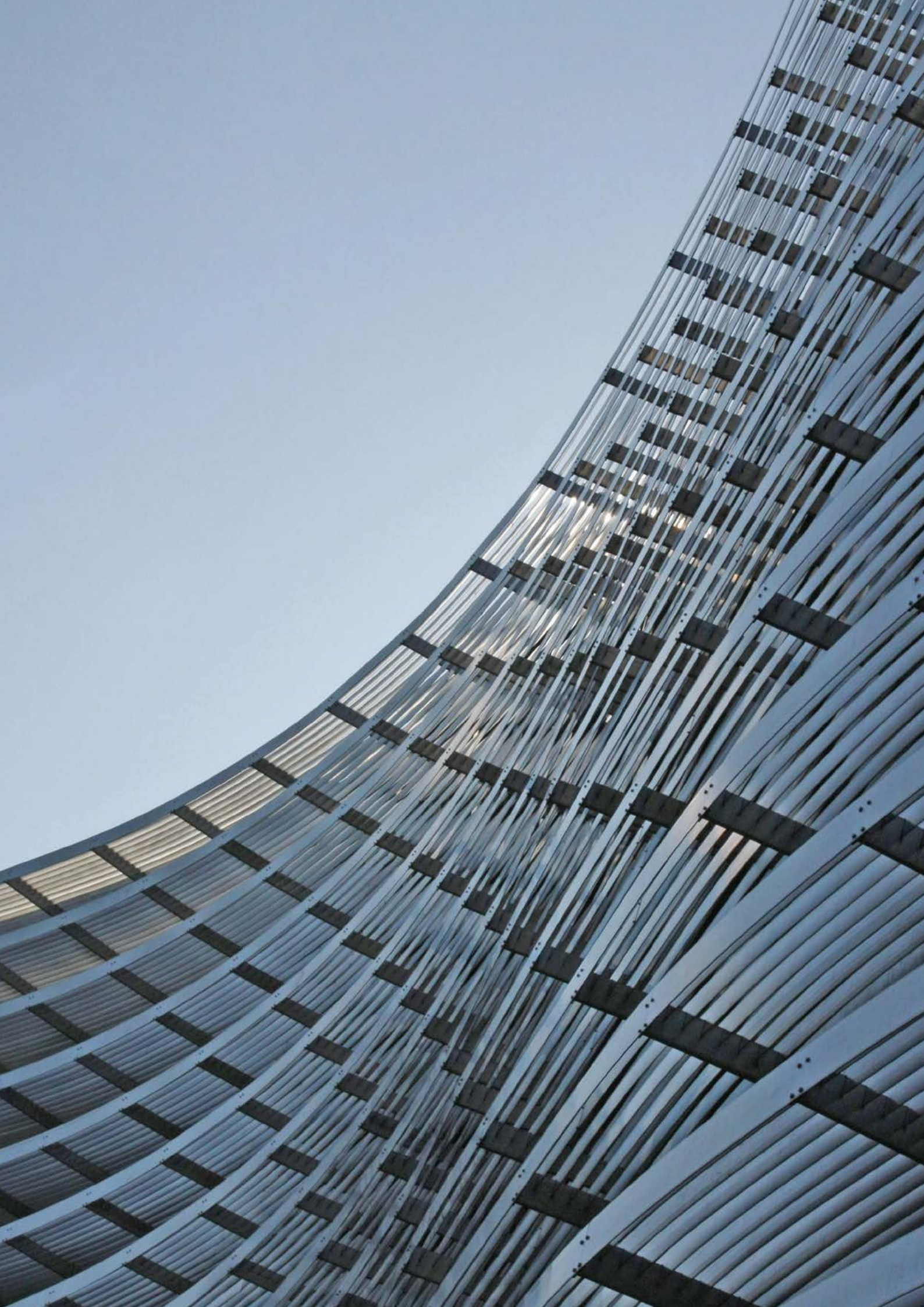


# Fully Charged: A Landlord's Guide to Energy



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## About DLA Piper

DLA Piper is one of the world's largest leading global full-service business law firms with over 80 offices in more than 40 countries across the world. At the heart of that business is an energy and natural resources practice which leads the market both in the legal services which it provides to all parts of the energy transition sector and the insight which its experience enables it to provide on the topics that matter to our clients. With all of the above in mind it is our pleasure to present this Landlord's Guide to Energy and we would be very happy to discuss any of the issues which it covers with you and encourage you to reach out directly with any queries.

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## Introduction

In the UK, around a quarter of our annual carbon emissions are generated by buildings, largely because the vast majority still rely on gas-fired heating systems. If we are to stand any chance of meeting our 2050 net zero target, a great deal of work is needed to decarbonise the 30 million buildings in the UK.

The UK is committed to reducing its greenhouse gas emissions across the economy to reach net zero by 2050. The Energy Act 2023, which received Royal Assent on 26 October 2023, is intended to be the driving force in implementing the UK government's strategy for achieving this 2050 net zero goal. The UK government has described the Act as "the biggest piece of energy legislation in the UK's history", which will "transform the UK's energy system by strengthening energy security, supporting the delivery of net zero and ensuring household bills are affordable in the long-term".

This is an exciting time in the UK's energy market, with ever evolving changes in both technology and energy regulation. Whilst we recognise the challenge of keeping up with fast paced changes in energy regulation, this handbook will help landlords stay informed about the current changes in the UK energy market and what this means for your business.

The UK's new regulatory framework also creates a vast array of opportunities for landlords in the decarbonisation space. In this handbook, we highlight a number of key opportunities for landlords, including district heat networks, rooftop solar, EV charging and corporate power purchase agreements (to name a few). We also look at the various grant funding available to UK landlords to support them on the road to decarbonisation.

We are excited about the prospect of new projects and innovative technologies coming to the market, and the opportunity to work with clients to create sustainable, secure and affordable energy systems of the future.



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# Heat Networks: Understanding the Basics

## Heat Networks – what are they?

Heat networks supply heat from a central source to consumers, via a network of underground pipes carrying hot water. Heat networks typically cover a large area like a development scheme but can be fairly local, supplying a small cluster of buildings. They can be various sizes and serve various combinations of building types. Heat networks are particularly attractive in high-density built-up areas such as city centres. They can deliver a wide variety of benefits to the environment, to consumers and to the wider economy. They are an essential part of our future clean energy infrastructure. Many of the cheapest sources of low-carbon heat can only be used if there is a network to distribute the heat.

## What do they involve?

The central heat source is often referred to as 'the energy centre'. There are many possible technologies that can provide the input to a heat network including power stations, energy from waste (EfW) facilities, industrial processes, biomass and biogas fuelled boilers and Combined Heat and Power (CHP) plants, gas-fired CHP units, fuel cells, heat pumps, geothermal sources, electric boilers and solar thermal arrays.

Heat is brought into each building through a 'heat exchanger' which, for a residential connection, is about the same size as a small gas boiler. All the same heating controls are available and to the end user the central heating and hot water system works in the same way as a domestic gas-fired central heating system, without the need for any combustion to take place inside the building. Heat networks can be extended over time, and new heat demands, and heat sources can be added to the network.

## What are the benefits?

Heat networks avoid the need for individual boilers or electric heaters in every building and are one of the most cost-effective ways of reducing carbon emissions from heating. Also, their efficiency and carbon-saving potential increases as they grow and connect to each other.

Once the network is in place, heat that otherwise goes to waste can be harnessed and used: for example, waste heat from industry, from power stations or from low temperature heat sources such as from data centres. Heat can even be taken from the rivers and canals that run through many town centres and from the warm mine-water left in old coal mines.

New infrastructure investment is a catalyst for local growth. Local authorities often incorporate heat networks (sometimes alongside Combined Heat and Power plants to provide local electricity) to drive regeneration and attract new business.

The energy system, like the whole economy, is an integrated and complex system. Heat networks can have a beneficial impact on the stability and cost-effectiveness of the whole system. Such benefits will take time to realise, but we know that a large heat network system, especially when combined with a large thermal store (hot water tank), offers a cheap and easy way of storing energy until it is needed. This can include taking any surplus supplies of electricity and converting them to useable heat, to the benefit of the overall energy system.

