

Warm Up North

UK – North East England

OWNERSHIP	PUBLIC-PRIVATE
Program authority	Northumberland County Council Gateshead Council Durham County Council Darlington Borough Council Newcastle City Council South Tyneside Council Sunderland City Council Hartlepool Borough Council Redcar & Cleveland Borough Council
Program Delivery unit	British Gas
Implementation Model	Separate Contractor Based
Operating Services	Marketing Integration Financial advice Assessment
Type of projects	Energy Efficiency (building retrofits) Renewable energy
Ambition/targets	200 M£ (260 M€) investment in up to 50.000 homes. The creation of 75 direct job opportunities regionally and 500 indirect jobs in the local supply chain.
Beneficiaries	Residential buildings Non-domestic public buildings
Funding Vehicle	Property owner (own funds) Financial institutions
Financial Instruments	Loans Grants

Summary

Warm Up North is an energy retrofit program in housing and public non-domestic properties in the North East of England. It addresses both landlords and tenants.

It is a Local Authority partnership who has procured a private sector delivery partner (public-private partnership) to be an exclusively endorsed Green Deal (GD) & Energy Companies Obligation (ECO) Provider. The main contract is between Newcastle City Council and British Gas. Beneficiaries do not

need to be British Gas customers to apply. An Inter Authority Agreement exists between Newcastle and the other 8 Authorities:

- Northumberland
- Gateshead
- Durham
- Darlington
- Newcastle
- South Tyneside
- Sunderland
- Hartlepool
- Redcar & Cleveland

The program covers energy efficiency measures e.g. cavity, loft, solid wall insulation, boilers and solar photovoltaic etc.

Warm Up North is committed to delivering 60% of its installations through local small and medium sized companies (SMEs).

The service contract covers a 5 years period from 2013 to 2018 (plus 3 year optional extension) and targets households and non-residential buildings in the North East region who can access works through the contract.

The objectives of Warm Up North are to:

- Improve energy efficiency / reduce energy consumption
- Reduce carbon emissions
- Reduce consumer energy bills / alleviate fuel poverty
- Safeguard / create employment

The investment and financing model is based on a minimum range of 10,000 to 15,000 domestic properties across all tenures to be retrofitted with a mix of measures appropriate to the property / household.

If the scheme is successful it will:

- Help homeowners install energy efficiency measures
- Improve the quality and quantity of energy advice
- Support the regional economy by safeguarding and creating employment and skills
- Help maintain decent neighbourhoods by reducing carbon emissions
- Tackle inequalities by providing residents with mitigating the risk of rising energy costs.

It is the UK's largest regional scheme delivering energy efficiency measures for the residential sector. Procurement is predominantly funded by a European (IEE) grant. British Gas was appointed as exclusively endorsed Green Deal Provider. Green Deal Providers arrange Green Deal Plans, provide finance, and arrange for the installation of the agreed energy efficiency improvements through an authorised Installer. The Green Deal Provider is responsible for:

- Offering a Green Deal Plan to customers, based on recommendations from an accredited Assessor Organisation;

- Arranging for the installation of energy efficiency improvements, carried out by an authorised Installer; and
- Ongoing obligations in relation to Green Deal Plans, including dealing with customer complaints and providing information when a new bill payer moves into a property with a Green Deal.

The Green Deal Plan sets out the financial terms of the agreement and includes consumer protections, such as warranties, to cover the energy efficiency improvements and installation. Only an authorised Provider can offer a Green Deal Plan.

British Gas committed significant levels (albeit reducing) of ECO funding to invest in homes across the partner authorities. In addition they provide programmes of behavioural change, helping consumers to reduce their energy consumption. The EU procurement started in June 2012 and British Gas was selected in July 2013.

The Warm Up North Regional partnership received around 1,24 M £ (1, 6 M€) of DECC (Department of Energy & Climate Change) Grant for Demonstration Projects. Because of the nature of the proposed measures they were able to draw in an additional 750k£ (1M€) 'Energy Company Obligation' (ECO) contributory funding from Energy Companies.

How does it work?

The program uses 2 schemes, Green Deal and Energy Companies Obligation:

Green Deal (GD)

“Green Deal” will provide the new national UK mechanism for improving the energy efficiency of buildings. It is a legislative and regulatory framework being established through the Energy Act 2011 by the UK Government’s Department of Energy and Climate Change (DECC), to enable authorised organisations (Green Deal Providers) to offer consumers energy efficiency improvements to their homes, community spaces and businesses at no upfront cost. These consumers can recoup repayments through a charge on instalments on the electricity bill, with the Green Deal repayments being collected by UK energy companies on behalf of the Green Deal Provider. A Green Deal Plan can be entered, provided the cost does not exceed the savings; this is known as the “Golden Rule”.

