The voice of the energy industry

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5 June 2020

Submitted to heatnetworks@beis.gov.uk

Heat Networks: Building a Market Framework

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 20 million UK homes as well as businesses. The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

This is an industry response to BEIS's consultation on building a market framework for heat networks; Energy UK members may hold additional views.

Overview

Energy UK broadly welcomes BEIS ambition in this consultation and supports many of the proposals set out; recognising that heat networks have the potential to play an instrumental role in the future energy system. Energy UK is further pleased to see the broad scope and direction of the consultation. Energy UK is keen to see the introduction of a coherent regulatory framework for heat networks, vital to creating a supportive market environment for the necessary expansion of heat networks to aid in reaching net zero.

Energy UK recognises that regulation is lighter than that for gas and electricity, which appears reasonable as this reflects the current stage of and variation in the market; however, we recognise the need for regulation to become more robust as the market develops and matures. Whilst measures to encourage investment in the sector are welcome, Energy UK would like to see the proposals stretch further in terms of encouraging connection to heat networks and supporting investment. The Scottish Government's Heat Networks Bill has paved the way for a more vigorous approach in support of heat networks that could be reflected across the UK.

Beyond the views set out in response to the questions, Energy UK would welcome further clarity and ambition from BEIS in the following areas:

- The basis of cost recovery utilised by Ofgem. Clarity is needed on whether Ofgem will use full cost recovery basis when conducting licence/authorisation activity or some costs will be recovered by general taxation or BEIS funding.
- The role of waste heat as a core element in practical expansion of the heat network market. Incentives such as taxation could be utilised to stimulate uptake.
- The level of coordination with the Scottish Heat Networks Bill, so as to avoid segmenting the market and create unnecessary barriers to nation-wide operators.
- Information with regards to the vision beyond natural gas for heat network schemes, addressing ambiguity as to when BEIS would expect to see a transition to low or zero carbon alternatives.

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- Consideration of demand assurance frameworks. These would aid delivery of the required investment into the market aligned with net zero.
- Further efforts in promoting and sponsoring heat network schemes to Local Authorities (LA's), which may be crucial insofar as ensuring developments continue

Energy UK would welcome the opportunity to discuss further with BEIS or any other interested stakeholders. If this is of interest, please feel free to contact Energy UK using the below contact details.

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Consultation questions

Regulatory Framework overview

Q1. Do you agree with the inclusion of micro-businesses within consumer protection requirements?

- *Members agree and are cognisant of the need for robust protections for both domestic and microbusiness customers; however, note that domestic and microbusiness needs will diverge to some extent.*

- *In the energy retail market, the CMA (Energy Market Investigation 2016) Ofgem (ongoing Microbusiness Strategic Review), and independent research have acknowledged the differing priorities and experiences of these two customer groups. This is likely to be reflected in the provision of heating and cooling as the market grows.*

- *If appointed as regulator, Ofgem has significant experience in developing policies for consumer protection, and will have the means to act where it finds detriment and poor consumer outcomes. Developing the appropriate levels of protection for these distinct customer groups will be a key priority.*

Q2. Do you agree that consumer protection requirements should not cover nondomestic consumers (other than micro-businesses)?

- *Yes. Larger businesses will generally be well placed to understand and protect their interests in relation to heat provision.*

Q3. Do you agree with our proposed approach to a definition of heat network, including that it should cover ambient temperature networks but not ground source heat pumps with a shared ground loop? Are there network arrangements you think would not be covered by this and which should, or vice versa?

- *When defining the scope for market regulation, BEIS / the regulator should not explicitly exclude specific heat technologies which include a shared service upon which customers are dependent (albeit with more direct control of consumption and use).*

Proposed regulatory approach

Q4. Do you consider Ofgem to be the appropriate body to take on the role of regulator for heat networks? If not, what would be an alternative preference?

- *Whilst there is acceptance of the arguments made in favour of Ofgem being appointed as independent regulator, further quantification of the cost benefits would be welcome. Some Energy UK members feel that other ways in which consumer benefits could be delivered have not been sufficiently deployed in a transition to Ofgem adapting established practices for this developing sector.*

- *Some further exploration of the role of self-regulation, goals-based regulation and co-regulation would be welcomed in any next stage impact assessment, only as a means to facilitate a transition from the existing approach.*

Regulatory model options

Q5. Do you agree that the proposed regulatory model is appropriate for the regulation of heat networks?

