



# Heat Trust Annual Report

Findings from year three  
2018

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# Executive summary

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## Welcome to the third annual report from Heat Trust.

This report provides a summary of the performance of heat networks that are registered with Heat Trust and updates on Heat Trust developments and activities.

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Heat Trust is all about protecting heat network customers.

Low carbon heat networks are changing the way we heat our homes. They are set to play a key role in meeting carbon reduction targets and helping to create a sustainable energy future. The Government is investing heavily in these networks and the number of UK households using them is expected to grow rapidly over the next few years.

There are already thousands of individual heat network providers, of all shapes and sizes, but the market is currently unregulated. Heat Trust is an independent, non-profit consumer champion for heat networks that holds the industry to account for the benefit of everyone involved. Our vision is for all customers to have dependable heat suppliers and excellent customer service. Working with stakeholders across the market, our work supports delivery of high-quality heat networks, that are set to play a key role in future energy infrastructure.

## Extending protections and coverage

Heat Trust continues to expand the number of Registered Sites and now provides protection to 44,000 customers - 10% of the heat network market (as of November 2019). Our increased coverage improves the volume of data we can collate from different types of heat networks across the country. In turn, this offers a unique insight into how heat networks are performing, identifying common issues and where improvements can be made.

Heat Trust is the only heat network code of conduct that is consistent with gas and electricity market standards, has an independent stakeholder committee to oversee our standards and uses audits to check compliance. With all major ESCOs in the market registered, and independent surveys showing Heat Trust standards having a positive impact on the market<sup>1</sup>, Heat Trust has a proven framework for forthcoming regulation to build upon.

## Key findings

This report covers 1st October 2017 - 30th September 2018 for data reported to Heat Trust by Registered Participants. During this 12 month period:

- There were 4,657 complaints recorded by Registered Participants
- The majority of complaints related to technical issues (42%) followed by billing and charges (34%)
- There were 63 planned interruptions and 745 unplanned interruptions
- The majority of unplanned interruptions were due to issues affecting generation equipment

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

From data reported to Heat Trust, we continue to see a large variation in how different suppliers collect performance data. We believe this stems from a lack of industry-wide performance metrics across the heat network sector.

This report also provides details on complaints that were received by the Energy Ombudsman. The data from the Energy Ombudsman covers 1st January 2018 - 31st December 2018. During this 12 month period:

- There were 83 complaints within the Ombudsman's terms of reference (TOR)
- The majority of complaints were due to billing (60%)
- Of complaints within the TORs, 63% were upheld by the Ombudsman and a further 23% reached a Mutually Acceptable Solution
- A goodwill payment was awarded in 72% of cases, the average award was £105.61

Through Heat Trust, customers continue to access independent redress and Registered Participants gain valuable feedback on where they can make improvements to their service. In this report, we also provide four case studies to illustrate the type of cases that are referred to the Energy Ombudsman, as well as demonstrating their approach and decisions.

This year we have been able to begin work on debt and disconnection. This too has highlighted differences in the heat network market and regulated market, particularly in regard to support schemes available to help manage debt. For example, the Fuel Direct Scheme cannot be used. We will continue to look further into debt and disconnection, and in particular self-disconnection.

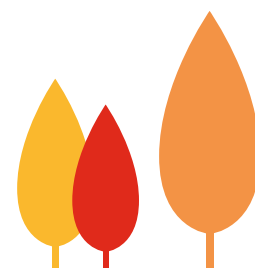
## Transition to regulation

According to the Committee on Climate Change (CCC), by 2050, the heat network sector is expected to service up to 5 million homes. Customer satisfaction must be at the heart of plans to grow the sector. In a market where customers cannot actively choose their heat supplier, heat network operators should be required to adopt consistent and measurable industry-wide standards on technical performance, customer service and customer protection.

In 2018, both UK and Scottish Governments announced plans to regulate heat networks. We support and welcome confirmation from government that it intends to regulate the heat network sector. Comprehensive regulation is vital to building customer trust in heat networks, that will allow the market to continue to grow and deliver the benefits of sustainable heat supply more widely.

## Revisions and updates

All markets evolve and develop. Heat Trust is now undertaking work to review our Scheme Rules to take account of ongoing developments in the gas, electricity and water sectors. Work is underway to evaluate the standards Heat Trust currently sets. A series of consultations are being prepared to gauge feedback from stakeholders on the existing standards and areas for improvement. This will feed into developing modifications to our Scheme Rules.



## Market coverage

Launched in Nov 2015  
with 3 Registered Participants covering  
**15k customers**

This report:  
9 Registered Participants covering  
**36k customers**

## Complaints



Complaint to  
customer ratio:  
12.9% compared  
to 7.7% in  
regulated market.



Most common  
complaints are  
technical issues  
(42%) and billing  
(34%).

**60%**

of complaints  
investigated by  
the Ombudsman  
were related  
to billing or  
back-billing and  
25% related to  
customer service.



The Ombudsman  
upheld 62% of  
cases. In 75%  
of complaints  
investigated,  
the customer  
accepted the  
Ombudsman's  
findings.

**£9k**

Over £9,000  
was awarded  
by the Energy  
Ombudsman to  
customers. The  
average award  
was £105. The  
largest single  
award was over  
£2,400.

## Debt, suspension and resumption of supply

5.3% of all customers  
were in debt and on a  
repayment plan.



On average, 2% of  
customers had their supply  
suspended due to debt

Following on from this, on  
average, 1% of customers  
had their supply restored  
due to debt being paid

**1%**

## Outages



There were

**745**

unplanned outages  
over the year.

On average a planned  
outage lasted 6 hrs  
55 mins.



**58%**

of unplanned  
interruptions  
originated with the  
generation of heat.

Most common causes  
of outages were to do  
with issues within the  
energy centre, linked  
to pressurisation or  
involving an issue with  
the HIU.



# 1 • About Heat Trust

Heat Trust is an independent, non-profit consumer champion for heat network customers that holds the industry to account for the benefit of everyone involved.

We make sure customers enjoy heating systems fit for the future by:

- Applying strict customer service standards to heat suppliers, similar to those for traditional gas and electricity suppliers;
- Providing access to an independent dispute resolution service through the Energy Ombudsman; and
- Working with suppliers to promote best practice, innovation and continuous improvement in customer service.

In the UK, heat networks are serving a growing number of residents and businesses. The majority of these networks are delivering a good service, but some are letting customers down.

Consumer protection is essential to the long-term success of heat networks. The work that Heat Trust is delivering is helping to put in place the foundations upon which new regulations can build, ensuring that customers are protected while allowing this exciting new industry to flourish.

## Standards set by Heat Trust

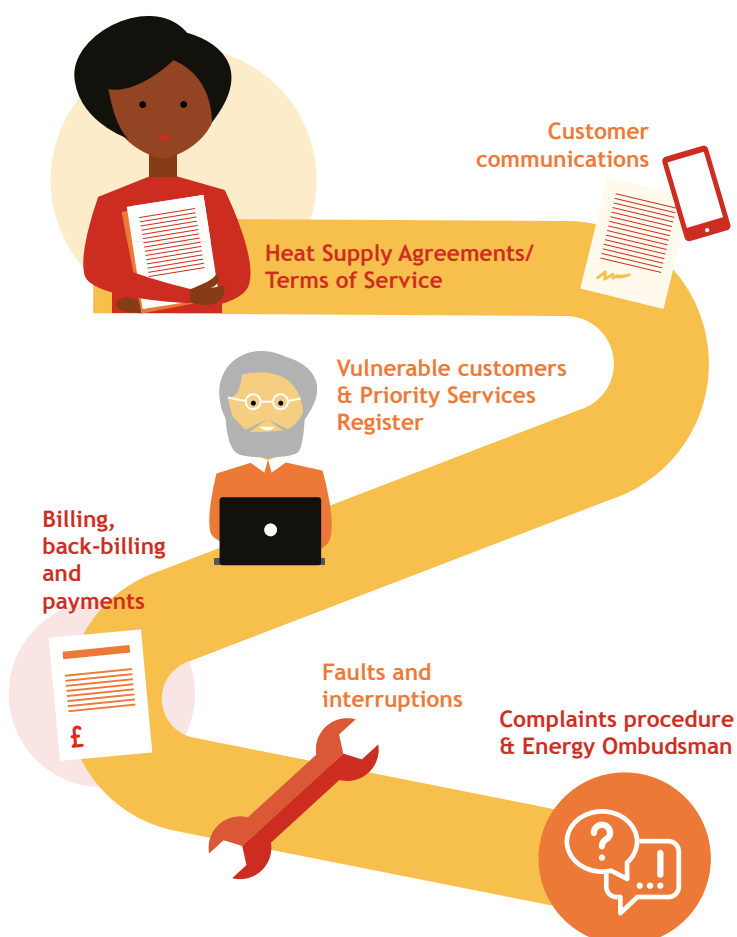
Our customer service standards, that are detailed in our Scheme Rules and are available on our website<sup>2</sup>, include:

- Detail on what customer information should be provided at each stage
- Support for vulnerable customers;

- Transparency in metering and billing;
- Guaranteed service payments for interruptions in supply;
- Responding to faults and emergencies and
- Complaints handling, including access to the Energy Ombudsman.