## Energy Act 2023 – new regulation for heat networks

Until recently, heat networks were not regulated in the same way as the electricity and gas networks. This means customers did not have the ability to switch away from their current providers. The Competition and Markets Authority (CMA) carried out a market study into the sector in 2018 and found that although on average heat networks deliver a comparable service to individual heating systems, there was a small minority of consumers who were being subject to high prices and frequent outages. The CMA therefore recommended that the government regulate the sector.

The Energy Act 2023 sets out a framework for the regulation of heat networks which, once implemented, will radically transform the way that heat networks in the UK are deployed.

Ofgem will be appointed as the regulator of heat networks, to introduce a licensing regime, monitor compliance and will be given powers to take enforcement action where heat networks are not meeting the required standards. There will also be regulation in relation to mandatory minimum technical standards, decarbonisation requirements and fair and transparent pricing. All of this is driven at protecting consumers and ensuring that heat networks deliver a reliable, cost effective and low carbon means of heating buildings.

The most radical change in the Energy Act is the powers to introduce heat network “zoning”. This will empower local authorities to act as “zone coordinators” to identify and designate areas best suited for heat networks. Once a zone has been designated, it will be mandatory for certain types of building to connect within a prescribed timeframe (subject to certain exemptions). This will likely include all new buildings, all large public sector buildings, all large non-domestic buildings and all domestic buildings that are already communally heated.

### Other considerations

Getting the DHN (District Heat Network) design right is key to ensuring on-demand availability and ensuring that the network complies with performance standards. This includes estimating site demand correctly and sizing the heat plant accurately. The sizing of the pipework is also essential to ensure that the heat network can be expanded as required to service additional customers where possible.

Developers or landlords also need to ensure that the contractual structure and terms are robustly drafted, so that the operational and performance metrics can be clearly evaluated and proper recourse is available where there is default or delivery failure for contractor fault.

### Is there funding available?

The [Green Heat Networks Fund \(GHNF\)](#) is a 3-year GBP288 million capital grant fund that will support the commercialisation and construction of new low and zero carbon heat networks and the retrofitting and expansion of existing heat networks. The scheme launched on 14 March 2022 and will run until 2025.

The GHNF is open to applicants from organisations in the public, private and third sectors who are responsible for the development of heating and cooling networks in England, that:

- meet the initial GHNF gated metrics covering the carbon intensity of heat delivered, consumer detriment, the minimum annual heat energy demand and the scheme’s social IRR (see section 4.2 of the Guidance for Applicants document);
- are able to provide all supporting documentation (see section 5.3 of the Guidance for Applicants document);
- are legal entities (such as companies or organisations). Public sector organisations such as NHS Trusts and other governmental departments may also apply.

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# Harnessing Energy from Rooftop Solar Panels

## Rooftop Solar Panels – what are they?

Rooftop solar panels are photovoltaic (PV) systems installed on building rooftops to capture sunlight and convert it into electricity. These solar panels consist of solar cells that harness the sun's energy to generate power for residential, commercial, or industrial use. Rooftop solar panels are a sustainable and renewable energy solution, contributing to reduced reliance on traditional energy sources and minimizing environmental impact. They play a crucial role in decentralized energy production and are a key component of the broader effort to transition towards cleaner and more sustainable energy practices.

## What are the benefits to landlords?

While rooftop solar is not a new technology – it's been used for power generation and commercialised for many years now – the capital cost of installing the

equipment has fallen and the lifecycle of the equipment has increased which has made the technology far more accessible.

Installing rooftop solar equipment on buildings has the following benefits:

- Volatility in energy prices – increased energy costs and price volatility are impacting both building owners and occupiers. Onsite generation can mitigate exposure to these challenges. A landlord can sell the generated power to its occupier(s), this would give the occupier certainty in relation to its energy costs, and the rates are likely to be lower than purchasing from the electricity network.
- Sustainability and net zero – rooftop solar could play a significant role in landlords' ESG strategies. Having a more sustainable building will improve energy credentials and also make the building more desirable to potential occupiers.





- Increase property value – green initiatives and energy efficient methods like solar panels are becoming increasingly popular as the world tries to become more environmentally friendly in the hope of beating climate change. As a result, properties with solar panels are becoming more in-demand which can have a knock-on effect on the property's value. Not only could a property be worth more with solar panels, it may also sell quicker and easier as a result.

## What is the structure?

The way that any solar equipment should be installed and documented will depend on the circumstances. Putting solar panels on a new building as you develop is relatively straightforward, but most landlords have to retrofit solar panels onto existing buildings. When retrofitting in this way, consideration will need to be given to the following:

- Rights to the roof space – is the roof within the landlord's control or has it been included in a lease to a tenant?
  - If the building is tenanted, but the roof is not included within a lease, the landlord may be able to install the solar panels without the tenant's consent, but further consideration will need to be given to the terms of the lease. Also, a landlord should engage with the tenant(s) of the building in any event, as the tenant(s) should benefit from the cheaper energy which will be produced.
  - If a building has been leased as a whole to a tenant, a landlord may be approached by a tenant who wants to install solar panels themselves. Even if a landlord is happy for a tenant to do this, a licence for alterations will need to be entered into which sets out the tenant's obligations to carry out the works carefully and without causing any damage or nuisance. The licence will also need to deal with what will happen to the panels at the end of the term of the lease. Consideration will also need to be given to the remaining term of the tenant's lease as solar panels have a life of at least 20-30 years.
- Third party providers – if the landlord does not want to incur the capital cost of buying and installing solar panels itself, it could enter into a power purchase agreement (PPA) with a specialist solar company. The landlord would grant a lease of its rooftop or the airspace above its rooftop to the solar company, who would then install and maintain the solar panels.

The landlord would get discounted electricity over the lifetime of the PPA, after which the landlord would usually inherit the solar panels. The advantage of this is that the landlord would not need to invest capital, but it would mean adding a third party to any negotiations with tenants.

## Practical issues

There are a few practical things to consider in relation to solar panels:

- Do you need planning consent? In many areas rooftop solar are covered by permitted development rights, but this would need to be considered in each case.
- Who will pay for maintenance? As long as they are kept clean, the cost of maintaining solar panels seems to be fairly low, but if a lease of the airspace/roof isn't put in place with a third-party provider, you should consider whether it is possible to recover any costs from any tenants of the building through the service charge.
- Will works to the roof invalidate any warranties or guarantees from contractors? This will need to be considered if the building is less than 12 years old.

Roofs are not the only places that commercial solar panels may be installed, solar array can also be installed at ground level or on canopies over existing car parks. An array of solar panels at ground level is likely to require planning permission.

We are available to answer any questions that you may have on rooftop solar panels. Please contact:



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## EV Charging: Powering the Future

### EV Charging – what is it?

EV charging refers to the process of supplying electrical energy to electric vehicles (EVs) to recharge their batteries. This is a crucial aspect of operating electric vehicles, as they rely on stored electrical energy for propulsion. EV charging infrastructure is a critical component of the transition to electric mobility, supporting the widespread adoption of electric vehicles and reducing dependence on traditional internal combustion engine vehicles.

### Landlord considerations

There are practical implications of EV charging infrastructure being installed. The installation of EV charge points on land will involve the installation of the charger itself, potentially a booster and electricity cables to and from the charger to a substation. Therefore, landlords should consider the following before investing in EV chargers:

- Access to Power – do you have a substation located on your land that powers your existing buildings and infrastructure? If so, does that substation have capacity to cope with the demand required for the EV

chargers? This will depend on the type of chargers you are installing at the property. If you do not have enough capacity, then you will need to seek to install a new substation on your land or potentially connect into a third party's substation located adjacent to your land. If there is not enough capacity you will also have to apply and secure a new grid connection to your site, which can be time consuming and has a limited time period to effect the new connection (i.e. complete a substation lease) before the grid connection offer expires. Substation leases can be time consuming to agree and the costs for the electricity provider's legal fees are often borne by the landlord or EV charge point provider. The term of such leases also tends to be at least 99 years so thought should be given as to the location of any substation compared to future development plans for the site.

