



Response to the Department of Business, Energy and Industrial Strategy's Consultation on Building a Market Framework for Heat Networks

June 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.

Citizens Advice Scotland welcomes the opportunity to respond to this consultation. Above all, we want to ensure that a market framework improves outcomes for heat network consumers. We have been calling for heat network consumers to have access to the same rights and services afforded to customers of the regulated energy market for several years.

We recognise that heat networks are a vital part of the UK and Scottish Governments' plans to reach net zero and also have the potential to contribute to the reduction of fuel poverty by giving consumers access to lower cost heating. However, due to heat networks' unregulated and monopolised nature, until now consumers using them have been at a disadvantage and we are aware of instances where they have experienced detriment, including having little option to switch to a more competitive tariff, and not having the right to consistent standards of service nor access to a robust redress route when things go wrong. CAS believes that it is right that heat networks are regulated and we believe that consumers will benefit from better outcomes as a result. Our position is based on evidence from our network of bureaux around Scotland as well as our 2017 research "Different Rules for Different Fuels: Exploring Consumer Protection in the District Heating Market"¹, specific parts of which we will refer to throughout this response. The report indicated wide support for regulation from both suppliers and other stakeholders as well as an acknowledgement of the need to improve consumer protections.

Response to Questions

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

¹ [Different Rules for Different Fuels: Exploring Consumer Protection in the District Heating Market](#)

Yes, CAS believes that micro-businesses should be covered by consumer protection requirements. Research commissioned by Citizens Advice (England and Wales)² showed that small businesses and particularly micro-businesses generally engage with essential markets (energy, water, communications and financial services) in much the same way as domestic consumers do, but with fewer protections. Small businesses were found to suffer a number of disadvantages including:

- having more difficulty in negotiating better deals with their suppliers compared to large businesses
- experiencing a poor or distant relationship with the supplier
- perceived undervalued custom with their supplier
- limited resource available to research alternatives
- anxiety around switching.

These experiences were even more pronounced for micro-businesses and this evidence exemplifies why both micro-businesses and small businesses should be afforded better consumer protections within a market framework for heat networks.

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

No, we believe that consumer protection requirements should also cover SMEs. Please see our response to Question 1 for more detail.

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?

Yes, we believe that this definition is mostly appropriate. However, it must be ensured that consumers using ground source heat pumps which fall outside the definition also have equivalent rights and protections. It should be noted, however, that as heat pumps are used in district heat (and indeed emit significantly less carbon, making them preferable to gas fuelled heat networks), some confusion may arise and the government should offer clarity to heat network developers, suppliers and consumers to ensure understanding and promote the use of lower-emitting heat network fuel sources.

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?

²<https://www.citizensadvice.org.uk/Global/Public/Policy%20research/Documents/Policy%20publications/Consumer%20Publications/Research%20into%20how%20small%20businesses%20engage%20with%20essential%20markets.pdf>

Yes, we believe that Ofgem is an appropriate body to take on the role of regulator for heat networks, as they already hold the necessary skills and expertise to ensure consumers are protected. There is little sense in creating a separate body to solely oversee heat networks. Selecting Ofgem as the regulator should also go some way to ensuring parity with gas and electricity regulations and should help to align with consumer protection developments in those markets. That said, sufficient funding would need to be in place for Ofgem to execute this approach.

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

The proposed regulatory model of a system of general authorisation with a licence for specific rights and powers raises several interesting questions, particularly in a Scottish context.

Firstly, the Scottish Government is proposing a full licencing system in the Heat Networks (Scotland) Bill. It seems potentially problematic that there would be two different regulatory models in play within the United Kingdom. Given that a key motive of building a heat networks market framework is to encourage the rollout of more heat networks, we caution that arbitrarily different systems could cause confusion and deter investment in heat networks, especially in Scotland. Regardless of the regulatory model chosen, steps must be taken to ensure that the two systems can work closely together and crucially ensure parity in consumer experience and protection across the UK. We understand that the consumer protections within the market framework will apply UK-wide, but it is currently unclear if this would 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.

On the one hand, a full licencing system does ensure that prospective developers pass a “fit and proper person test”, which is beneficial to consumers. On the other hand, it is unarguably more onerous to adhere to a full licencing system and again this may inadvertently restrain investment in the development of heat networks in Scotland.

Furthermore, a system of general authorisation is more likely to encourage quicker deployment of heat networks as there are fewer barriers for operators to address in the process of setting up a heat network. However, this speed may compromise consumer protection. We acknowledge in the consultation paper that reducing the burdens on developers in the initial stage may lead to lower operating costs, and these savings should be passed onto consumers. The paper also states that consumer interests will be protected in a general authorisation system as the UK Government considers that consumer protections such as pricing, quality of service and transparency should be included in the “General Conditions” applied to all operators.

