

Response to the Economy, Energy and Fair Work Committee's Call for Views on the Heat Networks (Scotland) Bill

May 2020

Summary

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better. With this in mind, we want to ensure that the Heat Networks (Scotland) Bill delivers the best possible outcomes for heat network consumers, and gives parity with the rights and services afforded to consumers of the regulated energy market. Unfortunately we are aware of instances where heat network consumers have been disadvantaged due to the current unregulated nature of heat networks and are keen that this Bill works towards improving this as much as possible.

Response to Questions

1. Which part of the Heat Networks Bill is of most relevance to you or your organisation, why, and what do you consider its impact will be?

Citizens Advice Scotland is mainly interested in how the Bill can work to ensure better outcomes for consumers, and this spans across several parts of the Bill. We support the Bill's overall intention to grow the number of heat networks in Scotland and through doing so, reducing fuel poverty, ensuring consumer protection and contributing to the transition to low-carbon or renewable energy. However, we outline our concerns with these ambitions in our response to Question 3.

In regards to specific Parts of the Bill, Citizens Advice Scotland is mainly interested in Parts 1, 2 and 3, as we believe there is potential to incorporate obligations around **community engagement**, to ensure that consumers' needs are best met. We believe that within the licencing, consenting and/or zoning processes (and also potentially in other processes), there should be significant engagement with the communities who will be served by the heat networks. Indeed, several heat network operators may do this already, and will no doubt agree that in doing so, they get a better understanding of their future consumers and their individual circumstances and energy needs, and this provides the basis for good consumer-supplier relationships. It may also provide an early opportunity to demonstrate how to use new systems to best effect.

As an example, between mid-2018 and late 2019, the Citizens' Advice Bureau in North West Glasgow supported tenants of the Wyndford estate with problems regarding the heat network which was installed there in 2012. Many residents were struggling with the relatively high cost of system, mainly due to a daily standing charge, and this led to high levels of arrears and disconnections. In December 2019, after significant negotiation involving several advocacy groups, the heat network provider agreed to expand access to a low user tariff, which did not include the standing charge, thus making energy more affordable for the residents. We believe that obligating community engagement at an early stage is likely to help avoid scenarios such as this, in that a better understanding of people's circumstances and any vulnerabilities may help heat networks to build good relationships with their clients and offer services which are affordable, meet their customers' needs, and are therefore sustainable.

2. Are you content with the definition of heat networks used in section 1 of the Bill? (If not, please elaborate.)

Yes, we are mainly content with the definition of heat networks, however we would just like to draw attention to the use of "community" rather than "communal" heating, the latter of which is the term used in the Bill. This may be insignificant or indeed an error, but this may have implications as to its interpretation.

We are also aware that there may be unintended consequences in that this definition may inadvertently include small heat pump operations where it serves for example, a four-in-a-block residential building, and potentially cause difficulties.

3. Previous consultations have identified different priorities for this legislation – including transition to low-carbon or renewable energy, tackling fuel poverty, and ensuring consumer protection. To what extent do you think such priorities are reflected – and balanced – in the Heat Networks (Scotland) Bill?

While the intentions of the Bill are admirable, we are concerned that the Bill does not have sufficient devolved competency to deliver on these, or where it does have competency, it could go further to guarantee good outcomes for consumers.

In terms of the transition to low carbon and renewable energy, CAS supports Scotland's net zero ambitions and recognises the valuable role that heat networks play within this. However, many heat networks are currently run using natural gas and in as much as we recognise that having a central, highly efficient communal boiler (as is the case in 56% of the UK's heat networks¹) will produce fewer emissions than every home containing their own gas boilers of varying efficiency, we cannot ignore that natural gas remains a carbon-emitting fossil fuel. The Bill does allude that heat networks using a low carbon or renewable source would be the preferred option however we question whether this Bill goes far enough in encouraging existing and potential heat network developers and operators to move away from gas in favour of renewable sources. We suggest that the Bill should be going as far as

¹ The Associated for Decentralised Energy (2018); [Market Report: Heat Networks in the UK](#)

to strongly discourage or even consider dis-incentivising the use of gas, and suggest looking to Scandinavia for inspiration in widening the options for low carbon fuel sources for heat networks, but caveat that this must be cost-effective for consumers.

With every aspect of the transition, we caution that it will come at a cost, and lower income and vulnerable households cannot and should not shoulder the burden of these costs. Too many households in Scotland already experience fuel poverty and we support efforts to effectively and sustainably address this. In this vein, we agree that heat networks have the potential to help reduce fuel poverty through providing heat at a lower cost to consumers. However, this Bill cannot guarantee lower fuel costs for heat network consumers as it does not have competency over pricing. Furthermore, moving onto a heat network may inadvertently reduce the help that consumers are eligible for if they are struggling with their bills e.g. it may make some heat network consumers ineligible for the Warm Home Discount depending who their supplier is, or it may be that some help is available for electricity debt but not for heat debt. This should be an area for further consideration to ensure that consumers who are entitled to it are not losing access to help with their energy bills.

