



# Heat Trust Annual Report

Findings from year six  
2021

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Heat Trust

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# Executive summary

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## Welcome to the sixth annual report from Heat Trust

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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.

Heat Trust is the independent, non-profit consumer protection scheme for heat networks that holds the industry to account for the benefit of everyone involved. Heat Trust was launched in November 2015 with a clear mission to place customers at the heart of a rapidly expanding, but unregulated, heat network market.

Seven years on, our work still focuses on addressing two key gaps in the heat network market:

- Providing heat network customers (both domestic and micro-business) with equivalent protections to those enjoyed by gas and electricity customers, such as minimum customer service standards; and
- Providing independent redress through an Ombudsman service.

Heat Trust continues to grow and attract new registrants - at the time of publication, 109 heat networks were registered with Heat Trust (this report covers data for 104 that were registered in 2021). Over 65,000 residential and micro-business customers across Great Britain are now benefiting from service standards that are comparable to the rest of the energy market.

### Regulation of heat networks

However, that means that most of the UK's 500,000 plus heat network customers still lack adequate, assured consumer protections. We have therefore long supported the introduction of statutory regulation to give all heat network

customers the same level of protections that exist in the gas and electricity markets.

It is excellent news that the Government introduced an Energy Bill on 6th July 2022 that includes powers to regulate heat networks and we will work with BEIS and Ofgem to ensure the introduction of these regulations as soon as possible.

Until consumer protection regulations are in place, Heat Trust will continue to work with industry, the UK and devolved governments and others to widen the coverage of our scheme and to drive up customer service standards across the heat network sector.

### Heat Trust's Registered Participants are regulation-ready

The heat network suppliers that have registered with Heat Trust are proactively embedding minimum service standards and have committed to providing regular reporting data and to undergo independent audits - indeed in some areas our Registered Participants go above the minimum requirements.

Registered Participants of Heat Trust are acting in advance of statutory regulation and adopting standards and behaviours that are expected of regulated utilities. In short, they are becoming regulation-ready.



## Energy crisis is having a disproportional impact on heat network customers

The massive increases in wholesale natural gas prices that have occurred from Autumn 2021 onwards have had a disproportionate impact on many heat network customers. Commercial gas prices have risen 400-500% in the past year. This has typically led to heat network price rises of similar proportions, unrestrained by any price capping mechanism (compared with a 120% rise in the domestic capped unit gas price).

The lack of mandatory technical standards has led to a legacy of many heat networks being extremely inefficient and only delivering 35-45% efficiency. This means consumers can pay several multiples of the input gas prices for their heat and as a result we have seen recent examples of unit heat prices rising to higher than the cost of electricity.

Whilst Heat Trust does not regulate pricing, we do have a wider mission to champion consumers of heat networks. We have therefore been vocal in calling for Government financial support for heat network consumers and have lobbied senior ministers.

The Energy Bills Support Scheme announced by the Chancellor on 26th May 2022 is generally welcome, however it does not address the additional pressures faced by heat network customers who are often seeing their heating bills rise twice as fast as domestic gas customers.

We have also called for faster action to help improve the efficiency of heat networks, and are disappointed that the Government's planned Heat Network Efficiency Scheme (HNES) is not due to launch until next Spring, after a trial was conducted in the 2021-22 financial year. We are also concerned that the £30 million funding available won't be sufficient to tackle the scale of the problem.

## Heat Trust standards are protecting customers, but reliability must improve

The data in our sixth report shows that voluntary standards set by Heat Trust are working to protect customers.

However, our monitoring data suggests that the heat network sector must do more to improve the reliability of supply, with an increased number of both unplanned interruptions and complaints relating to 'technical issues', which is now the single biggest cause of complaints (55% of all complaints).

Customers deserve an ultra-reliable heating system, and a key task for regulations around technical standards must be to ensure that heat networks become much more reliable, so that supply interruptions become extremely rare. In the meantime, customers on Heat Trust registered sites have the protection of minimum service standards and redress when these are not met including compensation payments for longer interruptions.

## Customers are benefiting from independent redress

Customers on heat networks registered with Heat Trust can refer complaints which cannot be resolved directly with their heat supplier to an alternative dispute resolution (ADR) service, the Energy Ombudsman.

The number of complaints taken to the Energy Ombudsman that were within their remit (Terms of Reference) increased from 80 in 2020 to 124 in 2021. In 90% of cases that were completed, the Energy Ombudsman agreed with the customer and either upheld (73%) or maintained (17%) the complaint. Only 4% of cases that were investigated resulted in the complaint being not upheld, i.e. the supplier did nothing wrong.



Where cases resulted in a remedy payment (when the Ombudsman feels financial compensation is warranted) the average payment was £110, slightly lower than the 2020 figure (£118). However, a total of £8,874 was awarded to customers as a result of Ombudsman decisions in 2021, nearly triple the amount awarded in 2020 (£3,179), indicating a higher number of cases resulting in an award.

### Customers are receiving compensation for outages

There were 4,875 unplanned interruptions reported in 2021. The majority (83%) of these were due to issues within an individual property and usually only affecting that property. The remaining 808 (up from 505 in 2020) interruptions were due to problems with heat generation or distribution and usually affected multiple if not all customers on that heat network.

Customers on heat networks registered with Heat Trust can be assured that if they experience an interruption that is not restored within specified timeframes, they will be compensated. In 2021, a total of £723,679 was paid to customers in Guaranteed Service Payments for unplanned interruptions.

Over £600,000 of this total related to incidents of prolonged supply failure at two sites.

### Supply suspensions for debt have risen

A heat network industry agreement on consumer protection in response to the impact of COVID-19 was signed by many of our Registered Participants in May 2020 and was in place throughout the period covered by this report. The agreement committed signatories to supporting customers who were impacted financially as a direct or indirect result of COVID-19, including suggesting that suppliers could suspend credit meter disconnections during the pandemic.

Our monitoring data suggests that disconnections initially dropped significantly during the beginning of this period, but have steadily risen since then, especially during the second half of 2021 (April to September) when they reached the highest level reported since 2018. The COVID-19 agreement ended in October 2021.

The massive rise in energy prices and resultant cost of living crisis is likely to result in a significant rise in debt levels over the next year which could see a further significant rise in disconnections. Heat Trust believes that best practice is not to disconnect customers but instead to provide constructive support to enable them to remain on supply.



## Market coverage

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

This report:  
20 Registered Participants covering  
**61k customers**

## 2021

### Complaints



Complaint levels rose in 2021, especially in the second half of the year, to an average of 7.4 complaints per 100 customers, compared with 3.8 in 2020. The average level recorded by Ofgem in the gas and electricity sectors in 2021 was 6.1 complaints per 100 customers.

# 55%

Technical issues accounted for 55% of complaints.



The two most common complaint types going to the Energy Ombudsman were billing (31%) and loss of supply/technical issues (30%).



Of all Ombudsman cases completed in 2021, 73% were upheld and 6% were settled.

# £9k

Over £8.8k awarded to customers by the Energy Ombudsman.

### Debt, suspension and resumption of supply

Over the year almost 30% of customers failed to pay their bill by the due date.



On average 0.7% of customers had their supply suspended due to debt in 2021 and 0.6% had their supply restored due to debt being repaid. This is higher than last year.

# 1.5%

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

### Outages

# 6

A typical customer experienced about 6 unplanned interruptions during 2021, lasting on average around 5-6 hours, caused by generation or distribution issues. 808 unplanned interruptions were caused in the generation (423), or in the distribution of heat (385) to the heat network (a 60% increase on 2020). These interruptions usually affect either the whole network or a section of the network. The most common underlying cause for these were the **pump/pressurisation unit**.

**72%** of planned interruptions occurred in the summer months.

Almost **£724k** was paid in compensation for unplanned interruptions.

# 1 in 15

Up to 1 in 15\* customers experienced an unplanned interruption caused within the property, usually caused by an issue with the HIU. (\* assuming each event affected a unique customer)

# 1 • About Heat Trust

## What we do and why we exist

Heat Trust is an independent, non-profit consumer champion for heat networks that holds the industry to account for the benefit of everyone involved. Heat Trust was launched in November 2015 with a clear ambition to place customers at the heart of a rapidly expanding, but unregulated, heat network market.

We make sure customers enjoy the benefits of 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.

Consumer protection is essential to the long-term success of heat networks. We're putting in place the foundations of regulations that will protect customers while allowing this important industry to flourish.

## Standards

Energy is an essential service; it is important that customers can be guaranteed a minimum level of service and protection. The Government has said that it wants Heat Trust to have an important role in preparing the industry for statutory regulation and has strongly encouraged all heat network operators to prepare for regulation by registering with the scheme.

Heat Trust is uniquely positioned to support heat network suppliers as they make the transition to a low carbon energy system. Our work supports heat suppliers to ensure they are well positioned as new regulations are developed. Heat Trust's standards can apply

to any heat energy supplier who contracts with domestic and micro-business properties, metered or unmetered, where the heat customer pays their supplier for their heat energy<sup>1</sup>.