- Types of relationships with charge point providers – landlords will have the choice whether to purchase their own charge points and charge for the electricity consumed via service charge to all tenants in a building or on an estate. Alternatively, landlords could choose to enter into commercial arrangements with

charge point providers in the form of occupational leases or framework agreements with a simple licence. The benefit of this approach is that a landlord would not have to pay the costs of the charge points or costs of obtaining a grid connection for the charge points. The drawback for a landowner is that they will have granted an interest in their land to a charge point provider e.g. for 15 years of part of their car park.

Points to consider if entering into leases with EV charge point providers:

- Repair obligations – thought should be given as to the level of reinstatement required following the end of the EV charge point lease and removal of their apparatus.
- Relocation rights – landlords should consider their current and future plans for their car park when locating the EV charge points initially. Relocation rights may be agreed subject to written notice, level of redevelopment and payment of costs to relocate the charge points and any associated substation relocation/connection issues.
- Non-compete/right of first refusal – given the commercial investment by EV charge point providers in new sites, they are keen to ensure their initial investment is not passed onto their competitors. The EV charge point providers therefore seek to include limitations on the landlord's ability to grant interests to other EV charge point providers completely or require the landlord to offer the original EV charge point provider the right to tender for additional installation opportunities first.
- Rental models – EV charge point leases include a range of different revenue sharing options between landlords and the charge point providers. These include a revenue share being paid to the landlord based on the amount of electricity used by the charge point in a monthly period, a per parking bay or charge point fee or a profit rent based on the profits made by the charge point provider after costs. These models, save for the per bay, involve significant reporting obligations on the EV charge point provider to provide and the landlord to review and ensure the sums reported are agreed upon.
- Contributions to costs for the estate/building – EV charge point providers are resistant to contributing additional sums in respect of service charge or insurance rent given their contributions to landlords for the rent, revenue share or profit rent.

Some landlords have agreed additional sums in respect of increased insurance premiums or service charge contributions e.g. lighting of car parks/ maintenance of car parks which the EV charge point provider also benefits from.

- Obligations on landlords – EV charge point providers are keen to ensure their charge point spaces are used by EV cars and not by combustion engine cars. They often seek to include obligations on landlords to police or ensure the EV charge point spaces are only occupied by EV cars. This should be considered where landlords are not on site regularly or do not have security guards who monitor the car parks.

## Tenants' applications

Some landlords of significant single let buildings or industrial space may receive applications from tenants to install and retain EV charge points on their demise as part of their lease.

Landlords should consider the rights of occupation the EV charge point provider is being granted if the tenant is not purchasing the charge point themselves for their own use. They should also consider the term of any sub-lease to an EV charge point provider and the reinstatement/removal obligations at the end of the term of the EV charge point lease (should the landlord not wish to retain the EV charge points at the end of the lease).

Landlords should also factor in the grid capacity for their estate/building and whether they require the tenant to obtain further capacity to facilitate any EV charge point installation. In particular, consideration should be given to the current occupational tenant's power demands (excluding EV charge points) and their future/a third party future tenant's demands. If a new substation is required to power the EV charge points, consideration should be given to the location of such a substation and whether this area will need to be surrendered from the tenant's demise. The costs for entering into such substation lease should be borne by the occupation tenant pursuant to the terms of their lease.

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# Exploring Metering and Data-Sharing Strategies

## What data can a landlord request from tenants?

To assist landlords with their transition to improve the environmental performance of their buildings, they can request data from tenants relating to the tenant's occupation such as:

- the energy use and consumption by the tenant and which utilities they are using to heat and power their premises;
- the generation of greenhouse gas emissions;
- waste generation and management; and
- the environmental impact of the tenant's use or occupation of their premises or the building/estate.

This data can be used to both monitor and improve the environmental performance of the tenant's premises and the landlord's wider building or estate. It can also assist landlords in producing comparisons of the environmental performance of the tenant's premises and the landlord's building/estate against targets or required measures e.g. to achieve BREAM status for the landlord's building.

## Where does the obligation to provide this data arise?

The requirement for a tenant to disclose their environmental performance data will be contained in the lease between the landlord and the tenant for the premises. The market requirement for such provisions to be included in leases has been in circulation since 2015.

The precedent clauses differ but should include certain fundamentals such as an obligation on the tenant to provide this data on a regular basis to the landlord, to the landlord's managing agent and any third parties appointed by the landlord (e.g. sustainability consultants).

## Practical matters

Landlords will need to ensure the requests for data from the tenants comply with statutory rules on data collection and use. Managing agents should prepare and issue letters of authorisation to tenants following completion of their leases in addition to the corresponding lease obligations.

Managing agents should also seek authority to collect data or request data directly from the tenant's utility providers (where applicable).

## Data usage

The data provided by the occupational tenants and utilities providers can be used to produce ESG reports and assist in satisfying ESG sustainability reporting obligations.

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# Legal Requirements for Landlords: EPCs and MEES

## What is an Energy Performance Certificate (EPC)?

An EPC contains information which provides an energy efficiency rating in relation to a property's running costs, allowing the reader to compare the energy efficiency of properties. Calculated using standardised energy usage patterns, rating is banded ranging from "A" (being the most energy efficient) to "G" (being the least).

Before the completion of a lease, it is common that the landlord supplies to the proposed tenant a valid EPC and a recommendation report. Parties may agree between themselves regarding its procurement, but the ultimate responsibility to comply with the minimum energy efficiency standard regulations ("MEES") falls on the landlord.

## What are MEES?

MEES regulations were introduced by the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 and originate from the Energy Act 2011 which contained the previous coalition government's package of energy policies. MEES set a threshold for the minimum EPC rating that a landlord must achieve for a property; since 1 April 2018, a landlord has been unable to let or re-let

commercial property that has an EPC rating lower than "E". Properties with an EPC rating of "F" or "G" are treated as "sub-standard".

Although non-compliance with MEES will not invalidate a lease, if a landlord grants a new lease of property, or continues to let a property, that is non-compliant with MEES then a landlord will expose itself to enforcement action and sanctions from the local weights and measures authorities.

## Who is responsible for compliance?

Compliance is the primary obligation of the property owner; the head-landlord/freeholder. Well-versed landlords will however attempt to offset costs liability onto the tenant under the letting documents, particularly the cost of energy efficiency improvements and an indemnity for not observing MEES. Obligations can be documented in many ways but the most common is express provisions in the letting documents which clearly confirm responsibilities and liabilities, which a landlord may back up under a carefully drafted service charge regime permitting the landlord to recover costs associated with improvements and surveyor input.

## Penalties for non-compliance

Enforcement is ordinarily undertaken by trading standards officers. The financial penalties depend on how long the breach had continued prior to the date of the service of the penalty notice:

- Less than three months: maximum penalty is the greater of GBP5000 or 10% of the rateable value of the property at the date of service of the penalty notice, up to a max of GBP50,000.
- Three months or more: the fine is the greater of GBP10000 or 20% of rateable value of the property at the date of service of the penalty notice, up to a max of GBP150,000.

## Are there exemptions to the regulations?

In some instances, a property can be let "sub-standard".

- Third party consent – this applies if a third party has refused consent for a proposed energy efficiency improvement despite the landlord's reasonable efforts, or the consent was granted subject to a condition with which the landlord cannot reasonably comply (for instance, a planning permission which has been refused). To rely on this exemption, this must have happened in the last five years.
- Devaluation – this is available if a report from an independent surveyor confirms that making the relevant energy efficiency improvements would result in a reduction of more than 5% in the market value of the property.
- Temporary exemptions – a landlord may be given six months to undertake works, or to register a long-term exemption, during which time a landlord will not be in breach of the prohibition when:
  - the landlord purchases sub-standard property readily let;
  - a lease is granted pursuant to an agreement for lease;
  - the landlord is guarantor to a tenant who has become insolvent, where the lease is subject to sub-tenancies so that the landlord becomes the immediate landlord to the sub-tenants;
  - a third party becomes an overriding tenant (e.g. as guarantor or pursuant to an authorised guarantee agreement);

- there is deemed creation of a new lease by operation of law;
- a lease is granted by order of the court; or
- there is a renewal of a 1954 Act protected lease.

If a landlord can establish reliance on the above, a landlord will be able to let once they have registered the exemption on the PRS Exemptions Register.