However, it is not yet guaranteed that consumer protections will be included in the General Conditions and this must be done very carefully, including provisions for strong sanctions for non-compliance. We know that some heat network operators have provided a poor service to consumers and are not being held to a high standard; consumers deserve parity of

protection with gas and electricity network consumers. In conclusion, we must emphasise that regardless of what model is chosen, it must robustly ensure consumer rights.

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.

CAS does not take a particular view on which entity should be accountable but emphasises that regulatory compliance must be met regardless. By way of suggestion, the entity with the higher profit margin may be more appropriate to be accountable for regulatory compliance.

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, CAS strongly agrees with the regulation of consumer protection requirements during the operation and maintenance project stage. The government states that consumer protection is of paramount importance as it seeks to regulate the sector and there is no reason why this should not be the case during the operation and maintenance project stage.

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.

CAS recognises concerns that regulation which would be appropriate for larger suppliers may be disproportionate for standalone providers of very small schemes and acknowledges this proposition is intended to reduce the burden on very small operators. However, where domestic consumers are on a heat network of any size or mix of domestic or non-domestic consumers, they must be afforded the same consumer protections as other heat network consumers. We have seen evidence of unreasonable pricing and disconnections on small scale schemes and so consider uniform consumer protection standards as necessary to avoid this type of detriment. Suggesting an arbitrary de minimis threshold is not particularly favourable to CAS and the focus should be on widening consumer protections, rather than limiting access to them.

We recommend additional targeted support for small suppliers where necessary to enable them to meet required standards. We believe there are bodies such as the Heat Trust which can support small schemes and reduce the burden by providing them with advice, resources, best practice examples and a community of support. It is important that heat network consumers on smaller schemes do not face the prospect of the costs of higher compliance being passed on, so models such as joint procurement or combined vulnerability

strategies should be explored. Those on smaller rural schemes may experience distinct types of detriment which regulation should address, such as high costs or a lack of customer consultation prior to decisions. For example, a case from one of our Citizens Advice Bureaux showed a farmer installing a scheme having had little consultation with his tenants at a cost of £150 per month for hot water.

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?

Similar to our response to Question 8, CAS does not believe that size thresholds are particularly helpful, but does recognise the good intention behind them. The regulator's oversight of schemes and engagement with consumers means it should not matter what size schemes are, rather what matters more is to ensure there is strong consumer protection, including an accessible route for consumers to address any issues they may have, as well as a robust redress route.

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

Yes, CAS believes that entities who seek additional rights and powers should be subject to further scrutiny and assessment via a licence, before these are granted. However, this should be proportionate to the scrutiny afforded to gas and electricity networks.

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

As above, the chosen model must guarantee consumer protections and there should be periodic reviews built in to ensure the right balance between growing the market to reach net zero and ensuring positive consumer experiences. Based on the findings of these reviews, adjustments should be made as appropriate.

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

We recognise that heat network operators will need time to build new requirements into their operations and understand the argument for transitional arrangements for a set period of time. However, we believe a reasonable lead-in period coupled with support and guidance from organisations such as the Heat Trust should be sufficient, rather than a transitional period which may cause confusion for developers, operators and consumers. Indeed, well-established resources already exist, including those developed by the Heat Trust, and these should help heat network developers and operators. Heat networks have

also been encouraged already to make progress towards higher standards. Again, there should be close monitoring of how the regulatory model is working in practice, especially considering the experiences of consumers. This monitoring should include periodic reviews, with scope for amendment and further regulation where necessary.

Q13. Do you consider our proposed approach sufficiently flexible to accommodate emerging business models, including unbundling of different components of a heat network? If not, please suggest ways in which we could ensure alternative business models are not precluded.

CAS does not take a view on this.

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?

CAS believes that there is a fine balance to be struck in achieving the right level of targeted, meaningful enforcement action in order to protect consumers and deter poor service, whilst at the same time encouraging the sector to grow. CAS believes that having a clear set of common standards, including consumer protection, which schemes must adhere to, coupled with early community engagement will reduce the instances in which enforcement will be necessary.

Enforcement is a key area of collaboration for the UK and Scottish Governments, as if there are different licencing systems and especially different bodies carrying out various functions of regulation for heat networks, it would need to be quickly clarified who has responsibility to carry out monitoring and enforcement actions.

