EDRC
Energy Demand Research Centre

Energy Demand Research Centre's response to DESNZ & Ofgem consultation on: Heat networks regulation - implementing consumer protections

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Question 1: With reference to proposed consumer protection measures in this consultation, are there any measures that in your view are not relevant to heat networks using shared ground loops and individual consumer heat pumps? If so, what measures and why?

Shared ground loops are likely to have a very small number of customers. Debt recovery across this small customer base could be prohibitively expensive, and so the spreading of debt across all heat networks [or even across to domestic gas, which could therefore spread debt recovery across all domestic heat markets] would be more appropriate. This socialisation of debt reduces the potential burden to that small number of shared ground loop customers.

Question 2: In applying consumer protections to a heat network using shared ground loops and individual consumer heat pumps, in your view should there be differentiation between networks which charge a fee to access the loop, networks that do not charge a fee, and networks that utilise other ambient heat sources in addition to boreholes?

For fairness, consumer protections for shared ground loop customers should be consistent regardless of the type of heat network or shared ground loop.

Question 3: Do you agree or disagree with the proposed approach to 'supply to premises' conditions?

Given the government scenarios around an expected 20% penetration of heat networks, then whilst the proposed approach to not require heat networks to provide an offer to connect is appropriate in the current context, it should be reviewed periodically. Consideration of the conditions under which this would be reversed should be made transparent.

Question 4: Do you have any views on the high-level fair pricing framework discussed in the Fair Pricing section and in Annex 3 of this document?

I believe there is a lack of fairness in the recommendation that no compensation be provided for disrupted customers on a not-for-profit heat network. It is also unclear how debt recovery through customer pricing can be considered fair.

It would be beneficial if the high level fair pricing framework clarified the extent to which elderly heat network customers will be eligible for bill support.

Question 5: Do you agree or disagree with our proposed overall approach to vulnerability, adopting the existing Ofgem definition for gas and electricity consumers but combining this with targeted protections for heat network consumers, where needed, through the authorisation conditions?

Considering definitions of vulnerability it is important to recognise the elements that contribute to energy vulnerability. Work by the Energy Demand Research Centre[1] has identified energy poverty and travel poverty as important components of a double energy vulnerability. Assumptions around heat networks in urban areas may neglect to recognise significant variation in energy poverty and transport poverty in urban areas. Therefore, the combined index of double energy vulnerability can be useful. The work done demonstrates that urban locations do experience differences in energy vulnerability, with the highest average double energy vulnerability scores found in urban areas including Minehead, Penrith, Berwick, and Whitby. Urban areas also showed the greatest range of double energy vulnerability values.

[1] Bouzarovski, S., McKenzie, P., Lonie, A., Sarpotdar, A., Mattioli, G. & Martiskainen, M. (2024) The determinants of double energy vulnerability: A geospatial analysis. *The Geographical Journal*, 00, e12610. Available from: https://doi.org/10.1111/geoj.12610. Summary available here: The determinants of double energy vulnerability: A geospatial analysis - Energy Demand Research Centre

Question 6: Do you agree or disagree with our proposal to explore options to mitigate the impact of unrecoverable debt arising from prohibitions on disconnecting consumers, or installing pre-payment meters, for protected consumers? If yes, please provide any views you may have on approaches for doing so.

This relates to the answer to question 2. Debt recovery across a small customer base could be prohibitively expensive, and so the spreading of debt across all heat networks [or even across to domestic gas, which could therefore spread debt recovery across all domestic heat markets] would be more appropriate. This socialisation of debt reduces the potential burden to a small number of customers. So, yes, I agree that exploring options to mitigate the impact of unrecoverable debt be considered.

Question 7: Do you agree or disagree with our proposed approach to apply Overall Standards of Performance to heat networks operating on a not-for-profit business model?

I agree that not-for-profit heat networks should o meet Performance Standards equivalent to those in the Guaranteed Standards of Performance. I believe there is a lack of fairness in the recommendation that no compensation be provided for disrupted customers on a not-for-profit heat network. The argument that the compensation ends up being paid for through customer bills could apply to other heat network operators, not just the not-for-profits.

Question 8: Do you agree or disagree with the proposals for including additional information on consumer bills? If you agree, what timescales could you reasonably implement these changes?

I agree that consumers would benefit from information, on their bills, related to energy saving options and support. It would be beneficial if the energy saving information could point to sources of support, since effective energy saving advice would need to be tailored to the occupant and building[2].

[2] Bennett, G. Hamilton I., Liddiard R., Love, J., Lowe R., Mallaburn P., McKenna E., Oreszczyn T., Ruyssevelt P., Wingfield J. (2018). Energy Performance Certificates in buildings

Question 9: Do you agree or disagree that we should further explore the proposal on unbundling heat from other service charges, noting this may require legislative change to be implemented? Do you have any views on options 1, 2 and 3?

It is reasonable to separate bundled heat charges, and to offer tenants protection from eviction equivalent to those for tenants with unbundled energy utility costs. This is particularly relevant to vulnerable customers.

Option 2 would be most appropriate.

consultation response. CREDS. Available at: https://www.creds.ac.uk/publications/energy-performancecertificates-in-buildings-consultation-response/

About EDRC

The Energy Demand Research Centre (EDRC) undertakes research for an affordable and secure low energy future. Our interdisciplinary research programme identifies evidence-based energy demand reductions for a sustainable and more equitable future. We work closely with partners from policy, industry, civil society and academia.

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