Notably, there are also instances where property does not require an EPC. Complex rules attach themselves to such exclusions, but consideration is given to the following types of property:

- properties that are to be demolished with planning permission in place;
- listed properties and those situated in conservation areas;
- properties used as a place of worship;
- an industrial site, workshop or non-residential agricultural property;
- detached properties with a total floor space under 50 square metres;
- properties due to be demolished;
- properties that do not have a roof or do not have walls (for instance, car parks);
- properties that have no heating, ventilation or air conditioning equipment.

## What are the government proposals for MEES?

Latest consultations suggest additional regulations concerning exemptions and increasing the financial penalties available on enforcement. The UK Government has also suggested a phased implementation of a "B" rating by 2030. Properties falling below this rating will be the new "sub-standard".

The following steps are envisaged (with "C" being the interim milestone):

- MEES compliance (2025-2027)
  - 1 April 2025 – landlords of properties within the scope of MEES must present a valid EPC.
  - 1 April 2027 – properties must have a rating of "C", or registered a valid exemption.

- MEES compliance (2028-2030)
  - 1 April 2028 – landlords of properties within the scope of MEES must check that the EPC remains valid and submitted to the compliance database.
  - 1 April 2030 – properties must have a rating of “B”, or registered a valid exemption.

Whilst the UK Government announced in November 2023 a plan to scrap all requirements for residential landlords to meet an EPC rating of “C” or above by 2028, it is unknown as to whether a similar approach will be adopted for non-domestic property.

### What should landlords consider going forward?

MEES inevitably impact on a landlord’s ability to deal with its investment. With increased government focus on ESG policies, lack of compliance will inevitably impact valuation and rental income of the asset. To mitigate its risk profile:

- landlords should actively monitor and review the energy ratings across their portfolios alongside regulatory developments. EPCs last for 10 years and for properties with a rating of “E”, a landlord should ring-fence these assets and consider how and when these will be “future proofed”;
- landlords should obtain details of registered exemptions from the seller in a portfolio sale;

- landlords should consider their ESG presence and reputational impact of non-compliance with MEES;
- landlords should consider what provisions they may wish to push for during lease negotiations. It is becoming increasingly common for landlords to reserve rights of access onto property for the purpose of undertaking EPC improvement works, to filter the cost of EPC improvement works to the tenant(s) and to demand more detailed obligations from tenants concerning the maintenance of energy performance and efficiency;
- landlords should be facilitating conversations with tenants to deal with any immediate compliance concerns for properties which are currently let and agree how costs are to be apportioned if tenants undertake alterations which warrant the issuing of a new EPC.

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# Choosing and Switching to a Green Energy Supplier

## Can I switch my energy supplier?

There are various statutory and regulatory requirements on electricity network operators and suppliers to facilitate competition and encourage consumer choice. Whilst commercial landlords are not afforded the same level of protection as a domestic customer (where licensed electricity suppliers are obligated under the terms of their licences to encourage each customer to consider switching tariff or electricity supplier), suppliers are required to make the switching process as easy and efficient as possible and there is a general prohibition on blocking a customer transferring to another supplier.

However, suppliers are able to 'raise objections' within the parameters of the contract and the Retail Energy Code. These grounds are limited and may include situations where the customer has unpaid bills or is in arrears with the existing supplier. The current supplier may have the right to object to switching until the customer resolves the outstanding payments. It is imperative to review the terms of the contract, as certain retail contracts may stipulate minimum contract periods and specific switching windows. Further, suppliers may object to switching on the suspicion of fraudulent activity.

Switching energy suppliers may also entail early termination fees, particularly for retail landlords with fixed-term tariffs. Since the onset of the energy crisis in 2021, there has been a notable escalation in termination fees, resulting in some consumers being bound to unfavourable tariff deals. Ofgem, however, emphasizes that these termination fees must be proportionate and should not surpass the direct economic loss incurred by the losing supplier. Nonetheless, before deciding whether to switch supplier it is important to thoroughly examine the contractual terms of existing tariff(s) to determine whether early termination fees would apply, and how much these would be.

Commercial landlords should keep in mind other external limitations to freely choosing tariffs, specifically:

- Planning permission – the property may be subject to planning conditions or obligations imposed by the local planning authority specifying a maximum carbon intensity threshold, of which the carbon intensity of energy supplied to the property will be a factor.

- Development agreements – development agreements between a landlord and a master developer can limit the freedom to choose tariffs. A developer cannot mandate this in relation to electricity supply as it goes against the open access principles above. At best, they can only mandate that the landlord obtains a green energy tariff.

## What is meant by “green” energy tariffs?

These are electricity tariffs that are supported by renewable or “clean” power. Renewable energy sources are generally considered to include:

- Solar power through converting sunlight directly through photovoltaic (PV) cells or by solar thermal systems using mirrors and lenses to concentrate heat that can be used for steam and drive turbines.
- Wind power, through capturing kinetic energy from wind and converting it into electricity.
- Hydropower which harnesses energy flowing or falling through water.
- Biomass energy from the burning of organic materials (such as agricultural waste or food products) which produces heat and converted into biogas.
- Hybrid systems of varying renewable systems, such as solar and wind.

Suppliers generally use two types of tariff model to categorise the degree of sustainability associated with their energy sources: “dark green” and “light green” tariffs. These terms are not universally standardized so consumers must review the details of the policy carefully to understand their specific characteristics.

“Dark green” generally means energy being procured directly from renewable energy generation and physically delivered to consumers. Providers with these tariffs may also support additional initiatives such as carbon offset or biodiversity investment. The supplier will also usually adhere to more stringent environmental standards and certifications. These tariffs may be ‘off-the-shelf’ for immediate use or set up through a bespoke Corporate Power Purchase Agreement (CPPA), details of which are set out in the next chapter.



“Light green”, on the other hand, generally means a less direct relationship between the renewable energy generated and that supplied to the consumer. In this scenario, the supplier procures power from the grid as normal but then matches each megawatt hour of electricity its customer uses with Renewable Energy Guarantees of Origin certificates (REGOs) representing the same amount of renewable energy.

Suppliers can buy REGOs from other suppliers who do produce renewable energy, and so its primary purpose is to track and certify the origin of the electricity.

### What is better: a “dark green” or “light green” tariff?

The table below sets out the main advantages and disadvantages of “dark green” and “light green” tariffs for landlords:

DARK GREEN	LIGHT GREEN
<b>Advantages</b>	<b>Advantages</b>
Green energy sources are transparent and traceable to the source, giving confidence to the market you are selling to.	More abundant availability in the market for “light green” tariffs.
These tariffs can bolster ESG credentials to disclose to potential corporate tenants and investors. If you are a corporate landlord, this can contribute to corporate social responsibility performance indicators.	Less complex and more flexible contract terms than “dark green” tariffs, making them cheaper. Still more expensive than not going ‘green’ at all.
Good marketing to incoming tenants (who are particularly environmentally conscious) and contribute to setting the property and corporate investor apart from competition.	<b>Disadvantages</b>
May provide energy price stability in the long run compared to a volatile mix with fossil fuels.	REGO certificates do not identify the relationship with the source resulting in a lack of traceability.
Depending on the context, these tariffs may be recovered by government incentives, subsidies or grants.	Questionable ESG credentials – may even lead to accusations of “greenwashing” by environmentally conscious stakeholders.
<b>Disadvantages</b>	Will not have the same effect as “dark green” in marketing value and strength as a competitor.
Limited availability for such tariffs given it is the physical delivery of green power.	“Light green” tariffs may not be adaptable to future green energy regulations that are introduced. Is it worth making the investment now?
Usually more expensive than “light green.” There are higher initial costs involved with negotiating more complex terms and pricing models, particularly if the CPPA route is chosen.	
Must consider whether truly green sources are imperative for investors and tenants through a cost vs value analysis. Research has suggested tenants overall value lower cost ahead of green sources.	

## How do I choose the best green energy supplier for me?

Hiring an energy broker is highly recommended to navigate the complexities of the energy market. They can undertake market analysis and provide insights, use their network to broaden the pool of potential suppliers (especially important if you are looking for “dark green” tariffs or CPPAs overleaf), and negotiate on your behalf. Furthermore, where applicable you should consider buying tariffs for multiple sites at once to benefit from “bulk” discounts that are offered by suppliers.