We believe that enforcement actions should be on par with those in the regulated energy market, but also proportionate to the smaller customer base sizes of heat networks. It is essential that there is a robust, independent, consistent redress route available to consumers and for this to be promoted to consumers when a heat network is set up or when a household moves into a property served by a heat network. We are aware that currently the redress options for heat network consumers are very limited, and our concerns around this are explained in more detail in our response to Question 19.

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?

CAS agrees that these actions are appropriate, however there is a wider set of enforcement and pre-enforcement actions that should be considered. Considering the relative nascence of

heat networks in the UK and the desire to encourage more entrants to the market, while also protecting consumer interests, we suggest that the regulator would want to foster a more supportive approach, incorporating the sharing of good practice and knowledge. Where heat networks are struggling to provide good customer service and adhere to the standard, we would expect the regulator to be taking steps to understand why this has happened, using tools such as installing managers to support the supplier to improve their service standards.

We want enforcement action to be clear and decisive, however we are concerned that being too heavy handed with fines could lead to heat networks passing these costs onto consumers. We suggest that any fines which are collected are used to support consumers, in line with Ofgem's Energy Redress Scheme in the regulated 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?

Yes, CAS agrees that this is an appropriate power, however there should be consideration given to the impact on consumers and it should be ensured that arrangements are in place so that consumers do not experience disruption to their supply.

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?

CAS believes that the regulator should have flexibility to apply penalties at the level it deems appropriate for the failure, again while ensuring consumers continue to receive the essential service. In the above scenario, we would expect the regulator to be working closely with the entity concerned to understand why the failure has occurred and to be working with them to improve their services and ensure good outcomes for consumers. We recognise that Ofgem requires a body of evidence of non-compliance before being able to act, and this may be potentially problematic given the smaller customer bases of heat networks.

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?

Again, CAS believes that the regulator should have flexibility to apply penalties at the level it deems appropriate for each case, but we agree in principle where there is widespread failure

to comply within a group of networks owned by the same entity, that the regulator should indeed have the ability to revoke the relevant authorisation or licence for the entity. In this scenario, robust step-in arrangements should be in place.

We would envision that implementing strong consumer protection measures, including robust complaints routes, would help to ensure that problems are dealt with at a much earlier stage than as described in the above scenario.

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, CAS strongly believes that individual domestic consumers should have access to ombudsman services. Currently, only consumers of heat networks which are Registered Participants of the Heat Trust have access to the energy ombudsman for redress. However, if their network is not a member then the consumer is limited to the heat network supplier's own complaints route. Consumers are able to use the housing ombudsman route if applicable and if they have exhausted other options, but this is not guaranteed and outcomes of using this route are not well known. Heat network operators outside the Heat Trust are currently under no obligation to provide redress. This is an arbitrary differentiation and can be quickly resolved by giving all heat network consumers parity of access to the energy ombudsman.

We believe that given their existing role in this space that the energy ombudsman is an appropriate choice to provide this function. However, we emphasise that the ombudsman must be provided with the appropriate support to enable them to deal with the increased volume of work that this will undoubtedly lead to.

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?

Yes, CAS strongly believes that step-in arrangements are necessary to protect consumers and maintain heat supply in the event of supplier failure. We believe that giving the regulator powers or the obligation to appoint or step in as a Supplier of Last Resort is especially crucial in a monopoly market such as this.

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

We do not have any specific examples of good practice to give however wish to note that step-in arrangements should not result in higher costs for consumers and that suppliers who fulfil this role should obviously uphold regulatory requirements. The obligations placed on

heat networks should reflect those required of gas and electricity markets by Ofgem's Supplier of Last Resort arrangements insofar as possible, and ensure continuity of supply.

Protecting consumers

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, CAS strongly believes that consumers should be provided with a minimum level of relevant information if the property they are considering buying is on a heat network and we expect that this should be part of their decision to progress with the transaction. This is not intended to deter potential buyers but rather give them fair and accurate information about an important element of the property, especially considering that it will mean that they will not have the same level of choice over their energy supplier as other consumers. It is also an opportunity to convey the benefits of heat networks, such as the often cheaper cost of heating, and the positive environmental aspect. Overall, consumers must know the implications of being on a heat network and what rights they will have as heat network consumers.

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?

CAS believes that consumers should have access to useful information and guidance, but the heat supplier itself does not necessarily need to develop these independently. Where there is information specific to the heat network such as pricing, information on operating the home system to best effect and carbon impact, this should be provided by the supplier. However, as before, organisations such as the Heat Trust already have a wealth of information and resources that should be used by heat network suppliers. Consumers should also be signposted to organisations which can provide independent advice and support.