The customer service and customer protection standards set by Heat Trust are comparable to the quality and performance standards for regulated utilities (such as gas and electricity) and draw on existing regulations and industry best practice. When a heat supplier registers their heat network(s) with Heat Trust, they agree to abide by the Scheme Rules<sup>2</sup> and Bye-Laws<sup>3</sup>, which set out our standards and ways of operation.

We also work with our Registered Participants to help promote best practice, through regular forums, relevant guidance, and highlighting any trends we see in the monitoring data they return, or that we receive from the Ombudsman.

When a heat network is successfully registered with Heat Trust, the customers on the heat network will benefit from the standards set, which are independently verified through regular audits, as well as access to an independent ADR service through the Energy Ombudsman.

Heat Trust sets standards on the following areas:

- Support for heat customers in vulnerable situations
- Heat supplier obligations e.g. compensation for outages or contingency and maintenance plans
- Heat customer service and reporting a fault or emergency
- Process for customers joining and leaving
- Heat meters and metering
- Heat Interface Units (HIUs)

<sup>1</sup> To find out more about how Heat Trust can support your organisation, please see our website <https://www.heattrust.org/join-us>

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

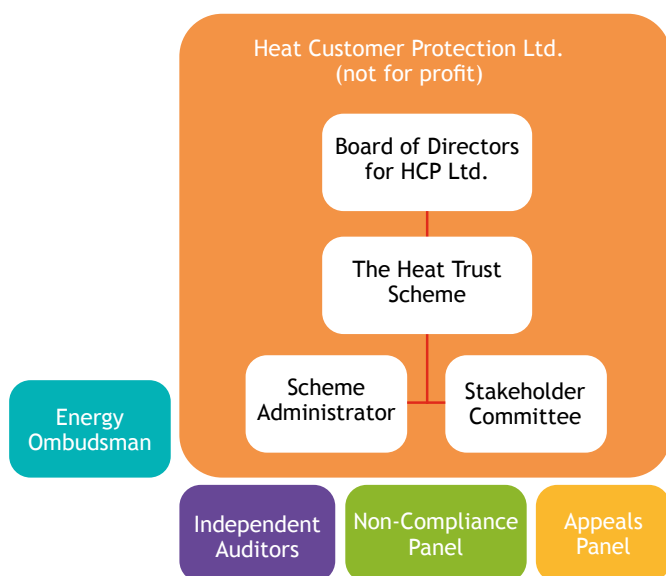
<sup>3</sup> <https://www.heattrust.org/scheme-bye-laws>



- Heat bill and heat charge calculations
- Heat bill payment arrangements and the management of arrears and/or debt
- Suspension and resumption of service processes
- Complaint handling and independent complaint arbitration
- Privacy policy and data protection

### Governance

The Heat Trust Scheme is managed by Heat Customer Protection Limited - a not-for-profit company, overseen by a Board and Stakeholder Committee. Membership of both are published on our [website](#).



### What value do we add?

## 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<sup>4</sup> 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.





## 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.

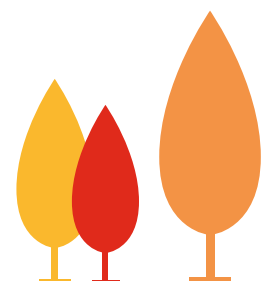
Our work supports suppliers with:

- **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 started the process of legislating 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 and unlock access to some funding which requires registration with Heat Trust.

## Policy-makers

Our work supports Government in delivering high-quality heat networks that provide resilient heat supply for communities up and down the country, supporting the transition to a low carbon energy system, and ensuring a good return on Government investment. With nearly seven 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 is 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 forthcoming regulation. Heat Trust is the only heat network code of conduct. It is consistent with gas and electricity market standards and 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 heat networks with Heat Trust, and the scheme continues to expand into the non-ESCO market. Heat Trust provides a proven framework incorporating a vast body of knowledge that is being used to support development of statutory regulation.









## 2. Activity report

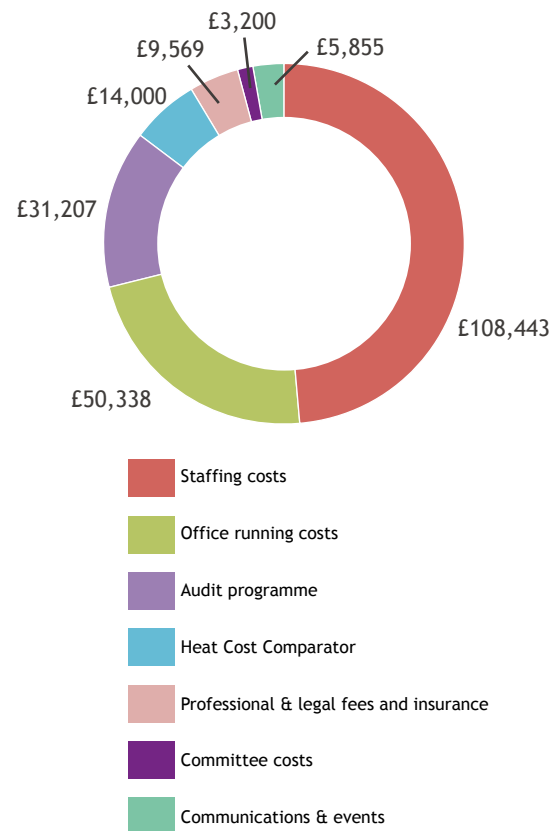
### Finance update

Heat Trust is a not-for-profit organisation. This means that the costs we charge Registered Participants are designed to simply reflect the cost of our operations - and no more. This is important as ultimately the costs of Heat Trust are borne by customers on the sites registered with us.

Whilst regulation provides numerous benefits for consumers, we are mindful that the costs it imposes must be proportionate. As we have grown and improved our efficiency, we can do more for customers at a lower cost. We have also benefitted from Government support in 2021-22, in the form of a funded secondment from Ofgem.

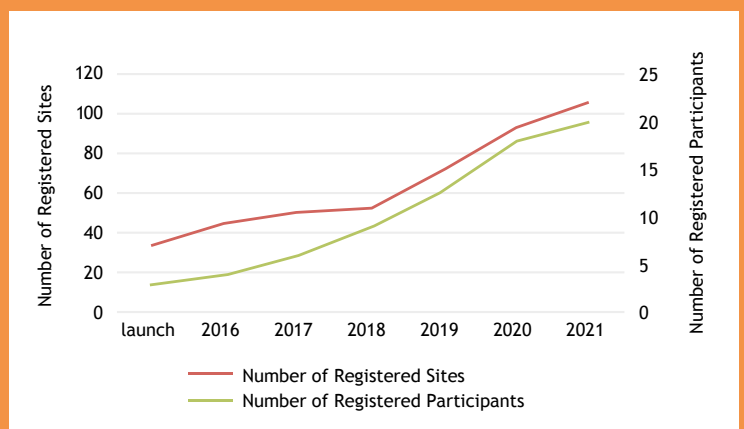
This has enabled us to reduce our annual scheme fees by over 14%<sup>5</sup> from 1st April 2022, - ultimately benefiting both customers and Registered Participants.

Heat Trust expenditure breakdown



### Registration Update

The number of heat networks registered continues to steadily increase over time. In the last year we welcomed two new Registered Participants to Heat Trust, and 12 new sites. Many already registered heat networks also increased the number of customers connected to the heat network. This means over 65,000 customers now get the benefit of protection from our standards.



## Heat Trust lobbying and outreach

Heat Trust continues to maintain collaborative working relationships with a number of important stakeholders in order to deliver on its central objective of consumer protection.

In particular, recent activity focused on working with stakeholders to raise the plight of heat customers facing massive increases in their heat bills further to recent large increases in wholesale gas prices. Heat Trust has held frequent meetings with the UK Government to explore potential support mechanisms and has also worked with the ADE, UKDEA, Citizens Advice, the Local Government Association and the National Housing Federation to lobby senior ministers about the ramifications of failing to act now.

We have also been active in keeping the issue in the public eye by providing interviews on BBC Radio 4 for both Moneybox and You and Yours, on LBC, as well as providing content for the BBC's television programme The One Show and to various national newspapers. Our message has been that heat network customers are not protected by the price cap mechanism and are facing much larger increases than domestic gas and electricity customers. We discuss this issue in more detail in Section 3.

Heat Trust is keen to attract more heat suppliers to register, particularly the under-represented local authority and housing association heat suppliers and has been actively reaching out to the sector to set out the benefits of registration<sup>6</sup>. Heat Trust has also engaged with those developing shared loop ground source heat pumps in order to understand the drivers and challenges of widescale deployment and also the challenges for consumer protection and future regulation. Heat Trust welcomes applications for registration from such networks and looks forward to working with their suppliers in the future.

## Training for Registered Participants

At the initial request of a Registered Participant, Heat Trust collaborated with National Energy Action (NEA) to deliver training to Registered Participants' customer service staff on how to recognise vulnerability, and how best to offer support, specifically in the context of heat networks. There was additional training for those who wished to train others in their company, i.e. Train the Trainer. It was well received by attendees, with it being a good refresher for some, and new training for others. Depending on demand, this could be expanded to other heat suppliers not yet registered with Heat Trust, or training on other topics such as fuel poverty could be provided.

