

BEIS: Improving the energy performance of privately rented homes

Question 1: We would welcome views on possible impacts of the policy on the size of the PRS sector, the effect this could have on vulnerable households, and suggestions to mitigate this effect where it does occur, including any evidence.

Others are better placed to understand the impact of the policy on the size of the PRS sector. It is vitally important that existing regulations are strengthening to ensure that the properties rented by vulnerable households are fit for purpose. It is important that we ensure that across the PRS, but especially for those households in vulnerable circumstances, that priorities are cost-effective to heat and keep warm and play their role in helping us transition to net-zero.

Question 2: Do you foresee any impacts for protected groups? Please provide evidence to support your answer.

See our answer to Q1.

The impact of the pandemic on households has been severe, increasing the number of households that struggle to afford to keep their homes warm as incomes have reduced and energy usage in homes has increased.

The pandemic has, therefore, accentuated the need for speeding up improvements in the Private Rented Sector and there should be no delay in landlords being required to improve their properties to reasonable levels of energy efficiency.

Consideration is needed around the possible impact of landlords increasing the rent of properties following the energy efficiency improvements. For this reason, the focus should be on cost-effective improvements so that even if the rent is increased the tenant should benefit from lower fuel bills.

Question 3: We would welcome views on any possible long-term impacts of COVID-19 that could impact on making the required energy efficiency improvements from April 2025 and suggestions to mitigate this effect where it does occur, including any evidence.

Energy UK recognises the proposals in this consultation were developed before the Covid-19 crisis, and the long-term implications of this on the policy will not be known for some time. The consultations proposals are, however, nonetheless still necessary if we are to meet our statutory net-zero and fuel poverty targets, and in many ways, are now needed even more than ever given the Government's 2050 net-zero target and the ambitions set out in the Prime Minister's ten-point plan.

During the latter part of 2020, installers have demonstrated that they are able to work safely in homes, observing and practicing social distancing rules. We do not believe the pandemic should affect the capacity for energy efficiency improvements from 2020.

There is a current shortage of TrustMark Registered Installers and the number of qualified installers needs to increase, however, as part of the Post-Covid Green Recovery package BEIS has provided financial support for training.

Question 4: Do you agree with the government's preferred new target of EER C as a minimum energy performance standard in the PRS?

Yes, this demonstrates consistent government messaging which Energy UK welcomes. Energy UK is pleased to see that the government is considering a tightening of restrictions that will improve homes, help tackle fuel poverty and reduce carbon emissions.

A sole focus on the energy efficiency rating (EER) will not drive the deployment of low carbon heating systems by 2030. However, the Prime Minister's Ten Point Plan pledges the installation of 600,000 heat pumps per year by 2028. Incorporating a dual metric including the environmental impact rating (EIR) would increase the number of heat pumps installed in the private rented sector and will aid government in meeting the significant ramp up.

The current EPC does not take new technologies into account.

Question 5: We would welcome your views on the pros and cons of these alternative metrics, in relation to our overall policy goals around reducing carbon emissions, fuel poverty, and energy bills; please provide evidence with your answer.

Energy UK's view is that industry consensus ought to first be obtained on such questions, as opposed to considering these issues in isolation. We welcome the discussion on having a broader set of metrics for low carbon technologies, however at present it would be of more benefit to continue with what is already 'known' and familiar, with a view to considering these issues in a much wider context in the near future.

Question 6: Do you agree with the government's preferred policy scenario of requiring 'new tenancies' to reach EER C from 1 April 2025 and 'all tenancies' to reach EER C by 1 April 2028? If not, do you have alternative suggestions; please provide evidence with your answer.

Energy UK agrees with the government's preferred policy scenario. We are pleased the government has put forward a reasonable timeframe, which also aligns with the government's fuel poverty milestones.

Question 7: Do you agree with increasing the cost cap to £10,000 inclusive of VAT as our preferred policy proposal? If not, please explain why not and provide evidence with your answer.

Ideally the cost cap should be increased to £15,000. We recognise that including VAT in the overall cost cap might be sensible from a simplicity perspective. We, however, note that making the cost cap inclusive of VAT will lower the actual amount of money that will be spent on measures to improve a property.

Question 8: Should the £10,000 cost cap be adjusted for inflation?

Yes.

Question 9: Should a requirement for landlords to install fabric insulation measures first be introduced? If yes, when, and how should such a requirement be implemented? If no, what are the alternative installation methods that maximise energy efficiency outcomes? Please provide evidence to support your answer.

Energy UK has always supported the principle of a fabric-first approach to energy efficiency retrofit. We would enquire; however, as to the need for an additional requirement to be placed on landlords for pursuing this agenda, given the fact that EPC's already recommend this route.

There is also a danger of such a policy requirement unintentionally 'locking out' future innovative technologies that may be able to abate carbon and reduce energy bills.

Question 10: We would welcome views on the alternative of a dual metric target to reach both EER Band C cost metric and also EIR Band C carbon metric, with an increased cost cap of £15,000 inclusive of VAT.

