Complying with NY Local Law 88 and the Benefits of Submetering

By Jack Doueck

Today, there are hundreds of NYC landlords who will face stiff penalties if they do not comply with Local Law 88 ("LL88"). LL88 takes effect January 1st 2025, and mandates that all commercial buildings in the five boroughs of New York City (larger than 25,000 square feet) install a submeter for every tenant occupying at least 5,000 square feet.[1]. It is proven, however, that installing submeters can increase asset value and attract new tenants.

Many commercial buildings in New York use a single "master meter". Electricity comes into the building through a Con Edison electric meter and then landlords usually bill tenants for electricity as a dollar amount per square foot of space they occupy ("rent inclusion") or they charge a "modified gross" rent that charges tenants for increases over a base year.

In these structures, tenants pay for electricity as part of their monthly bill, but their energy use is not itemized (and cannot be). Paying a set price for energy use no matter how much is consumed is a disincentive for energy conservation and punishes those who do make the effort to reduce the load.

If tenants leave their lights, air conditioners or machinery on all day, even when the space is not occupied, they pay nothing extra. So, it is abundantly obvious that they have no real incentive to change their behavior.

On the other hand, submetered buildings usually experience about a 20% drop in energy consumption as tenants are empowered to monitor and manage their energy usage. This decreases the operating expenses in the building and increases net asset value. This means that for every five buildings that are sub-metered, a sixth building can be powered from the savings on the first five. This is why LL88 is an energy efficiency measure, and is part of the larger "Greener, Greater Buildings Plan" initiative of New York.

[1] www.nyc.gov, LL88: Lighting Upgrades & Submetering

Bottom Line: Putting the responsibility of energy costs directly in the hands of those that have the power to control it (tenants) encourages everyone to behave in an efficient manner.

A submetered property still has electricity metered by the utility through a master meter, but each designated area's consumption is measured through individual property-owned submeters.

There are many benefits of submetering for tenants:

- Tenants pay only for the electricity they use.
- They can account for their own consumption.
- They can and usually do conserve energy.
- They can better comply with their own ESG and 'green' mandates to reduce carbon emissions (now that they can track their energy use through their submeter)
- They can usually pay the bulk rate for the delivery and supply of power that the building pays, saving them money.
- Their expenses are reduced.

There are other benefits of submetering for property owners:

- Property owners can avoid the steep penalties of not complying with LL88.
- By installing submeters, landlords and their building managers can pinpoint energy use.
- They can proactively identify failing equipment.
- They can allocate costs more fairly.
- They can use submeters to monitor building processes and increase energy efficiency.

- They can experience a dramatic reduction in the maintenance costs of the building[2].
- The resulting reduction in operating expenses will increase the property value.
- They can more easily attract new tenants as submetering is a benefit to tenants.
- They can benefit from the Grid Power Direct income-boosting program.

To be sure, office building tenants are more demanding than ever before. More and more they are realizing that they are subsidizing the tenant down the hall and want to pay only for the electricity they actually use themselves.

Installing submetering is relatively inexpensive and simple. Compact submetering systems can leverage a building's existing wiring to accurately allocate energy costs. These systems are often the size of a clipboard, require no floor space and, most importantly, no rewiring. Because metering sensors can clip into existing electrical panels and report their information automatically, building managers can simply update billing information online when a new tenant space is created, or new loads need to be measured.

With today's modern IP-based submetering systems, individual tenant metering can be completed at low cost, reducing a building's energy usage, and increasing its long-term value. Modern submetering systems promise to turn properties into Intelligent Buildings — bridging the energy information gap by easily connecting with building automation systems and IT-based financial and energy management systems and making consumption data visible to all stakeholders. Building operators and managers now have the information they need to make smart operational decisions.

[2] Making the Case for Energy Metering: ASHRAE Journal, April 2011, and Guidance for Electric Metering in Federal Buildings: US Department of Energy, February, 2006

To find out more about how to get your buildings into compliance with Local Law 88, how to install sub-meters, and how to maximize the benefits from it, please contact us at info@gridpowerdirect.com.

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