## Partnerships with key stakeholders

Heat Trust has continued to work closely with BEIS and Ofgem towards the goal of regulation of the entire sector and has contributed to Government consultations and regular stakeholder meetings. We have also engaged with the Scottish Government and others.

We have deepened our partnership with Ofgem during 2021 though taking on Richard Bellingham on secondment as our Head of Compliance and Audit. Richard has served with Ofgem for more than 11 years and is Head of Compliance, responsible for understanding retail supplier activity and how it impacts consumer outcomes. The secondment is grant funded by the Department for Business, Energy & Industrial Strategy (BEIS) and aims to enable Ofgem to gain knowledge of the sector and its customers as it develops regulatory plans as well as to help Heat Trust engage with and prepare the sector for regulation.

Ofgem has also agreed to take a non-voting seat on Heat Trust's Committee, which oversees our Scheme Rules.

## COVID-19 response

The COVID-19 pandemic continued to present significant issues for both heat network customers and suppliers during 2021.

Heat Trust has continued to work closely with Government (BEIS) on the response to the pandemic. We have shared advice with customers through a dedicated COVID-19 page on our website<sup>7</sup> and ensured that all our Registered Participants also have a dedicated page on their websites. We continued to hold a regular forum for our Registered Participants throughout 2021 to discuss challenges and share best practice approaches and innovations as the situation developed.

Heat Trust provided independent monitoring of heat network suppliers who signed up to an additional consumer protection agreement in May 2020 as a response to the COVID-19 pandemic. This agreement ended in October 2021<sup>8</sup>.

## Scheme Review Update

Following the successful implementation of modifications to the Heat Trust Scheme Rules in relation to customers in vulnerable situations in early 2021, Heat Trust continued to review its Scheme Rules in other areas. The most common causes of complaints remain billing and technical issues. Therefore, the next areas to be reviewed were metering, billing and Guaranteed Service Payments, the response to poor technical performance. Two modifications were implemented relating to metering and billing:

### MOD017: Metering and billing clarifications

- Clarifies that references to the Heat Networks (Metering and Billing) Regulations include subsequent amendments to these regulations; clarifies that advice should be on both Heat Bills and Annual Account Statements; and to only include advantages and disadvantages of pre-payment meters where customers have a choice of meter type.
- The desired outcome is that suppliers are referred to the latest version of the Heat Network (Metering and Billing) Regulations, offer advice on bills or charges to customers on both credit and pre-payment metering systems, and provide only relevant information on pre-payment meters.
- The Scheme Rules were updated with the first part of the modification in September 2021 when it was approved, the other parts had until March 2022 for Registered Participants to update their documentation.

### MOD014: Meter reading with Automatic Meter Reading (AMR)

- Clarifies that suppliers should inform customers how to manually read AMR meters in case of failure, and adds a requirement for suppliers to use actual meter readings for every bill where there is AMR.
- The desired outcome is that customers receive a higher proportion of bills based on consumption instead of estimation. This will be achieved by either AMR being used to calculate each bill or customers being informed of how to submit meter readings for when AMR functionality is not working.
- Implementation deadline was 22nd June 2022, documentation updates deadline is 22nd October 2022.

<sup>7</sup> <https://heattrust.org/information-on-coronavirus>. Page has been visited by over 500 visitors to date.

<sup>8</sup> Heat network companies: Agreement on consumer protection in response to the impact of Covid, May 2020 to October 2021 <https://www.theade.co.uk/news/ade-news/hn-agreement>

An additional modification proposal was approved, which reduced the minimum consultation period for modifications, MOD021. It is worth noting that both MOD017 and MOD021 were fast track modifications, which does not require a public consultation step. See the modification processes set out in Section 17 of the Scheme Bye-Laws<sup>9</sup>.

The modifications proposed relating to Guaranteed Service Payments were not approved, and are being discussed further in a series of roundtables to look more holistically at the outcomes a customer wants when there is an interruption to supply, what mechanisms there might be for achieving those, and which are not yet addressed in the Scheme Rules. These will take place over Summer 2022.

### **MOD021: Reducing the minimum consultation period for modifications - Scheme Bye-Laws change**

- Shortens the minimum required consultation period, specified in the Scheme Bye-Laws, for modifications from 12 weeks to 8 weeks, to enable modifications to progress faster if appropriate.
- The desired outcome is that modification proposals following the Standard Procedure (i.e. involving a consultation) are able to progress faster where appropriate, and therefore improve customer experience on heat networks more quickly, but still allow enough time for multiple stakeholders to feed in to consultations on proposed modifications.
- Implemented immediately from 21st September 2021.

Photo credit: E.On



<sup>9</sup> <https://www.heattrust.org/scheme-bye-laws>





# 3 • Industry developments

## Heat Network Regulation

The Government introduced an Energy Bill to Parliament on the 6th July 2022<sup>10</sup>, which includes powers to regulate heat networks. There is a good chance that this will become law by Spring 2023. The new regulations will then follow in subsequent secondary legislation.

The Energy Bill follows the publication in December 2021 of the Government's response to its consultation on introducing a new Heat Network Market Framework<sup>11</sup>, which set out that future regulations will provide for:

- Consumer protection (including price regulation),
- Technical standards, and
- Decarbonisation.

Ofgem is to be the heat network regulator, with the Energy Ombudsman providing the alternative dispute resolution service for heat network consumers and Citizens Advice acting as the consumer advocacy body in England and Wales. This mirrors the triumvirate partnership that these three perform for the gas and electricity markets, which should aid clarity for customers. The Scottish Government will appoint a consumer advocacy body for Scotland.

The Bill also includes the regulation of heat network zones in England. Similar legislation on zoning is already in place covering Scotland.

The Government has reaffirmed its support for Heat Trust in the context of these plans: *"We want the Heat Trust voluntary scheme to have an important role in preparing the industry as we move towards regulating the market, and we strongly encourage heat networks to register with the scheme now to prepare for regulation."*

Heat Trust has long advocated for the introduction of statutory regulation of heat networks, so that all heat customers can benefit from the protections that we currently provide to those living on sites registered with us and to extend these protections into areas we cannot cover, such as technical standards and price.

We are therefore pleased that these long-awaited reforms are now progressing and will continue to work closely with Government (BEIS) and Ofgem to help develop their regulatory plans and prepare the sector. As noted earlier in the report, as part of this work, we are pleased to have taken on a secondee from Ofgem in late 2021.

In the run-up to regulation, Heat Trust will continue to engage with heat suppliers to bring more of the sector within the scope of our scheme. This will both extend consumer protections over the next few years and help prepare suppliers for regulation through providing a seamless transition from our voluntary scheme into the regulated framework. Indeed, Ofgem will have the huge task of assessing supply arrangements and authorising around 14,000 heat networks when regulations come into force and therefore Heat Trust registration could provide an extremely helpful fast-track route to authorisation that benefits both Registered Participants and regulator.

## Technical standards

Poorly performing heat networks are a major driver of consumer detriment in the sector, leading to higher prices caused by inefficiencies and unreliable infrastructure leading to too frequent loss of service, as well as other issues such as over-heating of communal areas.

Heat Trust is therefore contributing to work around the introduction of regulations mandating technical standards and an accompanying

10 Queen's Speech 2022: background briefing notes, May 2022 <https://www.gov.uk/government/publications/queens-speech-2022-background-briefing-notes>

11 Heat networks: building a market framework - government response, BEIS, Dec 2021 <https://www.gov.uk/government/consultations/heat-networks-building-a-market-framework>



assurance scheme, building on the voluntary CP1 (2020) standards<sup>12</sup> published by CIBSE. It will be important that regulations drive investment in improvements to existing heat networks, as well as ensuring that new networks are built to a much higher standard.

The Government's Heat Network Efficiency Scheme (HNES)<sup>13</sup>, due to commence in Spring 2023, will be a useful support mechanism to assist in achieving these aims. In the light of the current gas price crisis, Heat Trust has pressed Government ministers to bring forward this scheme in order to start funding efficiency improvements as soon as possible. More efficient heat networks also produce fewer carbon emissions.

## Decarbonisation of heat

In its recent consultation response<sup>14</sup> Government has been clear that deployment of more low carbon heat networks is a key limb of its net zero strategy. Government estimates that 18% of UK heat needs to come from heat networks (vs 2% currently) in order to meet the net zero target by 2050. The Government plans to introduce decarbonisation targets that impact technology choices in the early 2030's so as not to stifle investment in the next few years. It is encouraging to see that the Government has deployed the Green Heat Network Fund<sup>15</sup> in order to set the direction of travel in the near future.

Heat Trust welcomes the Government's commitment to a net zero policy and agrees that deployment of low carbon heat networks should be part of that plan. New low carbon technology also needs to deliver for customers heating that is affordable, efficient, reliable and convenient. A diversity of technologies, such as heat pumps and waste heat capture will be needed to achieve the best outcomes for customers and future regulation must be framed to enable this diversity of approach.

