



Heat Trust Annual Report

Findings from year one

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Executive summary

This is the first annual report from Heat Trust - a stakeholder-led customer protection scheme for the heat network sector.

It summarises the performance of heat networks that are registered with Heat Trust, and draws out key findings from the first year of operation.

Government ambition

The UK Government has identified heat networks as playing an important role in the transition to a low-carbon energy system. Over the last 10 years, local planning policy has contributed to significant growth in the UK market in high-rise developments in cities and large towns.

There are currently over 1,800 heat networks serving approximately 400,000 customers¹. According to the Committee on Climate Change (CCC), heat networks could provide 18% of the UK's heat demand by 2050.

This will require significant capital investment, and both the UK and Scottish Governments have responded by developing dedicated funding schemes to support new and existing heat networks.

Consistent service standards

With public funding to support the growth of the heat network market, it is vital that as the sector matures it adopts consistent and measurable industry-wide standards on:

- Design, construction, management and optimisation of heat networks; and
- Customer service and customer protection.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/379049/EED_Government_response_-_261114_version.pdf

In its first year, 47 heat networks have registered with Heat Trust, covering 28,000 customers.

Heat networks involve designing and installing new energy infrastructure. In common with other utility infrastructure (such as gas, electricity and water distribution networks), heat networks are natural monopolies. In contrast to the gas and electricity market, but similar to the domestic water market, a single heat network operator will be responsible for providing heating and/or hot water to all customers connected to an individual heat network.

Where a customer cannot choose their service provider, it is essential that they are robustly protected, assured of consistent and high-quality service standards, and when needed, can access independent redress.

Heat Trust sets consistent customer service and protection standards for the district heating market and provides an independent dispute resolution service through an agreement with the Energy Ombudsman.

Customers must have confidence in heat networks

Customer satisfaction must be at the heart of plans to grow the heat network sector. To date, much of the decarbonisation debate has focussed on the technologies that are needed to meet 2050 targets. While this is important, both policymakers and industry need to be aware that the mandate for change comes from customers.

Heat networks need to deliver good value to customers. Heat Trust is part of that drive to support the sector in delivering high-quality schemes, ensuring customers are satisfied and have confidence in their heating and hot water supply.



Monitoring heat networks registered with Heat Trust

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

For this first report, the Heat Trust monitoring periods were 25th November 2015 - 31st March 2016 (period 1) and 1st April 2016 - 30th September 2016 (period 2). Period 1 is shorter in duration as the scheme launched in November.

Over both monitoring periods:

- A total of 1,417 complaints were resolved by heat suppliers, known as Registered Participants under the Heat Trust scheme.
- A further 140 complaints went to deadlock, meaning that the customer is now able to refer their complaint to the Energy Ombudsman.
- A total of 2,431 faults were recorded. In addition there were 53 planned interruptions and 148 unplanned interruptions. Heat Trust is now seeking detail on the causes of faults and interruptions.
- Between the 25th November 2015 and 31st December 2016, 73 customers from 24 heat networks referred a complaint to the Energy Ombudsman.
- Of the complaints that went through the Ombudsman process, and where a decision was made, customers accepted the decision in 74% of cases.
- Eight per cent of customers were registered on the Priority Services Register.

Further detail on the performance of heat networks registered with Heat Trust, including details of complaints to the Energy Ombudsman, begins on **page 10**.

It is important to note that the data set out in this first annual report is a small proportion of the wider heat network market and cannot be taken to represent the whole market.

However, through biannual monitoring reports and feedback received from the Energy Ombudsman, Heat Trust is starting to build an evidence base on how heat networks are performing and the service customers are receiving.

The table overleaf summarises the main messages and findings from the first year of Heat Trust. Further detail on the key findings can be found on **page 16**, but broadly they can be distilled into three overarching themes:

1. Clearer customer communications

All customers should be informed that a heat network is present before moving into a property, and what this means for customers in terms of a single service provider. Customer feedback suggests that information is not provided in a consistent manner when purchasing/renting properties.

2. Transparency of charges

The majority of complaints received by the Energy Ombudsman are related to the transparency of charges on heat bills, particularly standing charges, and how these costs are apportioned.