You should consider any internal or external corporate ESG policies and find a supplier which matches these ambitions. Researching thoroughly is necessary to ensure that the energy offered really is ‘green’ so to avoid accusations of greenwashing if the policy is weak.

We can help find you a solution for your energy procurement and answer any questions that you may have. Please contact:



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# Unravelling the Potential of Corporate Power Purchase Agreements (PPAs)

## What is a Corporate Power Purchase Agreement (CPPA)?

If your objective is to pursue a “dark green” type energy tariff described in the previous article due to its favourable business case, considering a Corporate Power Purchase Agreement (CPPA) could also be a viable option. This is particularly attractive for businesses seeking enhanced traceability and market value by directly procuring energy from renewable sources.

As set out in the previous article, the traditional approach of procuring electricity from licensed suppliers or opting for a pre-packaged “dark green” energy tariff carries the inherent risk of variable fees and the complexity of researching and managing switches.

As an alternative, a CPPA is in effect a bespoke tripartite arrangement between i) the project developer responsible for electricity generation, ii) a licensed utility company that secures electricity from the generator

and “sleeves” the electricity generated into the supplies it physically delivers; and iii) the end user (or “offtaker”) who receives the electricity. The CPPA will usually be with the utility company (who will have a back-to-back agreement with the generator), with the offtaker paying for the cost of electricity delivered and a sleeving fee to the utility company.

Depending on the size of the portfolio, a CPPA can be used for a single site, or a commercial landlord could enter an agreement as part of a ‘bulk supply’ to multiple offtaker sites. Opting for a CPPA will provide for a long-term arrangement, where the duration will typically be between a minimum of 2-3 years and a maximum of 10-15 years.

Set out below is an overview of the advantages and disadvantages of opting for a CPPA compared to a standard supply agreement:

CORPORATE POWER PURCHASE AGREEMENT	STANDARD SUPPLY AGREEMENT
<b>Advantages</b>	<b>Advantages</b>
As a bespoke agreement, it can be tailored to the landlord’s exact requirements. This includes a preference on the renewable source and to tailor to the properties’ characteristics such as particular planning permission requirements.	Generally straightforward, non-negotiable supplier terms and conditions, with lower professional costs involved.
Can help to achieve a “gold standard” in best ESG practice because of transparency and accountability for the green energy supplied. These agreements also contribute to developing renewable projects.	Bipartite arrangement between the corporate buyer and the supplier only. No involvement with power producer.
There has been an increase recently in “24/7” CPPAs, providing the corporate buyer with real-time monitoring and reporting to track the environmental benefits of the energy generation which can be disclosed to tenants and investors round the clock.	Generally no minimum offtake requirement.
Can be valuable for marketing to tenants if they value direct green energy procurement.	No credit support required due to smaller risk for counterparties.

CORPORATE POWER PURCHASE AGREEMENT	STANDARD SUPPLY AGREEMENT
Via the sleeving arrangement, the utility company is responsible for bearing any risk in fluctuations in the wholesale market power price. This acts as a de-risking mechanism for the corporate landlord.	A standard “dark green” tariff will still boost ESG credentials and marketing value to attract investors and tenants
If there is a shortfall in the supply of energy generation, the utility company takes responsibility for purchasing any top-up renewable energy from the market.	Much easier to reassess energy needs and switch suppliers i.e next day. More varied choice in suppliers (please see previous article).
The agreed-upon price is often at a discount (compared to the open wholesale market) particularly if it is a ‘bulk supply’ and/or is a longer-term CPPA.	<b>Disadvantages</b>
The long-term arrangement can provide for budget certainty as the price per unit can be fixed from the outset of the contract.	Usually offer only limited customization options which may not suit the specific needs of a corporate landlord.
<b>Disadvantages</b>	Do not directly contribute to developing renewable energy projects, so not generally considered to be ESG “gold standard”.
Bespoke agreements will take longer to negotiate, and incur higher legal, financial and technical fees and considerations.	Whilst guarantees of origin may be provided which can evidence the type of renewable resource used to generate electricity consumed, there is unlikely to be the level of transparency and granularity as a CPPA.
The tripartite nature can add complexities, as the corporate landlord will need to deal with requirements of generator and utility company.	Potential risk of accusations for greenwashing, especially if a “light green” tariff is chosen (please see the previous article).
There may be a minimum offtake requirement. For example, a ‘take or pay’ arrangement where the off taker either “take” and pay for a specified volume of energy, or “pay” a predetermined amount even if they do not take delivery. This is to give assurance to the generator that they will receive payment.	Less potential marketing value to tenants.
Generators/suppliers will often ask for credit support (via a parent company guarantee, letter of credit or cash deposit) to reduce the risk of failure for the overall PPA if one party defaults. This may cause problems if the corporate buyer is not part of a group with the required credit rating or does not have arrangements with a bank capable of providing a letter of credit. Offtaker must consider associated fees with this request.	The shorter-term nature allowing suppliers to change prices upon renewing a contract, which can expose corporate landlords to market fluctuations.
There is no guarantee that the price achieved will be less than that potentially obtained under a wholesale supply agreement “dark green” tariff. Certainly, it will not be less than a “light green” tariff.	Usually a wholesale price will be agreed (subject to ‘bulk buy’ opportunities).
Must consider whether pursuing the “gold standard” is really worth the time and cost in agreeing a CPPA. Must balance investor/tenants ESG preferences and marketing potential.	Exposure to market fluctuations. Ability to ‘shop around’ can create less certainty in financial planning.
The long-term nature means less flexibility to change terms and switch to a different energy generator.	

## How do I decide if a CPPA is right for me?

Hiring an energy broker is highly recommended to carry out a cost/benefit analysis on whether a CPPA would be right for you. They will also be able to connect you to the appropriate generator and utility company.

If you own multiple sites, it is advisable to assess whether entering into a CPPA to supply energy for some or all of your locations would be beneficial, potentially leading to cost advantages through “bulk” discounts.

We can assist you in resolving any issues related to CPPAs and answer any questions that you may have.

Please contact:



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# Funding and Grants for Low Carbon Heat and Energy Efficiency

## Introduction

This chapter provides an overview of support and incentive schemes, and the like, available to encourage and promote the decarbonisation of heating, improvements in energy efficiency, and investment in small-scale renewable energy technologies. Given the number and variety of the schemes and initiatives across the UK, and their different geographical areas of application, and the pace of change, the summary which follows, whilst covering a lot of ground, is not intended to be exhaustive.

## Support for heat networks

- The [Heat Networks Delivery Unit](#) provides grant funding and guidance through the early stages of heat network project development.
- The [Green Heat Network Fund](#) is a capital grant fund which opened in March 2022 and supports the development of low carbon heat networks for organisations in the public, private and third sectors in England (it replaced the Heat Networks Investment Project).
- The [Heat Investment Vehicle](#) (known as BHIVE) is a dynamic purchasing system for public sector heat network owners and developers to procure funding and funding-related services. BHIVE was first announced by the Department for Business, Energy and Industrial Strategy (BEIS) (the predecessor of the Department for Energy Security and Net Zero (DESNZ)) on 4 December 2020, at which time it had the name BEIS Heat Investment Vehicle (hence the abbreviation BHIVE).
- The Heat Network Efficiency Scheme (HNES) provides grant funding to public, private and third sector applicants in England and Wales to support performance improvements to existing/operational district heating and communal heating projects that are operating sub-optimally. DESNZ opened [HNES Round 7](#) on 25 March 2024 (it closes to applications on 26 July 2024).
- Information on funding for heat network projects in Scotland is available on the Scottish Government's [Renewable and low carbon energy page](#) – this includes a link to guidance on [Scotland's Heat Network Fund](#).
- DESNZ maintains a number of pages in this area, including [Heat networks pipelines](#), [Heat networks collection](#) (which includes a section on available support) and [Heat network zoning](#). The Scottish Government has a ['Heat in Buildings: Green Heat Finance Taskforce'](#).