Heat Trust also requires each heat supplier to submit bi-annual monitoring data and undergo an independent audit per site.

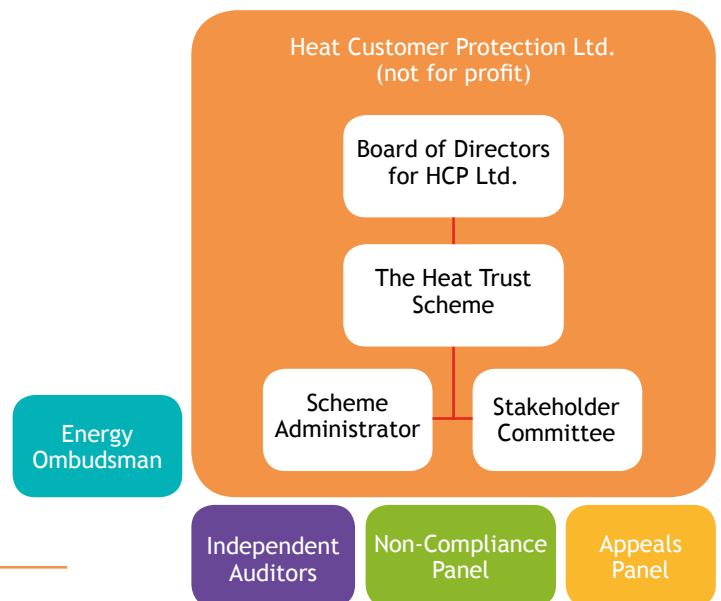
The Heat Trust Scheme Rules and the accompanying Heat Trust Bye-Laws are 'live' documents; they will develop and change to reflect developments in the market, and to promote and drive forward better standards in Heat Trust registered networks.



2. <https://www.heattrust.org/the-scheme>

## Governance of Heat Trust

Heat Trust is governed by two groups: a Board and a Stakeholder Committee. More information on the roles and members of both the Board and the Committee can be found on our website<sup>3</sup>. Independent panels and organisations are used to assess compliance against the Heat Trust's Scheme Rules and Bye-Laws. Heat Trust is owned and managed by Heat Customer Protection Ltd, which is a not-for-profit company.



## Heat Trust's work aims to support customers and suppliers, and help inform policy-makers

### Customers

Heat Trust works to protect customers so they can enjoy the benefits of a reliable and sustainable heat network. We do this by:

- **Setting the standard**  
We set minimum standards of service and customer care, equivalent to those provided by gas or electricity suppliers; and we monitor this through regular data submissions and independent audits.
- **Empowering customers**  
We ensure customers are provided with transparent information to help understand their rights and what to expect from their heat supplier. We have developed the only publicly available Heat Cost Calculator to support transparency in the market.
- **Ensuring fair treatment**  
We make sure customers know what to do if things go wrong, including enabling access to an independent dispute resolution service if necessary.

3. <https://www.heattrust.org/governance>



## Suppliers

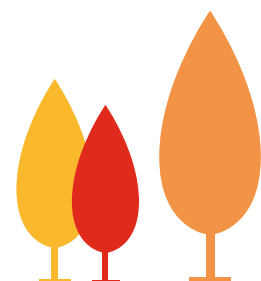
Effective consumer protection is essential to the long-term success of the heat network market. We work with suppliers across the market to embed consistent customer service and protection standards. Our work supports suppliers with:

- **Supporting excellent service**  
Registration with Heat Trust provides a clear statement of suppliers' commitment to quality standards and can enhance existing customer protections. We can help reduce time and resources dealing with customer complaints, through prevention and clearer information provision.
- **Preparing for regulation**  
The government has made it clear that it intends to regulate the heat network market and encourages providers to register with Heat Trust. As the leading source of customer care expertise within the industry, we can help suppliers to prepare for the regulation that lies ahead, future-proof their business to meet their responsibilities to customers and create a sustainable energy network.
- **Competitive edge**  
By providing clear evidence of meeting our standards, Heat Trust accreditation can give suppliers a competitive edge in the market.

## Policy-makers

Our work supports government in delivering high-quality heat networks that provide resilient heat supply for communities up and down the country, addressing fuel poverty, supporting the transition to a low carbon energy system, and ensuring a good return on government investment. With nearly three years' experience, Heat Trust has developed:

- **Strong foundations**  
Heat Trust is already widely recognised as the key consumer champion in the heat network market. We have unsurpassed collective knowledge of this complex, fledgling industry and have been putting in place the foundations of regulation that will protect customers while allowing the market to flourish in the future. This is an essential part of the journey towards regulation - but just the first step.
- **Unique perspective**  
As experts in consumer protection, we are uniquely qualified to bring an objective customer perspective to the conversation between government and the industry about impending regulation. Heat Trust is the only heat network code of conduct that is consistent with gas and electricity market standards, has an independent committee to oversee industry standards, uses audits to check compliance and publishes performance data each year.
- **Proven approach**  
Since its inception in 2015, all major energy service companies (ESCOs) have registered sites with Heat Trust. Heat Trust provides a proven framework incorporating a vast body of knowledge that can be used to support development of statutory regulation. In short, there is no need to start from scratch.





## 2. Regulation to support low carbon transition

### Five million homes on heat networks by 2050

Forty percent of energy consumption and 20% of greenhouse gas emissions in the UK are due to heating and hot water for our buildings<sup>4</sup>. A transformation in how we heat our homes and businesses to largely eliminate these emissions will be necessary by 2050.

To meet decarbonisation targets, the Committee on Climate Change (CCC), anticipates that up to 18% of heat demand could be met by heat networks by 2050<sup>5</sup> (see Table 1) from a current baseline of 2%.

Their recommendations also include a major programme to build and extend low-carbon heat networks in heat-dense areas, connecting 1.5 million homes by 2030<sup>6</sup> and reaching 5 million homes by 2050<sup>7</sup>. This includes both retrofitting existing homes as well as serving new-build homes. In addition, non-domestic properties are anticipated to account for 53% of heat demand served by heat networks by 2050, although they would only account for 28% of total heat demand in the UK.

In 2019 the UK brought forward its targets to achieve net zero greenhouse gas emissions by 2050, therefore requiring the decarbonisation of the heat sector faster than ever before. As part of this, the CCC states that after 2025 no new homes should be connected to the gas grid but should have low carbon heating systems instead<sup>4</sup>.

Both UK and Scottish Governments have begun to set out plans on how they intend to decarbonise heat<sup>8</sup>.

Year	Fraction of UK heat demand served by heat networks	Domestic properties served by heat networks
2020	3%	0.5 million
2030	10%	1.5 million
2050	18%	5 million

Table 1 Projected future of heat demand served by heat networks in UK

### Transition to regulation

Following a market-wide study by the Competition and Markets Authority (CMA<sup>9</sup>) the UK Government has signalled that it intends to regulate the heat network market and appoint a sector regulator. A consultation is expected in early 2020. The Scottish Government has announced a Heat Networks Bill which will introduce regulation of the market and encourage the deployment of more heat networks in Scotland.

4. [www.theccc.org.uk/publication/next-steps-for-uk-heat-policy/](https://www.theccc.org.uk/publication/next-steps-for-uk-heat-policy/)

5. <https://www.theccc.org.uk/publication/the-fifth-carbon-budget-the-next-step-towards-a-low-carbon-economy/>

6. <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>

7. <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>

8. <https://www.gov.uk/government/publications/heat-decarbonisation-overview-of-current-evidence-base> and <https://www.gov.scot/policies/energy-efficiency/decarbonising-heat/>

9. <https://www.gov.uk/cma-cases/heat-networks-market-study>

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Heat Trust welcomes and supports the call for regulation. We believe that well-designed regulation will help structure the industry and ensure customers are treated fairly.

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Since 2015, Heat Trust has been working to drive up service standards and access to independent redress across the market in advance of regulation. As regulation is developed, we strongly encourage the market to utilise Heat Trust to ensure they are delivering minimum standards and are prepared for statutory regulation.

With over three years of experience in supporting the market, below are principles we think are important to consider as regulation is evaluated.