- *While most members agree with the proposed approach, the accompanying impact assessment did not include sufficient information on the relative costs and benefits of each regulatory option for members to reach a fully informed view on the preferred model. There is some concern over unidentified or underestimated costs that would be faced by industry, with the potential for these costs to stifle growth and undermine the competitiveness of heat networks.*

- *However, at this stage, of the options considered, a General Authorisation model, with an optional License conferring rights and powers would be preferable.*

Q6. Which entity should be responsible and accountable for regulatory compliance, particularly where the heat supplier and heat network operator are not the same entity? Please explain why you think this.

- *Given the diversity of heat network scheme structures, it is a challenge to set a sole role for regulatory accountability. Delivery of specific outcomes may be dependent on multiple parties.*

- *Most heat network scheme contractual arrangements will explicitly assign liabilities and define the responsibilities of parties. This could provide a single nominated party from a scheme to act as point of contact for the regulator.*

Q7. Do you agree that consumer protection requirements during the operation and maintenance project stage should be regulated, such as pricing, transparency and quality of service?

- *Yes.*

Q8. Should there be a de minimis threshold below which a) very small domestic schemes and/or b) non-domestic schemes with very few domestic consumers are exempted from any of the regulatory requirements proposed in this framework? Please explain why you think this.

- *With regards to applying consumer protection regulations to heat network participants, Energy UK would urge against a de minimis or indeed any other threshold, as this will compromise consumer standards and could lead to a two tier market, whereby participants may seek to limit the size of developments to avoid 'being caught' within the remit of these standards. This could also potentially disincentivise necessary investment in the kind of large-scale schemes which are necessary to meet the government's ambitions for this market.*

- *Similarly, the allocation of costs and fees should be fairly applied at scheme level to ensure smaller participants cannot escape making a proportionate financial contribution to the regulatory framework. If any threshold is determined as necessary by BEIS, this should be significantly lower than the Indicative Size Threshold currently referred to in the proposals ('2,000 customers'). Ideally only standalone networks which would truly be at significant detriment (due to scale) would be entitled to relief from consumer protection obligations and any other standards.*

Q9. Should there be a size threshold above which larger schemes are subject to more detailed regulation and scrutiny? If so, what type of threshold would you consider most appropriate?

- *All domestic and microbusiness heat network customers should receive appropriate protection and levels of service, regardless of the scale of the relevant scheme through which they are served.*

- *Ofgem can scale levels of compliance monitoring for schemes on a risk-based approach sufficient to prevent, detect, or remedy detriment. Targeting large scale schemes without cause could damage investor confidence and stunt needed development of large schemes.*

Q10. Should an optional licence be available for entities seeking rights and powers? If not, what other approaches could be considered?

- *Yes; this will drive cost reduction for development and potential extension of schemes.*

Q11. Are there any other adjustments that could be made to the proposed model to enable it to work better?

- *Policy measures to support market growth (e.g. heat zones and concessions) or any stimulus package should be implemented at the same time to the Regulatory framework.*

Q12. Are there circumstances in which transitionary arrangements should be introduced? If so, in what circumstances might these apply and for what length of period?

- *Energy UK recognises the need for existing and new schemes to fall within the scope of the market framework over time to ensure equivalent levels of consumer protection as are seen in other elements of the energy sector.*
- *To minimise the harm of a retrospective application of legislation or regulations, the use of defined transitional periods and support for schemes transitioning could be of great use. Existing contractual protection for changes in law may only provide limited financial protection and change in law protection will vary from project to project.*
- *Guidance for and engagement with scheme operators and owners will be vital to a low impact transition, maintaining existing resilience of the market and avoiding the potential for disruption to consumers.*

Enforcement powers

Q14. How should government and the regulator ensure that enforcement action is proportionate and targeted? Are there particular considerations for not for profit schemes?

- *Whether under self-regulation, co-regulation or and independent regulator, the approach to enforcement should be based upon evidence of effectiveness and established best practice principles, such as those developed by the OECD.*

- *Should an independent regulator be appointed, it should set out its approach to enforcement and its compliance priorities for heat networks (mindful of the nascent nature of the current market). A clear methodology for calculating and imposing penalties should be communicated for customer and investor confidence.*

- *Regarding not-for-profit schemes: Customers will not have a choice in the organisation which provides the heat service to their abode, especially where such schemes are linked to social or community housing. While the impact of financial penalties on these organisations should be considered, customers should not be left at detriment as a result.*

Q15. Do you agree that imposing fines and removing a licence/authorisation are an appropriate and adequate set of enforcement actions for the regulator of the heat network market?