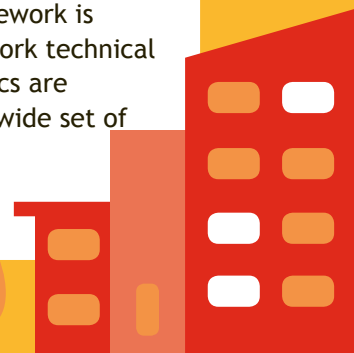
3. An industry performance framework

Heat Trust is starting to collate data on the reliability and performance of heat networks. Monitoring has highlighted the need for industry-wide performance metrics with agreed industry definitions.



Key messages and findings

All heat networks should meet Heat Trust's minimum service standards	Heat customers should be assured of service standards which are, as far as possible, comparable to those offered to gas and electricity customers. Heat Trust sets consistent service standards that all heat suppliers should meet. Heat networks in receipt of public funding should meet Heat Trust's standards and provide the required monitoring.
Heat Supply Agreements (HSA) should be standard practice	Clear terms and conditions are a standard requirement for any service provision. All heat networks should provide customers with clear terms of service. This can be set out in a Heat Supply Agreement (HSA) or another document that becomes part of the overall heat supply arrangements. Heat Trust currently requires schemes to have a HSA in place. Amendments are being developed to enable schemes without a HSA to register, provided that terms of service are clearly set out in a separate document.
Ensure clear customer communications	Complaints indicate that customers are not always informed that a property is on a heat network prior to moving in. There is an opportunity for heat suppliers, developers, landlords, housing associations, councils, and estate agents to collaborate and develop consistent approaches to ensure customers are provided with information about a heat network before moving into a property.
Provide transparent standing charges	The majority of complaints recorded are related to billing, particularly standing charges. This indicates that the clarity of information provided on heat bills, and how they are set out could be improved. The Association for Decentralised Energy's (ADE) Heat Network Task Force is exploring whether further regulatory steps are required. The taskforce could, as part of its work, consider if additional steps can be taken to improve transparency of the costs that are recovered through a standing charge.
Energy Performance Certificates (EPCs)	EPCs do not include repair and maintenance costs associated with heating a property. Heat bills generally include repair and maintenance costs. This is causing some customer confusion when actual costs in a heat bill vary significantly from the estimated costs on an EPC. An explanation to clarify that repair and maintenance costs may not be fully captured in an EPC should be considered.
Clarity needed on landlords and repair costs	Some landlords (local authorities, housing associations and developers) are required to cover certain repair and maintenance costs under Section 11 of the Landlord and Tenant Act. The situation for tenants who privately rent a property served by a heat network is unclear because the Landlord and Tenant Act generally does not cover private landlords. Clarification on Section 11 of the Landlord and Tenant Act for tenants that privately rent a home on a heat network would help ensure a consistent approach is adopted across the market.
A heat network performance framework is needed	To effectively assess the performance of heat networks and allow performance between sites to be compared, an industry-wide performance framework is needed. Heat Trust is aware that the ADE is developing a heat network technical compliance scheme. Heat Trust would urge that performance metrics are developed as part of the compliance scheme, ensuring an industry-wide set of performance metrics is established.



District heating in the UK market

Government ambition

The UK Government has identified heat networks as playing an important role in the transition to a low-carbon energy system.

While they are well-established in other European countries as the main method by which heating and hot water is provided, e.g. Denmark, the UK's district heating market has grown in a more piecemeal manner.

Local planning policy has contributed to significant growth in the UK market over the last 10 years, particularly in high-rise developments, in cities and large towns, but the total heat demand provided by heat networks remains a small proportion of the total UK heat demand.

There are currently over 1,800 heat networks serving approximately 400,000 customers¹. According to the Committee on Climate Change (CCC), heat networks could provide 18% of the UK heat demand by 2050. In Scotland specifically, the ambition is to connect 40,000 homes to heat networks by 2020².

This will require significant capital investment, and both the UK and Scottish Governments have responded by developing dedicated funding schemes to support new and existing heat networks.³

Market structure and current regulation

Heat networks involve designing and installing new energy infrastructure. As with other utility infrastructure, such as gas and water distribution networks, local heat networks are natural monopolies. A single heat provider will be responsible for providing heating and hot water to all customers connected to an individual heat network.

Each scheme can vary in terms of ownership (e.g. private developer, council or housing association) and how it is operated. This has led to a variation in the quality and level of service provided to customers through the absence of minimum standards. Under these circumstances, where a customer cannot choose their service provider or switch supplier, it is essential that customers are robustly protected, assured of consistent and high-quality service standards, and when needed, can access independent redress.

