



Different Rules for Different Fuels: Exploring Consumer Protection in the District Heating Market



Consumer Futures Unit



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Executive Summary

At present, the district heating market in Scotland is not regulated, and consumers of district heating lack similar statutory consumer protections to those who rely on gas and electricity to heat their homes. The Scottish Government has made proposals to increase the use of district heating, as it has potential benefit in tackling fuel poverty and reducing carbon emissions.

To succeed in this objective it is necessary that the district heating market works in consumers interests. That is why the CFU commissioned Changeworks and the Centre for Sustainable Energy (CSE) to carry out research to determine:

- What consumer protections are in place at present for district heating consumers in Scotland.
- How these protections compare with those offered in other European countries.
- What administrative options are open to the Scottish Government to strengthen consumer protection for district heating consumers in Scotland.

In parallel with this research, the CFU obtained a legal opinion from John Campbell QC to establish the extent of Scottish Government's powers to introduce statutory consumer protections for district heating consumers in Scotland.

The project also benefitted greatly from expert advice provided by a steering group, whose members were Ruth Bush of Edinburgh University, and Fabrice Leveque and Gina Hanrahan of WWF Scotland.

While the UK Government has recognised that consumer protections for district heating consumers should be "at least as good" as those in place for other forms of heating, it has also stated that it does not wish to bring in regulation to ensure that this is put in place, instead favouring a voluntary scheme¹.

However, at the time of writing, the Scottish Government is deliberating following a period of consultation on whether to introduce regulation of district heating in Scotland, including the introduction of consumer protections. It is our hope that the output of this project will make a valuable contribution to any proposals that are taken forward, and help to ensure that the needs of consumers in Scotland are at the heart of any new regulatory framework.

¹ UK Government, *The Future of Heating: Meeting the Challenge*, 2013

Key Findings

The key findings of the research were:

- There is a clear need for greater consumer protection measures for district heat consumers in Scotland, and those that exist are inconsistent across the Sector.
- The majority of suppliers interviewed had no plans to join the voluntary Heat Trust scheme, which provides for a range of consumer protections.
- A range of statutory consumer protection measures were identified, which could potentially be introduced through a license for the supply of district heat. These included measures around billing, metering, standards of service, access to redress and pricing.
- The Scottish Government does have the competency to introduce a statutory license, which could contain statutory consumer protections that are contained in existing EU and UK law and which relate to district heating consumers.
- There was wide support – from both suppliers and other stakeholders – for greater consumer protection measures, including regulation.

Drawing upon these findings and the recommendations made by Changeworks and CSE, the CFU recommends that the following should be considered:

1. Establishing a Scotland-wide body with responsibility for the regulation of the district heating market in Scotland.
2. Investigating and providing the appropriate support for suppliers to ensure they are able to meet regulatory standards and consumer expectations.
3. Investigating what mechanisms are available to introduce price controls.
4. Taking account of the above, introducing a statutory license for district heating suppliers that would include compulsory consumer protection measures as well as minimum technical standards to ensure efficient operation.

The rationale behind these recommendations is set out in full below. Ultimately, we hope that the actions set out here, and informed by the work of Changeworks and CSE, will help to ensure that an expansion in the use of district heating in Scotland has the interests of those using it at its heart, and will help to allow it to play a meaningful and proactive role in alleviating fuel poverty.

1. Introduction

1.1 District and communal heating schemes (also known as heat networks) supply heat and hot water, generated in a central location, to a number of residences. This may take the form of a boiler serving a number of residences within an individual building, such as a tower block, or several buildings connected to a larger network. Well designed and installed schemes can provide greater energy efficiency than individual heating systems, and have the potential to have lower supply costs than some alternatives such as electric heating. They can also be powered by renewable resources such as biomass. District heating is therefore seen as having significant potential in both tackling fuel poverty and decarbonising heat supply.

1.2 At present, district and communal heating is not regulated in Scotland. This means that customers of these schemes are not covered by the same statutory consumer protections that are in place for those relying on gas and electricity to heat their homes. While district heat currently makes up a very small proportion of heat provision in Scotland (around 1%²), the Scottish Government has set targets to substantially increase its use in the near future as part of its wider strategy to reduce carbon emissions and tackle fuel poverty³.

