



Heat Trust's response to the draft New London Plan March 2018

Summary

Heat Trust welcomes the draft New London Plan and its strong commitment to creating growth in London that is environmentally, socially and economically sustainable.

Heat Trust is a not-for-profit, stakeholder-led customer protection scheme for the heat network sector. Our vision is that all heat network customers have access to dependable heat supplies and excellent customer service. Heat Trust delivers heat network customer protection by:

- Applying robust customer service standards to heat suppliers;
- Providing access to an independent dispute resolution service; and
- Promoting best practice, continuous improvement, and innovation in customer service.

The draft New London Plan and draft Environment Strategy both highlights the role that heat networks can play in delivering secure, low carbon heat to many Londoners.

We strongly believe that customer satisfaction must be at the heart of plans to grow the heat network sector. In a market where customers cannot actively choose their heat supplier, heat network operators should adopt consistent and measurable industry-wide standards on technical performance, customer service and customer protection. We are, therefore, pleased that the draft New London Plan reiterates the Mayor's support for Heat Trust and the ADE / CIBSE CP1 Heat Networks: Code of Practice.

Our response to the consultation focuses on how Heat Trust, an established customer service Code of Conduct for heat networks, can help deliver the objectives set out in the draft New London Plan. We believe that all networks should be required to abide by and be monitored against the customer protection standards set by Heat Trust, and that this should be a requirement for scheme in receipt of public funding.

We would welcome the opportunity to discuss the service that Heat Trust can provide in monitoring the service standards of heat networks in London and providing tailored reporting to the GLA.

The Heat Trust service standards

Before looking at how Heat Trust can support the objectives of the draft New London Plan, we'd like to summarise the service standards covered and the key findings from our first annual report.

Heat Trust and the service standards it sets were developed through a collaborative process between the heat network industry, government and consumer stakeholders. Both BEIS (then DECC) and the Scottish Government participated on the Committee which developed Heat Trust Rules and remain part of the Committee.

The key requirements set by Heat Trust are:

- Provide clear terms and conditions of service through a heat supply agreement;
- Provide access to an up-to-date customer information pack that should be made available to all customers, prior to moving into a property;
- Hold and maintain an up-to-date priority service register for vulnerable customers and customers with additional communication needs;
- Provide guaranteed service payments for supply outages that are not rectified within a specified timeframe;
- Provide clear heat bills that separate put the fixed and variable charges;
- Resolve complaints within eight-week internal complaints process
- Allow customers to access to the Energy Ombudsman if they remain dissatisfied with how their heat supplier has managed their complaint.
- Submit bi-annual monitoring report on the volume of complaints, supply outages and faults.
- Undergo an independent audit at least once every five years.

The service standards set by Heat Trust are based and build upon the service standards set out by Ofgem in electricity and gas licence conditions. They are designed to provide customers with service standards that are comparable, as far as possible, to those in the rest of the energy market. It is important to note that there are three areas that Heat Trust cannot comment on. These are: pricing, contract length and supplier of last resort.

It is the Committee's role to review and service standards set out in our Scheme Rules¹ document and propose updates and amendments. This means that the Scheme Rules will change to reflect developments in the market and drive forward better standards in Heat Trust registered networks.

Importantly, we use independent panels and organisations to assess a heat network's compliance:

- The Energy Ombudsman provides the independent dispute handling service;
- Each heat network will be required to undergo an independent audit at least once every five years. Audits will be conducted by independent auditors ; and
- Where disciplinary action is required, separate independent non-compliance and appeal panels will be used.

Heat Trust is having a positive impact on the market. This is evidenced in the BEIS² heat networks consumer survey which found that customers on heat networks registered with Heat Trust received more comprehensive information about their heat network compared to heat networks that are not registered with Heat Trust.

Since its launch in 2015, Heat Trust has doubled the number of customers (to 33,000) benefiting from the scheme and become a recognised industry standard. Forty-one of the 51 heat networks registered with Heat Trust are located within London, and we are in the final stages of assessing a further nine applications from London-based heat networks which will bring the total number of heat networks registered with Heat Trust to 60.

Future developments

We are now consulting³ on expanding our coverage to heat networks which do not have a heat supply agreement in place, by requiring terms and conditions of service to be set out in a customer charter. Increasingly, Heat Trust is being specified as a requirement in new heat network contracts,

¹ <http://heattrust.org/index.php/the-scheme-rules>

² <https://www.gov.uk/government/publications/heat-networks-consumer-survey-consumer-experiences-on-heat-networks-and-other-heating-systems>

³ <http://heattrust.org/index.php/scheme-modifications/consultations>

tenders and funding schemes. In response, we are scoping out plans to support heat networks still in the construction phase to be 'Heat Trust ready' and registered from the operational 'go live' date.