Consistent customer service and protection standards

The Heat Network Metering and Billing Regulations will ensure that customers are billed based on accurate meter readings. However, it is too early to assess compliance. Existing customer protection regulations are provided under the recently revised Consumer Rights Act.

These regulatory updates clarify the contractual rights of customers when purchasing goods and services, but do not provide certainty on the quality and level of service which can vary between heat networks. In addition, in the current market, customers cannot switch heat supplier.

Heat Trust has been created specifically to establish and maintain customer service standards in the heat network market. We believe that all heat networks should be required to meet the standards set by Heat Trust and this should be a condition for projects in receipt of public funding. This would ensure customers, regardless of which heat network they are served by, receive a minimum level and quality of customer service. Heat suppliers can further tailor their customer service standards by building on the foundation set by Heat Trust.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/379049/EED_Government_response_-_261114_version.pdf

² <http://www.gov.scot/Resource/0047/00478997.pdf>

³ Such as the Heat Networks Investment Project (HNIP), District Heating Loan Fund and Low Carbon Infrastructure Transition Programme (LCITP)



About Heat Trust

Heat Trust is a stakeholder-led customer protection scheme for the heat network sector. Our vision is for all heat network customers to be assured of dependable heat supplies and excellent customer service.

We endeavour to deliver heat network customer protection by:

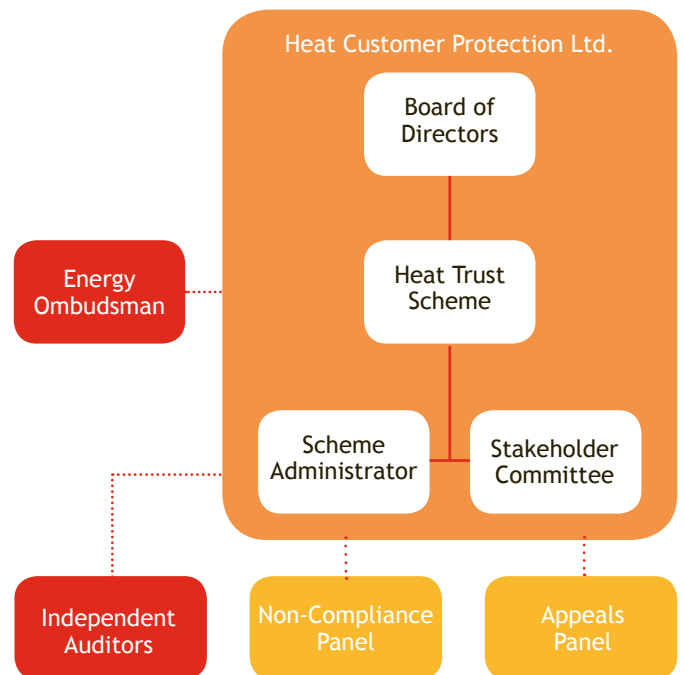
- applying robust customer service standards to heat suppliers that build on the service standards of the gas and electricity sector;
- providing access to an independent dispute resolution service through an agreement with the Energy Ombudsman; and
- promoting best practice, continuous improvement, and innovation in customer service.

When a heat supplier successfully registers a heat network with Heat Trust, they become a Registered Participant and agree to abide by the service standards set out in the Scheme Rules and to comply with the Scheme Bye-Laws. Key service standards set by Heat Trust include:

- clear terms set in a Heat Supply Agreement
- customer information pack
- guaranteed service payments for interruptions in supply that have not been resolved in a specified timeframe
- support for vulnerable customers
- support for customers with payment difficulties
- eight-week timeframe to resolve complaints
- access to the independent Energy Ombudsman.

Governance of Heat Trust

Heat Trust is governed by two groups: a Board and a Stakeholder Committee. Independent panels and organisations are used to assess compliance against the Heat Trust's Scheme Rules.



Heat Trust is owned and managed by Heat Customer Protection Ltd, which is a not-for-profit company.

The Board of Heat Customer Protection Ltd is responsible for ensuring the company's operations and activities are within its Articles of Association and financial administration of the Company. The Board does not have the power to amend the Heat Trust standards directly. All Board members are bound by law to act in the interest of Heat Customer Protection Ltd.

A separate Stakeholder Committee provides oversight of the Heat Trust Scheme. Members of the Board and Stakeholder Committee are published on the Heat Trust website.

It is the Committee's role to review the customer service standards set within the Scheme Rules and, where appropriate, propose amendments to the standards.

