

## **Appendix A. Golden Rule Explanation**

Following a careful assessment of the property, potential energy savings are calculated using RdSAP (the “Reduced data-input Standard Assessment Procedure”). This is how Energy Performance Certificates (which you need when selling or renting a property) are calculated. For example, the RdSAP estimated saving for a semi-detached property having Cavity Wall insulation installed is around 4550kWh a year.

If this were based on the retail price for gas published in the latest (2012) official Government statistics release, the above example would lead to cost savings of £202.

However, the gas price used to calculate savings for the Green Deal is taken from RdSAP, which is updated twice a year using an average over a three year period to minimise the influence of price spikes, and to reflect differences in retail prices across the UK. The price currently assumed by RdSAP is 3.48p per kWh - around 20% lower than the latest official published price. In the above example this leads to a lower savings estimate of around £158.

These cost savings are then adjusted downwards to reflect variation in buildings, products, installation techniques and occupant behaviour from those assumed in RdSAP.

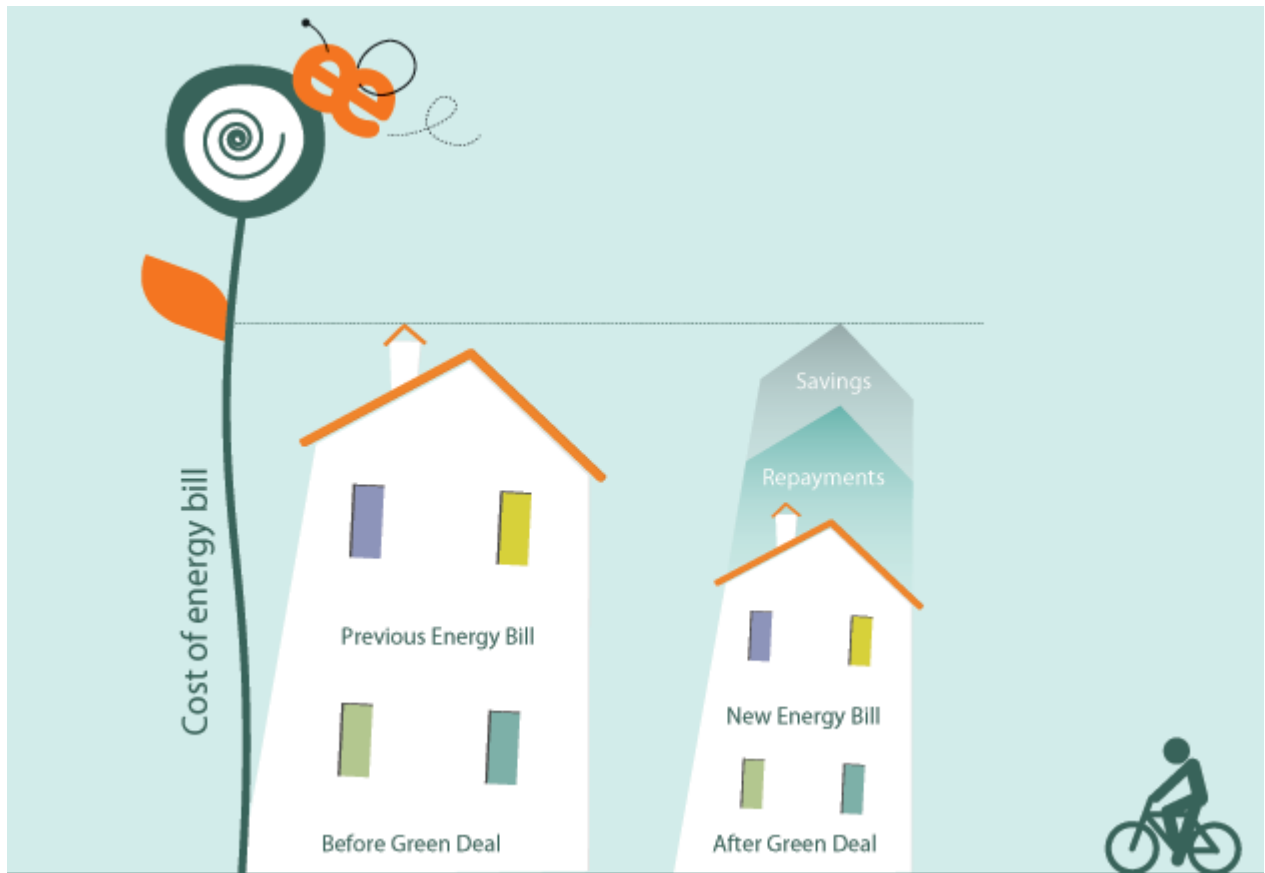
The expected cost saving from cavity wall insulation is reduced by an ‘in-use factor’ of 35% - in this example this leads to a reduction in the RdSAP savings estimate to £103. So the customer would be told that the expected savings from a typical household in that property are £103, and that the maximum first year repayment under the Green Deal would be £103. In reality cost savings in the Green Deal will vary depending on the actual amount of energy used to heat the property and the actual condition of the house before measures are installed.

