback on how this might impact the office sector, the Government welcomes views as part of a response to **Question 6**.

**Question 20: The Government's approach for implementing annual performance-based ratings in commercial offices over 1,000m<sup>2</sup> follows the approach outlined in the Strategy Paper. Are there any considerations specific to the office sector, that are not covered elsewhere in this paper, that the Government should be taking into account? Please provide evidence where possible.**

## Options to resolve the Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES) overlap for rented commercial offices above 1,000m<sup>2</sup>

The Government does not consider that the introduction of annual performance-based ratings removes the need for landlords of rented buildings to make the improvements required under Non-Domestic Private Rented Sector (PRS) Minimum Energy Efficiency Standards (hereby referred to as "Non-Domestic PRS MEES").<sup>4</sup> **Therefore, the Government considers that landlords of rented buildings should still be required to make cost-effective improvements to their building, up to an EPC B by 2030.**

With the introduction of the performance-based ratings, owners of rented commercial offices above 1,000m<sup>2</sup> would therefore be required to hold both performance-based ratings and EPCs, and to improve their EPC to band B by 2030, where cost effective. The Government is aware that this could be complex and is therefore setting out the preferred option to simplify the requirements, whilst retaining the obligation to make improvements.

The Government, in consultation with the industry, proposes two options to address this issue:

- Preferred Option: Hybrid Solution
- Alternative Option: Do Nothing

The Government did explore the option of trying to replicate the equivalent of an EPC B in a performance-based rating (for example, equating EPC B to a 4.5 star rating).

The Government decided that it would not be sensible to present an option which proxied the EPC B rating. The key reason for that is that the EPC, and the Government's performance-based rating, have different purposes and will measure different things. The EPC looks at a building's 'inputs' (predominantly the quality of the building's fabric and services) and assigns a rating accordingly based on the energy use anticipated by a 'typical occupant'. The

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<sup>4</sup> The non-domestic PRS MEES consultation proposes a new framework and interim milestone for implementing the EPC target of B by 2030, where cost effective. Under these proposals, landlords will need to present a valid EPC at the start of newly introduced two-year compliance windows, and demonstrate compliance with MEES at the end of this period. Other measures are also being introduced to support this and further information can be found at <https://www.gov.uk/government/consultations/non-domestic-private-rented-sector-minimum-energy-efficiency-standards-epc-b-implementation>.

Government's proposals for a performance-based rating will just measure building 'outputs': the energy performance of the building based on actual meter readings.

Installing better quality fabric, and upgrading the services, will result in a higher EPC score but not necessarily a higher performance-based rating. For the performance-based rating to improve, those installations and upgrades must result in an improvement in measured energy intensity for the building type. Similarly, performance-based ratings can improve without installing better quality fabric or upgrading the building's services. The rating could be improved by optimising the use of energy in the existing building and changing behaviours.

This means, by design, the EPC is a relatively stable metric. If the building's fabric or services are upgraded to an EPC B, then the building will remain at an EPC B until the EPC is no longer valid, which is currently 10 years. But if the building's performance-based rating achieves 4.5 stars, there is no guarantee that rating will remain at 4.5 stars next year. If the building's performance drops, it might achieve 3.5 stars the following year. Some buildings will therefore fall in and out of PRS compliance every year.

Based on how Non-Domestic PRS MEES currently operates, that would create a near impossible regulatory system to comply with and enforce. As set out in the *Strategy Paper*, and chapter 2 of this paper, the Government's aim is that buildings in scope of the performance-based framework are set an energy improvement target by 2030. Progress against this target will be tracked, and additional regulation will be introduced if progress is below the rate required.

### Preferred Option: Hybrid Solution

Under the hybrid solution, landlords of rented offices above 1,000m<sup>2</sup> will no longer be required to get EPCs to demonstrate compliance against Non-Domestic PRS MEES, but will be subject to the same level of regulatory obligation to invest in their building.