This means 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 schemes.

Importantly, Heat Trust uses independent panels and organisations to provide impartiality when assessing a heat supplier’s compliance with the Heat Trust Scheme:

- The Energy Ombudsman provides an independent complaint handling service.
- Each heat network is required to undergo an independent audit to assess compliance against the Scheme Rules. These audits will be conducted by independent auditors as set out in the Scheme Bye-Laws.
- If disciplinary action is required against a Registered Participant, a separate and independent Non-Compliance Panel is convened to assess the case and determine any necessary sanctions. It is the Non-Compliance Panel that can determine if a Registered Participant should be removed from Heat Trust.



The composition of the Committee reflects the range of stakeholders involved in the heat network sector:

- Tom Bainbridge (Lux Nova, Chair of Committee)
- Virginia Graham (Renewable Energy Consumer Code)
- Zoe Guijarro (Citizens Advice)
- Lorna Orr (Scottish Government) *
- James Davis (Department for Business, Energy and Industrial Strategy)*
- Marcus Wilson (Citizens Advice Scotland)
- Anna Eagar (Urban Life Consultants)**
- Victoria Keen (Guinness Housing Partnership)
- Sharon Youssefi (The Association for Decentralised Energy)
- Angela Murphy (Camden Council)
- Mike Reynolds (SSE)
- Jeremy Bungey (E.ON Energy)**
- Simon Woodward (UK District Energy Association)

Those denoted with * are non-voting members. Those denoted with ** also sit on the board of Heat Customer Protection Ltd and are also non-voting members of the Committee.

Developments in year one

Overview of membership

Over the period November 2015 to December 2016, 47 individual heat networks and five Registered Participants registered with Heat Trust.

As of 31st March 2017, the membership of Heat Trust stands at six Registered Participants, 51 heat networks and 30,200 customer connections.

Heat Cost Calculator

Customers on heat networks cannot use comparison websites to compare different tariffs. Heat Trust does not have the legal authority to advise on heat prices, but it can help improve access to information on heat network costs.

This is why Heat Trust has developed a Heat Cost Calculator (HCC), an online tool, launched on 30th September 2016, that allows residential customers to obtain an indication of what they could expect to pay for heating and hot water in a similar sized property that uses an individual gas boiler. All assumptions used by the calculator are published on the website and are updated once a year.

The HCC is not designed to provide a bespoke assessment of a customer's individual needs, but can provide a helpful starting point in improving the transparency of heat network costs. We intend to expand the calculator to provide a comparison with electricity, which is often the alternative fuel source for district heating networks.

Review of Scheme Rules for heat networks without Heat Supply Agreements

To register a heat network with Heat Trust, the heat supplier must have individual Heat Supply Agreements (HSA) in place with each customer. Provision of a HSA to each customer should be standard practice for the heat network market, but not all heat networks use HSAs. A large portion of heat networks operated by Registered Providers (councils, housing associations and

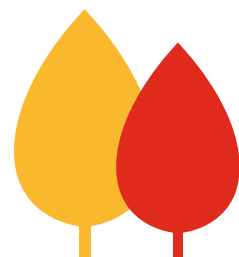
private developers), capture the service provision within the tenancy or leaseholder agreement. These may not necessarily include full service details. In addition, the costs of heating and hot water may be recovered through a customer's rent or service charge, with limited detail of what proportion is for heating costs.

We are aware that a number of Registered Providers are now adopting HSAs following the introduction of the Heat Metering and Billing Regulations, which requires heat suppliers to provide separate heat bills. This provides a useful trigger point for other Registered Providers to adopt HSAs.

Until all schemes have HSAs a large proportion of the heat market remains outside of Heat Trust protection. Following two stakeholder workshops we have undertaken a review of the current Heat Trust Scheme Rules to identify how they can be amended to accommodate schemes where HSAs are not in place, while maintaining the full customer standards of Heat Trust. An open consultation will now be prepared to seek feedback and comment from stakeholders on the proposed approach.

Modification to Scheme Rules

The Committee approved one modification to the Scheme Rules in 2016, to amend the timeframe for issuing refunds from 10 calendar days to 10 business days. All modifications are published on the website.



Biannual monitoring reports

Monitoring and reviewing performance is fundamental in bringing about improvements in service and driving forward better standards.

Heat Trust requires biannual monitoring reports and an independent audit at least once every five years for each heat network registered with Heat Trust.