1.3 A key priority of the CFU is to promote appropriate consumer protections across Scotland's energy markets, and support the eradication of fuel poverty in Scotland. With the potential for a rapid expansion in the use of district heating, coupled with an inconsistent and largely non-statutory consumer protection landscape beyond general consumer protection law for those using it, there is a risk that those consumers could face detriment. For district heating to play a positive role in eradicating fuel poverty, it must be affordable, and consumers must have access to the support that they need.

1.4 For these reasons, we commissioned Changeworks and the Centre for Sustainable Energy (CSE) to carry out research to determine what consumer protections are in place at present for district heating consumers in Scotland; how these protections compare with those offered in other European countries; and what actions the Scottish Government could take to strengthen consumer protection for district heating consumers in Scotland.

1.5 This research included:

- A review to better understand the context of district and communal heating schemes in Scotland.
- Analysis of consumer research to identify current issues facing district heating consumers in Scotland.
- Interviews with suppliers and owners of district heating schemes in Scotland to identify what schemes exist and their details, what consumer protections are already in place including the voluntary Heat Trust, willingness to join the Heat Trust, and perspectives on what consumer protection is and is not required in Scotland.

²Scottish Housing Condition Survey 2015

³SG Heat Policy Statement 2015 maintains a target of 1.5TWh by 2020, however the current Scottish Government consultation on regulating district heat refers to a general ambition for a "substantial increase in district heating in Scotland".

- Research into district heating consumer protection measures in place in a number of European countries where there were consumer protection related lessons that were transferable to Scotland.
- A workshop with 10 key stakeholders including social landlords, district heating scheme operators, Scottish Government, Ofgem, the Heat Trust, Energy Action Scotland and the University of Edinburgh.

1.6 In parallel with this, the CFU obtained a legal opinion on the extent of the competency of the Scottish Parliament to regulate district heat and introduce consumer protection measures.

1.7 At the time of writing, the Scottish Government is deliberating following a period of consultation on whether to introduce measures to regulate district heating in Scotland, including the introduction of technical standards and consumer protections. This presents an opportunity to ensure that as efforts are made to expand the use of district heating, consumers are protected against detriment, and district heat plays a positive and important role in the eradication of fuel poverty.

1.8 We believe that the proposals set out below will help to inform the development of a regulatory regime that has the interests of consumers at its heart, and will ultimately make district heating in Scotland more resilient and sustainable.

2. District Heating in Scotland: Policy Context

2.1 While the district heating market in Scotland is, at present, relatively small, with the majority of schemes in social housing, there has been a long-term increase in its use over the past decade, rising from around 0.7%⁴ of households in 2008, to around 1.4% in 2014⁵.

2.2 In 2014 it was estimated that there were around 35,000 households connected to district heating in Scotland. Of these, around 28,000 were social housing, compared with 7,000 that were private housing.

2.3 There are not specific, comprehensive statutory consumer protections in place for district heating consumers, however the voluntary Heat Trust scheme provides a fairly comprehensive range of protections including customer service, transparency of billing, service provision and price-setting criteria. Crucially though, this scheme is not compulsory and the research carried out as part of this project found that only one district heating supplier in Scotland is currently signed up to Heat Trust, and only two of those surveyed said they had plans to sign up.

2.4 While the numbers of connected households are relatively small at present, there has been a policy shift by the Scottish Government in recent years towards expanding its use. Its stated ambition is for 1.5 TWh to be delivered by district heat, and for 40,000 homes to be connected by 2020⁶. More generally though, the Scottish Government has indicated that it will seek to enable a substantial increase in its use in the coming years.

2.5 The Scottish Government recently launched a consultation on the regulation of district heating, with a key aim being to support its expansion. The consultation document referred to the Scottish Government's "ambition for a substantial increase in district heating in Scotland"⁷. The consultation covered support and obligations for the expansion of district heat, as well as what consumer protections and technical standards would be necessary. Some of the measures proposed in the consultation could also potentially support an increase in the number of private sector district heat developments⁸.

2.6 There are a number of differing projections as to how much the use of district heat could expand over the coming years. The UK National Comprehensive Assessment of District Heating and Cooling (2015) estimated that 7% of Scotland's total heat demand could be met by district heating by 2025⁹. At a UK level, the UK Committee on Climate Change has estimated that district heating could supply up to 20% of the UK's total building heat demand by 2050¹⁰. Whether these projections are met or not, there is a distinct possibility that there will be an expansion of the sector in Scotland, and that expansion could be rapid.