- *Energy UK broadly agrees with this approach. However; with regards to issuing fines, Energy UK believes it would be a disproportionate approach to pursue to calculate any fines on the basis of the entire organisation so to speak. As such, any fine should be calculated on an asset basis, so as not to deter larger organisations who are considering entering the market.*

Q16. Do you agree that the regulator should have powers to impose penalties at the entity level which are proportionate to its size, in a scenario where there are repeated or systemic failures across multiple schemes owned or operated by the same entity?

- *Any penalties should be proportionately applied consistent with the methodology set out. The scale of the penalty should relate to the consumer detriment resulting from the misdemeanour and taking account of any exceptional circumstances and strength of evidence available.*

- *During a transition period, penalties should be calculated only at asset level. Only once an established and tested framework is in place may it be appropriate to consider wider additional penalties based on systematic failure to abide by regulatory frameworks.*

Q17. Do you agree that the regulator should have powers to revoke an authorisation for single networks owned or operated within a group scenario, so that the entity would still be authorised or licensed to operate those networks within the group that remain in compliance? If not, what alternative approach might the regulator take?

- *Yes; this flexibility is appropriate.*

Q18. If compliance issues are more widespread within the group of networks owned or operated by the same entity, do you agree that the regulator should be able to revoke the authorisation or licence for the entity as a whole covering its entire group of networks? If not, what alternative approach might the regulator take?

- *Members would expect the revocation of authorisation or license to be actioned as an absolute last resort. In order to avoid this, enforcement should primarily focus on measures which do not exceed the cost to redress the value of consumer detriment experienced.*

- *Energy UK recommends that any regulatory framework for heat networks utilise public reporting of performance and non-compliance to incentivise pre-emptive action in a cost effective manner.*

- *It is crucial that a clearly defined system is in place to ensure customers are not negatively impacted. Given the fact that Heat Networks differ insofar as infrastructure in comparison to gas or electricity, Energy UK would recommend a bespoke SOLR system to be developed accordingly.*

Q19. Do you agree that individual domestic consumers should have access to ombudsman services for redress? Do you have any views as to which ombudsman is best placed to provide this function for heat networks?

- *Yes.*

Step-in Arrangements

Q20. Do you agree that step-in arrangements are necessary both to cover the risk of stranded consumers and as a deterrent against sustained failure to meet the regulatory requirements? If not, why?

- *Members are broadly supportive of BEIS's contingency arrangements to guard against consumer and industry detriment in the event of participants becoming insolvent or otherwise having their authorisation/license revoked. This will additionally encourage market entry and expansion by financially robust participants of good conduct. In the operational sphere, contractual arrangements must explicitly assign liabilities which mitigate a vacuum in provision to consumers in the event of supplier/participant insolvency.*

Q21. Do you have any examples of approaches we should be considering as we develop the step-in arrangements?

- *Schemes should be required to have contingency plans in place to maintain service provision to customers. Regulatory procedures should act as a check and back stop to ensure standards are delivered, should these arrangements fail.*

- *A number of Energy UK members hold their own (typically commercially sensitive) approaches already in place, and these should be explored in developing common approaches.*

Transparency

Q22. Do you agree that the provision of minimum information would help consumers in making decisions at pre-contractual stages of property transactions?

- *Yes.*

Q23. Do you agree that heat suppliers should be responsible for developing information and guidance for prospective consumers? If yes, what minimum information should be included?

- *Yes. Outside of user guides and information on payments which should be handled by the organisation with a direct relationship with the end-consumer, it should not be the responsibility of the heat network supplier to develop the information; however, it should be the responsibility of the supplier to make it easy for customers to find guidance available. If there are specific issues related to a specific heat network, such information should be made available by the organisation directly.*

- *The heat network developer should thus only be responsible for information quality and availability up to the point of first operation and/or handover to the operating entity. A duty on heat network operators should then be limited to making available accurate information to the transacted customer, landlord or building owner on an annual basis, for onward communication to a prospective end-consumer by heat suppliers.*

- *To provide flexibility for changing market conditions, the minimum information to be provided should initially be set out in a Code of Practice or equivalent and not enshrined in regulation. This can be adapted into the regulatory framework over time.*

- *As a matter of good practice, heat network operators should also be expected to respond to queries from prospective consumers.*

Q24. How can we ensure new consumers receive or have access to information about the heat network before moving into the property?