The Government proposes that, for rented offices above 1,000m<sup>2</sup>, their obligations under Non-Domestic PRS MEES are addressed when they are onboarded onto the performance-based framework so that:

- The office's EPC will be reviewed when the building is onboarded onto the performance-based policy framework. If the building does not have an EPC, an EPC will be conducted as part of the onboarding process
- The cost-effective measures that the office would need to install to get up to an EPC B will be determined and agreed
- Once those measures are agreed, the building owner will have until 2030 to install those measures
- To demonstrate compliance, the building owner will only need to show that the agreed measures have been installed by 2030

Under this option, landlords would not need to get an EPC to demonstrate compliance with Non-Domestic PRS MEES (unless they choose to). They just need to:

- Get a performance-based framework rating, annually, and have it disclosed online
- Provide proof of installation of the set of measures, agreed when the building is onboarded, by 2030

The simplest way for the building owner to show that the agreed measures have been installed will be to inform the ratings administrator that an improvement has taken place as part of the annual rating process. The ratings administrator can then ensure that an accredited professional is brought in to check that the improvement has taken place during the next routine site visit.

For consistency and fairness, the Government intends for building owners to be subject to the same level of penalty fines as set out in Non-Domestic PRS MEES, if they do not demonstrate compliance by 2030. Under Non-Domestic PRS MEES, landlords can be fined up to £150,000 where they are found to have breached the regulations.

Buildings under 1,000m<sup>2</sup> will remain solely in the Non-Domestic PRS MEES regulatory framework. For those buildings, the clearest way to demonstrate compliance with the PRS MEES regulations will be to commission a post-improvement EPC, demonstrating the building is now at an EPC B or the highest cost-effective EPC band it can be. For full details of the Government's proposals on how it intends to implement EPC B by 2030 please see the PRS consultation at: <https://www.gov.uk/government/consultations/non-domestic-private-rented-sector-minimum-energy-efficiency-standards-epc-b-implementation>.

### Alternative Option: Do Nothing

The Government has developed the hybrid option because it is committed to making it as straightforward as possible for landlords to meet their regulatory obligations. However, the Government is aware that some landlords may consider it easier to get annual performance-based ratings and continue to also get EPCs to demonstrate compliance against PRS.

For that reason, the other option is that the Government does not amend the Non-Domestic PRS MEES once the performance-based framework is introduced. In that scenario, landlords of rented offices above 1,000m<sup>2</sup> will be required to obtain and disclose their performance-based framework rating annually through the 2020s, whilst also potentially requiring EPCs through that period to demonstrate compliance with Non-Domestic PRS MEES.

**Question 21: To resolve instances where the Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES) overlap with the requirement to obtain and disclose annual performance-based ratings, do you favour:**

- The 'hybrid option' as has been set out by the Government
- The 'hybrid option' with amendments. If so, please state the amendments you like to see made
- The 'do nothing' option
- A different option to resolve this issue

## Exemptions

The Government proposes that no office owner or single tenant business in scope of the framework should be exempt from the regulatory requirement to get a performance-based framework rating for their building, on an annual basis.

However, office owners or single tenants in scope of the framework will not be required to have their annual rating disclosed online if:

- The disclosure of that rating, or associated information, could pose a risk to national security

**Question 22: Do you consider that there should be any other exemptions applied specifically to the office sector?**

**You may wish to combine your answer to this question with question 10 in the Strategy Paper.**

# Chapter 2 - Delivering Energy and Carbon Savings in the Office Sector

## What level of improvements are required from the office sector?

As set out in the *Strategy Paper*, the Government's main objective for this policy area is to ensure that commercial and industrial buildings above 1,000m<sup>2</sup>, on average, are reducing their energy use and carbon emissions in line with the Government's climate targets. In the *Strategy Paper*, the Government indicated the sort of reductions required might be, across the commercial and industrial building stock, approximately 30% less energy used in 2030 than was used in 2015. The Government will clarify this target later this year.

This will allow the Government to use the performance-based framework to set sector by sector energy reduction targets for the 2020s and beyond, against which progress will be tracked. By structuring the policy in this way, the performance-based ratings that each large office will be required to obtain annually are given a clear meaning. Where building owners or single tenants have a low rating, they will be given clear sight of the level of improvements that they will be expected to make over the 2020s.

As set out in the *Strategy Paper*, the Government will follow the approach pioneered by NABERS in Australia, and will provide the market with a chance to respond to the framework initially before a regulatory obligation to improve ratings is considered. However, by setting a clear rate of improvement required for the sector, the Government can track progress against a minimum rate of improvement, which will be used to trigger the introduction of hard regulation should the sector fall below that minimum target.