## Scotland

Scotland is ahead of the rest of the UK in terms of heat network regulation, with the Heat Networks (Scotland) Act 2021<sup>16</sup> already on the statute books. This paves the way for a heat network regulatory regime, which the Scottish Government plans to be in place by early 2024. The Government plans to start consulting stakeholders on these regulations in September 2022.

As consumer protection issues are reserved matters to the UK Parliament, the Scottish Government plans to work with the UK Government to ensure alignment and interoperability between the Scottish and UK regulatory systems.

The Scottish Government published its Heat Network Delivery Plan<sup>17</sup> on 31st March 2022 and plans to allocate £300 million to a new Heat Network Fund over the next four years to enable and support the development of new, and expansion of existing, heat networks in Scotland. It also plans to launch a new Heat Networks Support Unit to work with both public and private sector organisations to design and bring forward heat network projects ready for capital investment. Heat Trust will work closely with the Scottish Government as it develops its regulatory plans.

## Heat network price crisis

The global energy crisis has had an unprecedented impact on heat networks and their customers, with two significant issues leading to unsustainable increases in cost to consumers.

Firstly, more than 90% of heat networks currently derive heat from natural gas, via boilers or CHP (combined heat and power) plant, which they must buy from commercial gas suppliers.

Commercial gas prices are not capped by Ofgem and closely follow the wholesale price, which has

<sup>12</sup> CP1 Heat networks: Code of Practice for the UK (2020), CIBSE, January 2021 <https://www.cibse.org/knowledge/knowledge-items/detail?id=a0q3Y00000lMrmGQAT>

<sup>13</sup> The Heat Network Efficiency Scheme (HNES) Demonstrator was a £4.175m grant scheme for FY21/22. BEIS intends to launch a multi-year HNES scheme in Spring 2023. It will provide funding to public, private and third sector applicants in England and Wales, to support improvements to existing heat networks that are operating sub-optimally and resulting in poor outcomes for suppliers and customers.

<sup>14</sup> Heat Networks: Building a Market Framework: government response to a consultation ([publishing.service.gov.uk](https://publishing.service.gov.uk))

<sup>15</sup> The Green Heat Network Fund (GHNF) is a three-year, £288m capital grant fund that will open to applicants in March 2022. It will provide support to organisations in the public, private, and third sectors in England.

<sup>16</sup> Heat Networks (Scotland) Act 2021, March 2021 <https://www.legislation.gov.uk/asp/2021/9/2021-03-31>

<sup>17</sup> Heat networks delivery plan, March 2022 <https://www.gov.scot/publications/heat-networks-delivery-plan/>

risen from a relatively stable long-term rate of around 1.5p/kWh to around 7 to 8p/kWh over autumn 2021 to spring 2022 and to 15 to 20p/kWh during the summer 2022.

This has led to heat suppliers facing 400-500% price rises when renewing typical 12-month gas supply contracts during the past year, with even bigger rises to come. In many, if not most, cases these price rises have been passed straight through to heat consumers, leading to heat network price rises of similar proportions, unrestrained by any price capping mechanism.

Secondly, the lack of any mandatory technical standards for the design and construction of heat networks has led to many extremely poorly performing heat networks being constructed that only deliver 35-45% efficiency. This means consumers can pay several multiples of the input gas prices for their heat. This issue was masked until recently by very low commercial gas prices available to heat suppliers, but has been laid bare by the current crisis. It is now resulting in many heat networks charging unit prices for heat that are as much or even more than the price of electricity, which is capped at 28p/kWh.

The Heat Trust Scheme does not regulate pricing, except for rules around transparency and notice periods for price rises. However, we do have a wider mission to champion consumers of heat networks. We have therefore been vocal in calling for Government support for heat network consumers, most of which are facing much larger price rises than domestic gas customers, who have the protection of Ofgem's consumer price cap.

We have lobbied BEIS Ministers, alongside the ADE, UKDEA, Citizens Advice, the Local Government Association and the National Housing Federation to inject financial support into the sector to protect consumers, as well as to bring forward plans for the Heat Network Efficiency Scheme to tackle inefficient networks and also to help landlord heat suppliers with gas procurement.

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Unless financial support is provided before next winter, many heat network customers will face very severe hardship, with many simply unable to afford to heat their homes and falling further into debt. There is also the prospect of heat suppliers failing due to overwhelming bad debt levels.

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# 4 • Monitoring Registered Participants

## Audit and compliance

*Audit program summary* - 2020/21 saw Heat Trust undertake audits of 33 Registered Sites under the provisions in Scheme Bye-law 11. In all cases the audits marked the 5th anniversary of the registration of the site. Heat Trust introduced batch audits to assess multiple sites in a Registered Participant's portfolio in a single process. This approach reduced resource requirements both for the audited party and for Heat Trust and its auditors.

Heat Trust is pleased to report that 22 of the 33 audits have now been closed, with the Registered Participants having delivered a program of remedial activity in order to reach the required benchmark score. Of the remaining open audits only minor points remain to be resolved and Heat Trust hopes to close the remaining audits in the very near future.

Through conducting our program of audits Heat Trust noticed a number of themes that were consistently picked up and required improvements from Registered Participants. In short, Heat Trust saw issues across the following aspects of operational activity: Customer Information, Emergency and Unplanned Interruption response and Billing & Meter reading. These are set out in more detail in our *Winter 2021/2022 newsletter*.

Since the newsletter Heat Trust has also drafted guidance for Registered Participants in respect of Scheme Rule 6 which is another area of operational activity where varying levels of compliance were seen. Scheme Rule 6 relates to guaranteed standards of performance: specifically providing information on flow and return temperatures to customers and eligibility of customers for Guaranteed Service Payments. Heat Trust has set out expectations regarding both of these obligations and identified best practice. It is hoped Registered Participants find such guidance useful and Heat Trust welcomes feedback on any improvements that can be made.

The six-monthly operational monitoring data provided by all Registered Participants in April and October of 2021 allows Heat Trust to identify Registered Sites where complaint levels are high. Compliance engagements with two Registered Participants were undertaken to understand more about what had happened to drive high levels of complaints at a number of sites. In both cases the conversations were informative, and Heat Trust was broadly satisfied that the Registered Participants had dealt with the incidents well, with customer outcomes at the forefront of their minds.

There were some concerns that the processes in place for recording, dealing with and reporting of complaints might benefit from review. To that end, in addition to our normal audits, Heat Trust is conducting audits which focus on a specific area of operational activity rather than a broad audit of activity at a Registered Site. It is the first time that Heat Trust has conducted such an audit and if successful the aim will be to use this tool more frequently in the future. The approach has two major benefits - firstly Heat Trust can review processes that impact all Registered Sites in the Registered Participant's portfolio with a single audit engagement and secondly, with the assistance and experience of auditors, Heat Trust hopes to be able to identify best practice in certain areas of operational activity and be able to publish guidance for the benefit of Registered Participants and the wider industry.

*Audit Process Refresh* - A review of the Heat Trust audit process, the audit scoring system and the Scheme Bye-Laws was recently undertaken. Further to this review Heat Trust identified opportunities to improve the audit process and update the Scheme Bye-Laws. Heat Trust is currently consulting on a number of changes<sup>18</sup> that would provide for Heat Trust to conduct audits of bespoke scope to address non-compliance in a more focused way. Heat Trust is updating the scoring system to move away from a pass / fail criteria and towards identifying areas of non-compliance that need to be addressed; this will ultimately result in more consistent outcomes for audits and earlier closure.

Finally, the Scheme Bye-Laws conferred decision making powers on our appointed auditors in certain circumstances. Heat Trust regarded this as a risk in cases where there might be disagreement with the auditor's opinion. Consequently, Heat Trust proposes that the Scheme Administrator becomes the decision maker in all matters pertaining to audits.

**Compliance engagement** - Heat Trust recognises the resources that Registered Participants need to deploy to respond to an audit. It is further understood that to undertake an audit to deal with cases where we see evidence of minor non-compliance seems disproportionate. Heat Trust is therefore introducing and formalising the Compliance Engagement process. Heat Trust sometimes becomes aware of information that indicates that Registered Participants may be falling short of the requirements of the Scheme Rules. In many cases Heat Trust is able to address these issues through a bilateral engagement followed by evidence that remedial activity had solved any ongoing problems, customers had been compensated for any loss and measures had been put in place to prevent recurrence. To make sure this process bears fruit Heat Trust is consulting on the introduction of a provision in the Scheme Rules that would compel Registered Participants to provide Heat Trust with information it reasonably requires to assess compliance with the Scheme Rules.

**Compliance project - Supporting Customers in Financial Difficulty** - Heat Trust is currently seeing unprecedented volatility in wholesale gas prices and, coupled with the lack of price cap protection for heat network customers, Heat Trust has had reports of alarming increases in heat bills across the heat network sector, registered and unregistered. In the light of the resulting financial pressure on consumers, Heat Trust has undertaken a review of the processes of all Registered Participants to identify and support customers that may be struggling to pay their bills. Heat Trust devised a simple questionnaire which all Registered Participants completed, has assessed the results and identified good practice as well as practice that falls below the standards required by the Scheme Rules.

Heat Trust has published a report on this project that acts as guidance for both Registered Participants and the wider industry.