Additionally, the Bill cannot oblige heat networks to publish their tariffs so that consumers can compare what they are paying in the same way gas and electricity consumers can, and the monopolistic nature of heat networks means that it is very difficult for consumers to switch supplier anyway. Where comparison figures are available, we have found that some heat networks operators do not provide consistent and sufficiently detailed billing information, which makes comparison even more difficult, and this is an additional element which the Bill does not address. These factors together put heat networks consumers at a disadvantage compared to non-heat network consumers. So indeed while heat networks are in many cases able to provide lower cost heating, this Bill will not compel them to do so and consumers will not be guaranteed that their fuel costs will be reduced.

In terms of consumer protection, this Bill is very limited in what it can offer, as consumer protection is a reserved matter. We understand that the Scottish Government requested consumer protection for heat networks to be devolved for the purposes of this Bill, however this had not been decided or settled at the time of responding to consultation. As such we will be responding to the Department of Business, Energy and Industrial Strategy's consultation on building a market framework for heat networks, especially in regards to the consumer protection proposals. We understand that the consumer protections within the market framework will apply UK-wide, but it is currently unclear if this can sit in the proposed Scottish licence or not and what the implications will be for enforcing consumer protections in Scotland, and we would call for clarification on this.

In the absence of overt consumer protection in the Bill, we believe there is scope within the licencing, consenting and zoning sections of the Bill to incorporate community engagement, to at least ensure that current and future consumers are better involved and their interests better represented in the decisions of heat network operators. This is explained in more detail in our response to Question 1.

4. What are your views on the licensing regime as envisaged by the Bill?

CAS believes that the proposed licencing system offers some protection for consumers in that it ensures a form of a “fit and proper” test for potential heat network developers and operators. However, we recognise that this may lead to potential tension with the system of general authorisation which has been proposed in the BEIS Market Framework consultation and which would apply in the rest of the UK. We believe that work should be undertaken to understand how this divergent approach would affect Scottish consumers, and those developers who operate across the UK. We have some concerns about what implications a different licencing system in Scotland would have for developers as the growth of this market is important within the net zero agenda, but we want to see this market grow only if it comes with net benefits for consumers, including a strong consumer protection framework.

Beneath the licencing regime, we believe that a code system such as that which currently exists for gas and electricity networks would be helpful here. The Joint Office of Gas Transporters is a good example as to how to bring together stakeholders in a monopoly market around such a code, in order to share good practice and agree on any changes to the code. We believe that this is a role the Heat Trust could evolve into for heat networks.

5. What is your opinion of the approach taken with Heat Network Zones (see parts 3 and 4 of the Bill)?

We believe that zoning with exclusive licences to operate will encourage the development and growth of heat networks as it is a valuable de-risking tool. However, this reduces choice for consumers within these zones (and indeed consumers may not be involved in determining the parameters of zones so lose agency in this regard) and as such, CAS believes that close engagement with the community must be a priority and must be mandated. Please see our response to Question 1 for more detail around this.

6. How will the Bill impact on local authorities? (In terms both of the assessment of the suitability of their own buildings and also the power to designate heat network zones)

It is likely that a significant amount of administrative work associated with heat networks linked to all Parts of the Bill will fall to local authorities and as such, we believe that they will need sufficient support to make preparations for this (especially in the context of public sector funding cuts), to upskill relevant staff, and to carry out the necessary work.

7. Part 6 of the Bill confers powers for the compulsory acquisition of land and wayleave rights; to survey land for the purpose of construction or operating a heat network, and to access land in order to carry out repairs. What do you think of the extent of the powers in the Bill for licensed heat network operators (similar, in some respects, to those of utility companies)? Has a balance been struck with the rights of others (property rights for example)? If not, what would that balance be?

As heat networks develop and expand in Scotland, it seems fair that support is given to the organisations that will be planning and delivering them. The Gas and Electricity network monopolies have well-developed legislation which allows access to lay gas pipes under a third party's land or electricity cables with masts or pylons across, say a farmer's field. Safety is key, and there are many controls that both the gas and electricity networks have put in place to ensure the safe operation of their infrastructure in third party land. We believe that heat networks should be given similar rights as their gas and electricity counterparts, providing adequate safety is demonstrated to the appropriate body (e.g. the HSE).

8. Please feel free to provide your views on any other aspects of the Bill or the policy aims underpinning it if not covered above.

Further to the point made earlier in regards to consumer protection, it is clear that the Scottish Government must work closely with the UK Government as BEIS consults on building a market framework for heat networks. The consultation contains proposals for consumer protection which would apply in Scotland. It must be ensured that these proposals align well with the Heat Networks (Scotland) Bill and that these processes do not result in heat network consumers in different regions of the UK receiving different levels of service or protections. We also acknowledge the impact this may have on developers who may operate across the regions of the UK, and who may as a result of these processes face arbitrarily different conditions which may discourage them from setting up and operating heat networks in Scotland.

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