Energy UK would support this suggestion.

Question 11: Should government introduce an affordability exemption? If so, we would welcome views on how such an exemption should be designed and evidenced, and any potential impacts on the PRS market.

Energy UK would not support an affordability exemption. If we are serious about meeting our net-zero and fuel poverty targets, it will be vital that we ensure that all homes are ready for a net-zero future. As a point of principle, landlords should not be allowed to profit from renting properties that are fundamentally not fit for this purpose.

Question 12: What should the eligibility criteria be for an affordability exemption if it is introduced, and how can the criteria accommodate fluctuations in a landlord's finances and/or in the value of a property? Please provide evidence to support your answer.

See answer to Q11.

Question 13: Should we incorporate TrustMark into energy performance improvement works?

If not, please explain why not and provide evidence with your answer.

Yes. Given the split incentive in the PRS (the landlord pays for the work but the tenant benefits through lower bills and greater comfort levels) some property owners might be tempted to make improvements as cheaply as possible. Using TrustMark installers should address this in ensuring that work is done to a high quality so the utilization of TrustMark or MCS accredited installers should be stated as a requirement in the legislation. Using TrustMark will mean the measures being logged in the data warehouse an online repository of information relating to building works.

Question 14: What role can the private rented sector play in supporting the rollout of smart meters and what are the barriers and possible solutions to achieving this?

One of the most difficult areas of the smart rollout is privately rented homes, which have many unique barriers blocking acceptance of a smart meter offer. These barriers include renters not feeling empowered to accept the smart meter offer, between tenancies landlords having other priorities and landlords fearing the meter will become a prepayment device in time; which has a stigma in some areas of the rental market when attracting tenants. Energy UK welcomes support, particularly policy levers, to enhance the rollout of smart meters to this critical area of the market to help consumers manage their bills and reduce consumption. Landlord's being obligated to accept a smart meter installation within a specified time period (if the tenant is the bill payer by making it a requirement of the landlords tenancy contract to accept an installation) or being unable to rent the property is an approach we support, and has been raised recently within the smart meter programme as an idea that is worthy of further investigation.

Added to that policy lever would be the opportunity to assign an appropriate SAP score to the installation of a smart meter and include this within EPC rating methodology. This would incentivise increased uptake of smart meters in all areas of the housing market, and due to the remote meter reading capabilities of smart meters this would drive an improvement in the quality of consumption data held on the EPC register. Policy lever support in this area would also be a cost-effective way of delivering the rollout and help achieve the national net zero targets.

Question 15: We would welcome views on whether the PRS Regulations may need to be tightened further for the 2030s? Please provide evidence with your answer.

Yes, as the current proposals will only bring 77% of privately rented properties to an EPC C by 2030. Further changes need to be in line with other policies such as heat and net zero.

Question 16: What are the other steps government could take to increase awareness and understanding of the PRS Regulations?

The government, businesses and public authorities will need to work together in creating a clear public awareness campaign to communicate the updated PRS regulations and what they mean for landlords and tenants.

The government should also do more to publicise successful legal action against landlords and tenants acting in breach of the regulations. The experience to date has been that the threat of Civil

Penalty Notices is an effective deterrent, however they are not always widely recognised, particularly amongst landlords with fewer properties. Tenants can also be unaware that they can claim rent back in certain situations.

Separately, the establishment of a national register of landlords and lettings agents, open to everyone, which includes whether they belong to an accreditation scheme, would help to ensure tenants and prospective tenants' awareness of the PRS Regulations, whilst simultaneously providing assurance that their landlord or agent is legitimate and knowing if they are accredited can give further comfort. A register would also help councils to communicate with landlords in their area and to promote accreditation schemes and local landlord forums.

Question 17: Is the introduction of a PRS property compliance and exemptions database necessary to help local authorities to proactively enforce minimum energy efficiency standards? If yes, should we include the per-property registration fee within the cost cap? If not, what alternatives to a PRS property compliance and exemption database would you suggest?

Others will be better placed to respond. However, without an effective compliance process, ultimately the new regulations will fail to drive improvements across the PRS.

Also, we would not support registration fees being included in the cost cap, this again will only serve to limit the investments landlords make into their actual properties, and in some instances may prevent landlords from making any investment (i.e. where the registration fee is what pushes the cost of a measure above the cap, e.g. SWI).

Question 18: Do you agree that government should set a maximum total registration fee for landlords with a very large portfolio? If yes, how many properties should qualify as a "very large" portfolio? What should the maximum fee be? If you do not agree to a maximum total registration fee proposal, do you have alternative suggestions?

Others will be better placed to respond.

Question 19: Should government seek primary powers to place a requirement on letting agents and online property platforms to only advertise and let properties compliant with the PRS Regulations? If not, please explain why not and provide evidence with your answer.

Yes. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

Question 20: Should government remove the seven to twenty-one day exemption period on

landlords making all reasonable efforts to provide a valid EPC prior to a property being marketed or let? If not, please explain why not and provide evidence with your answer.