We are encouraged with the progress of the scheme in the short time since it was launched and believe the developments in-train will increase the reach and value that Heat Trust can provide.

Key findings from our first annual report

Last year we published our first annual report⁴. The report included performance data on the heat networks registered with Heat Trust and details on complaints that were referred to the Energy Ombudsman.

Three overarching themes emerged, which were:

- **Clear customer communications:** all customers must be provided with clear information about a heat network prior to moving into a property. This should include an example heat supply agreement, the proposed tariff and a customer information pack. Customer feedback has indicated that information about a heat network is not consistently provided to prospective buyers or tenants in advance. We identified a particular gap in the private rented sector, whereby private tenants are not informed by the letting agent or the landlord (property owner) that the property is served by a heat networks and what this means in terms of service provision. This also links to concerns on how heat charges are apportioned. In our annual report we highlighted that guidance is needed on how the Landlord and Tenant Act applied to the private rental market, in particular responsibility of repair and maintenance costs on heat networks.
- **Transparency of heat charges:** the majority of complaints received by the Energy Ombudsman were related to billing, and in particular standing charges. While the new Heat Metering and Billing Regulations are a step forward, we welcome the work that the Competition and Markets Authority (CMA) are undertaking in this area as part of their heat network markets study.
- **An industry wide performance framework:** with the monitoring data collected by Heat Trust, we are starting to build an evidence base, but this has highlighted the need for industry wide performance metrics. Since we published our report, we understand that the ADE is developing a technical compliance scheme for heat networks.

Supporting delivery of well designed heat networks under the New London Plan

In London communal and district heating networks are managed by different types of operator, from local authorities and housing associations to energy service companies (ESCOs) and private housing developers. Furthermore, the roles and responsibilities for parties involved in the delivery and on-going operation will often vary from heat network to heat network.

Overtime, this has resulted in a lack of consistency in industry-wide customer service and technical performance standards. In addition, as a single energy provider is responsible for the provision of heat and hot water to customers served by the heat network, customers cannot choose their heat supplier. If customers do not receive a good level of service, due to poor customer experience or technical performance of the network, customer acceptance and willingness to live on heat networks will be undermined.

The draft new London Plan and draft Environment Strategy sets out ambitions for Heat Network Priority Areas where heat demand is sufficient to establish a viable heat network. We support the

⁴ http://heattrust.org/images/docs/Heat_Trust_Annual_Report_Final_-_Web.pdf

approach set out in the draft New London Plan which requires developments to make use of the heating hierarchy, to ensure heat networks are appropriately sited.

The draft Environment Strategy proposes that a new Heat Network Delivery Body is created to provide more direction on how heat networks are developed. Should the GLA introduce a Heat Network Delivery Body for heat networks, we believe the Delivery Body will have an important role in ensuring heat network projects meet customer service and technical performance standards.

We pleased that the draft New London Plan recognises and supports the role of existing standards, like Heat Trust. With a dedicated customer protection scheme in place, it is vital to avoid duplication of standards and codes which may result in increased costs and create a two-tier system. We would urge the GLA to utilise and build on existing industry standards and avoid unnecessary overlap that would undermine the principle of creating consistent industry standards within the heat network market.

The simplest way to achieve this would be for the draft New London Plan and any future accompanying design guidance, to set Heat Trust has a standard to be met for heat networks in London. This would:

- Ensure customers receive consistent and robust customer service standards;
- Ensure customers can access the independent Energy Ombudsman;
- Require heat suppliers to provide guaranteed service payments to customers when a heat supplier fails to meet their obligation to restore supply within a specified timeframe;
- Require heat suppliers to provide additional support for vulnerable customers; and
- Ensure all heat networks are monitored and independently audited.

This would also ensure continuity with the approaches taken by the UK government with its Heat Network Infrastructure Project, and The Scottish Government's Low Carbon Infrastructure Transition Programme, which specify Heat Trust or an equivalent, as a means of demonstrating meeting recognised customer service standards.

We would welcome the opportunity to discuss with the GLA how Heat Trust could be developed to support deliver of high-quality heat networks in London. In addition, we would welcome discussion on how Heat Trust can provide tailored reporting for London heat networks registered with Heat Trust, and how to build on the findings in our annual report to improve standards for London heat networks.

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