## Support for low carbon heat (other than networks) and energy efficiency

- **Boiler Upgrade Scheme:** The Boiler Upgrade Scheme (BUS) was introduced by the Boiler Upgrade Scheme (England and Wales) Regulations 2022 (2022 No. 565) which apply in England and Wales. The BUS is described as being a renewable heat incentive scheme to facilitate and encourage the use of heat pumps and biomass boilers to provide space and water heating in domestic properties and small non-domestic properties. It supports the installation of heat pumps and biomass boilers through a grant mechanism (provided that they do not replace an existing renewable heating system). Ofgem is the administrator for the BUS. On 23 October 2023, DESNZ announced in a [press release](#) that the grants available under the BUS (to install heat pumps) were being increased; and on 30 November 2023 DESNZ issued a press release headed ['Heat pump applications surge after increase in government grant'](#). This was followed on 26 January 2024 by a press release from DESNZ headed ['Heat pump applications up by almost 50% as families make the most of government grant increase'](#), and another on 28 March 2024 entitled ['Heat pumps in demand as grant applications soar by 75%'](#). On 17 April 2024, the [Boiler Upgrade Scheme \(England and Wales\) \(Amendment\) Regulations 2024](#) (2024 No. 524) were made, coming into force on 8 May 2024 – these regulations (published along with an [explanatory memorandum](#)) make amendments to the 2022 regulations regarding the BUS.
- **Green Gas Support Scheme:** The [Green Gas Support Scheme](#) (GGSS) opened on 30 November 2021 pursuant to the [Green Gas Support Scheme Regulations 2021](#) (2021 No. 1335) (as amended). The GGSS (which applies in Great Britain) is a renewable heat incentive scheme to facilitate

and encourage the production of biomethane by anaerobic digestion (a green gas), for injection into the gas grid (to that extent, it replaces the **Renewable Heat Incentive Scheme** which closed to new applicants on 31 March 2021). The scheme is funded by the [Green Gas Levy](#), also introduced by the above regulations, which applies to all licensed fossil fuel gas suppliers. On 30 November 2023, the [Green Gas Support Scheme \(Amendment\) Regulations 2023](#) (2023 No. 1317) were made, which came into force on 1 December 2023 – they were published together with an [explanatory memorandum](#). There is further information available on Ofgem's '[Green Gas Support Scheme and Green Gas Levy](#)' page (Ofgem is the scheme administrator).

- **Low Carbon Heat Scheme:** The Low Carbon Heat Scheme is provided for in Chapter 1 (*Low-carbon heat schemes*) of Part 4 (*New technology*) of the [Energy Act 2023](#). Sections 143 to 152 of the 2023 Act contain provisions to introduce this scheme with a view to creating a market incentive for the sale and installation of low-carbon heating technologies, such as heat pumps. The scheme, when introduced in 2024, will require manufacturers of fossil fuel heating appliances to meet a rising standard for low-carbon heat pump sales as a proportion of their total appliance sales. Manufacturers will be able to meet the new standard either through sales of their own heat pumps, or by purchasing credits from other heat pump manufacturers, or a mix of both. This market-based scheme has been the subject of a DESNZ '[Clean heat market mechanism](#)' consultation launched on 30 March 2023. On 30 November 2023, DESNZ [published](#) the outcome of the consultation in a document entitled '[Clean Heat Market Mechanism Consultation: Summary of responses received and government response](#)' (an [addendum](#) regarding the scheme start date was published on 14 March 2024). The 'Next steps' section of the response document explains that the government will bring forward scheme regulations for the 'Clean Heat Market Mechanism' when parliamentary time allows under the powers granted by the Energy Act 2023.
- **Heat Pump Investment Accelerator:** The [Heat Pump Investment Accelerator Competition](#) provides grant funding of up to GBP15 million per project for major investments in the manufacture of heat pumps and strategically important components. There is also the Local Net Zero Accelerator pilot project programme which is intended to allow councils/combined authorities (those which receive funding under the programme) to invest in small net

zero projects (including retrofitting homes) which should then attract further private sector investment (see DESNZ's press release headed '[Councils pilot net zero projects with GBP19 million government backing](#)'). The accelerator funding from government will be used to design investment models which attract the private investment.

- **Great British Insulation Scheme:** The [Electricity and Gas \(Energy Company Obligation\) Order 2023](#) (2023 No. 873) was made on 24 July 2023 and applies in Great Britain (it was published together with an [explanatory memorandum](#)). This Order established an Energy Company Obligation scheme (ECO4A) for the period from Spring 2023 to March 2026 for the promotion of measures for reducing the cost to individuals of heating their homes – the scheme is administered by Ofgem and has been given the name the 'Great British Insulation Scheme'. See the consultation outcome document entitled '[Energy Company Obligation: Great British Insulation Scheme \(2023-2026\) & Amendments to ECO4 regulations – Government Response](#)' which was [published](#) by DESNZ on 30 March 2023. The principal objectives of the Great British Insulation Scheme are to: (i) deliver energy efficiency measures to a greater pool of households now challenged by higher energy bills; (ii) help alleviate fuel poverty and accelerate progress to meet fuel poverty targets; (iii) contribute to carbon reduction targets in the domestic sector; and (iv) reduce the costs of meeting the UK's net zero target through promoting more efficient energy use. Those suppliers required to participate in the ECO4 scheme (see below) are also required to participate in the Great British Insulation Scheme. On 5 April 2024, Ofgem published the '[Great British Insulation Scheme: Delivery Guidance](#)'.
- **Energy Company Obligation Grant Scheme (Phase 4):** The Great British Insulation Scheme (ECO4A) (see above) is a different scheme to phase 4 of the [Energy Company Obligation](#) grant scheme (ECO4) as created under the [Electricity and Gas \(Energy Company Obligation\) Order 2022](#) (2022 No. 875), which applies in Great Britain and runs to 31 March 2026 (there is an accompanying [explanatory memorandum](#)). ECO4 is a scheme aimed at delivering whole house retrofits for low-income and vulnerable households, whereas the Great British Insulation Scheme referred to above is aimed at driving the rapid installation of the most cost-effective mainly single insulation measures, extending support additionally to a much wider group of households in the least efficient, lower Council tax band homes.

- **Public Sector Decarbonisation Scheme:** The [Public Sector Decarbonisation Scheme](#) provides grants for public sector bodies to fund heat decarbonisation and energy efficiency measures – it supports the aim of reducing emissions from public sector buildings by 75% by 2037, compared to a 2017 baseline. Further information is available on DESNZ's '[Collection: Public Sector Decarbonisation Scheme](#)' page.
- **Social Housing Decarbonisation Fund:** The [Social Housing Decarbonisation Fund](#) is for local authorities, providers of social housing and charities that own social housing to bid for funding from government to install energy efficiency upgrades in their housing stock that is currently below an Energy Performance Certificate (EPC) C rating.
- **Home Upgrade Grant:** The Home Upgrade Grant provides energy efficiency upgrades and low carbon heating via local authority funding, to households in England that are low income, off the gas grid or have an Energy Performance Certificate (EPC) rating between D and G. There is also a [Green Homes Grant Local Authority Delivery Scheme](#) whereby local authorities can bid for funding to improve energy efficiency of low-income households in England.
- **Green Deal:** The [Green Deal](#) is a scheme for improving the energy efficiency of buildings in Great Britain – it is intended to help homeowners make and finance (including through a Green Deal finance plan) energy-saving improvements to their homes – it was developed under Part 1 (*Energy efficiency*) of the [Energy Act 2011](#).
- **Heat Pump Ready Programme:** The [Heat Pump Ready Programme](#) (HPRP) was launched in October 2021 (it is part of the [Net Zero Innovation Portfolio](#)). The HPRP supports innovation in the heat pump sector with a view to cutting installation costs. It is split into three delivery streams:  
(i) Stream 1: Solutions for High-Density Heat Pump Deployment; (ii) Stream 2: Development Tools and Technology; and (iii) Stream 3: Trial Support and Learning. On 23 October 2023, DESNZ [launched](#) the 'Wave 2 Competition' in respect of Stream 2.
- **Some further energy schemes (under devolved powers):**
  - The [Northern Ireland Sustainable Energy Programme](#) (NISEP), which operates in Northern Ireland, provides funding for energy efficiency measures (NISEP is funded by a levy on electricity customers). There is also the [Affordable Warmth Scheme](#) of the Northern Ireland Housing Executive (further information on home energy in Northern Ireland is available on the [NI Direct](#) site).
  - Details of energy efficiency schemes operated by the Scottish Government can be found on its [Home Energy Scotland](#) site (the equivalent for England and Wales is [Find ways to save energy in your home](#) on Gov.UK) and the [Home Energy and Fuel Poverty](#) page, and in its '[Heat in Buildings: progress report 2023](#)' published on 27 October 2023.
  - The Welsh Government operates schemes for energy efficiency and low carbon technologies for the home, with details available on its '[Nyth Nest](#)' site.
- **VAT relief – energy-saving materials:**