- *One idea could be for a mandatory procedure, with sanctions for non-compliance, for ensuring that buyers are fully informed before they have invested in the property. This must include any potential improvements or amendments to their system for which they may be expected to pay.*

- *Obligations could be placed on estate agents or equivalent actors to ensure appropriate information is delivered to customers at the point of sale.*

- *Gas and electricity customers are offered a plethora of quick and easy means by which to compare deals with alternative suppliers. Despite heat network customers being unable to switch provider, they still have an equal right to make comparison with other heat networks and look to secure a good deal.*

- *Measurable performance indicators and minimum standards for service quality are thus very much welcomed and heat network users should be fully informed of such, including comparative information on customer service and delivery of supply. Note that the ADE concluded in their Shared Warmth publication, that price comparisons between networks were necessary and possible.*

- *In cases of refurbishment or regeneration of estates, those already living in the property should be given an opportunity to make an informed choice about the heating system.*

Q25. Do you agree that the market framework should regulate and enforce the provision of information during residency?

- *Yes; this should be aligned with Heat Trust practices.*

Pricing

Q26. Do you agree that the regulator should have powers to mandate and enforce price transparency? Can you foresee any unintended consequences of this?

- *Yes, it is imperative that heat charges are transparent and fair. Any future changes of price should be clearly displayed by means of publicly available information. A tool to allow heat customers to compare their heating costs against what they would have been charged if they had a gas boiler would we welcome.*

- *It could also be of value to include transparency over costs to network users, including unit cost and standing charges, which typically tend to be opaque.*

- *It must be borne in mind that given the quite measurable differences between some Heat Networks, direct price comparison may be misleading. As such, it is important that the regulator develops an appropriate methodology to compare and investigate prices, involving all the relevant stakeholders. There will also need to be a consideration of how consumers are made appropriately aware where direct price comparisons would not be correct.*

Q27. What are the current barriers to publishing and maintaining accurate information on fixed charges, unit rates and tariffs? What are the main reasons for information on pricing not being available at present?

- *Schemes have historically been funded under various models making price comparison between schemes sometimes meaningless and/or misleading. For example, where scheme costs are included in the base property price, the resident's charges would only need to cover Opex and Repex. Where the scheme costs are not included in the base property price, the initial Capex will be recovered from consumer charges, akin to charges levied for other services in leasehold properties.*

- *Schemes dependent upon many connected buildings, multiple clients and uncertain future connections need to retain flexibility of charges and payments in order to secure investment, protect commercial confidentiality and maintain competitiveness.*

- *Whilst publishing accurate information on fixed charges, unit rates and tariffs for small scale static schemes may be able to deliver the twin goals of consumer benefit and competitiveness, for large schemes that grow out over time, the pursuit of this consumer benefit risks being to the fatal detriment of commerciality, growth and upfront investment.*

Q28. Do you agree that there should be clear, consistent rules on what costs should be recovered through fixed and variable charges?

- *Yes. If rules are to be pursued, they should be principles-based and proportionate, allowing for different charging structures, amenable to differing scheme models. Energy UK would note the need for caution against the imposition of prescriptive mandatory rules, as each heat network may have different requirements and therefore develop tariffs in differing ways.*

- *In the near term, therefore, guidelines and best practice would be more appropriate and would help harmonise the way tariffs are structured. In turn, this would provide the opportunity for operators and suppliers to be held to account for any departure from best practice by consumers, consumer bodies and/or any regulator.*

Q29. Do you agree that the regulator should have powers to undertake investigations on pricing and to enforce directions and remedy actions, where there is sufficient evidence that these could lower prices for consumers?

- *The immediate focus should ideally be on assessment of the new price transparency standards which should drive unjustified high prices down. In addition, to compare prices in heat networks is very challenging and a strong methodology should be developed, involving stakeholders.*

- *It is also worth noting that the CMA market study (2018) did not find evidence of market wide consumer detriment related to pricing; rather some individual private networks were highlighted. Most heat network customers pay less or the same as conventional gas heating customers.*

- *Separately, the regulator will need to review what the arrangements will be for existing networks. Where full transparency was provided at property transaction, agreed prices should not be undermined by retrospective application of the regulations.*

- *Accepting the need for price flexibility to allow investors to take a blended portfolio approach to opportunities; any grounds for potential intervention will always need to be robust, published and kept under review.*

Q30. Do you agree that price regulation in the form of a price cap or regulation of profits should not be implemented at this point in time? Please explain your answer.