## Biannual monitoring data

Each heat network site that registers with Heat Trust is required to submit data every six months on relevant metrics<sup>19</sup>. These indicate levels of performance and customer service relating to key standards in the Scheme Rules.

At the end of September 2021 there were 104 heat networks registered with Heat Trust, servicing 61,141 domestic customers and 333 micro-business customers.

The data presented in this annual report is aggregated from all sites registered with Heat Trust as of September 2021. The monitoring periods were 1st October 2020 - 31st March 2021 ('Period 1') and 1st April 2021 - 30th September 2021 ('Period 2').

*Please note that all pie charts are displayed largest to smallest in a clockwise manner from '12 o'clock', with the legend in corresponding order.*

## Meter types

All Heat Trust Registered Sites had individual meters within each property, and therefore none used heat cost allocators. At the end of September 2021, 3,809 (6.2%) domestic customers were paying their bills via pay as you go (PAYG), also known as pre-payment meters (PPM). This has increased slightly over the last two years from 4%. This is still much lower than the 13.6% of gas customers using PPMs in 2021<sup>20</sup>.

Less than 1% of micro-business customers paid via PAYG in 2021, which has remained the same over the last five years.

## Interruptions in supply

Heat Trust groups the causes of interruptions into three high-level categories. These each represent an area of the heat network where the issue originated: **generation** (of the heat e.g. energy centre), **distribution** (from energy centre to property e.g. pipework) and **in property**.

These are sometimes referred to as the primary, secondary and tertiary network, respectively.

## Planned interruptions

In 2021 there were 122 planned interruptions, which has nearly doubled from the 60 to 70 average of the last three years. These are interruptions to the heating and/or hot water supply where the customers have been given at least 48 hours' notice by their supplier, and are often maintenance or issue-resolving tasks. This may explain the increase in 2021, where there was also an increased number of unplanned interruptions. Nearly three-quarters of planned interruptions (72%) took place in Period 2, the warmer months, when most maintenance is expected to take place, to minimise disruption to customers during the heating season.

Over the year 54% of planned interruptions were related to the distribution part of the heat network, as can be seen from Figure 1. This is a decrease from 66% distribution in 2020, and in 2019 the majority related to generation.

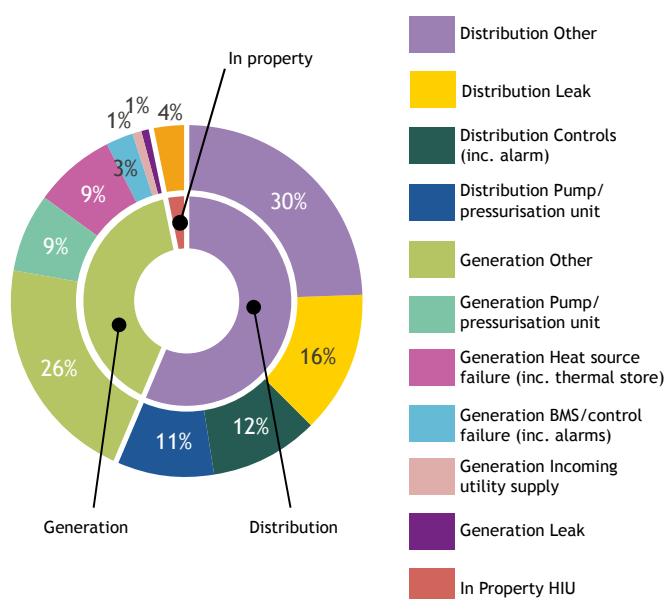


Figure 1 Breakdown of causes of planned interruptions in 2021

On average a planned interruption in 2021 lasted for 7 hours 9 minutes. This is almost half the average duration last year (12h30), but in keeping with the previous three years, which lasted for 6-7 hours. Only one planned interruption lasted for longer than 24 hours (25 hours). The average duration of planned interruptions was much shorter for in property interruptions (3h30, compared to 7h02 for generation and 7h29 for distribution).

## Unplanned interruptions

In 2021 there were 4,875 unplanned interruptions reported by Registered Participants. This is double the previous year report of 2,413 in 2020. This was partly due to an increase in reporting of unplanned interruptions affecting single properties, recorded under the In Property category, which previously were reported as faults. Nevertheless, as can be seen in Figure 2, there was a general and significant increase in unplanned interruptions in 2021 compared to the last two years, particularly in Period 2 of 2021, when there were several, longer unplanned interruptions.

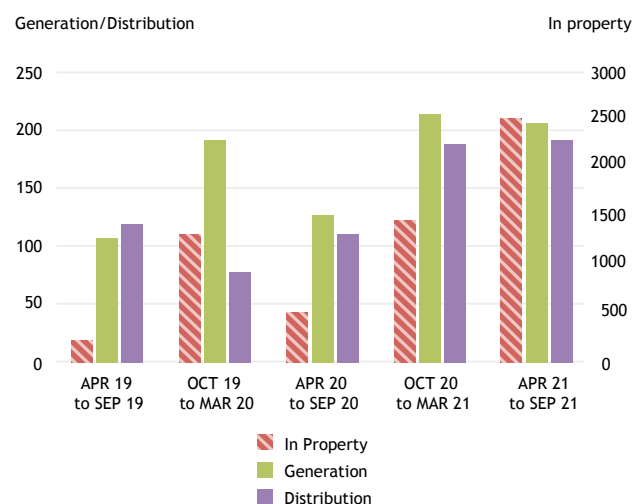


Figure 2 Chart of numbers of unplanned interruptions over the last three years by category, showing in property on a different axis (scale)



Of all unplanned interruptions in 2021, 67% (3,299) were caused by issues with the HIU. This is similar to last year (73%), and therefore will be investigated by Heat Trust. This also highlights the need for industry-wide efforts to address technical issues, particularly relating to HIU performance.

The unplanned interruptions data suggests that on average a consumer experienced about six unplanned interruptions during the year due to generation or distribution issues, each lasting around 5-6 hours, whereas up to 1 in 15 consumers could have experienced an interruption due to an in property issue (usually the HIU), assuming each customer only experienced one such unplanned interruption.

We do not believe this level of reliability is good enough and the industry clearly needs to do more to significantly reduce the number of unplanned interruptions being experienced by customers.

Forthcoming regulations will set minimum technical standards for heat networks with the aim of driving up levels of reliability and efficiency. Our data suggests this is much needed. In the meantime we would strongly encourage the industry to act now to improve reliability issues.

## Causes

Unplanned interruptions caused within the property constituted over three quarters of all unplanned interruptions in 2021, see Figure 3.

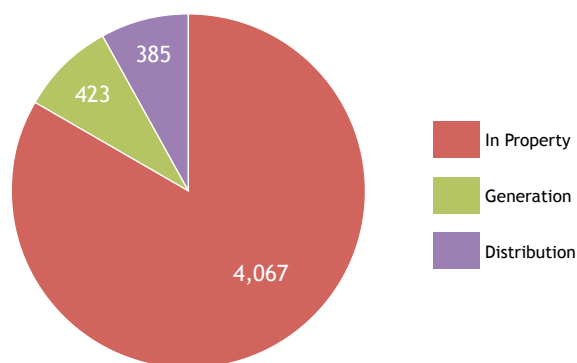


Figure 3 High-level causes of unplanned interruptions during 2021, showing the absolute figure of interruptions

On further investigation, the most common cause of unplanned interruption within the property was due to the Heat Interface Unit (HIU) (81%), see Figure 4, which has increased from previous years. This should be of note to both developers and heat suppliers. This may partly be due to some suppliers' inability to differentiate the causes of unplanned interruptions to single properties, and so over-report HIU as the cause.

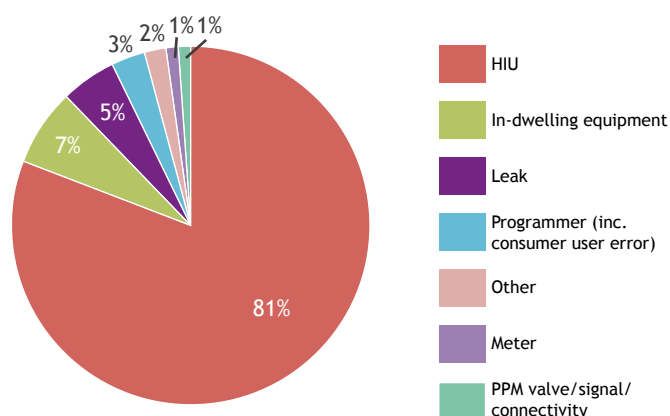


Figure 4 Breakdown of causes of unplanned interruptions In Property in 2021 by sub-category

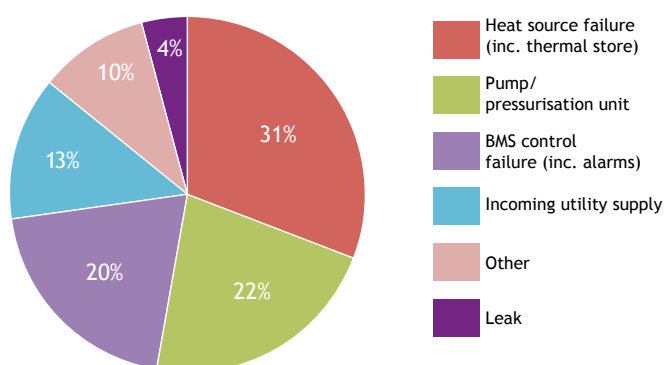
The most common cause of unplanned interruptions originating within distribution (385) and second most common cause within generation of the heat network was, for the third year running, related to the pump or pressurisation unit, see Figures 5 and 6. However, for the first time, heat source failure was the most common cause of the 423 unplanned interruptions originating in the generation part of the heat network, see Figure 5.

