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## CRC - You've registered, but it doesn't stop there

This month we're looking at years two and three of the CRC Energy Efficiency scheme, where you begin to undertake a whole series of tasks including forecasting, purchase and reporting of carbon allowances. Many think that once you are registered, that's the hard work done for the rest of the scheme, but registration is just the start of compliance and to get genuine value from the scheme and achieve the best possible cuts in energy costs and carbon usage, the work that will be undertaken for the first time in years two and three must be taken seriously. Everything you do between now and October 2011 will be for the first time, and this always means that it will take longer and be more complex than expected – these tasks include forecasting, reporting, the purchase of carbon allowances and registration for phase two of the scheme.

There are a number of strategic and tactical considerations that if taken seriously now can ease the burden and the cost that the scheme will place on your day-to-day business.

### Strategic considerations

#### Approach to forecasting

Forecasting is the process that will give a projected view of energy usage and therefore the number of allowances to purchase. Whilst you can get a lot of information from your metering systems to inform this, these systems and analysis software cannot take account of other aspects of the business that will affect energy consumption: Expected acquisitions, growth targets, increases in staff, or indeed the shedding of staff or assets. A forecast should not be treated as a snapshot and when put together, must take into account the plans of the broader business as it evolves over the forecast period.

Forecasting allows for more realistic, rather than aspirational, targets for energy and carbon reduction. It can be extremely powerful in the boardroom and allows the company to see how its evolution directly impacts its position in the CRC Energy Efficiency scheme.

#### Purchasing allowances

This will first take place in March and April 2011. Using an external partner is a strategic decision, but makes this process as simple as getting your accountant to do your personal tax return, especially if they are also the company responsible for maintaining your metering systems

and collecting data. It is possible to purchase allowances in-house, but like much of the scheme there are hundreds of pages of guidance that relate to this area and you have to weigh up whether there is somebody in the company that has time to focus on this, taking them away from their day job.

#### Advanced strategies for allowances purchasing

Whilst too complex to describe fully, it is worth noting that in principle it is possible for a company to take a position whereby it buys short of, or over its allowances in the scheme. Few will want to take this course knowingly and it again underlines the importance of good forecasting, which will ensure that whatever position you choose, it is based on a reliable assessment of the company's expected performance.

#### Phase two registration

Phase two of the CRC Energy Efficiency Scheme starts in April 2013, but you need to register in 2011, that's less than a year away as you read this. Phase two runs for five years and starts with a footprint report at registration, underpinning the need for systems and processes that get the information needed quickly and easily into your hands.

### Tactical Considerations

#### Robust monitoring

As part of your registration for the CRC scheme you should have fully reviewed your metering estate, and installed AMR metering as appropriate. Installation alone is not enough though. Many see data as tomorrow's problem, which it is – thousands of readings from every meter, which must be captured and accurately analysed. If a meter is installed in the wrong place, fails, or is missed at the analysis stage then reporting, forecasting, purchasing of allowances and league table performance are all directly impacted - add to this the headache of resolving meter inconsistencies. Taking a robust approach to monitoring and the analysis of data minimises risk and the information is immediately available to contribute for forecasting, foot printing and reporting.

#### Engaging with and incentivise tenants

If your business involves letting or subletting property to tenants and you provide them with energy then you need to involve them closely in years two or three of the scheme. Not just because you may want, or need to pass on the

costs associated with the scheme to them through service charges, but how committed they are to conserving energy will directly impact your performance and the allowances you have to buy. Offer them advice on saving energy; give them plenty of time to prepare for changes, such as AMR meter installations. Give them access to the data collected through the metering, so they can see for themselves where they can directly save money. It has to be a team effort to be successful.

#### Financial considerations

Make sure you have budgeted for the cashflow element of allowances costs – around 7% of annual energy costs paid out for six months each April from 2011. There will also be net allowances costs each year as you may be repaid less than you paid out. Start looking at the processes your finance team will need in place to pass the costs of allowances and any subsequent rebates to the tenants of your estate (if relevant). April and October 2011, are the two dates for this in year two of the scheme. Equally important is forewarning your tenants of how this will be handled and the timings involved.

#### Energy & Carbon Management

Don't treat the processes associated with the CRC scheme in isolation; they should be part of an overall strategic energy and carbon management programme which is owned by somebody on the board. Now that you are registered for the CRC scheme, this programme should be building up to roll out over the next 12-18 months. Taking this approach to energy and carbon usage will, in the long run, save you more money on your annual energy bills, inherently reduce carbon emissions and further improve the performance of the company in the public CRC league tables.

Please view this link to hear more from Power Efficiency on CRC [www.powerefficiency.co.uk/crcinterview](http://www.powerefficiency.co.uk/crcinterview)