- **Minimum standards for all customers on all heat networks:**  
The CCC predicts 5 million homes will be on heat networks by 2050. This means taking a proportion of customers that are protected under a regulated regime into one that is not (currently) regulated. The sector will only grow if customers are happy to be on heat networks. *A key principle should be that customers receive the same protections as other energy customers, regardless of who their heat supplier is: customers should not have their consumer protections diluted by being on a heat network.*
- **Avoid duplication / two-tiered system of standards:**  
*Establish a single set of standards for all heat networks across the UK.* Both Scottish and UK governments are developing proposals for heat network regulations. Duplication of standards and codes is likely to result in increased costs, exacerbated barriers to market entry and creation of a two-tier system with one set of standards in England and Wales, and another in Scotland. This risks unnecessary overlap and would undermine the principle of creating consistent, mandatory standards within the heat network market.
- **Different heat suppliers will be at different starting points:**  
The heat network sector is at the start of its regulatory journey. Regulation of the gas and electricity market has matured over decades. In evaluating regulation for over 14,000 networks, *we would encourage a balance between minimum requirements and overarching principles, (emphasising the need to ‘treat customers fairly’).* Experience of regulation will vary between heat suppliers, with some operators requiring more structured support compared to others, with varying experience of regulation in other markets. This should not mean that customers experience differing standards of service. How specific outcomes are achieved will vary depending on the size of the heat network and the size and type of the supplier. *What should remain consistent is the customer outcome being sought.*
- **Integration with wider regulatory developments:**  
As regulation for heat networks is being developed and implemented, the wider energy market will also be changing rapidly. New service offerings such as demand side response (DSR) and packaged utility bundles are expected. Services offerings to heat networks customers will need to keep up with innovations in the wider market. As a result, *it will be important that future regulation does not tie-in customers to an ‘analogue’ service, but enables the market to make use of digitalisation and data to offer new innovative services to heat network customers.* With this comes the need to ensure all customers can benefit, especially customers less able to interact with the market.

# Distribution of heat networks

Data on heat networks is collected by BEIS<sup>10</sup> as part of the Heat Network Metering and Billing Regulations 2014. Published in 2018, it found that there were just under 14,000 heat networks in the UK, of which around 2,000 were district heating and 12,000 were communal (see our guidance on the difference between district and communal heating<sup>11</sup>). These serve nearly 480,000 end users, providing around 2% of heat demand in UK buildings<sup>12</sup>.

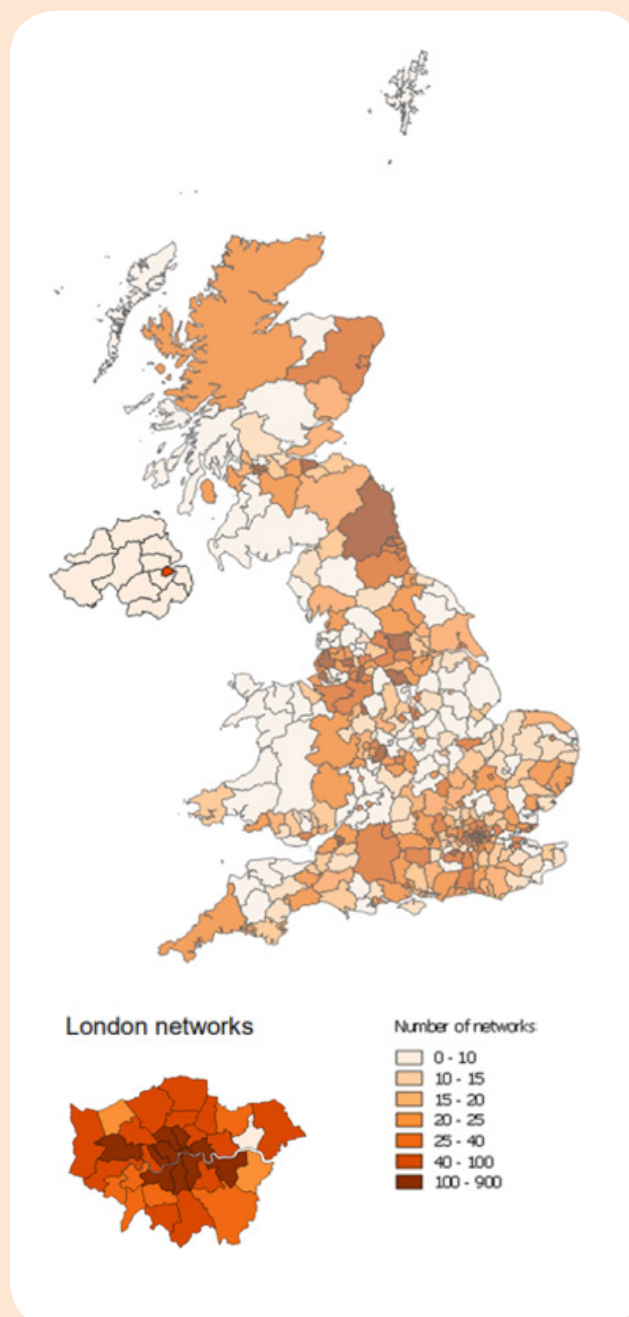
Their geographical distribution reflects that heat networks, and particularly district heating, are located in more densely built-up areas, see map to the right. Nearly 12,000 heat networks in the UK are in England (86%). Six percent are in Scotland, 2% in Wales and 0.6% in Northern Ireland.

Almost 50% of heat networks are in London (29%) and the South-East (14%) of England.

By local authority, Westminster City Council has more than double any other region, with 875 heat networks in Westminster alone. There are 25 other local authorities which had over 100 heat networks. Half of these are in London, the others are concentrated around Manchester, Birmingham, Newcastle, Sheffield, Bristol and Glasgow.

The majority of heat networks supply both space heating and hot water (70%), with only 8% supplying cooling as well.

Only 28% of final customers have meters. Scotland had the highest proportion of final customers with meters, at 40%, and Wales had the lowest (4%).



Map from BEIS showing heat network distribution across the UK by local authority<sup>10</sup>

**Ninety percent of heat networks use gas as their primary fuel source. The next most widely used fuel source was electricity (5%) followed by bioenergy and waste (2%).**

10. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/712370/Energy\\_Trends\\_article\\_on\\_heat\\_networks\\_revised.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/712370/Energy_Trends_article_on_heat_networks_revised.pdf)

11. [https://www.heattrust.org/images/docs/Docs\\_Copyright\\_Logo/Copyrighted-The-Heat-Trust-Fact-Sheet.pdf](https://www.heattrust.org/images/docs/Docs_Copyright_Logo/Copyrighted-The-Heat-Trust-Fact-Sheet.pdf)

12. [https://assets.publishing.service.gov.uk/media/5b55965740f0b6338218d6a4/heat\\_networks\\_final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5b55965740f0b6338218d6a4/heat_networks_final_report.pdf)

# Timeline of key policy documents and reports on heat networks



13. <https://www.gov.uk/cma-cases/heat-networks-market-study>

14. <https://www.gov.scot/publications/scotlands-energy-efficiency-programme-analysis-second-consultation-local-heat-energy-efficiency-strategies-regulation-district-communal-heating/pages/2/>

15. link: <https://heattrust.org/index.php/annual-reports>

16. <https://www.theade.co.uk/resources/publications/shared-warmth-a-heat-network-market-that-benefits-customers-investors-and-t>

17. <https://www.gov.uk/government/publications/heat-networks-developing-a-market-framework>

18. <https://www.gov.uk/government/publications/heat-networks-the-experiences-of-consumers-and-operators>

## CCC report on UK housing: Fit for the future?

Heat networks are emphasised as part of the solution to decarbonise the UK's heating sector. Particularly as after 2025 no new homes should be connected to the gas grid<sup>19</sup>.

## Claire Perry letter on Heat Trust to all suppliers

The Rt Hon Claire Perry MP, Minister of State for Energy and Clean Growth, sends an open letter<sup>22</sup> to all heat network owners and operators calling those who are not currently registered with Heat Trust and who do not offer equivalent standards to consider joining Heat Trust. Rather than waiting for regulation, the Minister calls for industry to improve consumer experiences by building on existing good practice now.

## Scot Gov consultation

New consultation<sup>20</sup> and call for evidence<sup>21</sup> on the future of low carbon heat for off gas-grid buildings, and the further development and timeframes of the Energy Efficient Scotland programme. This includes customer protection issues for heat networks, as heat networks can offer low carbon heating to buildings not connected to the gas grid.

## CCC report on Net Zero

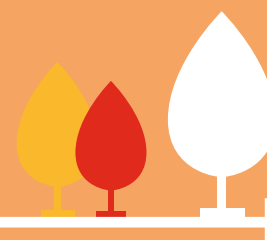
New CCC report on how the UK could bring their goal of net zero greenhouse gas emissions forward to 2050<sup>23</sup>. This report reconfirms that heat networks are a key part of decarbonising the UK's heat supply.