### Numbers of customers affected

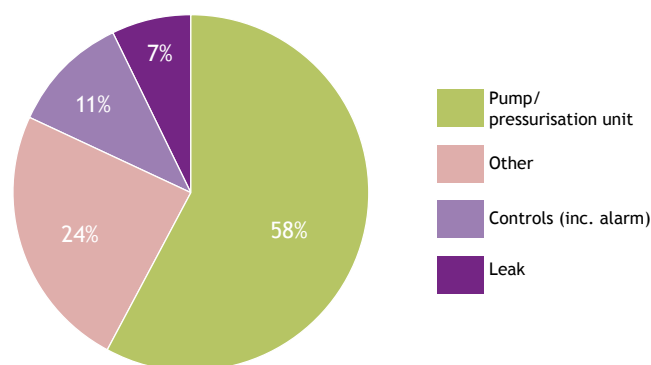
Interruptions which originate within a property usually only affect one customer, however there are rare occasions where it might affect more than one, for example where repairing a single

HIU requires switching off the supply to a number of nearby properties. In 2021 there were only eight in-property unplanned interruptions which affected more than 1 customer, five of which were under 6 customers, although two reported affecting 235 and 255 customers. Therefore over 3/4 of unplanned interruptions in 2021 only affected one customer.

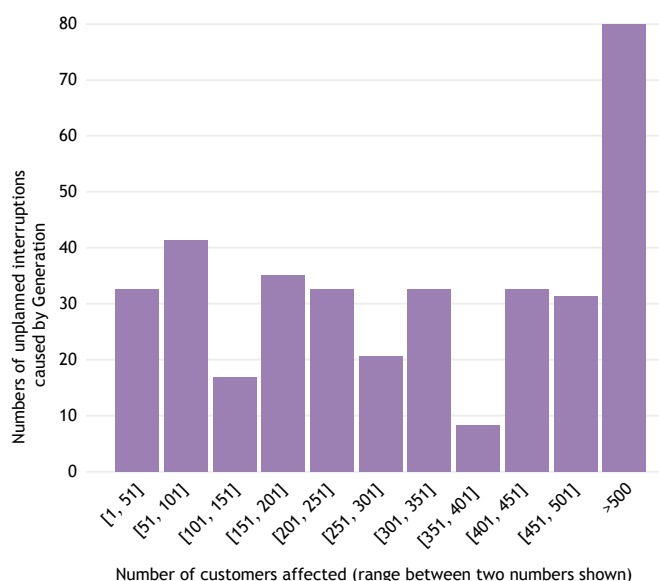
The below histograms show that unplanned outages in 2021 originating in the generation part of the heat network tended to affect higher numbers of customers (typically the whole site) compared to those originating in distribution, which often affected fewer customers (typically affecting only part of the site).



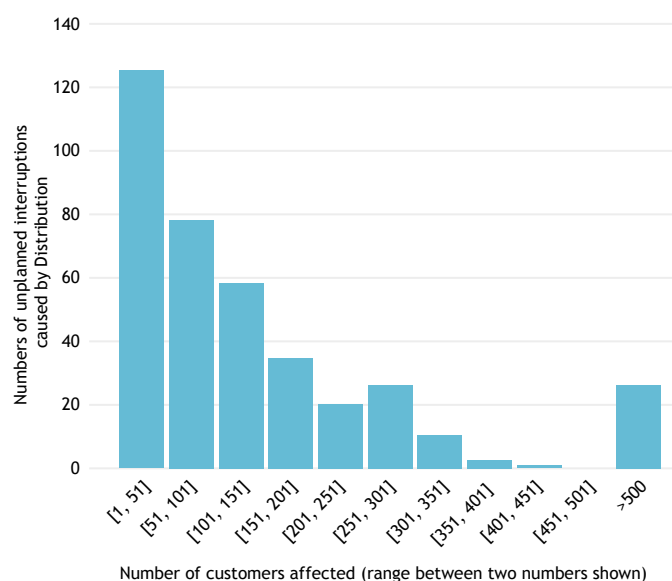
**Figure 5** Breakdown of causes of unplanned interruptions within Generation in 2021 by sub-category



**Figure 6** Breakdown of causes of unplanned interruptions within Distribution in 2021 by sub-category



**Figure 7** Histogram showing numbers of customers affected by unplanned interruptions caused by Generation, in 2021, in ranges of 50



**Figure 8** Histogram showing numbers of customers affected by unplanned interruptions caused by Distribution, in 2021, in ranges of 50



## Durations of interruptions

The average duration of unplanned interruptions during 2021, as per the previous two years, was shorter for those originating in distribution and generation, compared to within the property, see Table 1. The durations of unplanned interruptions in 2020 were shorter, most likely due to changes in staff availability during the initial restrictions of the COVID-19 pandemic.

Table 1 Average (mean) duration of unplanned interruptions, by high-level cause category, in hours

	All unplanned interruptions	Generation	Distribution	In property
2021	33:00	5:40	6:43	38:20
2020	14:27	4:08	4:53	17:09
2019	11:57	4:32	9:50	31:54

Out of the 4,067 unplanned interruptions occurring within the property, 1,090 (27%) lasted for over 24 hours. Although the average (mean) length of in property interruption was over 38 hours, this is heavily skewed by a small number of very long interruptions. The median in-property interruption was around 5½ hours in length.

## Guaranteed Service Payments

In total over 2021, £723,678.72 was paid by Registered Participants to customers for unplanned interruptions in supply which lasted longer than specified. These are known as guaranteed service payments (GSP)<sup>21</sup>. This included two sites with anomalously high payments for unusually long interruptions, one in each monitoring period. With those taken out, the total paid was £119,100. This reflects an increase in unplanned interruptions in 2021, see Figure 9.

From April 21 we started collecting data on GSP separately between the two triggers for it - single interruptions that lasted over 48 hours and multiple interruptions where there are four or more that lasted over 12 hours within a 12 month period. In the period April 21

to September 21 £367,172 was paid for single interruptions, and £47,182 was paid for multiple interruptions.

There were also extensive lessons learned by the Registered Participants involved, and significant effort was made to keep affected customers updated at every stage of the interruption and informed of remedial activity to ensure no repetition of such events, such as improving/replacing equipment on site and increasing resilience of the heat network. Nevertheless, there was disturbance caused to customers, which has subsequently led to an increase in complaints related to technical issues raised both directly with the Registered Participants, and taken to the Ombudsman. It is anticipated that the Guaranteed Service Payments made to affected customers went some way to compensating customers for their disruption. This aspect of the Heat Trust Scheme Rules is under review, see Section 2 of this report: Scheme Rules Review.

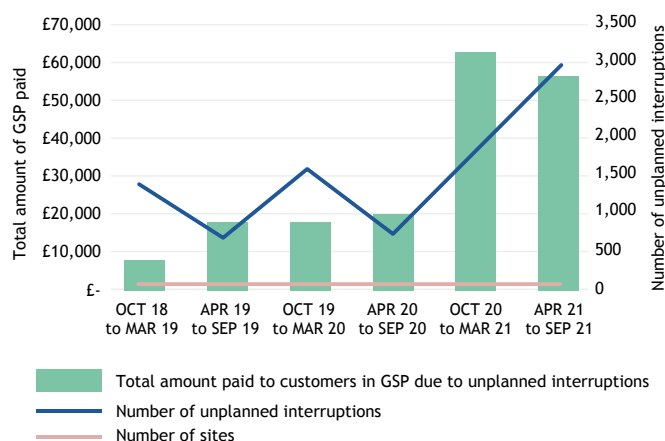


Figure 9 GSP and number of unplanned interruptions in the last 6 monitoring periods

No guaranteed service payments for planned interruptions were reported in 2021, which is unchanged since this began being recorded a couple of years ago. See Section 6.3 of the Scheme Rules<sup>22</sup> for details of which outages warrant a GSP.

## Faults

There were 12,848 faults reported in 2021, double the amount reported in 2020. These are technical issues which do not result in a loss of supply for the customer.

There is a clear pattern of higher numbers of faults being reported in the winter months compared to the summer months over the last four years, see Figure 10. However, it is clear

that there was a significant increase in faults reported in Period 1 of 2021, which is not entirely explained by the increase in numbers of customers registered with Heat Trust in that period. Some of the increase related to issues caused by significant unplanned interruptions e.g. leaks which cause debris to enter the system and block HIUs, increasing faults at HIUs.