There were two monitoring periods: 'period 1' is 25 November 2015 - 31 March 2016 and 'period 2' is 1 April 2016 - 30 September 2016. The number of connections at September 2016 was 24,521.

For 34 networks reporting is for both periods as they joined at the launch of Heat Trust. Ten heat networks reported for period 2 only as they joined after March. Three more heat networks joined after period two and will be captured in our next report.

Meter types

Over the year, 8% of customers were on pay-as-you-go (PAYG) meters.

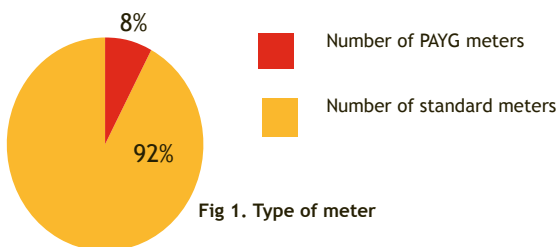


Fig 1. Type of meter

Priority services register

As of 30th September, 8% of customers were registered on a priority services register (PSR) or vulnerability register.

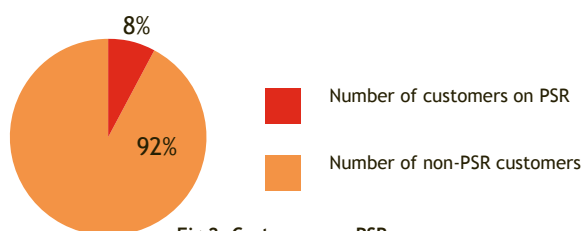


Fig 2. Customers on PSR

Faults and interruptions¹

Faults	2,431
Unplanned interruptions	148
Planned interruptions	53

Over the two monitoring periods, 2,431 faults were recorded. Of these 61% of registered faults occurred in 'period 1'. In addition, there were 53 planned interruptions and 148 unplanned interruptions over period 1 and 2 together.

Heat Trust is working with Registered Participants to segment faults and interruptions according to their cause for future reports.

Complaints reported by Registered Participants

During period 1, there were 492 complaints resolved by suppliers. A further 19 complaints went to deadlock, whereby the customer remains unhappy with the heat supplier's final offer to resolve the complaint.

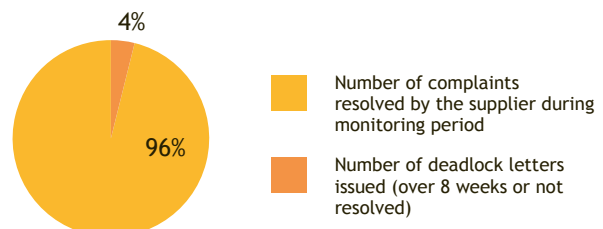


Fig 3. Complaints resolved by supplier v complaints at deadlock (period 1)

Over period 2, a total of 1,063 complaints were recorded of which 13% remain open as of the end of period 2. Of the 1,063 complaints received, 121 (11%) went to deadlock.

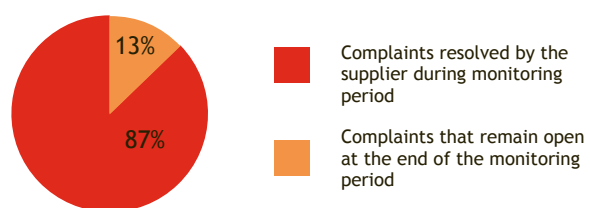


Fig 4. Complaints over monitoring period (period 2)

1. An unplanned interruption means an interruption in the heat energy supply where the Registered Participant has not provided the Heat Customer with at least 48 hours written notice of such interruption. A planned interruption means an interruption in the heat energy supply where the Registered Participant provides the Heat Customer with at least 48 hours written notice. Registered Participants are required to set out what constitutes a fault in the Heat Customer Supply Arrangement.

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, an accredited Alternative Dispute Resolution body. This next section presents an overview of the complaints received by the Ombudsman between 25th November 2015 and 31st December 2016.

How the Ombudsman process works

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 Reference¹. It is unable to investigate commercial decisions e.g. price increases.

Three types of resolution are possible when a complaint goes to the Energy Ombudsman:

- **Early Resolution:** These are complaints which 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 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 Energy Ombudsman

Between 25th November 2015 and 31st December 2016, 73 customers from 24 heat networks referred a complaint to the Energy Ombudsman. Three-quarters of complaints received were related to billing and back-billing.

