

ENERGY SAVING TRUST

Response to the Department for Economy’s Consultation

Heat Networks–Building a market framework

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use to address the climate emergency. We welcome the new Northern Ireland Energy Strategy “Path to Net Zero Energy”, published on 16 December and the desire within this consultation to place consumers at the heart of heat network market growth alongside powers to ensure fair treatment and high standards. It is recognised that there are currently around 100 heat networks in Northern Ireland, providing heating and hot water to approximately 3,000 consumers, with significant anticipated growth.

Consumer Protection

Energy Saving Trust welcomes the opportunity to respond to the Department for Economy’s Consultation on ‘*Heat Networks – Building a market framework*’.

Energy policy in Northern Ireland is set to embark on the most dramatic period of change in Northern Ireland’s history. Whilst this change will bring many opportunities for energy consumers including access to clean fuels, the roll out of new home heating technologies and improvements to the existing energy infrastructure; it also presents a number of challenges and risks for which consumers will need support to overcome. As such Energy Saving Trust welcome any action to put in place protections for Heat network consumers. However, it would be remiss of us not to mention that we are concerned by the lack of activity to address regulation of home heating oil in Northern Ireland. We know that 68% of households rely on home heating oil and that this will include a significant number of vulnerable households. Therefore, it seems inappropriate to us that our Energy Regulator does not have the necessary powers

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required to scrutinise the oil industry and provide consumers with the same level of protections that are enjoyed by electricity and gas consumers.

Energy Saving Trust broadly agrees with the three core strands for consumer protection as identified in the consultation

- Transparency of the heat network service, including before first joining the network.
- Fair and accurate pricing.
- Quality of service.

We particularly welcome the proposals on limiting back-billing to a maximum of 12 months and proposals that the regulator shall have powers to mandate public disclosure of charges, powers to investigate where prices for domestic consumers are disproportionate, and aid enforcement against unfair pricing.

Specifically in respect of heat networks, we understand that BEIS following a recent consultation propose “Where enforcement action is necessary, we intend for Ofgem to have recourse to powers equivalent to those it has for gas and electricity.” Invariably this is what is also required here in Northern Ireland, and we would like to see further information provided on the costs of each regulation approach outlined in the consultation, and importantly how these costs would be funded if they are to be adopted. We believe this would allow stakeholders to better scrutinise the proposals more fully.

Energy Saving Trust would welcome Utility Regulator oversight and enforcement powers across quality of service, provision of information and pricing arrangements for all domestic heat network consumers. The Utility Regulator will however need the powers, resources, and time to ensure this is possible and the Department for Economy will of necessity need to facilitate this. Consumers must be provided with a minimum level of information and guidance on heat networks at the pre-contractual stages of property transactions (sale or letting). Where possible, heat suppliers should be held responsible for developing this information and guidance for prospective consumers. The entity or individual engaging with the consumer during the property transaction, such as the developer or landlord, should then be responsible for ensuring consumers receive the information and guidance with this obligation being based in legislation.

A priority for us is that consumers on heat networks should have comparable levels of service and protection as consumers in other regulated utilities. In this context all heat

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network consumers should have consistent levels of service and protection – irrespective of how small (or large) a scheme they are connected to.

Energy Saving Trust would prefer a model whereby heat networks must apply for a licence to become statutory undertakers, and to see a full licencing regime for all heat networks. Our belief is that this would offer greater consumer protection than the Authorisation model proposed. In the absence of a detailed cost analysis of the various options our preference would be option 2—a full licensing regime followed by option 3 an obligatory licence option above a certain threshold.

Better Experience

Energy Saving Trust welcomes proposals by Department for the Economy to work alongside BEIS to establish minimum standards for the design, installation and operation of heat networks through the development of a Code of Practice (<https://www.theade.co.uk/resources/publications/code-of-practice-for-heat-networks/>) We agree with the consultation proposal that technical standards should be mandated and that proposed compliance with technical standards should be required through an authorisation regime managed by a body having responsibility for monitoring its constituent organisations. Such compliance can be demonstrated through an assurance scheme, for example involving third party certification from an accredited certification body. We agree that powers could be delegated to the Utility regulator to take enforcement action against non-compliance in line with the consultation statement that “all existing heat network schemes will be covered by future regulatory requirements”

We welcome the consultation statement “The Department intends to work closely with BEIS to deliver a new regulatory regime that will support the Energy Strategy’s vision of net zero.”

Confidence to develop

Heat Network development in Northern Ireland has long suffered from the division of responsibility for Council Offices, Education, Housing and Health making network development extremely difficult without specific targets for development being placed on the relevant management bodies. Proposals within the consultation to delegate

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development of heat networks to local councils could continue with the status quo, making targets hard to achieve without effective heat network zoning requirements within Local Development Plans, and changes to Strategic Planning Legislation.

In our recent response to BEIS' consultation on heat network zoning we supported their proposal that *"All new buildings, large public sector buildings. Large non-domestic buildings and large residential buildings which already have communal heating or are undergoing major refurbishment are required to connect"* in a heat network zone. Whilst we accept that Northern Ireland heat networks are not as developed as in England, we feel that the level of ambition for Northern Ireland should have similar aims to those set by BEIS.