⁴ Consumer Focus, *Off-gas consumers: Information on households without mains gas heating*, 2011

⁵ Scottish Housing Condition Survey, 2014

⁶ Scottish Government, *Heat Policy Statement*, 2015

⁷ Scottish Government consultation on heat & energy efficiency strategies, and regulation of district heating

⁸ See Question 8 on establishing exclusive concessions for either private- or public-sector heat network developers within district heating zones-<http://www.gov.scot/Resource/0051/00513244.pdf>.

⁹ UK Government, *National comprehensive assessment of the potential for combined heat and power and district heating and cooling in the UK*, 2015

¹⁰ UK Parliament Committee on Climate Change, *Next steps for UK heat policy*, October 2016

3. Consumer Protection and Fuel Poverty

3.1 A key driver for both undertaking this study, and for Scottish Government moves to expand the use of district heating, is the alleviation of fuel poverty. In 2015, around 30% of households were in fuel poverty in Scotland¹¹. Consumer protections play a key role in initiatives to alleviate fuel poverty, and accordingly will be necessary for any drive to expand the use of district heating to realise this goal.

3.2 In order to address fuel poverty, consumers – often those in vulnerable situations – need to be able to access services, such as information on how to effectively use their heating system and support to manage debt. A robust and easy to understand journey, with appropriate protections throughout, is needed to support individual consumers.

3.3 However, the implementation of standards is as important as their existence. Any lack or failure of consumer services and protections can exacerbate fuel poverty. The impacts on consumers can be immediate, such as when vulnerable consumers receive large bills that leave them with major debts, or longer term, if consumers receive poor or insufficient information and advice.

3.4 Poor standards of service can also undermine trust in the energy sector in general, and a range of surveys¹² have indicated that levels of trust have been very low for some time. In turn, this can undermine trust in aspects of the energy market, and reduce consumer buy-in, particularly for newer technologies like district heating.

3.5 Consumers need confidence that measures are being promoted and installed in ways which will meet their needs, and effective support should be part of this process. This is important when new heating technologies are involved, as there is evidence that a lack of robust consumer protections can undermine their development through a lack of consumer confidence¹³.

3.6 At present, the supply of gas and electricity is regulated by Ofgem, and customers have a range of statutory protections, including standards of conduct and standards of service for metering and disconnection, provision of a priority services register for vulnerable consumers, legal protection of contracts, right of redress to the energy ombudsman, and provision of information.

3.7 However, district heat is not currently regulated at a Scottish or GB level, and therefore its customers are not subject to the same levels of protection. There is evidence that, as a result of this, district heat consumers are vulnerable to detriment. The following section sets out some of what we already know.

¹¹ Scottish Housing Condition Survey 2015

¹² See trust chapter in <https://www.citizensadvice.org.uk/Global/CitizensAdvice/essential%20services%20publications/Lost%20Decade%20Report2%20New%20Front.pdf>

¹³ Which?, Turning up the Heat: Getting a Fair Deal for District Heating Users, 2015.

4. Previous Studies

4.1 To date, there has been limited information on consumers' experience of district heating, particularly in Scotland. However, previous studies – largely focussing on Great Britain as a whole – have highlighted the potential detriment that can be faced by district heating customers as a result of a lack of consistent and mandatory consumer protections measures. In 2015, Which? carried out a study which found that a lack of consumer protection left many district heating consumers feeling vulnerable¹⁴. It found that satisfaction varied significantly between schemes, but that many consumers felt prices were unfair, their bills were confusing, the information they were provided with was insufficient, complaints processes were poor, and system performance was often a problem.

4.2 In 2016, Citizens Advice published an analysis of an information request regarding consumer protection in district heating networks. It found that the cost of heat, as well as billing methods and calculations, varied significantly between schemes, and that consumers are often compelled to sign very long supply contracts with no right to switch supplier. It suggests that these circumstances make the need for consumer protections more critical, and proposes that suppliers should introduce minimum protections such as a priority services register. It concludes that a voluntary scheme is likely to leave a significant amount of consumers unprotected, as it will only apply to suppliers who chose to join the scheme¹⁵.