**Below is the explanation of the funding and golden rule as it appears on the Solent Green Deal Website.**

What funding is available for my Green Deal package?

There are many ways to finance energy efficiency improvements to your home. The information and charts below will help you to compare the options that might be available to you.

## Green Deal Finance Package



The Green Deal plan is based on pay-as-you-save financing, where the initial costs of installation are met by a loan from the Green Deal Bank. Your Green Deal Provider will determine the terms of the loan, i.e. how much you can borrow, for how long, and what the interest rate will be. You will be subject to a basic credit check, however this should not affect your credit rating.

The loan is attached to your property's electricity meter, and a monthly repayment added to the electricity bill. The Green Deal Provider will inform your electricity supplier that the charge is to be added, and they will contact you to confirm the details. A key stipulation, known as the Golden Rule, is that the monthly repayment amount cannot exceed the expected monthly energy savings once efficiency measures have been installed. Furthermore, the term of the loan cannot exceed the expected lifetime of the improvements.

Most Green Deal improvements are expected to reduce your heating bill because you will be using less electricity, gas or oil. Remember, that your actual savings will depend on how much energy you use and the future costs of energy.

If you move out, the new occupier will benefit from the improvements so they will take on the repayments.

Other Methods

The Green Deal may not be the best way to pay for your energy efficiency improvements; there are a number of other options including:

- **Using your own savings**
- **Taking out a personal loan – this may be a cheaper than a Green Deal loan.**
- **If you are doing a number of improvements extending your mortgage could be the cheapest option**

Check out our funding matrix to compare the funding options available.

Funding matrix

Funding Type	Approx. Interest Rate	Good Points	Bad Points
Green Deal Finance	7%	<ul style="list-style-type: none"> <li>• Lower interest than some other forms of borrowing</li> <li>• Only pay for measures while you get the benefits from them</li> <li>• Repayments should not exceed savings, therefore monthly outgoings remain the same</li> </ul>	<ul style="list-style-type: none"> <li>• Funding is only available for specific Green Deal measures</li> <li>• Interest rate may not be the most competitive available</li> </ul>
Personal Loan	Anything between 5% and 20%	<ul style="list-style-type: none"> <li>• Can finance other measures not available under Green Deal</li> </ul>	<ul style="list-style-type: none"> <li>• Increased monthly outgoings</li> <li>• Can be high rate of interest</li> <li>• Continue to repay even if you move house</li> </ul>

<p>Added to Mortgage</p>	<p>3% - 7% Check with your lender</p>	<ul style="list-style-type: none"> <li>• Only pay for measures while you get the benefits from them</li> <li>• Can finance other measures not available under Green Deal</li> <li>• No increase in monthly outgoings</li> </ul>	<ul style="list-style-type: none"> <li>• Increased mortgage term</li> <li>• Increased monthly payments</li> <li>• Altering mortgage could incur a fee of up to £5,000</li> <li>• You may need to remortgage</li> </ul>
<p>Personal Savings</p>	<p>None</p>	<ul style="list-style-type: none"> <li>• No interest and no debt</li> </ul>	<ul style="list-style-type: none"> <li>• Funding may not be available immediately if you need to save up</li> </ul>
<p>Credit Card</p>	<p>0% for up to 25 mths, then anything between 12 - 35%</p>	<ul style="list-style-type: none"> <li>• The term of the 0% rate may be long enough to repay the loan</li> <li>• Can finance other measures not available under Green deal</li> </ul>	<ul style="list-style-type: none"> <li>• Very high interest if you lend past the 0% term</li> <li>• Continue to repay even if you move house</li> <li>• Increased monthly outgoings</li> </ul>