



Sub Metering

WHAT IS IT?

While not always the case, utilities often do not install direct meters for every tenant of a commercial building or complex. Instead, the building owner pays the utility for all energy consumed, as measured by a master meter, and then charges tenants for energy use based on a standard metric such as square footage. As a result the tenant does not know the true cost of their energy consumption and no party is adequately incentivized to utilize energy efficiency practices such as occupancy sensors, high-efficiency lighting, or energy-efficient office equipment.

Under a submetering arrangement, a meter installed at the tenant level, and the owner usually administers the monitoring and billing functions. Contract provisions for additional operational rent can be removed and tenants pay for what they consume, resulting in a variety of environmental, economic, and equity benefits for both the tenant and the building owner. Electricity is the most common and valuable submetered utility type. Submeters are also available for water, heat, and steam.

WHY IS IT IMPORTANT?

One of the most vexing issues facing energy managers and policymakers is the “split incentive,” in which building owners and tenants can not effectively distribute the rewards of energy conservation efforts. This is frequently due to communal utility usage via master meters wherein tenant usage is aggregated by design. Submetering helps to overcome the “split incentive” by ensuring that tenants can measure their individual energy and water consumption. A good policy enables greater and more targeted access to information while fairly and clearly allocating any associated costs for submetering to responsible parties.

BENEFITS



Reduced Energy Consumption.

Submetering reduces energy consumption in leased spaces by sending an accurate price signal to energy end users, in this case, commercial tenants. Tenants are more likely to pursue energy efficiency opportunities if they are able to track their energy usage and review their utility bills.



Equitable Considerations.

Submetering represents a fairer way to account for energy consumption and costs by enabling a “user pay” approach. Submetering allocates the cost of energy based on use, eliminating subsidy for energy intensive tenants and rewarding efficiency.



Cost Certainty for Building Owners.

In the conventional master-metered mode additional fee that tenants pay to the owner is based on static factors such as square footage, rather than the dynamic factor of actual energy consumption, while the owner is still liable for actual consumption costs. This arrangement exposes the owner to volatility and a risk of receiving insufficient payments to cover its utility cost during periods of unusually high consumption. Submetering provides an assurance that the owner’s utility costs will be covered by tenant payments that reflect actual consumption.

HOW CAN COMMUNITIES IMPLEMENT THIS PROGRAM

Starting a submetering program is a great way to rapidly educate tenants about their actual energy usage and achieve reductions in overall consumption.

- **Evaluate State Law and Prepare to Educate** – In the last decade, apartment renters and condominiums owners had seen mark-up through utility resellers, often called “submeter” companies. In June of 2017, the Public Utilities Commission of Ohio ruled that utility resellers can charge no more for electricity than a household would otherwise pay to a regulated utility, with some exceptions. There may be residual frustration with mark-ups in sub-metering on the residential side. It will be important to share the 2017 ruling and success seen on commercial side.
- **Engage Stakeholders** - Including utility, construction real estate, and property management companies in the process of evaluating submetering policies will help to ensure overall program.
- **Conduct Market Analysis** – Evaluate current costs, including equipments (meters and data collection systems), installation, maintenance, and billing administration. Consider how these costs would manifest in commercial buildings of different sizes and configurations, and develop alternatives that allow for the phasing of submetering requirements. Assess associated costs to determine which party or parties should be responsible for installation, and create a reasonable timeframe for expected implementation.

COMPLEMENTARY POLICIES

Complementary Policy Landscape for Submetering