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

In cases in Scotland where the property is being sold, the Home Report could contain information about the property's heat network alongside the usual energy information contained within it.

Where the property is being rented, the relevant information could be included on the property's EPC certificate. The heat network should work with the landlord or letting agent to ensure that potential consumers are aware before they move into the property what the

cost will be, how they will pay for their energy and ensure that they are provided with good information as to how to operate the system to best effect.

Regardless of what tenure the property is, consumers should have the right to know that the property is on a heat network and what its implications are for how they will heat their home. However, again, this is not intended as a deterrent. Heat networks have the potential to provide affordable, low carbon heat to homes, and with the right consumer protections in place, can indeed suit many households' needs.

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

Yes, CAS agrees that the market framework should regulate and enforce the provision of information, for both prospective buyers and renters, and current owners and renters.

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, CAS agrees that the regulator should have the power to enforce price transparency. Being on a heat network often precludes these consumers from being able to switch providers for a better deal, and at the very least, suppliers should have to be transparent about the tariffs they charge and be open to challenge from consumers.

We anticipate that there could be a scenario in which heat network suppliers agree to coalesce around a certain tariff level, which could disadvantage consumers. The regulator must help to strike a balance here.

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?

CAS understands that there are potential barriers in publishing and maintaining accurate information on charges, rates and tariffs, mainly in terms of the cost of doing so. We also believe that there is variation between heat networks in terms of the charging calculations used which makes comparison difficult. However, again we believe that organisations such as the Heat Trust can support and facilitate heat network suppliers, and especially the smaller suppliers, to overcome this. There are also questions such as where this information should be published and how it should be publicised to consumers, and perhaps there is also the unwillingness of providers to break down their costs, simply because of the effort it would entail. Regardless, we believe that consumers should have the right to this

information and the regulator needs to have this information to understand if the market is working for consumers or indeed if it is beginning to fail to be affordable.

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.

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

Yes, CAS absolutely agrees that there should be clear and consistent rules about what costs are appropriate to charge consumers for and believes that this will provide important clarity for both consumers and providers. This should be open to consultation and co-designed with communities on heat networks.

The Heat Trust's Heat Cost Calculator currently allows those who know their annual heat bill to compare district heating and modern gas boiler costs. We believe this is a useful model and a good springboard for the process of developing rules for recoverable costs.

In addition, we believe that the way and the rate at which suppliers are allowed to recover debt should be reviewed and laid out in these rules.

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?

Yes, we believe that where the regulator has reason to believe that suppliers are overcharging consumers, they should be able to undertake investigations to this effect. It may also be a useful tool should providers coalesce around a certain uncompetitive tariff level. As mentioned above however, regulators often need a significant body of evidence before they can take action and this may be difficult given the relatively smaller average customer base sizes of heat networks, and this should be considered.

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.

CAS believes that the situation around pricing should be closely monitored and if prices are seen to exceed reasonable levels (for example, if prices were exceeding the equivalent costs per unit if customer was on gas and electric), then a price cap would be a helpful measure to implement to prevent consumers being financially disadvantaged.

CAS reflected in our response to the CMA's consultation in 2018 on the heat network market that given recent moves to set a price cap for gas and electricity consumers and considering the monopolistic nature of heat networks, we consider there to be a strong case generally for a cap on prices for end heat consumers. However, as noted before, it is important that a cap is not seen as a target which suppliers raise their prices to meet, as has occurred in the Netherlands, so a thorough analysis of the potential impact of a cap would be necessary first.

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

CAS believes that in order for further price regulation to become appropriate, there would have to be evidence that heat network prices across the market were rising out of line with other utilities and were failing to provide value for money.

Again, as reflected in our response to the CMA's 2018 consultation, we believe that if a cap is adopted, price setting criteria and monitoring must be robust. The process for setting a cap would be complicated by the fact that the size and nature of schemes can vary significantly, and the potential savings to the consumer will depend on what, if any alternative fuels are available. There is, for example, a significant difference between gas and electric heating. One option would be to set prices at a level that is no more than the equivalent cost of the cheapest alternative heating system.

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, CAS believes that consumers on heat networks should have comparable, if not better levels of service and protection, given their limitations in terms of choice as consumers compared to those in other regulated utilities. Given that heat network customers in Scotland, as in England and Wales, are more likely to be income deprived, CAS does not believe that the cost of delivering an improved service should fall to consumers. It is for the government and stakeholders to ensure that heat networks are investable to fund the same level of service and protection as found in the regulated utilities.

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?

CAS does want to see better outcomes for heat network consumers, and would support principles-based regulation if adequately monitored and enforced. However we are sceptical of making any exemptions to minimum standards.

