



Consumer Futures Unit

District Heating in Scotland

Different rules for different fuels: consumer protection and district heating

Background

- ▶ District heating schemes (also known as heat networks) supply centrally generated heat and hot water to a number of residences.
- ▶ District heating can be more efficient than individual systems, and be powered from renewable resources, with potential cost and carbon reduction benefits.
- ▶ Unlike electricity and gas, there are no specific, comprehensive statutory consumer protections for district heating consumers.
- ▶ The proportion of households in Scotland using district heating doubled between 2008 and 2014, from 0.7% to 1.4%, (35,000 households).
- ▶ The Scottish Government is seeking to substantially increase the use of district heating, with an initial target of 1.5 TWh, or 40,000 households, by 2020.
- ▶ A UK Government report suggested 7% of Scotland's total heat demand could be met by district heating by 2025.
- ▶ In order for the sector to expand, it will be important to build consumer confidence in the technology – effective consumer protection will be central to this.
- ▶ While district heating can play a positive role in tackling fuel poverty and reducing carbon emissions, consumer protections are required to give consumers confidence that they will not be exploited.

Key issues

The CFU commissioned research into consumer issues in district heating, which found:

- ▶ There is a clear need for greater consumer protection for district heating consumers in Scotland – existing consumer protection measures are inconsistent across the sector.
- ▶ Most suppliers surveyed had no plans to join the voluntary Heat Trust scheme, which provides a range of consumer protections.
- ▶ Statutory consumer protection measures which could be introduced through a license include measures around billing, metering, standards of service, access to redress and pricing.
- ▶ The Scottish Government has the power to introduce a statutory license, which could contain statutory consumer protections.
- ▶ There is wide support – from suppliers and other stakeholders – for greater consumer protection measures, including regulation.

KEY POLICY ISSUES

Potential cost and carbon reduction benefits

Proposed increase in the use of district heating

Need for statutory protection for district heat consumers

35,000

households in Scotland currently use district heating

40,000

target for the number of households in Scotland using district heating by 2020

7%

of Scotland's total heat demand could come from district heat by 2025

Key Recommendations

District heating could play a positive role in tackling fuel poverty and reducing carbon emissions. Our research suggests that the following recommendations could help the Scottish Government increase consumer protection in the heat market and achieve these outcomes:

- ▶ Establishing a Scotland-wide body with responsibility for the regulation of the district heating market in Scotland.
- ▶ Investigating and providing the appropriate support for suppliers to ensure they are able to meet regulatory standards and consumer expectations.
- ▶ Investigating what mechanisms are available to introduce price controls.
- ▶ 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.

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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.



Email ConsumerFuturesUnit@cas.org.uk

Twitter @CFUcas

Web www.cas.org.uk/spotlight/consumer-futures-unit

Produced by The Scottish Association of Citizens Advice Bureaux Citizens Advice Scotland (Scottish charity number SC016637) Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB Tel: 0131 550 1000
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