

## Mini-Contracting. Development of contracting services for single family houses involving renewable energies and efficiency promises (COREFF)

### **Subsidized by:**

Federal Institute for Building, Urban Affairs and Spatial Research, Bonn  
Forum für Gebäudeenergieeffizienz (VdZ), Berlin

### **Partner:**

EWE ENERGIE AG, Oldenburg  
German Central Association Plumbing, Heating, and Air Conditioning,  
St. Augustin

12/2011

This research report was subsidized with means of the research initiative “Zukunft Bau” by the Federal Institute for Building, Urban Affairs and Spatial Research (Reference SF-10.08.18.7-09.44) / II 3 – F20-09-1-167). The content of the publication is solely the responsibility of the author.

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Contracting plays a strong role in boosting energy efficiency. Many experts have thought particularly in using these instruments for non-residential buildings to compensate the costs of the implementation of the introduction of this business model. It is also a fact that there are problems by billing the tenants for rented living space. Last but not least and despite decades of information flow there is still a slight use of contracting in the non-residential building area. However, there are numerous providers mainly regional energy suppliers using central elements of contracting as well as offering reduced energy services for the target group of “single-family houses”.

Against the theory – why do these suppliers and services exist? How could services be developed to increase energy efficiency of single-family homes respectively renewable energies to be used in?

The German Federal Office for Building and Regional Planning entrusted the Bremer Energie Institut with a study on such “Mini-Contracting Services” to give impetuses to the progress of contracting services for single-family homes. Therefore offers had been analyzed and surveys carried out. Enhanced contracting services could lead to a faster and greater CO<sub>2</sub>-reduction. The development focused on penetrating the market, increased involvement of renewable energies and energy efficiency and the inclusion of additional services.

### **Analysis of consisting offers**

Contracting is an instrument to be used by someone else than the owner of a building for planning, construction and organization, investment, energy supply and operating an energy conversion system. Nor all services are always available neither for all objects. There are a number of advantages for owner of buildings by using contracting e.g. a reduction of risks and liquidity benefits and according to the type of contracting additionally guaranteed energy and energy cost savings. Mini-Contracting is used for the modernization of heating systems up to 50 kW<sub>th</sub> power range, respectively for single family houses and smaller non-residential buildings. By researching est. 40 suppliers of mini-contracting in Germany could be identified. With a few exceptions they are all energy supplier offering their services on local markets (municipal utilities).

The number of customers using mini-contracting offers varies. With 10,000 customers (by middle of 2010) EWE ENERGIE AG shows the most mini-contracting customers. Three more have several thousand customers, as all other suppliers have between 10 and 700 customers. Approximately 60 % of the evaluated suppliers show up to 100 mini-contracting customers. There were estimated 25,000 to 30,000 mini-contracting contracts by the middle of 2010.

Services so far can be described as follows:

- First of all it is about modernization of boilers and subsystems and secondly about new installations in new buildings.
- It is not about individual solutions on the technical side. So there are low transaction efforts for companies with a big number of customers due to well-structured processes and contracts.

- The most common energy source is natural gas.
- The suppliers are interested in long-term customer loyalties.
- There are invoices about both generated heat and natural gas consumption.
- There are solar thermal energy services combined with other renewable energies available.
- There are no certain energy efficiencies or guaranteed savings.
- New systems shall be financed by contracting fees.
- There are usual contract periods of 10 years.
- There is an intense cooperation with the heating handcraft. The craftsmen work by order of the energy supplier.

### **Surveys as basis of development**

To get a better starting point for the development five surveys with reference to the “Wärme plus” service of EWE have been carried out. The results determine that 80 % of the craftsmen’s establishments are satisfied with these services. They will benefit from these services as follows:

- Acquiring new customers: almost 2/3 of the craftsmen acquired new customers by mini-contracting. 55 % of them more than 6 per year.
- Almost 60 % claimed that the service lead the customer carrying out the modernization.
- Due to the service contract the craftsmen stay in contact with their customer which at least arises opportunities to make further contracts.
- There are no collection risks as the principal is the energy supplier and not the house owner.

Individual wishes of the craftsmen regarding the development of mini-contracting are:

- Making the explanation of the customer contract easier.
- Reducing obstacles for the customers like 1) the residual value after 10 years. 2) The long-lasting contract period without an apparent termination possibility. 3) No free choice of the gas supplier. 4) The missing possibility to include state support as well as tax deductions of craftworks.
- 55 % are convinced that guaranteed energy savings could motivate further customers making use of the services.

It is important for all craftsmen to keep in contact with their customers, to have free choice regarding heating boilers and a general support of their duties due to the services.

## **Development – But how?**

The central points of the development of mini-contracting are to increase energy efficiency, to include renewable energies and to extend the market volume.

The following possibilities should be used to increase energy efficiency by using mini-contracting:

1. Firing system: exclusive use of condensing boilers.
2. Use of high efficient “good” rated brands.
3. Use of specific energy efficient subsystems (particularly storage and pumps).
4. Contractor confirmed performances of the hydraulic compensation by the assigned craftsman.
5. Top maintenance.
6. Inspection of the utilization of condensing in practical operation.
7. Guarantee on quantified energy savings.
8. Energy billing at the heating system output
9. Training and certification of the involved specialists.

To force the use of renewable energy mini-contracting services should encourage house owners to integrate renewable energy. Therefore renewable energy must be planned by default. Not including should be just the second alternative.

To increase the market volume of mini-contracting there are several measures necessary:

1. The possibility of inclusion of state support
2. To increase the awareness of the service
3. Higher Standardization of the service
4. Additional benefit like monitoring of the energy consumption
5. Target groups offers like safety, comfort, reduction of risk, financing models, quality.
6. Inclusion of the plumbing, heating and air-conditioning handcraft.

There are good chances to develop contracting services for single family houses thus this instrument might be used more extensively and will lead to an intensive use of renewable energies.