February 2019

March  
2019

April 2019

May  
2019



19. <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>

20. <https://consult.gov.scot/better-homes-division/energy-efficient/>

21. <https://consult.gov.scot/better-homes-division/the-future-of-low-carbon-heat/>

22. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/793022/Heat\\_Networks\\_letter\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793022/Heat_Networks_letter_FINAL.pdf)

23. <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf>





# 3. Update on Heat Trust

## Overview of membership now

Heat Trust now has 13 Registered Participants and 72 Registered Sites (heat networks). This covers approximately 44,000 customer connections. In addition to this, Heat Trust is in the process of on-boarding 5 new heat networks.

### Bespoke reporting

With three years worth of data, Heat Trust is able to offer bespoke reporting for each Registered Participant, providing a unique insight into how each Registered Participant is performing year-on-year and against other Registered Participants. These reports allow a Registered Participant to track and demonstrate progress to their customers.

### Scheme modifications

Following a consultation in 2018, Heat Trust amended the Scheme Rules to allow heat networks that do not use heat supply agreements to register with Heat Trust. This came into effect in April 2019.

Heat Trust amended minimum response times for faults that result in an interruption in supply in summer to within 24 hours. A response time refers to the time within which a Registered Participant must contact a customer.

### Future revisions

Heat Trust is currently reviewing its Scheme Rules and will be issuing consultations seeking feedback on revising the current standards. These will be broken down into themes and will take into consideration the direction of travel in other relevant markets.

### Heat Cost Calculator

Heat Trust launched a Heat Cost Calculator to help improve transparency of heat network costs for existing customers of heat networks in 2016<sup>24</sup>.

The current Heat Cost Calculator (HCC) tool allows a customer to gain an indication of their annual heating and hot water costs for a similar-sized property assuming they had a modern gas boiler. During 2018 Heat Trust continued developing the methodology and background assumptions for an electric version of the calculator.

A consultation seeking views on the methodology was opened in May 2019 and closed in July 2019. Feedback from the consultation will be used to refine the methodology as we continue work to expand the HCC to cover electric heating.

### Consultations

During 2018, Heat Trust submitted responses to a range of consultations.

- [CMA Statement of Scope to its heat market study](#)
- [CMA interim heat network market report](#)
- [A future framework for heat in buildings call for evidence from BEIS](#)
- [Strengthening consumer redress in the housing market consultation from MHCLG](#)
- [Draft London Environment Strategy consultation](#)
- [Draft New London Plan consultation](#)
- [Letter to Ofgem's ECO consultation](#)

24. <https://www.heattrust.org/heat-cost-comparator>



# 4 • Monitoring Registered Participants

## Biannual monitoring data

Each heat network that registers with Heat Trust is required to submit data every six months on complaint volumes and types, faults and supply interruptions, among other metrics.

For this third annual report, the Heat Trust monitoring periods were: 1st October 2017 - 31st March 2018 ('Period 1') and 1st April 2018 - 30th September 2018 ('Period 2').

At the end of September 2018 there were 53 heat networks registered with Heat Trust, servicing 36,040 domestic customers and 121 micro-business customers.

*Please note that all pie charts are displayed largest to smallest proportion in a clockwise manner.*

## Meter types

At the end of September 3,381 (9%) customers had pay as you go (PAYG) meters, also known as pre-payment meters (PPM). While some Registered Sites were exclusively PAYG, others had no PAYG meters. The proportion of customers on PAYG has increased slightly compared to previous years of reporting (8% in 2016 and 7% in 2017).

## Priority services register

At the end of September, 2,259 (6%) customers were recorded on a priority services register (PSR) and/or vulnerability register. This is slightly lower than the previous year (7%), and the year before (8%). Heat Trust requires Registered Participants to keep a register of customers who require additional communication services e.g. large font (PSR), and a register of customers who are in vulnerable circumstances, to receive additional services. Registered Participants can choose to hold separate registers or one single register.

## Complaints

Over the year, Registered Participants recorded 4,657 complaints. This is an increase from the 3,550 complaints recorded in 2017; however Heat Trust had 3,874 more registered connections in 2018, and so an in line increase in the total numbers of complaints was expected. Figure 1, below, provides a breakdown of these complaints according to five broad categories.

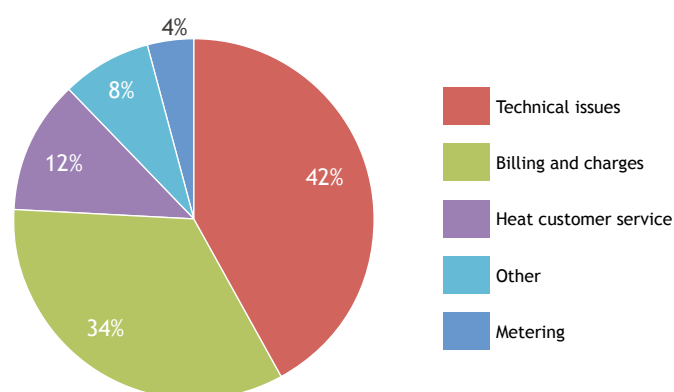


Figure 1 Total complaints in 2018 by type

A large number of complaints (42%) originate from technical performance issues, including supply and interruptions, with a third of complaints caused by billing and charges.

In 2017 a large proportion of complaints (34%) were due to metering, which includes meters and HIUs\*, and there were few complaints regarding technical issues (5%). This change in causes of complaints between 2017 and 2018 is due to a Registered Participant amending their internal complaints categories; they separated out supply and metering complaints, which previously were both attributed to metering, thus increasing the complaints recorded on technical issues and reducing complaints regarding metering.

Figure 2 shows how both the categories and volume of complaints reported has changed over time. This shows that billing and charges has remained a key cause for complaints.

\* Heat Interface Unit

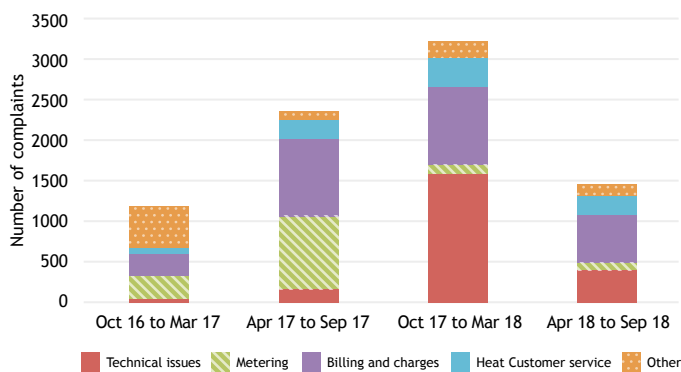


Figure 2 Complaints categories over time, by monitoring period

During the monitoring period, there were 4,657 complaints recorded in 2018 (over a customer base of 36,161), which represents 12.9 complaints per 100 customers. By comparison, the regulated market (i.e. gas and electricity markets that report to Ofgem) had a complaint ratio of 7.7 per 100 customers<sup>25</sup> in 2018.

Figure 3 provides a comparison of complaint numbers from the last three years, showing a steady increase in domestic customers covered by Heat Trust and a roughly proportionate

increase in the number of complaints and number of complaints resolved by Registered Participants.

Once a deadlock letter is issued, a customer has 12 months to refer the complaint to the Energy Ombudsman, therefore it is not possible for Heat Trust to infer that all deadlock letters issued in a year resulted in a complaint being made to the Ombudsman during the same year.

Based on the data reported to Heat Trust, there has been a 28% reduction in the number of complaints made to the Energy Ombudsman that fell within their Terms of Reference (TOR) from 2017 to 2018. This could be for a number of reasons, such as: improvements in service resulting in fewer complaints, Registered Participants are resolving more complaints to customers' satisfaction or customers are not taking complaints to the Ombudsman.

Further discussion on complaints received by the Energy Ombudsman is included in Section 5.