## Impact of the Policy

The Government has taken the view that regulatory requirements for improvement are not necessary from the outset, after analysing the improvements achieved through the National Australian Built Environment Rating System (NABERS), and the comparable results shown in the UK from offices that signed up for the Real Estate Environment Benchmark (REEB). As discussed in the *Strategy Paper*, REEB is a voluntary scheme, and NABERS has had no regulatory obligation to improve ratings, yet both schemes have delivered significant improvements in energy performance. UK office owners, single tenants, and the wider market will be provided with the chance to respond to the framework as positively as the Australian market.

In the Impact Assessment published alongside this paper, the Government estimates that first step of requiring building owners and single tenants to obtain annual ratings, and disclose

those ratings online, will deliver up to 1MtCo2e over Carbon Budget 5 and reduce annual business energy bills by £116m by 2030.<sup>5</sup>

## Costs

In terms of costs, the Government needs to balance two factors. Firstly, for the reasons set out in the *Strategy Paper*, the rating needs to be investment grade, to ensure that it can be trusted by office owners, single tenants, and the wider market. If the rating is not accurate and reliable, then it will not deliver meaningful benefits. Secondly, the Government is committed to automating processes and minimising costs and hassle as far as possible.

To strike a balance between these factors, the Government considers that site visits will likely be necessary when an office is onboarded – or required to get a performance-based rating for the first time. After that, the Government proposes that a further site visit is required every four years, or unless the building has undergone a substantial change. The aim is that in the years where a site visit is not required, the groundwork should be in place to ensure the ratings are based on accurate information, and there should be a relatively low burden on office owners and single tenants to supply the required information to update their rating.

The Government has estimated that the cost to office owners and single office tenants could fall in the range of:

Overall cost (including hassle costs) for 4 years coverage (£ rounded)	
Performance-based framework (first 4 years)	£4,100 - £7,500
Performance-based framework (subsequent 4 years)	£3,400 - £6,300

**Table 1: Overall cost (including hassle and time costs)**

These estimated costs **include hassle and time costs**. Any final price will be subject to the outcome of this consultation and will need to be agreed with the prospective ratings administrator. As stated in the *Strategy Paper*, the Government does not want to impose a framework from scratch when there has been so much positive work in the industry, and where there are existing schemes in the industry. The Government wants to see the industry continuing to collaborate, and to come forward with a proposal for a rating framework which can satisfy the requirements set out in this consultation package.

<sup>5</sup> Internal BEIS analysis of ND-NEED 2020, Coverage: England and Wales.

Therefore, the costs outlined above are not necessarily representative of the prices office owners and single tenants will be charged. Pages 24-26 of the Impact Assessment accompanying this consultation provide further detail on what has been included in the costs, and how the estimates have been arrived at.

These costs should be used as a high-level estimate, and act as a range of costs that the Government considers to be value for money for the office sector. By comparison, the overall cost of the NABERS scheme for a 4 year period is roughly £12,000 (rounded figure).

We expect the average energy bill savings from measures voluntarily installed at this first stage to be nearly twice the size of the associated costs over the 2022-2038 period. Based on a conservative estimate, we would expect the average repayment period to be two to five years.

**Question 23: The Government's objective is to deliver an investment grade performance-based rating at the lowest possible cost. Do you consider that the proposals outlined above, and in Chapter 3, strike the right balance between cost and quality?**

**Question 24: Do you consider the estimated cost of the rating to be realistic?**

**Question 25: Do you consider the estimated cost of the rating to be affordable?**

# Chapter 3 - Technical Considerations

## Performance-Based Framework Rating Types

The Government proposes that there should be three possible rating types to reflect the responsibility of energy usage in offices above 1,000m<sup>2</sup>. The required rating type will depend on the circumstance of the building user. The suggested rating types are as follows:

### Mandatory Rating Types

- Base building rating
- Whole building rating

### Potential Voluntary Rating Type

- Tenant rating

To ensure there is no confusion and to allow for direct comparisons between different buildings, we suggest that the category of the rating type will be disclosed near the main rating, indicating if it applies to the base building or whole building.



Figure 1: Example Illustration of the Performance-Based Rating

## Base Building Rating

The Government proposes that “base building ratings” apply to owners of a commercial office above 1,000m<sup>2</sup>, where the office is rented out and the landlord retains management of the central services provided. This is because it would be disproportionate to expect the landlord to be rated on the energy consumption of tenants, where they will have little control or responsibility for the energy used.