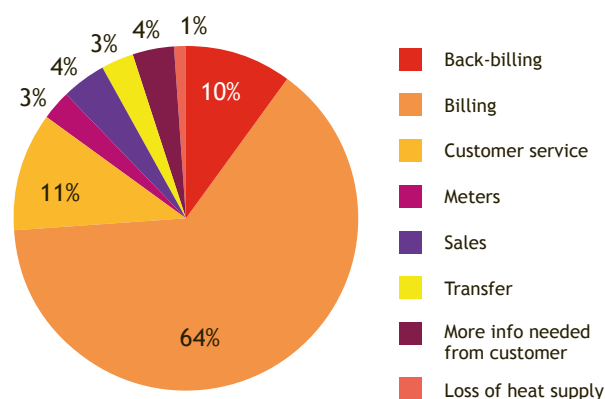


Fig 5. High-level breakdown of complaints received by the Ombudsman 25th November 2015 - 31st December 2016

Of the complaints related to billing, 54 % were related to standing charges.

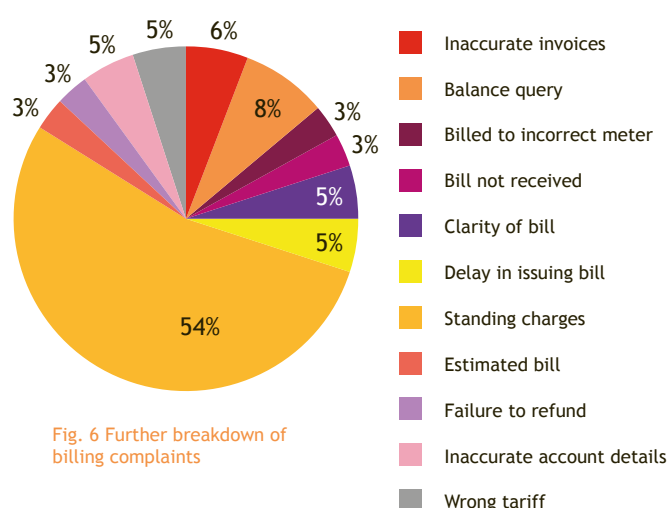


Fig. 6 Further breakdown of billing complaints

1. Ombudsman Terms of Reference: <https://www.ombudsman-services.org/about-us/governance>

For complaints registered with the Energy Ombudsman between 25th November 2015 and 31st December 2016, the Ombudsman made a decision in 71% of cases. A further 28% remained open at the end of December 2016.

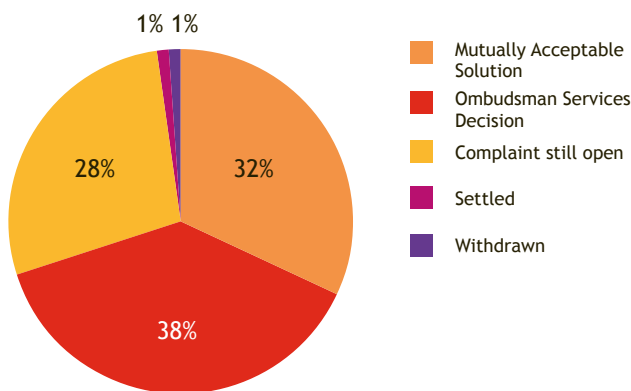


Fig. 7 High-level breakdown of complaints outcomes as of 31st December 2016

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

- **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 Participant rectified its mistake and made a reasonable offer to resolve the dispute prior to it being accepted by the Ombudsman for investigation.

“From all the complaints that reached a Mutually Acceptable Solution or went to an Ombudsman decision, 74% were binding, where the customer accepted the Ombudsman’s decision”