- *Yes. Harsh pricing controls can be avoided by emphasising transparency of energy bills and collecting tariff and profit/loss data via mandatory reporting.*
- *Again, note that no evidence of market wide overpricing has been detected (see above in response to Q. 29).*

Q31. What might cause price regulation to become an appropriate intervention in future? What evidence would be required to demonstrate this?

- *The CMA would determine if such an intervention should be considered in future. See response to Q. 29.*

- *However, this should be not limited to but including excessive profits and high consumer prices relative to relevant counterfactuals.*

Quality of Service Standards

Q32. Do you agree that consumers on heat networks should have comparable levels of service and protection as consumers in other regulated utilities? How do we ensure the associated compliance costs of such protections remain proportionate?

- *Yes; insofar as comparability is appropriate. Energy UK believes it would be in customers' best interest if standards similar to those of the regulated utilities were adapted for heat networks – bespoke for the heat network industry.*

- *The regulator should add to existing impact assessments to produce a granular view of associated compliance costs for individual regulations or suites of the same. Members would recommend this to be a BAU practice for the development of regulation.*

Q33. Do you agree that minimum standards should be outcome-based to allow the regulator scope to implement these flexibly and proportionately depending on the size and nature of different schemes? Are there other ways these outcomes could be achieved?

- *Whilst there is broad understanding that this is an appropriate system for minimum standards, there are some concerns the market is not fully prepared to take those on. In the case of a developing market, more ambiguous output-based standards can less helpful, but in future we expect that to become appropriate.*

- *At this stage in market maturity, it is important to aim for a system of well-defined minimum standards that are equally applicable to prescribed economic actors in the heat networks industry, relevant to their activities but regardless of size and nature.*

Technical Standards

Q34. Do you agree that all new schemes should be subject to minimum technical standards (once developed), given the potential impact on system performance and end consumers?

- *Minimum technical standards, appropriately measured, are critical to ensure quality and efficiency in network operation. However; where possible, they should allow for some flexibility to ensure a set outcome.*

- *There is support within the membership for the use of the ADE-CIBSE CP1 Code of Practice for the UK, as a starting point/framework for such.*

Q35. How could we ensure the impact of minimum technical standards on new small communal networks is proportionate?

- *Standards should be outcomes-based.*

Q36. Do you agree that regulated entities should demonstrate they are compliant through an accredited certification scheme?

- *Yes.*

Q37. What do you consider to be the most appropriate approach to setting the technical standards?

- *An industry-led approach would be most preferable. Technical standard are an essential element to guarantee the future quality of the services to customers. Therefore, so as to ensure high quality of the design and build, it would be desirable to develop standards beyond the current CP1.*

Rights and powers

Q39. Do you agree that a (licensed) heat network entity should be classified as a statutory undertaker?

- *Yes, Energy UK welcomes this proposal and adherence to a key ask of the sector.*

Q40. Do you agree that the proposed rights and powers should be given to heat network entities which meet the terms of our proposed licensing system?

- *Yes*

Q42. What impacts will the proposed rights and powers have on the development and extensions of heat networks? And what impacts do you think these rights will have on the operator's ability to maintain and repair heat networks?

- *Reduction of development costs and timescales. For extensions this is particularly useful to facilitate the ongoing expansion of heat networks.*

Access rights

Q43. Do you agree that licensed heat network entities should be granted statutory access rights?

- *Yes. If heat networks are to see similar successes as other utilities. ESCo's and heat network developers will require the same street work and access rights.*

Q44. Do you agree that the process should be similar to that for electricity and gas companies, in that the licensed heat network entity will have to make an application to the responsible minister for the easement and that any compensation arrangements will be determined by the Tribunal Service?

- *Yes.*

Rights to lay pipes under the roadway

Q48. Do you agree that heat networks should be given equivalent powers to other utilities to install and keep heat network pipes underneath roadways? Are you aware of any potential unintended consequences?

- *Yes.*

Permitted development

Q49. Do you agree that licensed heat network developers should be granted permitted development powers similar to other statutory undertakers? Are you aware of any potential unintended consequences?

- *Yes. This will largely support de-risking of investments.*

Q50. In addition to permitted development rights specified (install or replace pipes or electricity cabling; erect small temporary structures and small ancillary buildings, machinery or apparatus), are there any other activities to which a permitted development right should apply?