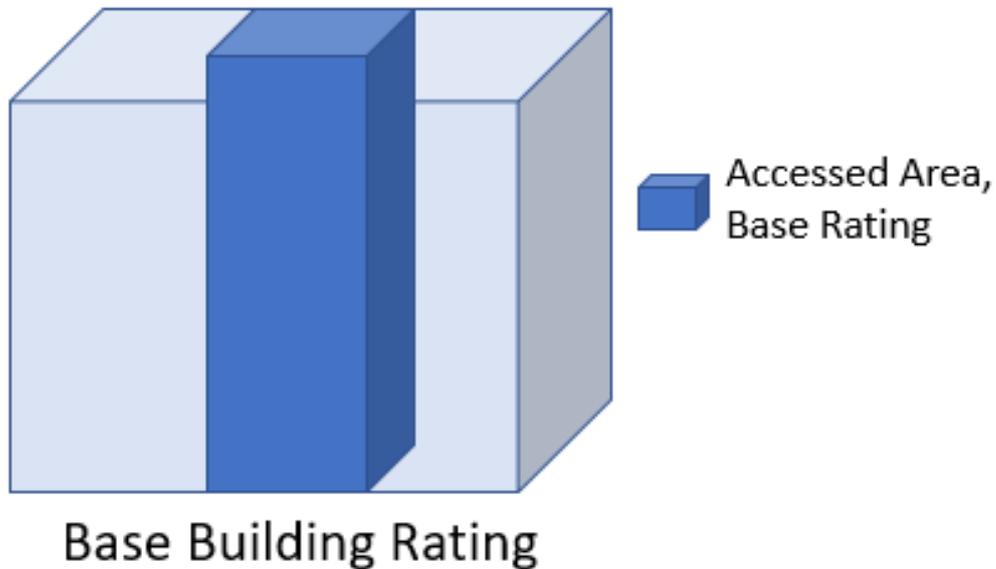
The Government proposes that the inputs required for a base building rating for the office sector will follow those set out in the *Strategy Paper*. These, though subject to change based on the final design of the framework, are as follows:

- 12 months of energy data
- Floor area information
- Operational hours and
- Location data

In the cases where the office owner provides central services directly to a tenant, such as heating and cooling and centralised domestic hot water, that energy will be associated with the base rating and not attributed to a tenant. This will ensure that the rating captures the influence of central plant which can only be affected by the office owner.

In a multi-tenant building, the energy associated with the following are examples of the type of energy consumption the Government expects to fall under the scope of a base rating:

- Common area lighting and power
- External area lighting and power
- Lifts and escalators
- Air conditioning, heating, and ventilation, where:
  - a. Serving common areas to meet normal requirements
  - b. Supplementary centralised services for tenants
  - c. Supplementary services as required for necessary building management, such as a security office
- Domestic hot water, where serving common areas
- Generator fuel, where serving central services
- Car park lighting and ventilation (electric vehicle charging stations are exempt)



**Figure 2: Illustration of Accessed Areas Associated with a Base Building Rating**

It is important to acknowledge that there will be circumstances where the building is mixed-use: where only some of the units rented out will be used as offices. It is common, for example, for offices to sit above retail units, particularly in city centres. The government has identified two possible options to address this issue:

**Option 1: For the landlord to require a base building rating, every unit rented out in the building must be commercial office space.**

Under this option it is clear when a building is in scope and when a building is not in scope of the performance-based policy framework. Though, a significant number of mixed-use buildings would fall out of scope of the framework, because if only one rented unit in the building was not commercial office space the building would be excluded.

This means that in a scenario where most of the building was being used as an office, the landlord would not need to get a base building rating under phase one of the framework. This option could also create a loophole where landlords would actively look to claim that some lettable space in the building is not used as a commercial office and therefore the landlord should be exempt from requiring a rating.

**Option 2: The majority of building, by floor area, needs to be offices to require a base performance-based framework rating.**

Under this option, if most of a building's lettable floor area is used as commercial office space, then the landlord will be required to obtain a base building rating under phase one of the framework. What is defined as a majority may be as simple as being over 50% of the floor space, but this could be increased to a higher level. To be clear, under this option if the building is above 1,000m<sup>2</sup> it would be in scope of the framework. The lettable area being used as commercial office space does not need to be above 1,000m<sup>2</sup>.