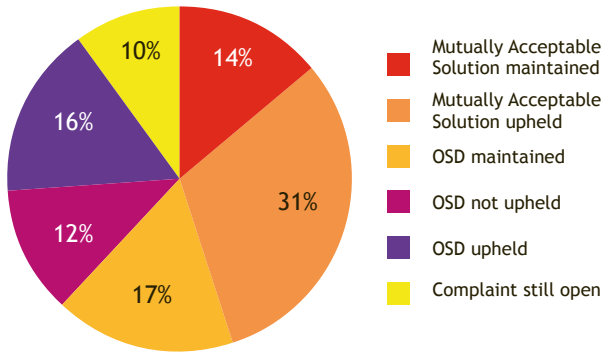


Fig.8 Breakdown of which complaints were upheld, maintained, or not upheld

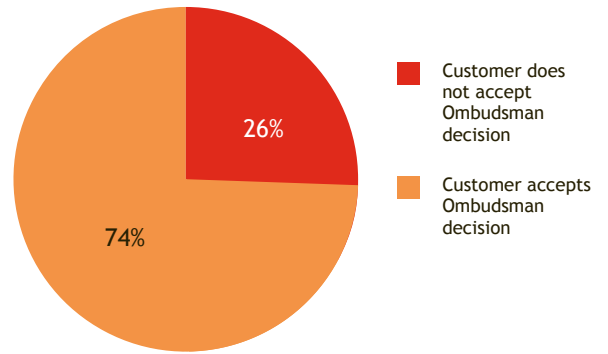


Fig.9 Ombudsman decisions accepted or not accepted by the customer

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 customer is then able to seek resolution another way, such as through the courts. The Registered Participant can implement the resolution but it is not required to do so, because the customer has chosen not to accept the decision.

From all the complaints that reached a Mutually Acceptable Solution or went to an Ombudsman decision, 74% were binding, where the customer accepted the Ombudsman’s decision.





Key findings

Heat Trust has begun to form an evidence base on how networks are performing and the types and volume of complaints that are recorded.

Clearer communications and transparency of charges have been two overarching themes from complaints to the Ombudsman and feedback to Heat Trust. In addition, biannual monitoring by Heat Trust has found variations on how data metrics are interpreted, highlighting the need for industry-wide metrics.

Informing customers that district heating is present

It is essential that prospective homebuyers or tenants are provided with accurate information about a heat network. This must include details on the current tariff, a breakdown of costs included in the tariff, an example Heat Supply Agreement and details on contract length.

Heat Trust requires Registered Participants to have a customer information pack that is made available to prospective residents. The timing of when customers have access to this information is critical – it needs to be made available before a customer accepts to purchase or rent a property.

Feedback has indicated that this information is not always clearly presented by the seller when selling a property or by the landlord or agent when renting a property.

The gap in informing a customer that a heat network supplies the property appears to be more common in the private rented market. Communicating a heat network is present is particularly important when homes are being privately rented as the obligation to pay the heat bill moves to the tenant, who may not have seen the original Heat Supply Agreement.

A heat supplier may not always be informed that an owner is now privately renting their property, unless there is a specific clause within the Heat Supply Agreement for the owner to inform the heat supplier. Even when this is the case, some heat suppliers are still not informed. This often means that a tenant may not be aware that they are on a district heating scheme until a bill arrives.

Some heat suppliers have sought to address the issue by requiring both the private landlord (property owner) and tenant to sign an agreement confirming that responsibility for bills transfers



to the tenant until the tenant vacates, at which point responsibility reverts back to the landlord. However, this approach is not industry wide, and may not deal with apportionment of costs (see page 18 for a section on landlords and repair costs).

Recommendation: There is an opportunity for the industry, developers, landlords and estate agents to work collaboratively to ensure a consistent approach is adopted to inform customers that a heat network is present, and to supply customers with the current tariff details and a sample Heat Supply Agreement.

Further work is required to identify how best to evidence that a customer has been provided with the required information.

Energy Performance Certificates

All properties that are sold or rented need to provide an Energy Performance Certificate (EPC). Each EPC provides the prospective occupant with details of the energy efficiency of the property and an estimate of the annual energy costs for the property.

These are based on standardised assumptions and provide an estimate of energy costs for a particular property size. However, they do not include repair and maintenance costs for a heating system.

For heat network schemes the Standard Assessment Procedure (SAP), a procedure used to produce EPCs, assumes a single standing charge of £120. The same figure is used as the standing charge for mains gas connected properties. The current version of SAP does not, therefore, differentiate the standing charge between mains gas connected and heat network properties. This is set to change in the new version of SAP.

This means that additional charges, such as repair and maintenance costs, which may form part of the standing charge on a heat network are not factored into EPCs.

Although EPCs are not designed to provide detailed energy assessments, complaints received by the Energy Ombudsman have highlighted confusion between customer heat bills and the costs quoted on EPCs.

Recommendation: EPCs issued for properties on heat networks to include an explanation that there may be additional costs associated with standing charges that are not included, such as repair and maintenance costs.

Breakdown of standing charges

The majority of billing complaints received by the Energy Ombudsman are to dispute the level of standing charge and the lack of clarity on what costs are recovered from standing charges.