On 11 January 2024, HM Revenue & Customs [announced](#) the publication of a tax information and impact note about additional buildings and technologies that will benefit from VAT relief for the installation of energy-saving materials (ESMs) – the note is entitled '[Extension of VAT energy-saving materials relief](#)' – it is relevant to businesses that install qualifying ESMs, and customers that have ESMs installed, in residential accommodation and certain charity buildings in the United Kingdom. The measure described in the note, which takes effect from 1 February 2024, does two things: (i) it extends the VAT relief for the installation of ESMs to installations of ESMs in buildings used solely for relevant charitable purposes, such as village halls or similar recreational facilities for a local community; and (ii) it also expands the scope of relief to include water-source heat pumps; electrical batteries that store electricity generated by certain ESMs and from the National Grid; and diverters that allow excess electricity from certain ESMs to be used within a building where it is generated rather than exported to the grid. The day before, on 10 January 2024, the [Value Added Tax \(Installation of Energy-Saving Materials\) Order \(2024 No. 24\)](#) was made, which came into force on 1 February 2024 – this relates to the measure described in the above VAT note.



## Energy Act 2023

The [Energy Act 2023](#) (2023 Act) received Royal Assent on 26 October 2023 and includes a number of provisions of relevance (directly or indirectly) to the subject matter of this chapter. As well as the Low Carbon Heat Scheme discussed above, the 2023 Act:

- makes provision in Part 8 (*Heat networks*) in respect of the regulation of heat networks in Great Britain and the creation and regulation of heat network zones in England; and
- contains a Part 10 (*Energy Performance of Premises*) which provides for the making of regulations in respect of the energy performance of premises (enabling changes to be made to the existing EU-based Energy Performance Certificate (EPC) regime contained in the [Energy Performance of Buildings \(England and Wales\) Regulations 2012](#) (2012 No. 3118)).

## Support for small-scale renewables projects

There are a number of support schemes in operation in relation to renewable electricity generation. For small-scale projects (which are the focus here), there is the Smart Export Guarantee (SEG) scheme which was introduced in Great Britain on 1 January 2020 and enables small-scale generators to be paid for the export of their excess low carbon electricity. The SEG requires larger licensed electricity suppliers to offer a tariff to low carbon generators (of up to 5 MW capacity, or up to 50kW for micro-CHP) for the electricity exported to the grid (smaller suppliers can choose to provide this). The SEG replaced the Feed-in Tariff scheme which closed to new entrants at the end of March 2019. Further information on the SEG scheme (including who the scheme is for and how it works) is available on Ofgem's [Smart Export Guarantee](#) page.

We are available to answer any questions that you may have on funding and grants for low carbon heat, energy efficiency and related matters. Please contact in the first instance a member of our team listed in this document.



**Graeme Walton**  
Knowledge  
Development Lawyer

# Case Studies

## Orchard Street Investment Management



### How did you approach EV charge point roll out across your portfolio?

#### TENDER PROCESS

We identified retail sites within our portfolio that were key sites which we knew we would want to retain and had significant car use/anchor tenants which we hoped would be attractive to EV car users.

We appointed an external EV consultant who assisted with the tender process with the EV charge point providers. The consultants assisted in producing analysis on the different rental models being offered by the EV charge point providers (pay per bay, profit rent and profit share on electricity used).

The key metrics for our choice of EV charge point provider were:

- Rent – the type and amount of rent the EV charge point provider was willing to pay for each site;
- Covenant Strength – trading history for the proposed EV charge point provider;
- Historic Performance – had the EV charge point provider installed any charge points before and what did their forecourts look like. Would their charge points and branding fit with the portfolio's branding/approach to retail parks.
- Source of electricity – ensuring that the electricity was sourced from green/renewable sources and the ESG credentials matched OSIM's ESG requirements.

OSIM selected Gridserve to be their chosen provider for their roll out across key sites in their portfolio. Gridserve had demonstrated credibility with their forecourt at Braintree and their approach to sources of power/transparency on rental models.

## What were the challenges that you had to overcome?

### OCCUPATIONAL LEASE TERMS

Occupational retail park leases include a number of standard provisions relating to no build zones, minimum number of spaces, visibility splays and restrictions on structures being erected on the car parks. A significant number of these leases were entered into in the early 2000s before EV charge points were contemplated and therefore this proved challenging for OSIM to balance leases from the early 2000s with customer demands in the 2020s.

We would encourage any potential landlords who want to install EV charge points across their portfolios to invest in assessing the development constraints for each site as part of the EV charge point project. This will ensure sites which are selected do not have any leases with restrictive covenants which limit the ability of you, as landlord, to install EV charge points.

### POWERING THE CHARGE POINTS

Another challenge has been powering up the EV charge points as this has required new substations and cabling to be installed across the sites. This has involved substation leases and easements to be entered into by us, as landlord, and the documents negotiated by DLA Piper on our behalf. These documents are often difficult to negotiate with the electricity providers which delays the ability for the charge points to be available for use. We would push for these documents to be agreed with the EV charge point lease at the same time rather than as a secondary document.

### SERVICE CHARGE

When we originally commenced the EV charge points project, the market was not settled on whether EV charge point providers should contribute towards the service charge for a retail site and, if they did contribute, how much they were required to contribute/by what metric it should be measured. This was an area we have developed our understanding of, with the assistance of DLA Piper, and would now encourage landlords to seek to include an express fixed cap subject to indexation rather than the standard requirement for a fair and reasonable sum due to the limited comparisons for managing agents to draw upon.

## What role did DLA Piper play in the roll out?

We agreed initial terms with Gridserve in February 2022 and DLA Piper then acted on our behalf to draft and negotiate the key terms. DLA Piper were able to provide market advice on the requirement for EV charge point providers to contribute towards the service charge for the retail sites, repair and maintenance obligations and the approach to relocation in the EV charge point leases. DLA Piper acted on our behalf to agree a form of precedent lease with Gridserve which we then rolled out across the properties identified in the portfolio. DLA Piper have successfully agreed EV charge point roll outs on our behalf with Gridserve and Tesla across sites in England and Scotland.

We were really pleased with DLA Piper's depth of knowledge of this sector and their advice on market expectations for institutional landlords. We would trust them to act on our behalf for future EV charge point projects across our portfolio.

## Have you completed any installations yet?

Yes – Gridserve are now live at our retail park in Slough (see photo) and will shortly be going live at another of our sites in Taunton.

## Would you do this project again?

Yes – the market is maturing all of the time with the increased ownership of EV cars. There is a growing demand for EV charge points and this will be an added pull factor for customers visiting our retail assets. We look forward to working with DLA Piper on our next roll out.

## Waypoint: EV Charge Point Roll Out

### How did you approach EV charge point roll out across your portfolio?

#### Tender process

##### HOW DID YOU APPROACH SELECTING YOUR EV CHARGE POINT PROVIDER OF CHOICE?

Waypoint undertook market research across the EV charge point providers and took advantage of market surveys such as Zapmap's top 10 charge point providers to help differentiate between the different providers.

Waypoint underwent a tender process of their top 3 preferred providers with each provider giving a presentation to Waypoint on how they would work with Waypoint on the EV charge point roll out across their retail portfolio.

Waypoint chose to select an EV charge point provider to deal with their roll out as a process of de-risking capital expenditure across their portfolio as the chosen provider would take on the risk/capital costs associated with obtaining power/planning permission for the charge points and associated infrastructure.

##### WHO DID YOU SELECT AND WHY?

Waypoint selected Instavolt as their chosen EV charge point provider due to their consumer feedback reputation for usability and maintenance of their charge points.