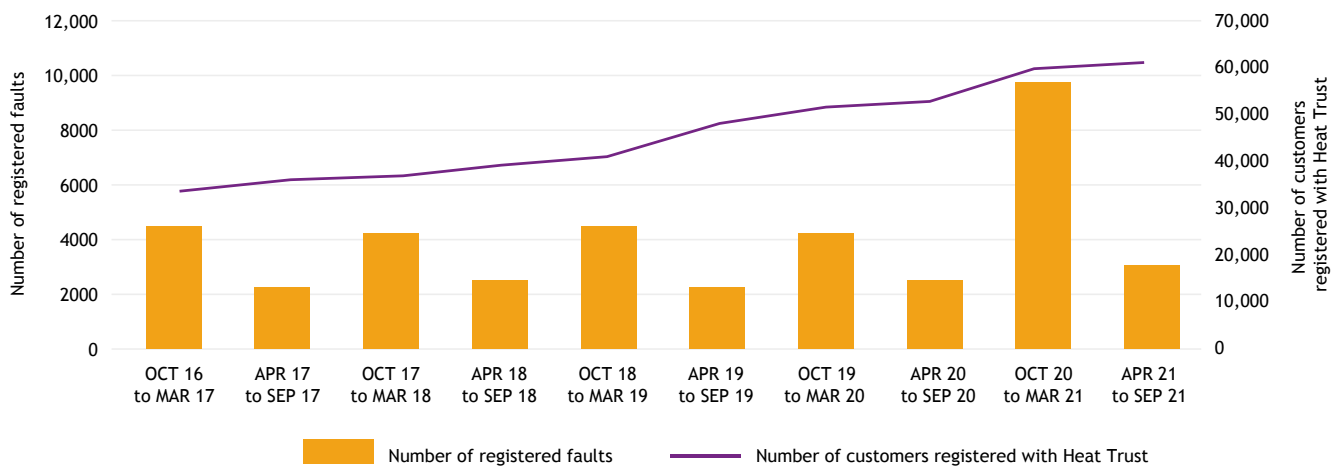


Figure 10 Number of registered faults over the last 10 monitoring periods

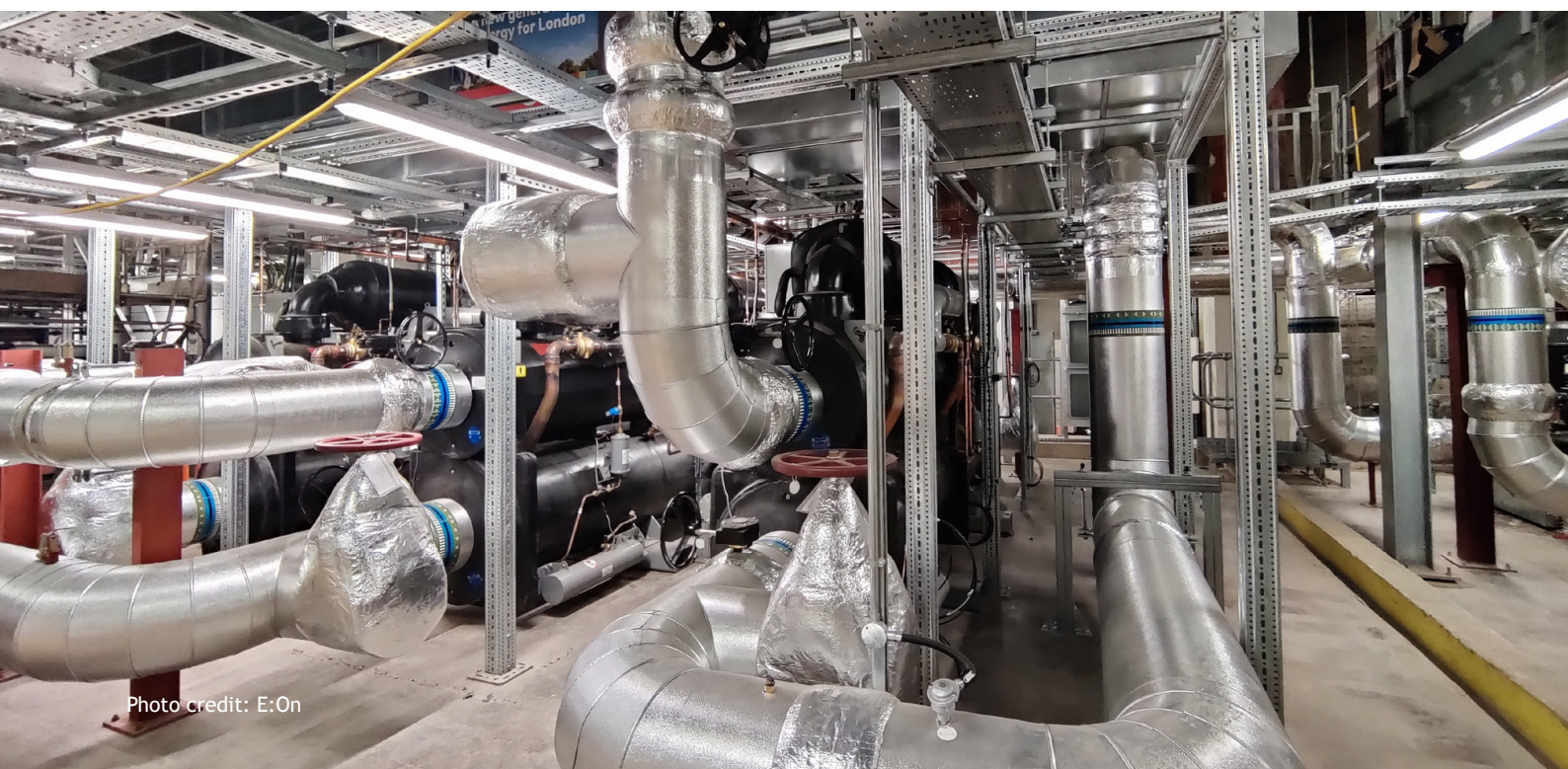


Photo credit: E:On

## Vulnerability and debt

### Priority services or vulnerability register

At the end of September 2021, 2,466 customers (4%) were on a vulnerability or priority services register (PSR). Customers who are on a register may receive additional support or communication services from their supplier relevant to their circumstances. This number has stabilised at 4% in the last four monitoring periods, having gradually reduced over the last few years from 8% in 2016, see Figure 11.

By comparison 24% of gas and electricity customers were on a PSR in 2018 (the latest data available) and had been steadily increasing since 2007<sup>23</sup>. For small and medium regulated energy suppliers, the most comparable in size to heat network suppliers, this increased from around 5% in 2016 to around 8% in 2018.

### Debt

At the end of September 2021, an average of 1.3% of customers were on a repayment plan for debt. As can be seen in Figure 12, this continues to be lower than previous years and lower than the proportion of customers in debt. The number of customers with bills unpaid for over 61 and 91 days has fluctuated slightly over the last four periods, but doesn't appear to have been significantly affected by COVID-19 (the March 2020 figure was just as the UK began to introduce restrictions).

Registered Participants also report on the percentage of customers per site that fail to pay their bill by the due date. This could be only by a day or much longer. Figure 13 shows that a greater proportion of customers tend to pay their bill on time during the winter periods. This may be because customers use more heating during the winter months, and so pay more attention to their heating/hot water bills. However, in 2021 there was not a significant increase in the proportion paying on time in winter, possibly suggesting more customers were taking longer to pay their bills. Please note this was the 2020/21 winter, and not the most recent winter which will be more affected by the increasing cost of living.

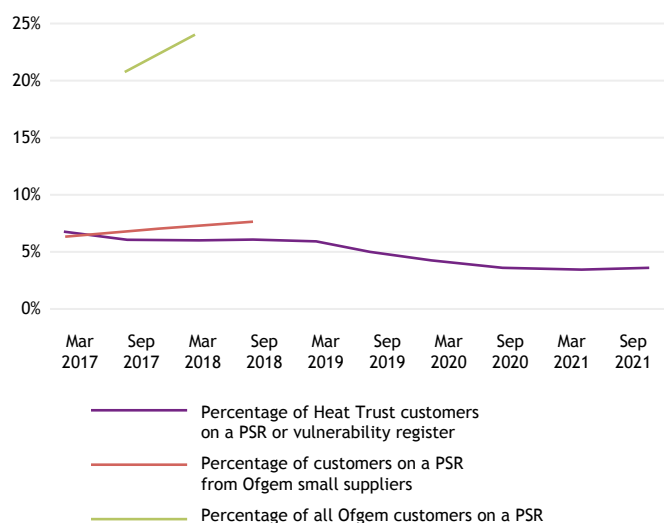


Figure 11 Percentage of domestic customers on a PSR or vulnerability register, with scale comparable to Ofgem

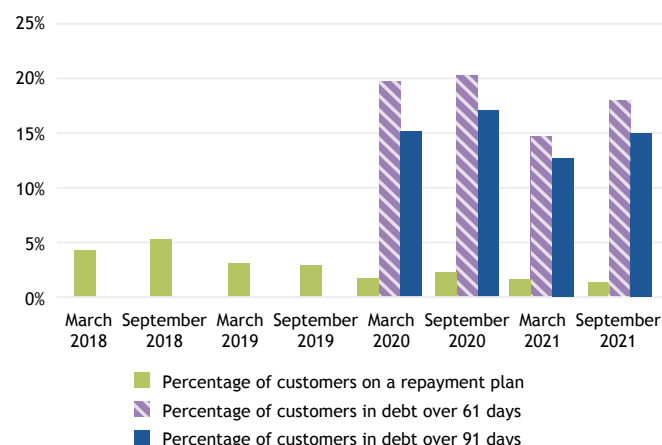


Figure 12 Percentage of customers on a repayment plan and those in debt at the end of the last six monitoring periods

## Suspension

The number of supply suspensions due to debt in 2021 varied between the two monitoring periods, with the first being roughly similar or a bit lower than before the COVID-19 pandemic began, see Figure 14. However, Period 2 had higher numbers of suspensions than seen in the last two years (but not as high as the 2.3% figure seen in April 2018 to September 2018).