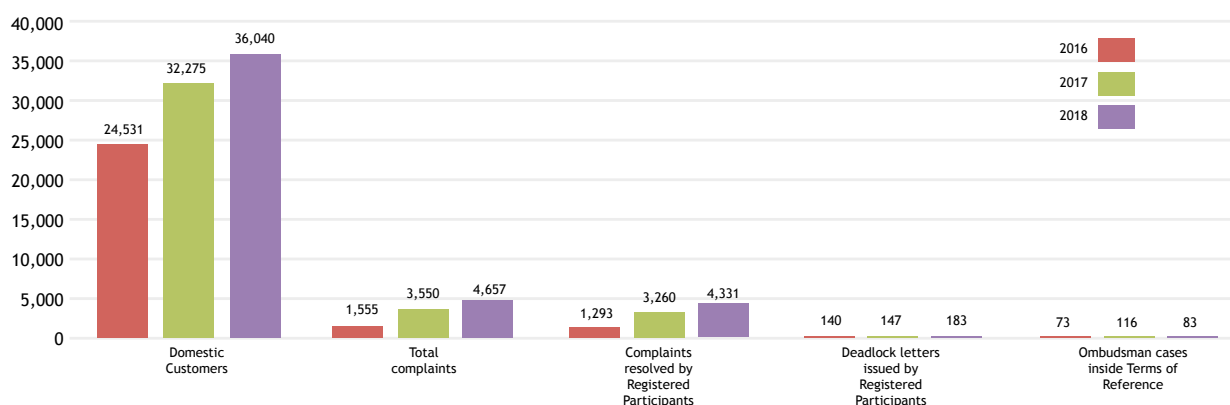


Figure 3 Complaints comparison over time

25. This number is extrapolated from Ofgem's publicly available complaints numbers per 100,000 customers to be comparable with the per 100 customers numbers Heat Trust uses. Ofgem data for calendar year 2018 was used. <https://www.ofgem.gov.uk/data-portal/complaints-received-suppliers-100000-customer-accounts-gb>

## Interruptions in supply

### Planned interruptions

Over the year, Registered Participants recorded 63 planned interruptions. Forty-six percent of the planned interruptions took place during Period 1, and 54% in Period 2. Figure 4 provides a breakdown of causes for planned interruptions, showing that 27% were due to maintenance or repair of pipework or flow (e.g. flushing the system) and 22% were due to third party works.

On average, a planned interruption lasted 6 hours 55 minutes; an increase of nearly an hour from 2017.

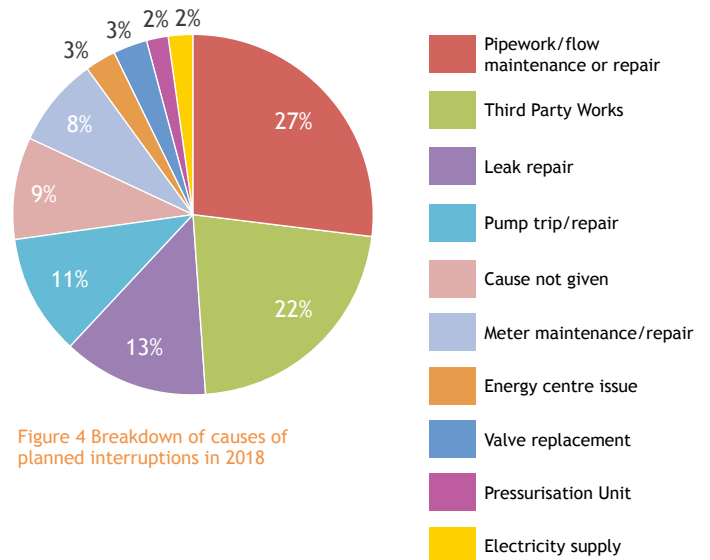


Figure 4 Breakdown of causes of planned interruptions in 2018





## Unplanned interruptions

A total of 745 unplanned interruptions were recorded by Registered Participants over the year. Of these, 54% were in Period 1, and 46% in Period 2.

Figure 5 shows that there are three common causes of unplanned interruptions: issues with the pressurisation unit, energy centre, or HIU. Pressurisation units are typically located within the energy centre, therefore by combining those two categories, 36% of unplanned interruptions in 2018 originated from within the energy centre.

As HIUs are inside each customer's property, HIU interruptions would typically affect a single property.

The data collected by Heat Trust is self-reported. We have found that the methods and approaches used by Registered Participants

to record data varies. As new Registered Participants join, we are able to collect more data, but this also increases the diversity in data reporting. The causes of planned and unplanned interruptions illustrate this.

Over the two monitoring periods, there were 45 different causes of planned interruptions supplied by Registered Participants. Heat Trust has reviewed these causes and by liaising with Registered Participants were able to categorise them into 10 broad types. Similarly for unplanned interruptions, 138 unique causes were reported, reviewed and broken down into 16 categories.

As Heat Trust has highlighted in previous reports, the lack of standard industry-wide performance metrics requires attention and improvement across the market. Without clear standardisation of performance metrics, it is challenging to interrogate data and delve into the real issues affecting technical performance.

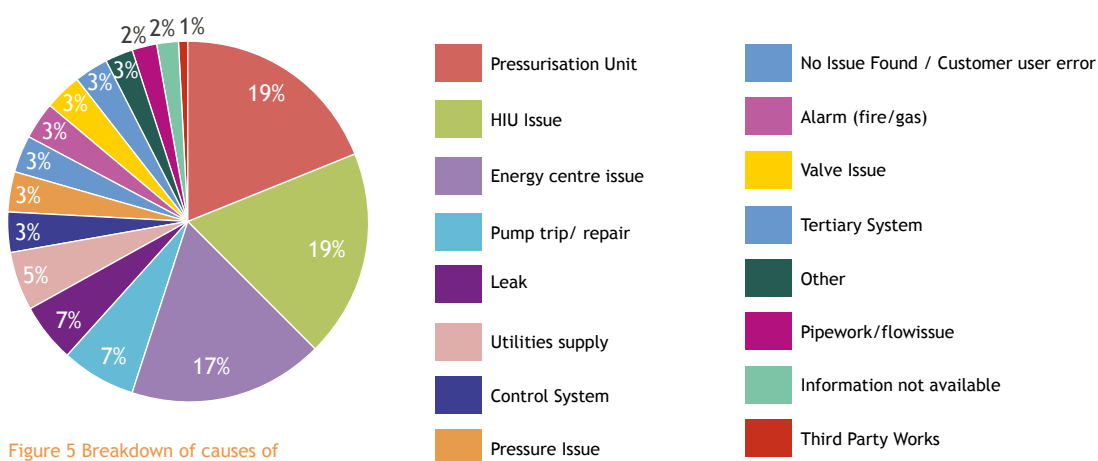


Figure 5 Breakdown of causes of unplanned interruptions in 2018



Heat Trust and its Registered Participants have identified that it is useful to understand broadly where the interruptions originate. This can be from the equipment or processes involved in the generation of the heat, including the energy centre or main boiler, or from the distribution of the heat from the source to the end user, or within the property of the end-user.

Heat Trust will collect data in these broad origin categories going forward, as well as several sub-categories for each one, to focus on common issues.

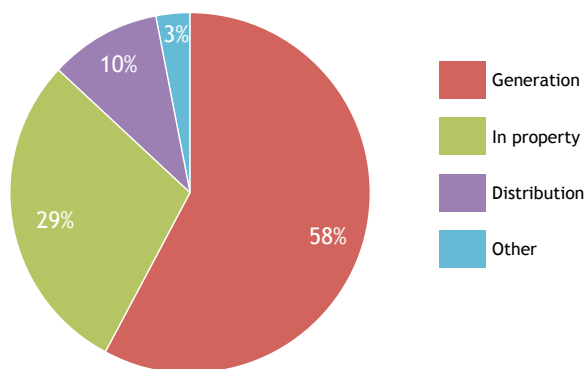


Figure 6 Unplanned interruptions categories in 2018 by origin location

Heat Trust has interpreted the data from 2018 into the categories shown in Figure 6, showing that the majority of unplanned interruptions originated from the generation of heat. Some in-property causes of unplanned interruptions may be outside the control of Registered Participants, such as radiator faults.

Twenty-four per cent of unplanned interruptions did not report usable numbers of customers affected. Heat Trust will work with Registered Participants to improve reporting on this, to aid understanding of the scale of impact of outages.

For the numbers that were reported, Figure 7 shows how many unplanned interruptions in supply affected different numbers of customers over the year. This shows that over a third affected only 1 customer. Eighty-three percent (83%) of those unplanned interruptions affecting only one customer originated in-property or were related to the HIU.

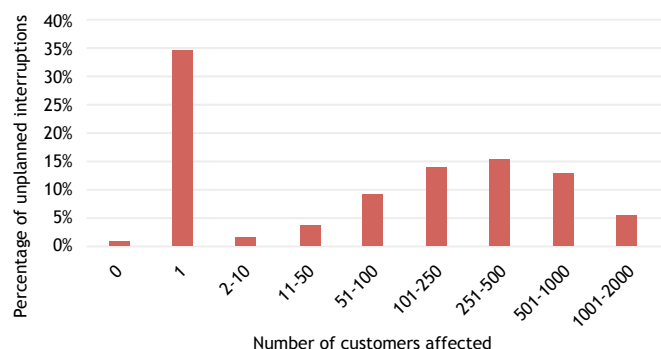


Figure 7 Customers affected by unplanned interruptions in 2018

## Faults

Over the year 6,562 faults were reported by Registered Participants. Ninety-one percent of faults reported affected a single customer; and for 8% of faults reported Registered Participants were unable to include numbers of customers affected.