4.3 Ofgem has also acknowledged that consumers across non-regulated energy markets, including district heating, can face significant detriment due to issues such as lack of protection for consumers in debt, lack of access to a mandatory Ombudsman, lack of Priority Service Register services, and no requirement to provide energy efficiency information. It also notes that vulnerable consumers are likely to be particularly affected by this¹⁶.

4.4 In 2012, the Scottish Government set up the Expert Commission on District Heating, which recognised the need for a licensing system for district heating to protect consumers, particularly due to the fact that schemes operate as supply monopolies. It stated that “without such protections it would be difficult to justify public support... for what is, for the customer, a monopoly supplier”¹⁷. It recommended that the Scottish Government should establish or identify a licensing body, and that a license should contain “robust clauses guaranteeing supply and customers' rights”.

4.5 Indeed, the UK Government has recognised that, ideally, consumer protections for district heating consumers should be “at least as good” as those in place for “alternative” forms of heating. However, it has also stated that it does not wish to bring in regulation to ensure that this is put in place, instead favouring a voluntary scheme¹⁸.

¹⁴ Ibid

¹⁵ Citizens Advice, *District Heating Networks: Analysis of Information Request*, 2016

¹⁶ Ofgem, *Insights Paper on Households with Electric and other Non-Gas Heating*, 2015

¹⁷ Expert Commission on District Heating: Recommendations to the Scottish Government, 2012

¹⁸ UK Government, *The Future of Heating: Meeting the Challenge*, 2013

5. Key Findings and Analysis

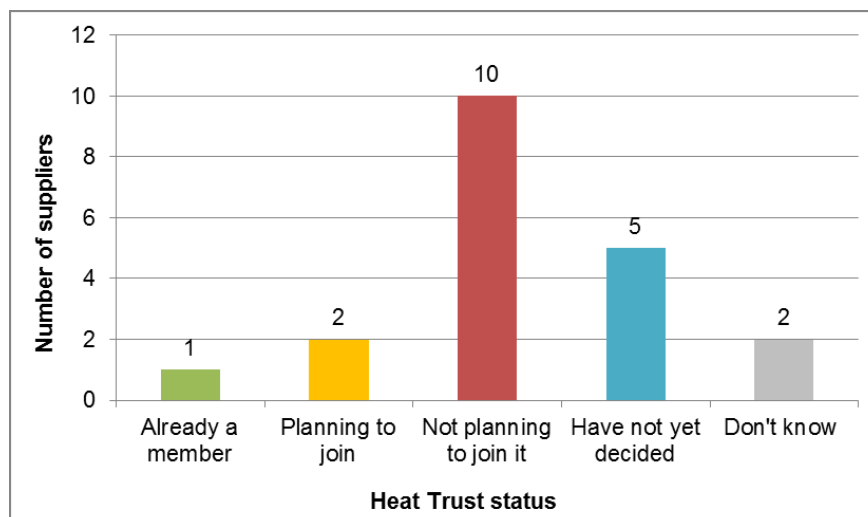
5.1 The findings of this project have been wide-ranging and illuminating. While some reinforce existing concerns around the lack of statutory consumer protections in the district heating market, others provide valuable new insight into what consumer protections could be implemented in Scotland, as well as the views of both suppliers and consumers on these.

5.2 Fundamentally, the research found that there is a clear need for greater consumer protection for district heat consumers in Scotland. This backs up what we know from GB-wide studies that have highlighted the potential for consumer detriment.

5.3 It also found that the existing consumer protection measures are inconsistent across the sector. The research suggests that the majority of district heat suppliers have introduced some steps to protect their customers and there are numerous examples of good practice. Protections do exist when suppliers have signed up to the Heat Trust, through some UK-wide regulations such as the Heat Network (Metering and Billing) Regulations (2014), and through suppliers' own policies. For social landlords, this can include measures they are already required to have in place as part of wider social landlord regulations. However, these measures and policies often do not comprehensively meet the needs of district heating consumers alone, and when protections are not consistent across the sector, there remains a risk to consumers. This risk would increase if the expectations of rapid growth in the sector and an increase in the numbers of private-sector suppliers come to pass. Whereas social landlords have obligations to support their tenants, such as having complaints procedures in place, the same is not the case for private sector landlords.