As we noted in our response to the Scottish Government's scoping consultation on a New Build Heat Standard earlier last year we support the Scottish Government's proposal that *"new buildings be required to be designed and constructed so as to connect to an existing heat network, where that development takes place within a Heat Network Zone"* or otherwise demonstrate that it is not an *"effective solution for the building owner or for the wider community"* in which case an alternative zero direct emissions heating system would then be permissible in complying with the Standard. This enables achievement of a level of **demand assurance** to network development.

We also believe that if new buildings are built in a heat network zone but not connected to the existing heat network (because it is not an effective solution of the building owner or the wider community). It will be important that these buildings are 'future proofed' for future connection to ensure that, at the end of the lifetime of the heating system installed at the point of build, the building or home can easily and cheaply be connected to the existing heat network should the building/homeowner (or housing provider) decide that this was the best option for them. Such 'future proofing' requirement are already in place in other countries where heat networks are more prevalent.

Energy Saving Trust strongly supports community engagement in the development of heat networks. We have considerable experience of community engagement in energy

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projects because of our work through Local Energy Scotland¹ to deliver the Scottish Government's Community and Renewable Energy Scheme (CARES).

Community engagement needs to be undertaken early in the development of projects so that input can be provided by local communities who understand their community and its needs.

The Scottish Government's good practice principles for community benefits from onshore renewable energy developments provides some high-level principles around community identification and engagement (see: <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/documents/>). The approach taken to develop guidance with the support of a steering group representing the key actors could also be used to develop guidance for community engagement in heat network development.

Energy Saving Trust developed a Local Energy Plan toolkit through our work on the EU and Scottish Government funded Delivering Community Benefits of Civic Energy (COBEN) programme. The mobilisation stage of this resource focuses on community engagement (see: <https://localenergy.scot/resources-overview/community-led-local-energy-plan-toolkit/>) and its contents may be useful in developing guidance for community engagement in the development of heat network projects.

Finally, as heat network proposals develop, local communities could act as advocates for schemes. To allow this to happen we would propose that schemes like CARES provide access to independent professional advisors who can complete technical, legal and financial due diligence on key project documents to allow the community to act as ambassadors with confidence.

Security of supply and Regulatory framework.

Energy Saving Trust welcomes the key features listed in respect of regulating the sector. We are supportive of aims to introduce powers that could require commercial

¹ Local Energy Scotland is a consortium made up of Energy Saving Trust, Changeworks, The Energy Agency, SCARF and The Wise Group.

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contracts to provide accountability, or a process for identifying accountability, and for stepping-in in the case of market exit. Licence conditions should also require suppliers to maintain supply continuity plans that address short term supply issues and facilitate transfers to new suppliers where necessary.

In terms of Heat Network definitions, we welcome the amendments made, however we believe there remains a significant consumer protection issue – as the consultation document points out “the individuals connected to the shared ground loop typically have independent control over their heat pump, are billed separately and are still able to switch their energy supplier (which avoids being locked into the costs of a centralised heat network scheme) “however; they are usually required to sign a long term agreement for maintenance and as such are not able to switch their maintenance provider. Under the current proposals individuals on a shared ground loop network would be exposed to unnecessary risk. If, for example, there is a loss of service due to system issues and the maintenance supplier fails to fix these or fails to fix these within an acceptable timeframe, the individual would have nowhere to go to seek recourse. We therefore believe it is important that the definition of a heat networks includes ground source heat pumps with a shared ground loop and that regulations would need to be tailored to these systems to cover only the maintenance agreements as householders would not be purchasing heat from the operator.

In relation to which entity should be responsible and accountable for meeting regulatory requirements, it is our view that consumer facing entities should be accountable. This is where most complex compliance issues will lie. It will also mean that compliance is more customer focussed, rather than technology focussed, which will result in better outcomes for consumers.

In terms of size thresholds there may be certain cases where a small hub (such as an NHS estate) provides heat to a small number of buildings owned by NHS estates with no possibility of expansion or connecting to other third parties. If the hub was to connect to third parties in the future this could trigger the consent process, however a cut off at 2000 customers in Northern Ireland as suggested in the consultation we would deem excessive. We think that there may be a case for very small schemes to be required to provide only limited information. This would help to ensure that the process was proportionate and not too onerous for particularly small schemes. There are, for example, existing district heating systems serving very small numbers of properties (see for example: <https://www.kirkennan.co.uk/blog/ashp> – a district heating system serving 2 holiday cottages and an additional cottage).

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Energy Saving Trust supports the consultation proposal of granting of easement arrangements for heat networks rather than Wayleaves and the development of statutory undertaker powers through licences issued by the regulator.

We welcome the consultation statement “The Department intends to work closely with BEIS to deliver a new regulatory regime that will support the Energy Strategy’s vision of net zero.” With respect to decarbonisation of heat networks we believe there is a need for the introduction of match grant funding for upgrading and decarbonising existing heat networks. This would help to overcome some of the existing issues with inefficient ‘legacy’ schemes helping to minimise heat losses and provide better outcomes for customers.

We also think that the availability of technical advice and support will be crucial to helping existing networks to improve their efficiency and switch to low or zero emission heat generation – ensuring those operators are able to determine which technologies are most appropriate for their circumstances. This could include a one-stop-shop where heat network operators can go for technical advice, and/or the development of peer-to-peer support networks.

We thank you for the opportunity to respond to you with these comments.

Response submitted by:

Robert McCreery, Policy Officer, Email: robert.mccreery@est.org.uk.

Energy Saving trust

4th Floor River House

48-60 High Street

Belfast

BT1 2BE

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