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?

Yes, CAS believes that all new schemes should be subject to minimum technical standards, as agreed with the industry and stakeholder groups.

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

CAS does not underestimate the challenge that meeting minimum technical standards may pose for new small heat networks. However, we believe that ensuring these standards is of paramount importance for the safety of consumers. CAS believes that new small communal networks could be incentivised and supported to meet their obligations by organisations such as the Heat Trust which can provide access to knowledge and expertise sharing.

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

Yes, CAS believes that the approach of using accredited certification schemes is an appropriate way of ensuring compliance. The cost of using certification schemes must be considered and must not deter heat networks from using them to demonstrate compliance.

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

CAS does not take a view on this.

Q38. Are there examples of the roll out of technical standards or the introduction of compliance schemes which you consider particularly relevant from other markets or technologies?

CAS does not take a view on this.

Rights and powers

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

CAS does not take a strong view on this other than to note that becoming classified as a statutory undertaker would bring heat networks into line with other regulated utilities in the UK and potentially make them more investable.

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?

CAS believes that entities who meet the additional criteria set by the proposed licencing system should be granted proportionate rights and powers.

Q41. Is it reasonable to assume that the proposed rights and powers would only be relevant to district heat networks (not communal networks)? If not, please explain why.

CAS does not take a view on this.

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?

CAS does not take a strong view on this other than to note that increased rights and powers should result in better outcomes for consumers, including high maintenance and repair standards.

Access rights

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

CAS does not take a strong view on this other than to note that heat network entities should be granted appropriate statutory access rights equivalent to those afforded to regulated utilities.

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, CAS believes that a licenced heat network entity should have to follow a similar application process for easement as electricity and gas companies.

Q45. Do you agree that these access rights would primarily be used to install and maintain pipework, or do you anticipate that they would be used for other purposes?

CAS does not take a view on this.

Street works

Q46. Would you consider the ability to apply for a street work permit a considerable benefit compared to a Section 50 Street Works licence? If so, in what way?

CAS does not take a view on this.

Q47. Do you have any experience of applying for a Section 50 Street Works licence? Did you find this delayed either construction or repair and maintenance work required?

CAS does not take a view on this.

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?

CAS does not take a strong view on this, other than to note that heat networks should have appropriately equivalent rights as other regulated utilities and be subject to the same scrutiny in these processes.

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?

CAS does not take a view on this.

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?

CAS does not take a view on this.

Consultation rights

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

CAS does not take a strong view on this other than to note that it may be appropriate for heat networks to be non-statutory consultees so that they can respond to relevant consultation exercises and so that smaller heat networks are not overburdened by the potential administrative requirements of being a statutory consultee. However, this must be balanced with the risk of non-engagement.

Q52. Beyond improving the guidance on non-statutory consultees, do you think that there are any other areas of government guidance that could be improved to ensure that heat networks are more routinely consulted on relevant development in their areas?

CAS does not take a view on this.

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?

CAS does not take a view on this.

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, CAS strongly believes that consumers should be aware of and have access to this information. Our 2018 research *Changing Behaviour in a Changing Climate*³ showed that while consumers were on the whole aware of and concerned about climate change and the need to reduce emissions, a much lower proportion were aware of the role home heating systems played in reducing emissions. Therefore, the provision of information around performance and fuel sources is important in bridging this awareness gap.

³ <https://www.cas.org.uk/publications/changing-behaviour-changing-climate>

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?

CAS supports the UK and Scottish Governments' net zero ambitions and considers that regulation of heat networks may be a useful tool in encouraging existing and potential heat network developers and operators to move away from gas in favour of renewable sources. However, it must be noted that a significant number of existing heat networks currently rely on gas, and so the government must take action to move away from this and make clear its preference for heat networks to run on low carbon fuel sources. At this stage, we would recommend incentives to help operators switch to lower carbon sources, moving towards increasing regulation in future. 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.

We reflected this view in our response to the call for views on the Heat Networks (Scotland) Bill and suggested that governments should be going as far as to strongly discourage or even consider dis-incentivising new use of gas in heat networks. We also suggested 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.

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?

CAS does not take a strong view on this, other than to say that we support using waste-heat sources when it is cost-effective for end consumers, but it must be ensured that the type of waste heat is genuinely low-carbon.

Q57. Which sources of industrial and commercial heat could government bring within the scope of the Environmental Permitting Regulations in addition to the sources already being identified?

CAS does not take a view on this.

For more information please contact:

Aoife Deery
Senior Energy Policy Officer
Citizens Advice Scotland
Aoife.Deery@cas.org.uk