Though less clear cut than option one, the Government considers that this option would be more pragmatic. It reflects the reality of mixed-use buildings, would stop landlords from renting out a small amount of space that would not be used as commercial office to avoid the regulations, and strikes a fairer balance between when a building might reasonably be considered to be part of the 'commercial office sector'.

## Case Studies

Based on the options discussed above, a number of case studies have been laid out as an example of how this framework might function in certain scenarios. Each case study will present two scenarios based on the two above options.

### **Case Study 1: Large building with a landlord and multiple tenants. 96% office space and 4% retail space**

**Option 1:** The landlord does not need to get an annual base building rating in phase one of the framework. Subject to the outcome of this consultation, the landlord would be expected to get a base building rating once the retail sector is part of the performance-based policy framework. If a voluntary tenant rating is developed, acquiring tenant ratings would be encouraged.

**Option 2:** The Landlord will be required to obtain an annual base building rating since most of the building is under the scope of the performance-based policy framework. If a voluntary tenant rating is developed, acquiring tenant ratings would be encouraged.

### **Case Study 2: Large building with a landlord and multiple tenants. 60% office space, 35% retail space and 5% residential space.**

**Option 1:** The landlord does not need to get an annual base building rating in phase one of the framework.

**Option 2:** The landlord will be required to get an annual base building rating since most of the building is under the scope of the performance-based framework.

### **Case Study 3: Large building with a landlord and multiple tenants. 70% retail space and 30% office space**

**Option 1:** The Landlord does not need to get an annual base building rating in phase one of the framework.

**Option 2:** The Landlord does not need to get an annual base building rating in phase one of the framework, since the buildings primary function by floor area is not a commercial office. Subject to the outcome of this consultation, the landlord would be expected to get a base building rating once retail sector is part of the performance-based policy framework.

### **Question 26: Do you favour:**

- **Option one as set out by the Government, or option one with amendments. If the latter, please state the amendments you would like to see made**
- **Option two as set out by the Government, or option two with amendments. If the latter, please state the amendments you would like to see made**
- **A different option to resolve this issue**

### **Additional Tenant Services**

In some cases, tenants may add their own supplementary services within their space such as additional domestic hot water (DHW) heaters or air-conditioning systems. These are typically linked to a tenant's energy meter but may contribute to the central service of a space which may be the responsibility of a landlord.

Resolving these scenarios through a performance-based rating is challenging. The Government proposes that if a service added by a tenant contributes to a space that is conditioned by a landlord's central services, then that energy could be counted towards a landlords' base building rating. However, where a tenant adds a service which does not interact with central services and has been added for a specific reason, that energy could be accounted for by the tenant. This approach takes the view that landlords should not be rewarded if they do not provide adequate services to their tenants to the extent that tenant must add their own at their expense.

The Government suggests that the table below could be referred to when considering the allocation of energy by supplementary tenant systems.

**Table 2: Proposed Allocation of Energy from Additional Tenant Services**

Item	Location	Associated Rating	Comment
Local DHW	Tenant's space	Tenant rating	Added at the behest of the tenant.  Does not interfere with similar central services.  Not the responsibility of a landlord.
Air-conditioning to specialist areas (meeting room, IT room)	Tenant's space	Tenant rating	Added at the behest of the tenant.  Does not interfere with similar central services.  Not the responsibility of a landlord.
Air-conditioning to general areas (main office)	Tenant's space	Base building rating	Added at the behest of the tenant.  Works in conjunction with a landlord's central services.