5.4 The positive achievements of Heat Trust should also be recognised, but having only one member in Scotland, it does not at present provide the consistent protection that is needed. Additionally, responses to the survey of suppliers that was carried out indicated that only 5% were members of the scheme, 10% had plans to join but at least 50% had no plans to join the scheme. This makes clear that, despite the merits of Heat Trust, there is no clear prospect that its coverage in Scotland will become significantly greater, at least in the short term. It may be concluded then, that it currently remains insufficient to provide the necessary and desired consumer protection in a comprehensive manner.

Supplier Survey: Views on joining Heat Trust



5.5 The research identified 16 key consumer protection measures that could potentially be implemented in Scotland, and may be desirable to achieve an appropriate level of protection. The study indicated that a number of these could be implemented through a statutory license, while others—namely around the introduction of price controls—may need further consideration of whether and how they could be implemented by the Scottish Government. The measures include:

- Price controls, price setting criteria, publishing of prices, and schemes being run on not-for-profit basis.
- Minimum standards of regularity and accuracy for billing, and breakdowns of prices.
- Support for vulnerable consumers and support for consumers in debt.
- Minimum standards for fault handling and compensation for interrupted supply.
- Complaints handling including independent dispute resolution service.
- Technical standards and compensation for interrupted supply.
- Fair contracts clearly setting out joining and leaving rights and contractual terms.

“The two most important things are: making sure customers understand what they're being charged and keeping the heat on so people can stay warm.”
Supplier survey

5.6 Some of these measures correspond closely to the protections that are in place for gas and electricity consumers, such as requirements around billing, service standards and support for vulnerable consumers, and which relate to more general consumer protections that we would wish to see in place across all energy markets. Others (such as price controls) have more of a focus on addressing the specific needs of district heating consumers. For example, price control measures or price setting criteria could help to reduce the risk of consumers being charged unfairly for heat, as systems are generally run as supply monopolies where there is little or no option to switch. As the district heating market does not operate in the same way as the electricity and gas markets and does not offer the same choice to consumers, additional measures may be necessary. The research found that this approach has been adopted in a number of European countries, including the Netherlands.

5.7 Therefore, while it may be necessary to introduce many of the protections that exist in other energy markets, district heating consumers could also require some ‘enhanced’ protections due to the nature of the technology and market. It is not clear, however, whether it would be possible for the Scottish Government to implement some measures, such as price controls, without new legislation being introduced at a UK level. More work is necessary to determine whether and how this could be applied.

5.8 More broadly, these protections reflect the consumer principles which the CFU views as a priority and which should be embedded in energy markets. Generally, these are that consumers should have:

- Access to the goods and services they need
- Choice
- Safety
- Information
- Fairness
- Representation
- Redress

5.9 The survey of suppliers that was carried out found wide support – from both suppliers and other stakeholders – for greater consumer protection measures including regulation. This appears to suggest that suppliers themselves do not feel that regulation would undermine the commercial viability of schemes. While the research did find that ‘too much regulation’ could be burdensome, the survey indicates that regulation for many of the basic consumer protections set out above would not have an adverse impact on businesses.

*“The more regulations there are to make sure
the consumer gets a fair deal the better.”*
Supplier Survey

5.10 Finally, the project found that the Scottish Government has competencies to regulate and set up a licensing regime – although there are questions yet to be answered around exactly what this would entail, particularly around pricing issues and the identification of a regulatory body. The following section sets out the details of that what we understand the powers of the Scottish Government to be.

6. Nature and Extent of Devolved Powers

6.1 As part of this project, the CFU commissioned a legal opinion from John Campbell Q.C. to determine the extent of Scottish Government competency to introduce a regulatory regime for district heating schemes, including statutory consumer protections¹⁹. The opinion makes clear that the Scottish Government does have the power to do this, and that consumer protections implemented through a license could be made compulsory.

6.2 The opinion makes a number of key assertions that may be crucial to how this could be taken forward in Scotland. They include:

- Responsibility for the regulation of district heating is devolved to the Scottish Parliament, and the market is distinct from the gas and electricity markets. It can therefore put in place a regulatory regime including a license.
- However, the Scottish Government can introduce a statutory license that includes existing consumer protections in legislation.
- Many of the desired protections set out above could be achieved by incorporating provisions of existing UK and EU legislation in a license.