Registered Participants are required to define a fault in their Heat Supply Arrangements. Similar to the variation in categories attributed to the causes of outages, fault data reported to Heat Trust varied with over 1,000 different descriptions of the cause of faults in 2018. Going forward these will also be reported under the three broad origin categories identified for unplanned interruptions, with some additional tailored sub-categories.



## Debt and supply suspensions

An area that is of growing importance to Heat Trust is debt and disconnection. Working with Registered Participants we have begun to collate data on suspensions and resumptions in supply.

At the end of September 2018, an average of 5.3% of customers were on a repayment plan. This is little changed from 5.2% at the end of September 2017.

At the end of the monitoring period the proportion of customers who had their supply suspended due to debt was 0.25% in Period 1, and 2.27% in Period 2. Period 1 mostly covers the winter months, where the Scheme Rules don't allow Registered Participants to suspend supply to customers in vulnerable circumstances. Turning to reconnection, 0.24% of customers had their supply resumed due to debt being paid in Period 1, and 0.99% in Period 2. Figure 8 shows how this compares to 2017.

It is important to note that Heat Trust cannot infer that those customers whose supply was suspended in one monitoring period are the same customers who had their supply resumed within the same monitoring period.

There is an upward trend in Period 2 (September '18), which was largely driven by two Registered Participants. Heat Trust is now able to feed these trends back to Registered Participants and monitor progress.

Ofgem has focused on reducing suspensions in supply from gas and electricity over the last few years. As a result, in 2018 only six customers were disconnected from their electricity supply and there were zero disconnections from gas, across the whole market<sup>26</sup>.



Figure 8 Average proportion of customers with supply suspended or resumed due to debt over time

Heat Trust believes it is important to build a more in-depth understanding of debt and disconnections across the heat network sector. Furthermore, while a small proportion of customers on Heat Trust registered sites are on pre-payment meters, the risk of self-disconnection is an area Heat Trust will be investigating further. This is where there is an interruption in supply due to a lack of credit on the meter. We note that Ofgem has recently begun more detailed work on self-disconnection<sup>27</sup>.

It is worth highlighting that financial and payment support schemes that exist in the regulated market do not exist in the heat network market. For example, it is common in the regulated market for grant and debt support schemes to be established by regulated suppliers to support customers with payment difficulties and/ or facing other vulnerabilities that affect their ability to pay. In addition, there is the government backed Fuel Direct Scheme, that enables customers to arrange for their debt repayment plan to be paid through benefits they are in receipt of. It is currently not possible for a heat network customer to use the Fuel Direct Scheme to help manage debt. With a growing number of customers served by heat networks, we believe it is vital that heat network customers can still access these support schemes.

26. Note Ofgem reports this data for the calendar year 2018. [https://www.ofgem.gov.uk/data-portal/all-charts Electricity suppliers: Disconnections for debt \(2018\)](https://www.ofgem.gov.uk/data-portal/all-charts/Electricity%20suppliers%20Disconnections%20for%20debt%20(2018)).

27. <https://www.ofgem.gov.uk/publications-and-updates/proposals-improve-outcomes-consumers-who-experience-self-disconnection-and-self-rationing>

## Audits

As part of registering a heat network with Heat Trust, all Registered Sites will undergo an independent audit at least once every five years, or earlier if there is cause to believe that an audit would be of benefit to its residents.

Audits began in 2018, after the process was trialled and adapted accordingly in 2017/2018. The audit process is a 'live' process, and will evolve to reflect developing standards and to take on board feedback from Registered Participants and the auditors.

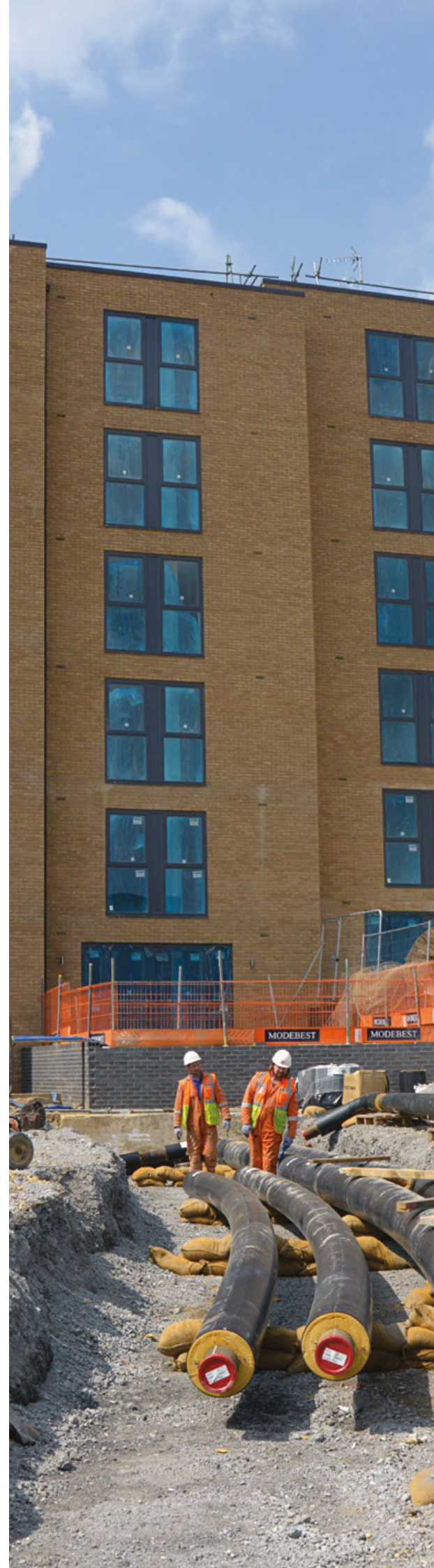
Heat Trust has developed guidance on the audit process for Registered Participants, including how to prepare and the possible outcomes<sup>28</sup>.

In Autumn 2018, two audits were initiated. Both audits were desk audits. One site passed its audit and the second site initially failed the audit, requiring remedial actions to be undertaken before it too passed.

The main areas that merited recommended improvements or remedial action were:

- Poor clarity of information provided to customers on how to claim a guaranteed service payment (compensation payments for interruptions in supply of heating/ hot water).
- Poor clarity on charges made to the customer during the debt recovery process e.g. for debt recovery agents visits/ communications, cost of supply suspension/ reconnection.
- Bills being issued based on estimated meter readings instead of actual consumption.
- When payment reminder letters are issued they do not always include consumption data. Although this is available online, not all customers can access online data.

At the time of writing, a further nine audits were in progress.





## 5. Complaints referred to the Energy Ombudsman


**Customers on heat networks registered with Heat Trust are able to access an independent dispute resolution service provided by the Energy Ombudsman Services, an accredited Alternative Dispute Resolution body.**

## How the Ombudsman process worked in 2018

If a customer complaint cannot be resolved through the Registered Participant's internal complaints procedure within an eight-week timeframe, the complaint can then be referred to the Energy Ombudsman. Customers access this service for free; all charges are paid by the Registered Participant (Heat Supplier). The Energy Ombudsman will look at complaints that are within the Ombudsman's Terms of Reference<sup>29</sup>. It is unable to investigate commercial decisions such as price increases.



## Three types of resolution were possible when a complaint went to the Energy Ombudsman:

- 
- **Early Resolution:**  
These are complaints that are straightforward and can be resolved quickly without the need for a full investigation or case file.
  - **Mutually Acceptable Solution (MAS):**  
A case file is opened and an investigation undertaken by the Ombudsman. After investigating the problem, the Ombudsman will put forward its resolution to both parties. If both parties agree, this becomes the Ombudsman's decision and the resolution is enforced.
  - **Ombudsman Services Decision (OSD):**  
If a Mutually Acceptable Solution cannot be reached, the Ombudsman will make a ruling which is its final decision. If the customer accepts this decision, the resolution will be legally binding. If the customer does not accept the decision the resolution is non-binding. The customer can complain another way, such as through the courts.





## Summary of complaints sent to the Ombudsman

This section looks at the number of complaints received by the Energy Ombudsman and the types of complaints made.

Between 1st January 2018 and 31st December 2018, 126 complaints were referred to the Ombudsman, a decrease of 39% from 2017. Of these 126, 53% were within the Terms of Reference, 25% outside the Terms of Reference and 21% potentially within the Terms of Reference.

Complaints considered in the following analysis include complaints which were referred to the Ombudsman in 2017 and were closed in 2018 as well as complaints opened and closed within 2018.

Figure 9 shows the complaints which were inside the Ombudsman Services Terms of Reference broken down into high-level complaint categories. Similar to last year, the majority of complaints (60%) were about billing or back-billing; and about a quarter were due to customer service.