- It's a way of paying for the cost of solid wall insulation, boiler replacements and double glazing etc. from the projected savings people make on their energy bills
- Homeowners repay through their electricity bill. So the idea is that their bills (they may save on gas or oil bills, not necessarily electricity) decrease enough to cover the repayments, so total energy bills stay about the same until the loan is payed back
- If the homeowner chooses to get a Green Deal loan, the effective minimum repayment period is 10 years, the maximum 25. The exact length depends on the energy efficiency improvements they choose. Combining improvements can make Green Deal loans more affordable

Since project launch the take up by citizens in the Green Deal 'pay as you save' model has been very weak and UK subsidy levels have been substantially reduced by government. In July 2015 the Green Deal was scrapped.

The Government announced that in light of low take-up and to protect taxpayers from further losses there would be no further funding to the Green Deal Finance Company.

The Government's flagship Green Deal scheme to insulate homes was effectively axed and closed with immediate effect.

Energy Companies Obligation (ECO)

The Energy Act 2011 also imposes new obligations on UK electricity companies, which will support the Green Deal by providing extra support for more expensive improvements to meet the Golden Rule and provide separate, specific help for the lowest income and vulnerable households. This is known as the Energy Company Obligation ("ECO").

ECO creates a legal obligation on energy suppliers to improve the energy efficiency of households through the establishment of originally three distinct targets:

- Hard-to-treat homes and, in particular, measures that cannot be fully funded through the Green Deal. Solid wall insulation and hard-to-treat cavity wall insulation are two examples (standard insulation now included as per amended legislation)
- Provision of standard insulation measures and connections to district heating systems to domestic energy users that live within an area of low income.
- New boilers for low income and vulnerable households to affordably heat their homes.

The following paragraph describes a typical process of any given project, covering an advice visit and assessment, a financial proposal, installation and repayment:

- General marketing and advertising of services and products. Direct marketing to low-income households for boiler replacement.
- No cold calling over the phone allowed within the Contract
- House visits by qualified Surveyor employed by British Gas - assessment made as whether any benefits for energy efficiency measures, recommendations, cost of works and whether they will pay for themselves through reduced energy bills
- Quotation sent from office (cooling period required)
- For private properties the Contract (Green Deal Plan) is between resident and the GD Provider (British Gas) – it sets out the work that will be done and (if GD Loan with GD Finance Company taken out) the repayments
- For socially rented properties the Contract (standard construction) is between Local Authority and British Gas.
- Installations are carried out. For private properties the 'Green Deal' repayments will be automatically added to the electricity bill (which in turn is paid back to the GD Finance Company)

Financing options

There are 2 financing options:

- Consumer Finance

As a credit broker, Warm Up North can arrange a monthly finance agreement with Barclays Partner Finance, meaning customers can choose to spread the cost of their new installation over three to ten years.

- 9.9% representative annual percentage rate (APR)
- No upfront deposit required
- Make additional payments at any time
- Self Funding

Customers can pay for their installation in full with major debit and credit cards.

Once they agree to an installation, Warm Up North usually takes a 10% deposit. The full amount is only paid once their new installation is complete.

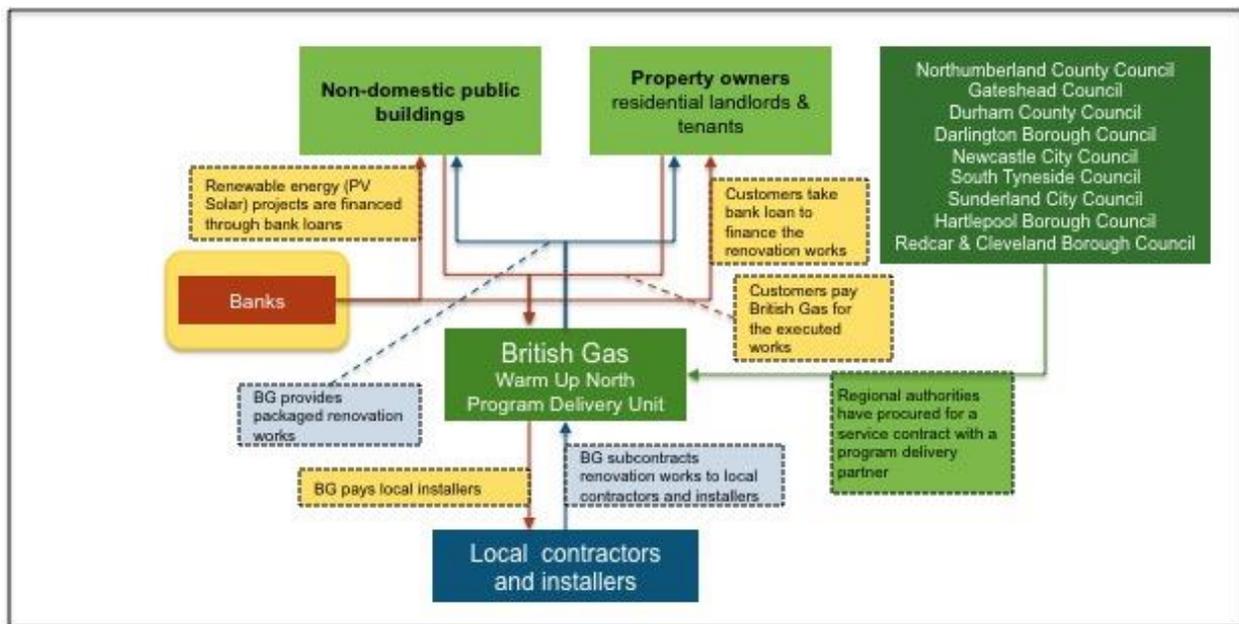
Non-Domestic scheme

In addition to the domestic residential programme, a non-domestic program of PV solar projects on public buildings (leisure centres, colleges, schools) has been developed.