6.3 In essence, this indicates that, while the Scottish Government cannot introduce any new consumer protection legislation, it can include appropriate protections that already exist in a statutory license. Additionally, the research suggests that protections such as joining and leaving rights can be found in the Consumer Rights Act 2015, and protections including price-setting criteria, minimum standards for billing regularity and accuracy, and providing a breakdown of prices are contained in the Heating Network (Metering and Billing) Regulations 2014.

6.4 The issue then does not appear to be that these protections do not exist; it is rather that they are not currently codified in one place as they are for gas and electricity. That is to say that ultimately, there is no effective regulation to uphold these protections, and they may not be consistently recognised, understood, nor enforced. The opinion states:

“As matters stand, my view is that those entering into DHS contracts with a supplier have statutory consumer protection rights for the matters covered by the contract—entry into the scheme, participation in it, the supply of heat, pricing, [the right to switch], the right to terminate, the right to information, metering and billing, the right to complain, and to have a complaint dealt with, and other relevant consumer orientated contractual rights.”

¹⁹ For the full text of the legal opinion, see Appendix C of the Changeworks/CSE report.

6.5 A license is likely to need to draw upon a range of diffuse existing legislation to achieve the desired range of consumer protections, but new consumer protection legislation may, for the most part, not be necessary. However, while the opinion suggests that the majority of these protections do exist in legislation, in relation to a number of proposed measures, it is not clear what the specific and relevant pieces of legislation are, including those dealing with technical standards, debt handling, support for vulnerable consumers, complaints handling, and access to an ombudsman or equivalent service. More work is needed to clarify exactly where the legislation sits in order to introduce these measures.

“I cannot see any reason why the Scottish Government could not regulate the terms and conditions of supply of heat in any DHS, existing or to be constructed, by introducing a compulsory licencing regime proportionate to the project in question. The components of that licence are questions for another day, but a licence to supply could easily enshrine existing consumer protection law...”

John Campbell Q.C.

6.6 The legal opinion suggests therefore that the Scottish Government does have the power to introduce a license which includes compulsory consumer protection measures. This may not apply to every measure set out above – for example, the introduction of price controls could require additional legislation at UK-level – but it is clear that it would be possible to implement a regime that included a range of basic measures that would protect consumers from detriment. While this would suggest that a Scottish regulator could take enforcement action for non-compliance, it is not clear at present what potential penalties may be appropriate. This would be a matter for the Scottish Government to decide, based upon the circumstances of the district heating market.

7. Recommendations

7.1 District heating has the potential to play a positive role in tackling fuel poverty and reducing carbon emissions, as set out in the Scottish Government's recent consultation on regulating district heating. However, it is important that consumers are adequately protected and can have confidence in district heating in order for the sector to develop and have a positive impact in these areas. Our research suggests that the following recommendations could help the Scottish Government increase consumer protection in the heat market and achieve these outcomes:

1. A Regulatory Body

Establishing a Scotland-wide body with responsibility for the regulation of the district heating market. This would allow for a consistent approach with appropriate resources, while ensuring that knowledge, skills and understanding of the district heat market, as well as the technology, is consistently available throughout Scotland. A Scotland-wide body would be able to develop the resources and level of specialist knowledge that would be required, and ensure a consistent approach across the country. The functions of this body could include:

- Issuing licenses and assessing the compliance of suppliers with license conditions.
- Keeping a register of schemes.
- Taking appropriate enforcement action – as determined by the Scottish Government—where there has been a breach of license conditions and where it is appropriate to do so.
- Requiring and supporting suppliers to provide advice to consumers on how to use heating systems.
- The Energy Ombudsman, or an equivalent body, could also be brought alongside this body to provide adjudication of complaints about the operation or the value of district heating schemes. As set out above, the licensing regime should require that access to the ombudsman service be included in heat contracts.

2. Support for Suppliers

Investigating the provision of appropriate support for district heating suppliers to ensure they are able to meet regulatory standards and consumer expectations. This could include:

- Providing support and advice to suppliers on how to increase efficiency of schemes.
- Providing advice, where necessary, to consumers on how to best use schemes.
- We recognise concerns that a licensing regime appropriate for larger suppliers may be disproportionate for stand-alone providers of very small schemes. While we do not consider that service standards for consumers should be relaxed in these cases, it may be necessary for additional support to be provided to small suppliers where necessary to enable them to meet required standards.