There are many ways in which heat network schemes are owned, funded and constructed. Consequently, the costs factored into heat bills will be different from one heat network to another.

The Heat Network Metering and Billing Regulations are a step forward in improving transparency and introducing standardisation into the heat network market.

However, the complaints received by the Energy Ombudsman suggest further investigation would be helpful to ascertain whether additional regulatory action is required to help improve transparency on tariffs, such as requiring tariffs to be published, and what costs can be recovered from a standing charge.

Recommendation: The Association for Decentralised Energy (ADE) has established an industry task force on district heating which is examining additional regulatory options. The task force, which includes observers from government, Ofgem and the Competition and Markets Authority (CMA), would be well placed to consider additional regulatory steps on the cost of heat networks.

Landlords and repair costs

In England and Wales, under the Landlord and Tenant Act, certain repair costs are the responsibility of the landlord as set out in Section 11 of the Act. In Scotland, the Housing (Scotland) Act 2006 sets out duties for landlords on repairs, requiring landlords to ensure heating systems are in working order.

In a property with an individual gas boiler, if a fault arises with the boiler, the landlord would normally be responsible for the cost of repairing the fault.

On a heat network, the customer is usually receiving an inclusive service: heat and hot water plus repair and maintenance costs. This often creates a conflict with expectations based on current legislation, which requires landlords to cover repair costs of individual heating systems.

The Energy Ombudsman has indicated a growing volume of complaints related to costs that landlords typically cover on properties with individual heating systems.

Under Section 11 of the Landlord and Tenant Act, repairing obligations applicable to leases are set out. This includes a requirement to keep in working order space and hot water installations in the property.

The legislation is clear that social landlords have a responsibility for repair costs and it is common for social landlords to agree their contribution to repair and maintenance costs with the heat supplier separately.

This means that tenants of social landlords should not have these costs in their standing charge. Standing charges can, therefore, differ on a development between owner-occupiers (who are responsible for all costs) and tenants renting from a social landlord.

The situation for the private rented market is less clear. This is because the Landlord and Tenant Act does not generally cover private landlords. We believe clear guidance would help to clarify the situation for customers renting from private landlords.

Recommendation: Guidance is developed and published to clarify the scope of leases and landlords that fall under Section 11 of the Landlord and Tenant Act. This would ensure a consistent interpretation of the legislation.

Industry-wide performance metrics

After the first monitoring round Heat Trust has reviewed the data provided and concluded that further detail is required to understand the causes of faults and supply interruptions.

This has identified a wider gap in the heat network sector: there are no agreed industry wide performance metrics.

Heat Trust is now working with Registered Participants to establish consistent categories to segment the causes of faults, supply interruptions and complaints. This will help to identify whether issues are site specific or could potentially point to common issues across networks.

However, for the sector as a whole, to effectively assess the performance of heat networks and allow performance between sites to be compared, an industry-wide performance framework is needed. Heat Trust understands that the ADE is developing a heat network technical compliance scheme. Performance metrics should form part of any future compliance scheme, helping to set an industry standard.

Recommendation: Industry performance metrics to measure technical heat network performance form part of any future technical compliance scheme.

Growing the Heat Trust Scheme

In our second year, we will test our audit process for assessing compliance against our Scheme Rules. We will also look to update and expand the Heat Cost Calculator, and increase awareness of the Heat Trust Scheme.

Independent audits

All heat networks registered with Heat Trust will be audited. These audits will be completed by independent auditors.

Heat Trust will hold trial audits to test the audit process. Independent auditors will be used to conduct these trial audits and provide feedback on the audit process.

Once finalised, a proportion of sites will be audited annually and each site will be audited at least once every five years.

Consultation on Scheme Rules

We will be issuing a consultation on amending our Scheme Rules to enable heat networks that do not provide Heat Supply Agreements to participate.

This consultation will be an open consultation allowing all interested parties the ability to provide their feedback on our proposed approach.

Raising awareness of Heat Trust

Awareness of Heat Trust is growing, but work is now underway to increase our communications activity to ensure customers on registered sites understand the standards that their supplier should be meeting and that they now have access to the Energy Ombudsman at no cost.

We will also investigate options on how customers can provide feedback direct to Heat Trust.

Heat Cost Calculator

In addition to annual updates to the underlying assumptions used by the Heat Cost Calculator (HCC), we will begin work to expand the HCC to cover electricity.





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