



Newsletter – September 2009

ECG Shares IP for ESCo Set Up

Both private and public sector property developers, including local authorities, can now gain access to the complex structures which allow Energy Services Companies to be set up.

The key focus, and where ECG is sharing its experience, is the setting of commercially viable energy strategies. This ensures that the long term economic operation of energy infrastructure is both feasible and can stand investment scrutiny. The essential element is the construction of a robust, sensitised financial model. This allows changes in development profile, density and typography to be accommodated across what can be very long development timescales.

Changes in legislation (introducing allowable solutions and renewable heat incentives) can also be covered by the model. Changes in technical solutions in accordance with carbon emissions reduction targets can be reflected in the model so the developer can see exactly what the impact of change will make to revenue, costs and returns on investment.

Structuring the energy services arrangements to capture funding is directly reliant on the robustness of a financial model and ECG has been putting such structures together longer than any other specialist.

The complex legal structures required to allow low carbon infrastructure to be managed over the long term are now accessible through ECG. The legal contracts with end users and suppliers, the management of investment and the setting of heat price (and future change) can now be sourced at a fraction of the price for originating these documents from scratch. Recent comparisons have shown a 66% reduction in costs using ECG existing structures.

Property developers and public sector agencies can now set up their own ESCo and retain control and ownership of their infrastructure assets. Risk transfer can be managed and revenue maximised with the right framework and legal structures in place. Carbon reduction can now create value for developers where previously this value was given away to utilities.

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