3. Price Controls

Investigating what mechanisms are available to introduce price controls. As district heating networks generally operate as supply monopolies, we believe that it is reasonable to exercise some control over pricing to protect consumers from detriment, as they are generally not able to switch tariff or supplier. It is not clear, however, whether this could be achieved without new legislation, and whether this would need to be done at a UK-level. As this study has made clear, more research is required in this area.

- A detailed review of whether and how price controls, such as a price-cap, could be applied in the district heat market in Scotland, through new or existing legislation, and the extent of Scottish Government competency to do so, would provide clarity.
- Should that determine that it would not be possible for the Scottish Government to introduce price controls under existing legislation, examining alternative means to achieve this with the UK Government.
- This could take the form of approaches used elsewhere in Europe, including the following measures:
 - Price cap – where prices would be capped at no more than the equivalent cost of the cheapest alternative system in the area.
 - Price-setting criteria – To make clear the basis on which prices should be determined based on cost base. This may help to prevent overcharging by ensuring prices for heat supply reflect given criteria such as running costs, comparable to a rate of return approach rather than a price cap. This would have to be combined with technical standards to promote the efficiency of schemes so that prices are not overly inflated by high running costs. This could also give consumers an opportunity to raise concerns about high running costs, and help the regulator to identify inefficient schemes, enabling support to be directed at those schemes where appropriate.

4. Statutory License

Taking account of the above, introducing a statutory license for district heating suppliers. The license should include compulsory consumer protection measures as well as minimum technical standards to promote the efficient operation of schemes. The content of this license should build upon the content of the Heat Trust. The following measures should be included in a license:

Billing and Pricing

- Publishing of prices – including benchmarking against other schemes – which could encourage pressure from consumers on their supplier for improvements, and allow them to raise concerns about high prices, through allowing consumers and operators the chance to compare performance. This may also allow consumers to understand prices. The Heat Trust currently has a price comparison tool that would enable this.
- Minimum standards of regularity and accuracy for billing – This is a basic consumer right, and may reduce risk of build-up of large bills or confusion around billing. This may also help to prevent consumers falling into debt.

- Breakdown of prices to consumer – This would give the consumer the opportunity to see what contributes to cost (and what savings could be available by reducing use etc.).

Support for vulnerable consumers

- District heating suppliers should be required to provide a priority services register for vulnerable customers. This would provide additional support through measures including advance notice of service interruptions, provision of alternative heating in emergencies, password protection schemes, and bill nominee schemes²⁰.

Minimum standards to support customers in debt

- This should include support such as setting up reasonable and manageable payment plans for consumers to clear debts, ensuring consumers are supported not to get into debt, and setting up prepayment plans.

Access to redress

- Complaints handling – including requirements for easy to navigate complaints procedures to be put in place, including a 24-hour clear point of contact, and timescales for dealing with complaints.
- Ombudsman Services – licensees must abide by the decision of an Ombudsman or equivalent service.

Compensation for interrupted supply

- Consumers should be compensated for lack of supply. This would incentivise suppliers to reduce the number and extent of breakdowns, and bring district heating suppliers in line with other energy companies.

Fault handling

- A minimum level of service regarding fault handling and repairs, including response time and ensuring continuity of supply, should be specified.

Technical Standards

- Technical standards could include implementing appropriate safety measures. This may include minimum and maximum temperatures, and pressure levels.
- This could also include suppliers being required to assess the efficiency of their networks annually, against set efficiency standards, and report to the regulator. This would assist the regulator in providing support to improve schemes that are not performing well.
- These could build upon the Heat Network Code of Practice Scheme developed by the Association for Decentralised Energy and CIBSE, although work may be needed to determine how this could be applied to existing schemes.

²⁰ In 2017/18, the CFU will be carrying out research into the provision of support to vulnerable consumers across different sectors. This work may help to inform this action.

Fair Heat Contracts

- Heat contracts should provide clear information on all of the above, as well as leaving and joining rights.
- Guidance should be issued by the regulator on ensuring that heat contracts are fair.

The Consumer Futures Unit puts consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. Part of Citizens Advice Scotland, we research and gather evidence, which we use to improve outcomes for consumers.

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