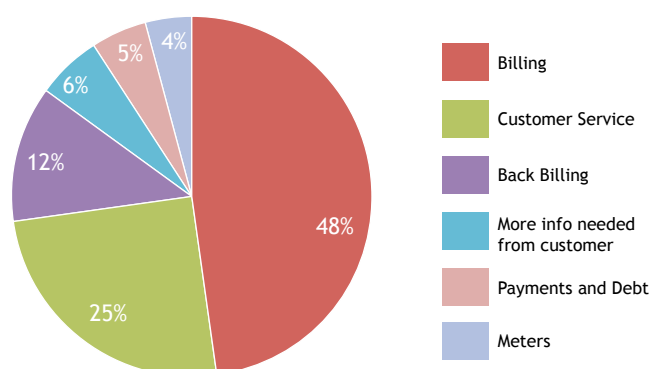


Figure 9 Breakdown of complaints by type

## Case Study One

### Complaint Type: Estimated Billing

A complaint was raised with Ombudsman Services by a customer who felt that their monthly bills varied significantly. Ombudsman Services investigated the customer's monthly charges and agreed that the bills were highly variable. It was established that when the customer provided meter readings regularly, on a monthly basis, the consumption from the meter ranged between 1 and 3 units per day. However, when there were no actual meter readings provided, the Heat Supplier had estimated the customer's usage between 9 and 12 units per day.

Ombudsman Services recognised that the Heat Supplier generated estimated bills by using historical consumption, but if historical consumption was not available they were generated by taking into consideration the size of the property. In this instance Ombudsman Services considered that the increase in the estimated consumption on the bill was due to a lack of historical consumption data.

Ombudsman Services identified that the Heat Supplier did not explain this to the customer. If they had then it may have resolved the complaint at an earlier stage. Therefore, Ombudsman Services highlighted this as a shortfall in customer service.

Ombudsman Services also recommended to the customer that they provide up to date meter readings on a consistent basis to ensure that their billing was as accurate as possible.

### Ombudsman Services decision:

- a letter of apology for the shortfall in customer service; and
- a £30 goodwill gesture in recognition of this.

### Outcome: Upheld Complaint

When taking a closer look at billing complaints, see Figure 10, over half related to: disputing charges, disputing responsibility for the bill or disputing the overall account balance.

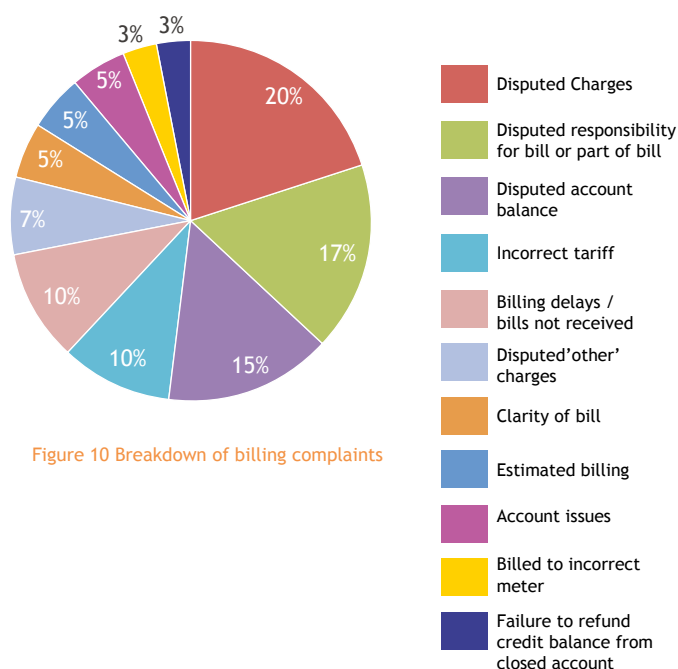


Figure 10 Breakdown of billing complaints

Figure 11 shows that for complaints related to customer service, the quality of customer service constituted 76% of the complaints.

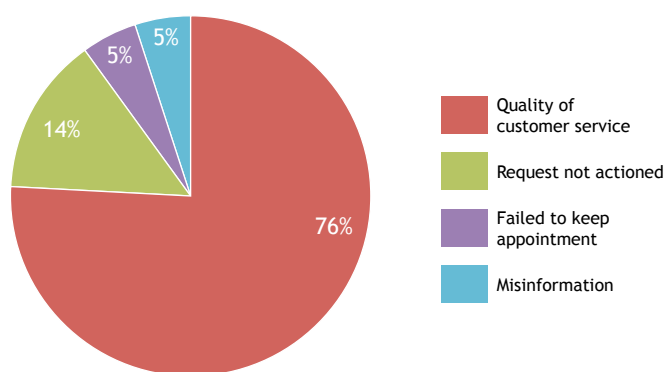


Figure 11 Breakdown of customer service complaints

## Case Study Two

### Complaint Type: Billing, Incorrect Tariff

A complaint was raised with Ombudsman Services by a customer who felt that their monthly bills were too high. The customer explained that they did not reside at the property during the week and therefore they considered themselves to be a low user. However, the customer said that the Heat Supplier was billing them as a high user.

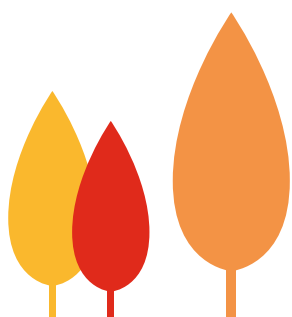
Ombudsman Services identified that the Heat Supplier did accept that the customer was not residing at the property during the week. The investigation found that the Heat Supplier had completed a review of the customer's consumption information and they had provided a breakdown of the four tariff options available to the customer. The breakdown included the projected costs for the customer's consumption over a year. Following this, the customer was placed onto the lowest costing tariff. Ombudsman Services were satisfied that the actions of the Heat Supplier were fair and reasonable in this regard.

Ombudsman Services did identify that within the change of tariff process the customer's standing charge increased from £1.00 to £1.30 per day. The Heat Supplier did not explain this to the customer, which resulted in further contacts that could have been prevented. Therefore, Ombudsman Services recognised this as a shortfall in customer services.

#### Ombudsman Services decision:

- a letter of apology for the shortfall in customer service; and
- a £50 goodwill gesture in recognition of this.

### Outcome: Upheld Complaint



# Case Study Three

## Complaint Type: Quality of Customer Service

The customer had made a complaint to their Heat Supplier, and following the outcome of the customer's complaint investigation the customer was not satisfied with the level of goodwill payment proposed. The customer explained to Ombudsman Services that other customers of the same Heat Supplier had received a higher goodwill award for similar types of complaints.

The original complaint related to drops in hot water temperature, to lukewarm, at the property in peak times over the winter period, between November and February/ March. Peak times in this case were between 7am and 9am and 5pm and 7pm.

Ombudsman Services could not determine what awards had been offered to other customers as these complaints had been resolved directly by the Heat Supplier, prior to Ombudsman Services involvement. In addition, Ombudsman Services could not make a judgement on the similarity of the other complaints compared to the complaint it was investigating.

Ombudsman Services found that the Heat Supplier had identified that the customer had experienced unnecessary delays relating to the original complaint. The Heat Supplier had proposed a goodwill gesture of £40 to the customer, which Ombudsman Services considered was fair and reasonable.

### Ombudsman Services decision:

- a letter of apology for the shortfall in customer service; and
- a £40 goodwill gesture in recognition of this (no change from the original proposal by the Heat Supplier).

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## Outcome: Maintained Complaint

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## Outcome of complaints sent to Energy Ombudsman

The outcome of complaints accepted by the Ombudsman for investigation can be upheld, not upheld, maintained or settled:

- **Upheld** means that the Ombudsman has ruled that the Registered Participant made a mistake or did not treat the customer fairly which led to the complaint being made. After the complaint was made, the Registered Participant did not do enough to resolve the case prior to it being accepted by the Ombudsman for investigation.
- **Not Upheld** means that the Ombudsman has ruled that the Registered Participant has not made a mistake and has not treated the customer unfairly.
- **Maintained** means that the Ombudsman has ruled that the Registered Participant made a mistake or did not treat the customer fairly which led to the complaint being made. After the complaint was made, the Registered Participant rectified its mistake and made a reasonable offer to resolve the dispute prior to it being accepted by the Ombudsman for investigation.
- **Settled** means that an agreement was reached between the customer and the Registered Participant, after the complaint was made to the Ombudsman but prior to an investigation outcome.

While the total number of complaints received by the Energy Ombudsman and within their Terms of Reference, has fallen by 28% from last year, when a complaint is accepted and investigated by the Energy Ombudsman, it tended to be upheld. This indicates that the Ombudsman was receiving the right complaints, where it was able to provide redress for the customer.

