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# New obligations for landlords of multi-let buildings

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Landlords of multi-let buildings with communal heating or cooling systems have new obligations in relation to billing, metering and reporting of heating costs. Charges to tenants for heating or cooling must now be based on actual consumption, with a requirement to install individual meters if necessary, and the arrangements must be reported to the government.

The Heat Network Regulations 2014, designed to implement parts of the EU Energy Efficiency Directive, came into force on 30 April 2015. The Regulations apply to landlords of any commercial or residential building let to two or more tenants whose heating or cooling is supplied by a communal system. Systems based on ducted air, or which supply several buildings or communal areas only, or which supply very short-stay occupiers such as hotel guests are excluded.

Landlords of buildings to which the regulations apply must bill tenants for heating or cooling based on the cost of actual consumption and supply them with certain prescribed information on energy efficiency, unless it is technically or economically impossible to do so. The bar for this test is a high one; for example, annual administrative costs of up to £70 per tenant are regarded as viable. Landlords are required to install individual consumption meters by the end of 2016 unless impossible to do so on certain prescribed grounds.

In the opinion of the enforcement body for the Regulations, the National Measurement and Recording Office ( NMRO), the requirement to bill based on actual consumption overrides existing provisions in leases. This has yet to be tested in court but means, for example, that leases with an inclusive rent or where billing is based on inexact measures such as floor plan area (which is 'the norm') may be contested by tenants. There is also uncertainty around how the regulations apply in cases of sub-letting; potentially both the ultimate landlord and the tenant who sublets could be subject to the rules.

Affected landlords are required to notify the NMRO by 31 December 2015, and every four years after that, of the details of their property, tenants, the heating or cooling system, its efficiency, and the billing arrangements. The NMRO can impose civil penalties or even pursue criminal prosecution for non-compliance with the Regulations, is required to publicise cases of non-compliance, and has been given powers of entry to conduct inspections where non-compliance is suspected.

It is early days for the regulations and their scope is regrettably unclear in many cases. Moreover, the NMRO's capacity to administer the huge reporting and enforcement process the regulations imply is questionable. But the temperature of regulation on energy efficiency is sure to keep rising. So, to avoid being burnt, landlords are advised to consider steps they may need to take to comply.

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