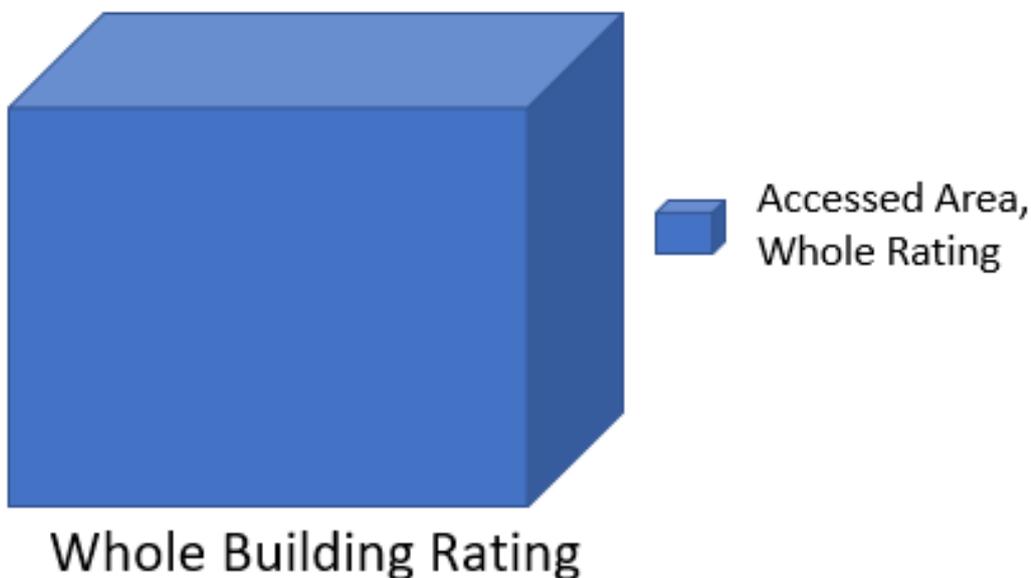
**Question 27: Is the approach taken to define the energy associated with a base building rating, including the interpretation of additional services added by a tenant, suitable to achieve an accurate and fair base rating?**

## Whole Building Rating

In the case where a building is owner occupied or a site is solely occupied by a single tenant, the Government proposes that the building will be required to obtain a whole building rating. As owner occupiers and single tenants typically have responsibility for the entire office, the whole building rating will take into account all of the energy consumed through operating and heating the office.

As previously set out, the Government considers that the primary data inputs of energy data, floor area information, operational hours and location data will be needed to create a whole building rating.

As the government suggests that a whole building rating will include all energy consumption for a particular site, there should be no boundary issue between parties. However, it is important to note that this rating framework is based on energy consumed by the building and its required surrounding services such as external and car park lights. Energy consumed from any electric vehicle (EV) charging points should not be included in the rating in any form as this energy is required for transport and not the building which is being rated. The rating can act as a way to boost building energy improvements. This separation of energy associated with EV charging stations should not complicate the rating where offices have their own dedicated meters.



**Figure 3: Illustration of Accessed Areas Associated with a Whole Building Rating**

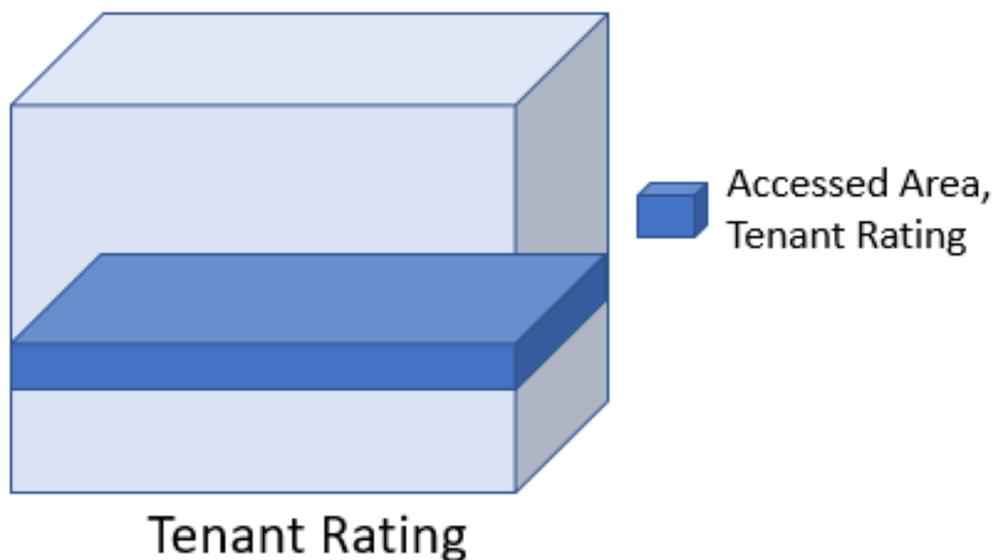
**Question 28: Is the approach taken to define the energy associated with a whole building rating suitable to achieve an accurate and fair rating?**

The Government is aware that there will be circumstances where a tenant will be the single occupant of the building, but will not have the capability to change or upgrade the central items of a building such as its heating system or improve the building fabric. If the tenant is only required to get an annual whole building rating, then there is a risk the landlord will not be incentivised to invest in improving the office's fabric, services, or invest in clean heat. That is why the Government has set out that landlords of rented offices above 1,000m<sup>2</sup> will still have to make the required improvements under Non-Domestic PRS MEES, as set out in chapter 2.