## Case Study Four

### Complaint Type: Payments and Disconnection

A complaint was raised to Ombudsman Services as the customer's Heat supply had been disconnected. The customer said that at no point did the Heat Supplier send a Final Demand Letter of its intent to suspend the supply. The customer explained that they were unaware of why there was an outstanding balance as they had a monthly direct debit set up.

Ombudsman Services investigation found that the Heat Supplier had sent several chaser letters and a final demand letter to the customer with regards to the outstanding balance.

Heat Trust's Scheme Rules require a Registered Participant to provide a customer with 14 days' notice to pay an outstanding balance from the date of the chaser letter and/or final demand letter.

Ombudsman Services could not confirm whether the customer had viewed the content of these letters. However, it was satisfied that the Heat Supplier had included the relevant information and timescales to pay the outstanding balance and that they were issued to the correct account address.

Ombudsman Services also found that the customer made payments by debit card and no direct debit monthly payment arrangement was set up. The investigation found that the customer's payments were sporadic, which led to a balance accumulating on the account.

#### Ombudsman Services decision:

- no award or remedy was required for this complaint.

It was recommended to the customer to contact the Heat Supplier to arrange a repayment plan.

### Outcome: Not Upheld Complaint

Figure 12 shows that 62% of complaints were upheld by the Ombudsman, an increase from 55% in 2017. In addition, 12% were maintained in 2018, compared to 30% in 2017.

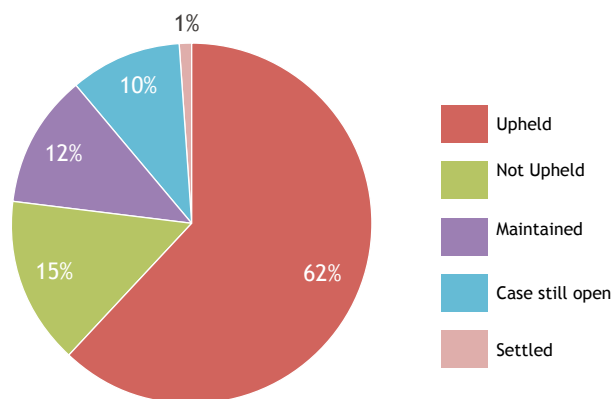


Figure 12 Outcome of all complaints

Of all the complaints that were accepted by Ombudsman Services, Figure 13 shows that the majority (63%) came to an Ombudsman Services Decision (OSD), and 29% were a mutually acceptable solution (MAS).

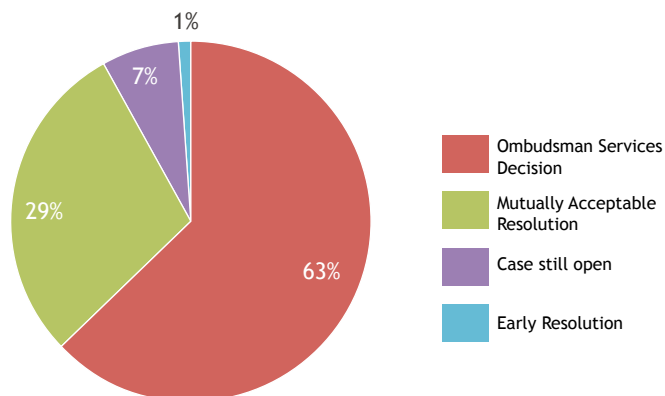


Figure 13 Decision method for complaints inside TOR

A further 7 cases (equivalent to 8%) are in dispute, where the Ombudsman decision was Upheld and the Registered Participant is challenging their decision.

Of those decisions that were upheld, a high proportion (41%) resulted in a MAS, and 59% were an OSD.

Once the Ombudsman has made its ruling, the customer is able to decide whether to accept the Ombudsman's decision or not. If the customer accepts the decision, it becomes binding and means that the Registered Participant must implement the Ombudsman's decision within a specified timeframe. They are required to inform the Ombudsman when the resolution has been implemented.

If the customer does not accept the Ombudsman's decision, it becomes non-binding. The Registered Participant can then implement the resolution, but is not required to do so because the customer has chosen not to accept the decision. The customer is then able to seek resolution another way, such as through the courts.

From all complaints that reached a MAS or went to an OSD in 2018, 75% were binding, where the customer accepted the Ombudsman Service's decision. This remains relatively consistent with the previous two years of reporting (77% in 2017, 74% in 2016).

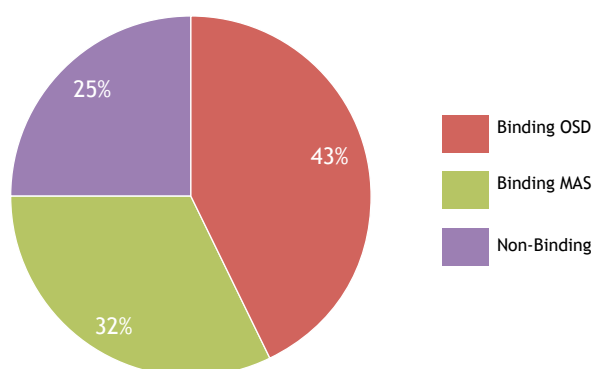


Figure 14 Breakdown of complaints according to whether the customer accepted the decision

## Goodwill Payments

Across complaints that were opened in 2017 and closed in 2018, and those opened and closed in 2018, over £9,000 of goodwill payments were made. In 2018, a goodwill payment was awarded in 72% of cases. A total of £7,075.66 was awarded in 2018, ranging from £5 to £2,438. One case was awarded this high amount and the next highest payment in 2018 was £670.70.

The average was £105.61; the average without the single large amount was £70.26. A further 16 cases were opened in 2017 and closed in 2018, and the total goodwill payment for these was £2,137.

Figure 15 shows the average payment per category for both 2018 and those opened in 2017, including the single high payment which falls under the customer service category.

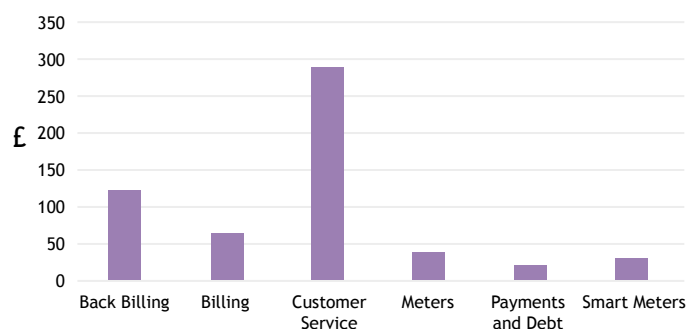


Figure 15 Average goodwill payment by category







# Conclusions

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## Low carbon heat networks are changing the way we heat our homes and businesses, particularly in our cities.

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There are already thousands of heat networks across the UK serving over 430,000 residential customers. While government has confirmed that it intends to introduce statutory regulation and appoint a sector regulator, the market remains predominately unregulated.

Since November 2015, Heat Trust has been working to support the adoption of minimum customer service and protection standards across all heat networks, helping to ensure customers benefit from heat networks, and that suppliers are confident that they are meeting industry-wide standards. Our work supports and feeds into forthcoming regulation.

In this third annual report, we have found that billing & charges and technical issues are the most frequent complaints raised by customers. For complaints received by the Energy Ombudsman, billing continues to be the most frequent complaint type.

We continue to see a large variation in how different suppliers collect performance data, as seen in how heat suppliers record outages and faults. This stems from the lack of industry-wide performance metrics across the heat network sector - an issue we highlighted in our first annual report. It is vital that industry-wide performance metrics are established.

This year we have been able to begin work on debt and disconnection. This too has highlighted differences in the heat network market and regulated market, particularly in regard to support schemes available to help manage debt. We will continue to look further into debt and disconnection, and in particular self-disconnection.

With regulation on the horizon, we would encourage a future regulatory framework that ensures customers on heat networks receive the same standards and level of protection as any other energy consumer. We would encourage a focus on customer outcomes, rather than prescriptive requirements, to allow different types of supplier flexibility in how outcomes are achieved.

The heat network sector is at the start of its regulatory journey. Forthcoming regulation is taking place during a time of rapid transition across the energy market, with new services such as demand side response (DSR) and service-type models coming forward. It is essential that regulation for the heat network sector takes into account changes in other parts of the market, to ensure all customers on heat networks are able to benefit from future innovation.

Our vision is for all customers on heat networks to have access to dependable heat suppliers and excellent customer service. Our work has focused on setting minimum standards and collecting data to build a picture of current practices. We continue to work with stakeholders across the market to support the sector and champion good outcomes for heat network customers. Regulation of the market is an important next step and we look forward to working with stakeholders, governments and indeed a future regulator in establishing a robust framework.







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