Yes. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

Question 21: Should government increase the level of the fixed civil penalty fine for offences under the EPB Regulations (currently set at £200)? If yes, how high should the fine be?

Yes. The level of fine needs to be sufficiently high to deter non-compliance.

Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

Question 22: Should government enable LAs to inspect properties for PRS compliance? If not, please explain why not and provide evidence with your answer.

Yes. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

It will, however, be vitally important that the government ensure LAs are funded to conduct such activities. Without additional funding it is unlikely LAs will have the ability to take on this additional responsibility.

Question 23: Should government permit local authorities to use EPC Open Data for some phases of PRS enforcement? Please provide evidence with your answer.

Yes. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

It will, however, be vitally important that the government ensure LAs are funded to conduct such activities. Without additional funding it is unlikely LAs will have the ability to take on this additional responsibility.

Question 24: Should there be a requirement for post-improvement EPCs (and for the cost to be included within the cost cap)?

Yes. We would not, however, support the cost of a post-improvement EPC being included in the cost cap, this again will only serve to limit the investments landlords make into their actual properties, and in some instances may prevent landlords from making any investment (i.e. where the EPC cost pushes the cost of a measure above the cap, e.g. SWI). We do not believe it is unreasonable for any Landlord as a matter of best practice to be required to have an up-to-date and accurate EPC for each and every property they let. We believe the pre and post EPCs should be part of the PAS technical survey and post-installation survey.

This information will better delineate compliant and non-compliant landlords.

Question 25: Should a valid EPC be in place at all times while a property is let?

We do not believe it is unreasonable for any Landlord as a matter of best practice to be required to have an up-to-date and accurate EPC for each and every property they let.

Question 26: How can the most consistent set of recommendations in the EPC be assured?

Does using only the most recent SAP methodology allow this?

The EPC rating is only as effective as the extent its design accommodates for. Additional considerations need to be accounted for within the methodology at which the energy efficiency of a particular dwelling is calculated.

The underlying numbers within the carbon impacts assessment need to ultimately be amended to rank the different fuels appropriately. A prime example would be that the implementation of a low carbon heating system will not necessarily materially impact an EPC rating as proportionately as it could. EPC's must also recognise low-carbon heating technologies and include these within EPC recommendations. Currently EPC's fail to acknowledge the efficiency of low-carbon heating technologies. EPC's also do not include the installation of heat pumps within recommendations for space heating and instead a new fossil fuel consuming boiler will be recommended as a replacement for inefficient heating systems. This does not align with government ambitions to improve the energy efficiency of existing housing stock or the aim to dramatically increase heat pump installations recently announced as part of the 10 Point green recovery Plan.

Furthermore, SAP struggles to keep pace with rapid innovation. Ultimately if the government is seeking/looking to encourage innovative measures, the SAP process will either need to be sped up quite significantly (we note that the next SAP update is not due until 2025), or other pragmatic solutions will need to be developed to provide a score for such measures so they can be included in 'mainstream' policy. A heavy reliance on SAP will never lead to efficient innovation as its processes are too slow to catch up with the rapid pace of innovation.

By this virtue Government needs to remain cognisant that the EPC alone may not be the most appropriate tool in the future to measure standards or prompt action. Whilst the EPC currently remains the best tool we have; there needs to be recognition that a future review and reform needs to take place. This needs to be carefully handled to ensure that the current EPC targets are not undermined and that fabric upgrades remain relevant.

A revised EPC could, for example, also look to reflect smart meters to encourage uptake and enable households to clearly realise the benefits of Smart Metering. Varying stamp duties could be another consideration.

Question 27: Should listed buildings and those in a conservation area be legally required to have an EPC?

Energy UK sees no reason why listed buildings in a conservation area should not be required to have an EPC.

Question 28: Should government seek primary powers to increase the maximum fine level to £30,000 per property for each breach of the PRS Regulations? If yes, should it be adjusted for inflation? If not, what would be an alternative, appropriate maximum fine level? Please provide evidence with your answer.

Yes. The level of fine needs to be sufficiently high to deter non-compliance. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

Question 29: Should government introduce powers for tenants to request that energy performance improvements are carried out where a property is in breach? If yes, how could a redress mechanism be devised?

Yes. Although we question as to whether and how a tenant would have sufficient information as to whether a property was in breach? Alone, such a requirement is unlikely to be sufficient to drive action to bring a property into compliance.

Question 30: Should government introduce some form of local authority disclosure or benchmarking where a property is in breach of PRS Regulations?

Yes. Without effective compliance and enforcement processes, ultimately the new regulations will fail to drive improvements across the PRS.

Question 31: Do you agree that the updated exemption regime should come into force on 1 April 2025? If yes, do you agree that the property compliance and exemptions database should be opened six months prior to commencement of exemptions? If not, please explain why.

No comment.

Question 32: Should the 'new landlord' temporary exemption be simplified so that it applies to any person who has become a landlord within the last six months? Please provide evidence with your answer.

No comment.