## Tenant Boundaries

A tenant rating for multi-tenant spaces in offices above 1,000m<sup>2</sup> is also being considered for this framework on a voluntary basis. This could potentially be offered to large tenants (+1,000m<sup>2</sup> of lettable area) in the rented office.

A tenant's zone of responsibility could be based on their net internal area (NIA) and the tenant will be responsible for all energy used in their own domain such as power, lighting, and supplementary domestic hot water and supplementary air conditioning where applicable.



**Figure 4: Illustration of Accessed Areas Associated with a Tenant Rating**

In the cases where a tenant will receive their primary heating, cooling, ventilation, and domestic hot water from a landlord as part of a fixed service charge, the Government proposes that the associated energy could be attributed to the landlord as the tenant has little ability to influence the settings or change equipment. Where a tenant has added a supplementary system to their area, Table 2 should be referred to for guidance on how the allocation of this energy consumption should be viewed.

Where a landlord provides for and charges a tenant for central services via a metered system this energy could be partially attributed to a tenant at the actual rate. This is likely to be lower than an assumed rate used where no meters are in place, resulting in a better rating. Having correct and accurate metering will be critical for both landlord and tenant in generating a better rating. It is hoped that this will help to incentivise the rollout of correct metering across the building stock.

## Boundary Resolution

Where issues may arise around the allocation of energy between different building users, the Government proposes that a standard and simple methodology could be used to allocate a proportionate amount of energy to building users. It is proposed that a number of common issues are addressed with a clearly defined allocation of energy to the correct building user.

The Government plans to work with industry and relevant parties to determine a standard and simple methodology that can address these issues.

For example, let us review a large multi-tenant office building where the landlord provides central services such as heating, ventilation, and hot water. In this case, the landlord will require a base rating that would include the energy consumption of these services. However, elements of those central services such as fan coil motors and on-floor fans may consume energy within a tenant's space that is not attributed to the landlord. These should be accounted for in the landlords base rating but since the appropriate metering may not be in place, a standard allocation of energy could be used with this energy added to a landlords rating.

This approach could only be used where onsite energy metering is not appropriate or in place. All standard allocations of energy consumption are intended to be higher than actual energy use would be. This will incentivise building users to improve the standard of their metering. Having a methodology of this type is necessary to allow the maximum number of buildings to be rated fairly and at a reasonable cost.

**Question 29: Do you support the Government's proposal for resolving boundary disputes? If so, are there any additional considerations or amendments you would make to the proposal? If not, do you consider that a different approach would be more effective? Please provide evidence and case studies to support your reasoning, where possible.**

## Metering

A key challenge in applying different rating types to large offices in England and Wales will be the quality of metering present – especially when determining base building ratings.

As mentioned above, where the required level of metering is not in place assumptions can be made by allocating energy use proportionately. To encourage metering upgrades, which will improve the reporting accuracy of the rating, these assumptions could be conservative estimates of actual energy usage.

The addition of meters that can provide automatic meter readings (AMRs) should also be incentivised through this framework. An aim of the Government will be to automate as much of the rating process as possible to provide a cost-effective framework and AMRs can play a critical role in this. In time, and with correct service agreements in place with utility providers, up-to-date consumption data could be sent to the ratings administrator that could provide a predicted rating. This predicted rating could be viewed partway through the reporting year and allow building users to get an indication of their current performance.

**Question 30: At this stage the Government welcomes views on how to deal fairly with situations where metering arrangements in offices are not ideal, and how to incentivise upgrades in the metering arrangements where that is the case.**

## Benchmarking Different Spaces in the Office

Benchmarking different spaces within the office can be challenging. Often, offices will have other non-office functional areas such as a gym, canteen, IT room, etc. The Government has outlined three potential options to address the issue:

**Option 1:** Apply a single office benchmark to the entire building, regardless of the different areas found onsite. This option would take no consideration to the different energy intensities associated with different activities.

**Option 2:** Only capture the energy data associated with the office areas. This method will focus solely on the office areas of the building but would need all non-office areas to be correctly sub-metered and discounted from the site's total energy use.