Instavolt were also chosen due to their strong grasp on process planning for the installation of the charge points and obtaining power to the charge points. This gave Waypoint comfort that they would take on the burden and pressure of project managing the charge point roll out.

Instavolt were also attractive to Waypoint as they understood the importance of tenant/occupier engagement on retail parks and had built up positive working relationships with a number of the household name retail occupiers.

##### EXCLUSIVITY

Waypoint were happy to agree an initial exclusivity period with Instavolt to enable them to be the charge point provider of choice for all installations across Waypoint's portfolio for an agreed period. This was a fair approach for both parties and de-risked the project from Waypoint's perspective as they were happy with the covenant strength of Instavolt.

### What were the challenges that you had to overcome?

##### OCCUPATIONAL LEASE TERMS

The existing occupational lease terms were the biggest challenge as the long leases granted in the early 2000s include significant restrictions on the use of the car parks, number of spaces which have to be granted for parking use, visibility zones and no built zones.

However, a number of occupational tenants have embraced the addition of EV charge points to retail parks from an ESG and also pull factor benefit as a draw to the retail park.

##### POWERING THE CHARGE POINTS

The requirement for additional power for the EV charge points meant the need for new substations to be installed on a number of Waypoint's retail parks. This meant Waypoint had to consider the existing tenant's needs and also any future use of the car parks e.g. pod units being installed and ensuring any substations or associated infrastructure didn't inhibit future development of the site.

Due to Instavolt's approach to obtaining power/planning permission, this was relatively seamless and an easy process to follow.

##### WHAT ROLE DID DLA PIPER PLAY IN THE ROLL OUT?

DLA Piper were integral in the process of the EV charge point roll out for Waypoint from reviewing initial exclusivity and proposed heads of terms to agreeing the template EV charge point lease with Instavolt which was rolled out across Waypoint's retail parks.

DLA Piper were able to share market insight into forms of revenue beyond just the parking spaces e.g. the advertising revenue from the screens on the charge points and the rental models that were being used in the real estate market.

This enabled the process to work seamlessly and for sites to complete within a short space of time once identified due to the agreement of a template and approach to due diligence with Instavolt.

##### HAVE YOU COMPLETED ANY INSTALLATIONS YET?

Instavolt have now installed 40 charge points across 5 of Waypoint's sites since they started working with Instavolt in Quarter 4 2022.

##### WHAT WOULD YOU DO DIFFERENTLY NEXT TIME?

If Waypoint was to run a further roll out on future sites then they would look to ascertain the market rents/rental models and how these have matured since the initial agreement of terms with Instavolt in 2022.



## Small Heat Network: Montem Primary School Heat Recovery



Montem and Samuel Rhodes School is located on Hornsey Road in Islington, London; there are 14 classes and a 52 place nursery. The school is a Grade II Listed Building built in 1898. Construction is of solid brick load bearing walls with a large proportion of the glazing consisting of single glazed sash windows. Victorian construction and Grade II Listing means heating costs are high and insulation challenging.

National Grid has constructed a new electricity substation at 107-129 Seven Sisters Road a short distance from the school. The substation generates excess heat which has been recovered and connected to the school's boiler room. Secondary heat circuits and a heat exchanger enable recovered heat from the substation to provide hot water and space heating to the school. All external pipework was buried and not visible to meet the listing requirements.

The heat recovery meets the school's needs free of charge for the majority of the year with gas fired boilers supplementing during the coldest winter periods. This small scale, local heat network is saving significant costs for the school, without ongoing cost to National Grid.

National Grid has worked closely with Islington Council to deliver this project in liaison with Tom Louvre, Head of School Asset, Children Services, Mark Donaldson, Energy Conservation Officer and Joe Wilson, Principal Planning Officer and with the school business manager Paulette Edwards.

DLA Piper advised on all aspects of this transaction including real estate, planning and construction. Lewis Mellor Project Manager at National Grid said: *"DLA Piper's involvement has been key to coordinating the parties and achieving the desired outcome for all."*

## Large Heat Network: Grain Lng Heatpipe Link With E.ON



The Isle of Grain hosts the National Grid LNG terminal which imports and stores liquefied natural gas (LNG). It is a key part of the UK's energy security. LNG is imported and stored as a liquid at  $-161.5^{\circ}\text{C}$ .

E.ON's 1,275MW gas fired power station is also located at the Isle of Grain.

The LNG plant used gas to heat the liquid LNG from its chilled state to its gaseous state for entry into the gas transmission network. The E.ON power station generated surplus hot water which was discharged to the River Medway.

National Grid and E.ON constructed a heatpipe connecting the two facilities enabling the waste hot water to warm the liquid gas. The heatpipe consists of two pipes each 4,500m long, 1.2m in diameter and holding 5 million litres of water. 10 pumps move the water round the system in less than 12 minutes. Hot water leaves the power station at  $42^{\circ}\text{C}$  and returns at  $15^{\circ}\text{C}$  in a continuous heat efficient loop. This innovation has made both the LNG terminal and the gas fired power station best in class for efficiency.

DLA Piper has been giving legal advice to National Grid in relation to the Isle of Grain for more than 20 years and dealt with real estate, planning, environment and regulation and commercial aspects of the heatpipe.

Chief Executive of E.ON: *"The collaboration and engineering excellence shown since our investment was at the earliest planning stage has been hugely impressive pay tribute to our partners at National Grid for their role in this success."*

Chief Executive of National Grid: *"Innovation will be critical if we are going to meet the energy challenges ahead. Together, we have created the most efficient power generation and re-gasification plants in the UK."*

Paul Johnson Project Manager for National Grid: *"DLA Piper's advice has been invaluable in delivering this large and complex project."*

## DLA Piper's Power Purchase Agreement



DLA Piper has signed a corporate power purchase agreement with NextEnergy Group relating to the energy generated from a new build solar farm in the UK, as part of DLA Piper's drive to reach its decarbonisation targets. It will be the first law firm anywhere in the world to undertake a Corporate Power Purchase Agreement (PPA).

The solar farm, to be built in Somerset, covers 46 acres and will produce 13 megawatts of additional renewable power that will be supplied directly to the UK's national grid and thereby to the interconnected power network supplying DLA Piper's 15 European and UK offices that are taking part in the project. The power generated by the solar farm will at least be the equivalent to, but likely in excess of, the power used by these offices.

Environmental credits generated by the project, that exceed the direct power requirements of DLA Piper, will be applied to its value chain to reduce the greenhouse gas emissions of its indirect emissions. This will include exploring innovative mechanisms to apply the surplus to support DLA Piper's suppliers and business partners in their decarbonisation efforts, thereby further decarbonising DLA Piper's supply chain.

The PPA is a major milestone in DLA Piper's journey to decarbonise and follows the firm's announcement committing to halve its greenhouse gas emissions in absolute terms by 2030. As part of DLA Piper's science-based target (SBT), this covers reductions across the firm's entire value chain, including indirect greenhouse gas emissions from the supply chain against a 2019/20 baseline.

Natasha Luther-Jones, DLA Piper's International Head of Sustainability and ESG and Global Co-Chair Energy and Natural Resources, said: *"The firm's investment into this solar farm is yet another illustration of our commitment to reducing our carbon footprint through innovative solutions. We are the first law firm to enter into a corporate PPA so this project is a true statement of our ambition to be one of the most impactful business law firms for sustainability. The firm has advised on over 1,000 renewable energy deals and projects over the past decade and it has been a real pleasure to apply the deep expertise that we have gained over this period to our own need to decarbonize."*

Simon Levine, Global Co-CEO at DLA Piper, said: *"Sustainability and innovation are both fundamental to how we operate within DLA Piper and this project is a perfect illustration of both of these at work. It is hugely rewarding to see the firm apply the same solutions within our own organization that we have been advising our clients on for many years, especially in the corporate PPA space where Natasha Luther-Jones and her team lead the global market."*

Ross Grier, UK Managing Director of NextEnergy Capital, added: *"The corporate PPA market continues to strengthen. Corporate PPAs will form an important component of the way companies seek to decarbonise over the next decade and it's a pleasure being at the forefront of this with DLA Piper in the legal sector. NextEnergy is a leading developer and asset owner in the UK solar sector and it's great to supplement our portfolio with this relationship with DLA Piper."*

## Contact Us



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