It uses an Energy Performance contracting model. There is no upfront investment necessary, but annual guaranteed savings are used to repay the capital investment. Typical contract term is more than 5 years.

British Gas carries out investment grade audits and provides design, installation and maintenance services.

Fig 1. Operational and financial model



The program delivery unit

British Gas is the program delivery unit for the Warm Up North program. It acts as marketer, integrator, financial advisor and assessor.

The service contract between Warm Up North and British Gas, cover “People services” offered to the end customers and “Physical measures” in the buildings.

British Gas, through its delivery structure, takes the lead on:

People services

- Marketing and sign up
- Building customer confidence
- Lead on behavioural change
- Deal with customer services

Physical Measures

- Deliver physical improvements/installs
- Ensure compliance with legislation
- Ensure high quality work

As a counterpart, British Gas gets from the Partner Authorities:

- Endorsement exclusivity
- Access to Marketing routes at no charge
- Access to Data to enable clear targeting
- Awareness raising events / community events
- Referrals (i.e. customers being directed to them) to Warm Up North

It is unknown how many people at British Gas work on the programme. Also, there is no data available on the costs of the programme.

Legal structure	Unknown
Shareholder description	Private
Equity	Unknown
Shareholders	British Gas
Program dedicated staff	Unknown
Program operational costs	Unknown

Organization and partnerships

Social Housing Providers

Warm Up North provides a business-to-business approach and a tailored package to fully service the housing stock of social housing providers.

They can also act as referral partners.

Organizations in the NHS or health sector

They can act as referral partners.

Charity or not for profit organisations

They can act as referral partners.

Beneficiaries

Beneficiaries	Residential buildings (landlords and tenants) Non-domestic public buildings (for PV solar)
Type of projects	Energy Efficiency (building retrofits) Renewable energy
Operational support	Coordination of renovation works
Financial support	Facilitation of financing that is delivered by financial institutions

Funding mechanism

Program delivery unit funding	Unknown
Projects Funding	Unknown
Funding Vehicle	Property owner (own funds) Financial institutions
Fund size	Not applicable
Fund type	Not applicable
Fund sources	Not applicable
Financial Instruments	Loans Grants

Results

- Contract signed with British Gas in July and public launch in Sept 2013
- Offices set up in Newcastle – contact centre
- Staffing ranges between 35 - 45 direct employees to date
- Contracting with local SMEs via British Gas frameworks
- Marketing launched, withdrawn, re-launched, withdrawn, and re-launched!
- 3.600 installations by end December 2015 in more than 3,000 homes
- 24 M€ of works to be contracted by July 2015
- Further more than €35 Million of works expected to be delivered by 2018
- 7k tonnes of CO2/year saved to date
- For the non-domestic PV solar project, the Warm Up North ‘pipeline’ is circa. 6 M€ (8 M€), incl. PV installations in social rented houses

Contact details

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Factsheet

General Info

Country	UK
Model Name	Warm Up North
Date of creation	2012

Model Description

Ownership	Public-Private
Program authority	Northumberland County Council Gateshead Council Durham County Council Darlington Borough Council Newcastle City Council South Tyneside Council Sunderland City Council Hartlepool Borough Council Redcar & Cleveland Borough Council
Program delivery unit	British Gas
Operating services	Marketing

	Integration Financial advice Assessment
Implementation model	Separate Contractor Based
Type of projects	Energy Efficiency (building retrofits) Renewable energy
Beneficiaries	Residential buildings Non-domestic public buildings
Geographical coverage	Regional

Financial Mode Description

Project funding	Private
Project funding vehicle	Property owner (own funds) Financial institutions
Financial instruments	Loans Grants
Repayment model	Not applicable

Project risk Profile

Performance risk	Property Owner
Recourse	Not applicable
Financial risk	Property Owner

Model Requirements

Staff Requirements	Unknown
Equity or funding requirements	Unknown

Model Key indicators

Investment volume since creation	30 M€
Size of project (or project portfolio)	Unknown
Level of average energy savings	Unknown

Development maturity

Development/implementation stage	Growth
Operational development maturity	Growth
Financial development maturity	Growth

Model Qualification

Level of establishment	Well established
Growth of potential	High
Scalability of the model	High
Replicability of the model	High
Impact on public balance sheet	Low

Sources

<http://warmupnorth.com>

RETROFIT - MLEI NEWinRETRO, Newcastle City Council (UK), Warm Up North Procurement of a Delivery Partner for Regional Energy Efficiency Improvement Services, including Green Deal, across the North East of England, COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT STRATEGY, Deliverables D3.1 AND D3.2, 27 September 2012

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