- *Yes, for example, an extension of energy centres.*

Consultation rights

Q51. Do you agree that the administrative burdens of being statutory consultees would be disproportionate for heat networks?

- *No. Organisations with capacity to establish networks should have sufficient resource to evaluate consultations in their interests.*

- *Note that Trade Organisations can contribute to support responding parties and facilitate group responses by participants where appropriate.*

Linear obstacle rights

Q53. Do you believe that licensed heat network developers should be given equivalent rights to cross linear obstacles? Can you provide examples of where such rights would be beneficial to heat network development?

- *Yes.*

Decarbonisation of heat networks

Q54. Do you agree that consumers should have access to information on the energy performance and percentage of low-carbon generation of their network?

- *Yes, particularly in light of recent research highlighting the general lack of consumer awareness with regards to the efficiency and 'green-compatibility' of their heating.*

- *This will additionally serve the broader promotion of the carbon reduction benefits of heat networks. Regulation in this regard should be outcome based to target broad understanding of relevant performance, rather than prescriptive.*

- *It is worth noting, however, that this is an area where accurate comparisons across sites can be difficult to achieve and could potentially lead to misinformation amongst the customer base and other stakeholders if the information is not sufficiently precise and compared appropriately.*

Q55. Do you agree that regulation is necessary to encourage decarbonisation of heat networks over the period to 2050? Are there alternative means by which government could act to support the decarbonisation of heat networks?

- *Yes. It should, however, be noted that this is but one of many ways in which this can be achieved. The changes to the Building Regulations and the Future Homes Standard for new build homes are welcomed in encouraging low carbon heating sources to be used as the primary energy source in new networks connecting to new developments from 2025. A maximum carbon emission standard that larger district heating networks would have to adhere to would also be welcomed.*

- *Although the Future Homes Standard proposals are broadly welcomed as above, over 90% of existing UK heat networks are gas fired at present, due to the higher up-front capital cost of installing low-carbon technologies. Despite the potential for a maximum carbon emission standard in the future and contemplation of amending the Environmental Permitting Regulations to ensure waste-heat sources connect to heat networks where reasonably feasible, this does not address the problem of the majority of heat networks still running on natural gas.*

- *There is broad consensus that heat networks need to deliver low carbon heat and keep at pace with changing markets, and there are many tools which can be utilised to achieve this. Some members advocate application of spend and taxation as the most efficient option, as opposed to sector regulation which could hamper competitiveness of heat networks compared to stand-alone solutions.*

- *Another efficient option would be to allow Local Authorities to define local carbon trajectories, such that it would be possible to consider different circumstances and leverage local renewable sources.*

- *It will be imperative for government and the regulator to balance taxation, spend, regulation, policy and legislation in order to ensure it is achieving the transition at the lowest cost to consumers and in the most effective, efficient way.*

- *Ultimately, the best course of action would be to take this forward through a more rounded consultation that examines all the options and costs and benefits of each solution.*

Waste-heat sources

Q56. How could the Environmental Permitting Regulations be amended to ensure that waste-heat sources connect to networks when it is cost-effective and feasible to do so? What do you consider are the main barriers for waste heat sources to be connected to heat networks?

- *In reviewing potential changes to Environmental Regulations with regulators and legislative stakeholders, Energy UK would urge that the utilisation of waste-heat should be a central focus, in order to support sustainable expansion of the heat network market. We would also welcome government to additionally consider taxation and other measures to incentivise the uptake of such opportunities, and should consider pivoting these incentives from electricity heating to heat; whilst ensuring a level playing field for these markets. Viable developments should be placed to enable further expansion and scalability.*

- *Local Authorities (LA's) offer the best current opportunities to expand this market, through the identification and sponsorship of new large-scale schemes. As such, Energy UK members would urge that government 'step up' the promotion of the attractiveness of heat network schemes to LA's, and provide access to appropriate funding to enable the development of new schemes. In addition to the benefits conferred upon customers (not least in terms of cheaper heating bills), these schemes are long-term assets and revenue sources for LA's (NB: the longevity of asset will usually far exceed typical contract length (10/15yrs)).*

- *The biggest barrier industry has experienced to date is the financial and commercial models for permitted activities being reliant on electricity generation and heat rejection, with plants designed and optimised to maximise power revenues. There are therefore no financial and regulatory incentives for existing plants to provide a heat offtake, even where heat demand exists or could be created.*