**Option 3:** Capture all energy data for the building but apply separate and appropriate benchmarks to the different areas. At the time of a site visit, the assessor would be required to measure and verify these non-office areas and note their accompanying sub-meters where found. The use of sub-meters should be encouraged in a similar way as described in the framework inputs section above with higher than actual energy intensity used for areas that do not have sub-meters.

**Question 31: Which of the options above is your preferred option for addressing situations where offices are in buildings with non-office areas? Are there other options that have not been considered? Please provide evidence, where possible.**

## Quality Assurance

Having a credible and effective quality assurance process will be key to the successful adoption of the performance-based framework.

### Quality Assurance and Training

In order to comply and achieve a performance-based framework rating, the Government proposes that the onboarding process will require buildings to complete a site visit by a trained person. The Government's aim is to ensure that this initial site visit ensures that the rating will only require desktop audits for the following three years but will still be accurate and reliable.

Subject to the outcome of this consultation, the Government will look to appoint a ratings administrator who will manage the day-to-day operation of the performance-based framework.

The ratings administrator could be responsible for quality assuring the processes of the framework, its ratings, and its assessors.

The ratings administrator would be expected, as a minimum, to put quality assurance processes in place which include:

- An automated traffic light system that can spot discrepancies in the data and the resulting score. For example, if there is an unexpected and sharp improvement or decline in a building's rating, the owner or occupier of the building should be contacted to ensure that this has not occurred as a result of a data entry error
- A selection of buildings should be called routinely for audit by the ratings administrator. The rate at which audits are to be called has not yet been decided and will likely be determined between the ratings administrator and relevant parties, finding the correct balance between ensuring a high quality rating and keeping the framework cost effective
- Ensuring that the site visits are carried out by experienced and qualified energy professionals that may be associated with an appropriate professional body

## Quality Assurance in the Personnel

The Government proposes that personnel carrying out site visits and processing the data for the rating should be experienced energy professionals that have been certified by an appropriate professional body. These bodies should work with the ratings administrator to determine the appropriate competencies and requirements that will be needed for assessors. Current thinking would suggest that current in-use rating schemes such as BREEAM In-Use, NABERS UK and Display Energy Certificates (DECs) can be used as a guide for assessor requirements.

In order to have qualified assessors, a training course may be required to ensure all meet the required standards needed for this framework. The specifications and details of a performance-based framework assessor training scheme should be determined by the ratings administrator, professional bodies, and training bodies. Once a robust training regime is in place, appropriate energy professionals would need to attend these certified courses. If successfully passed, it would then allow them to be registered as qualified assessors.

Depending on the required competencies, it may be possible for current assessors of existing schemes and similar in-use energy ratings to participate in an update course which would review the specifics of this framework, how to use the ratings platform, and other such details. This would reduce the burden on the market to attend longer than needed courses where the expertise already exists, and it would also quickly increase the number of qualified assessors in the market to help ensure there is no supply shortage of assessors.

Once registered as a performance-based framework assessor a certain amount of Continuing Professional Development (CPD) must be completed every year to ensure all assessors are up

to date on recent energy saving methods and technologies. The level of CPD required will be determined through future collaboration between the Government and relevant partners.

**Question 32: Subject to the outcome of this consultation, the Government will work with the ratings administrator, and with industry experts, to tailor the framework appropriately to the office sector. At this stage, the Government welcomes any additional feedback on the high-level technical considerations outlined in this chapter, especially where there may be key considerations that we may have not addressed, or not been able to cover.**

**Where possible, it would be helpful if you could provide evidence and case studies to support your response.**

# Chapter 4 – Timings and Next Steps

Subject to the outcome of this consultation, the Government will aim to provide further details of timings closer to the launch of the framework and once a ratings administrator is in place. The ratings administrator could be responsible for leading on certain activities in the run-up to the launch of the framework.

The timeline below is an indicative 'fastest-case' scenario for implementation, should the policy progress:

**March 2021:** Consultation Phase one is published and open for public review.

**June 2021:** Public consultation closes, and all comments are collated and analysed.

**Autumn 2021:** The Government response to the Phase one consultation is published

**2022/3:** Should the policy proceed, soft launch of the performance-based ratings, Phase one (mandatory first rating, voluntary disclosure)

**2023/4:** Full launch of the performance-based ratings, Phase one (mandatory annual ratings, mandatory disclosure).

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This consultation is available from: [www.gov.uk/beis](http://www.gov.uk/beis)

If you need a version of this document in a more accessible format, please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.