Both of the 2021 monitoring periods were covered by an industry agreement<sup>24</sup> to provide additional protections and support to customers during the Covid-19 pandemic, which included discouraging disconnecting customers, which ran from May 2020 to October 2021. Most of Heat Trust's Registered Participants signed up to this agreement, which may explain the initial decrease in numbers of customers disconnected.

By comparison, there were no disconnections due to debt in 2018 for gas and only six for electricity customers (the latest data available). However, there were 93,154 pre-payment meters installed in 2018 to recover debt, and 70,981 (76%) of those were installed by warrant. With about 23 million homes connected to gas in the UK, around 0.3% of customers had a pre-payment meter installed by warrant. This is lower than the average number of customers on Heat Trust Registered Sites who had their supply suspended in 2021, which was 0.7%, but comparable to the 2020 figure of 0.4% suspensions.

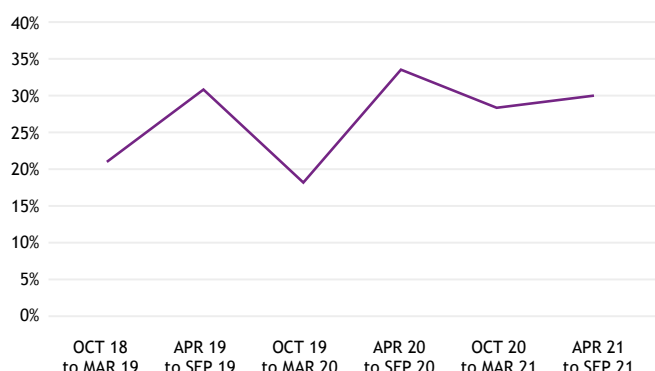


Figure 13 Average percentage of customers that fail to pay their bill by the due date

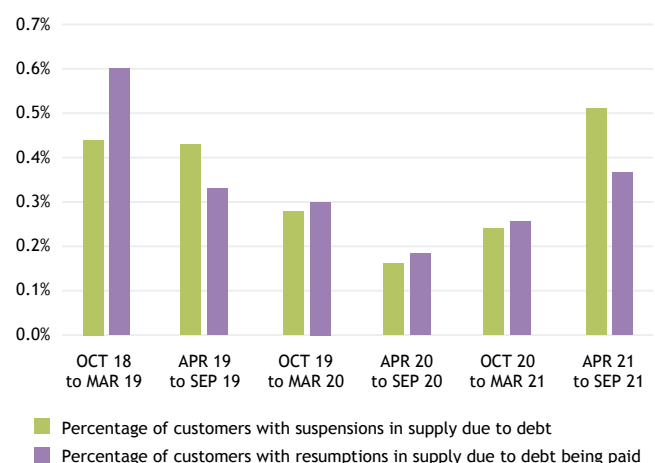


Figure 14 Average proportion of customers with supply suspended and resumed due to debt, over the last six monitoring periods



## Complaints

Over the year, Registered Participants recorded 4,501 complaints from domestic and micro-business customers. Of these, 1,997 were recorded in Period 1 and 2,504 were recorded in Period 2, which shows an increase in both periods from previous years, see Figure 15. This likely reflects a drop in complaints during the period with the initial COVID-19 pandemic (April 20 to September 20), with those complaints being delayed into the next period (October 20 to March 21) and then a high number of complaints related to interruptions in April 21 to September 21.

Over the year there was an average of 7.4 complaints per 100 customers. Ofgem reported an average of 6.1 complaints per 100 customers over 2021 in the regulated market<sup>25</sup>, so this is slightly higher for heat network customers.

‘Technical issues’ and ‘billing and charges’ were the most common causes of complaint in 2021, together accounting for 78% of complaints. These have remained the most common causes of complaint for the last four years, see Figure 16. There has been an increase in technical issues complaints in 2021, which is likely to reflect the increase in unplanned interruptions that occurred during the year. For some sites the number of complaints mirrors the number of interruptions, for others they mirror the amount of GSP made which indicates it was the length of the interruption rather than the number of them which triggered the complaints.

Within 2021, 86% of complaints (3,396) received were resolved within the same monitoring period. The average of the last five years was 89%, so slightly higher than 2021’s average but the majority of complaints were still resolved fairly quickly in 2021.

A deadlock letter is issued by a supplier to a customer if the customer has made a complaint that has not been resolved within eight weeks, or it is clear that a resolution

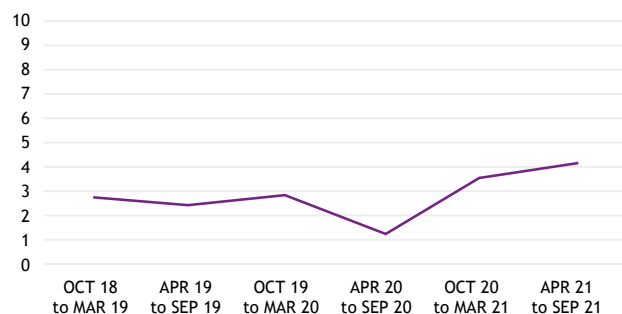


Figure 15 Number of complaints received per 100 customers over the last six 6-month monitoring periods

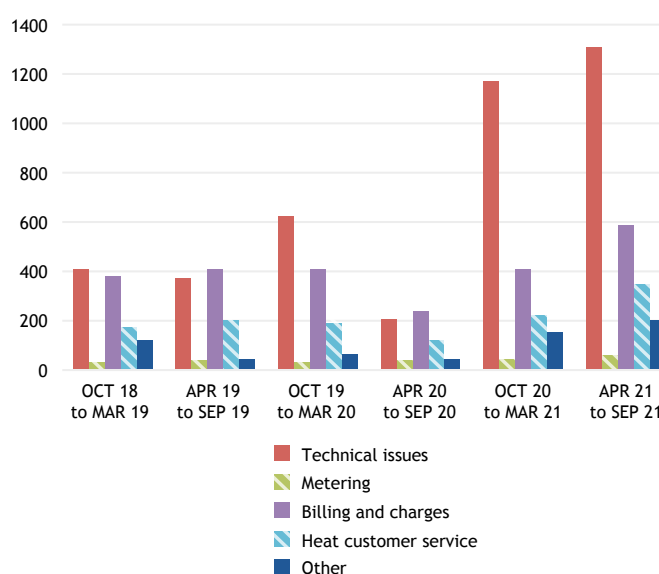


Figure 16 Breakdown of complaint categories over the last six monitoring periods

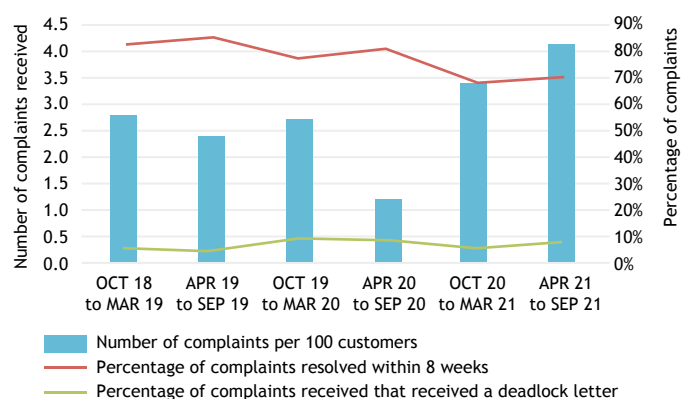


Figure 17 Complaints received and complaints resolved within eight weeks, and deadlock letters, over the last six monitoring periods

which is satisfactory to both parties cannot be reached between them.

The actual number of deadlock letters issued in 2021 (284) increased from previous years (174 in 2020, 101 in 2019), but because there was a higher number of complaints received, the proportion of complaints resulting in a deadlock letter has not changed much, see Figure 17. This suggests that Registered Participants were able to internally resolve a similar proportion of complaints as previous years.

Once eight weeks has passed or a deadlock letter has been received then a complainant can take their complaint to the Ombudsman for arbitration. See the following section in this report for more details on complaints taken to the Ombudsman.

Overall, complaints have remained low for the last two years despite an increasing number of customers registered with Heat Trust, see Figure 18.

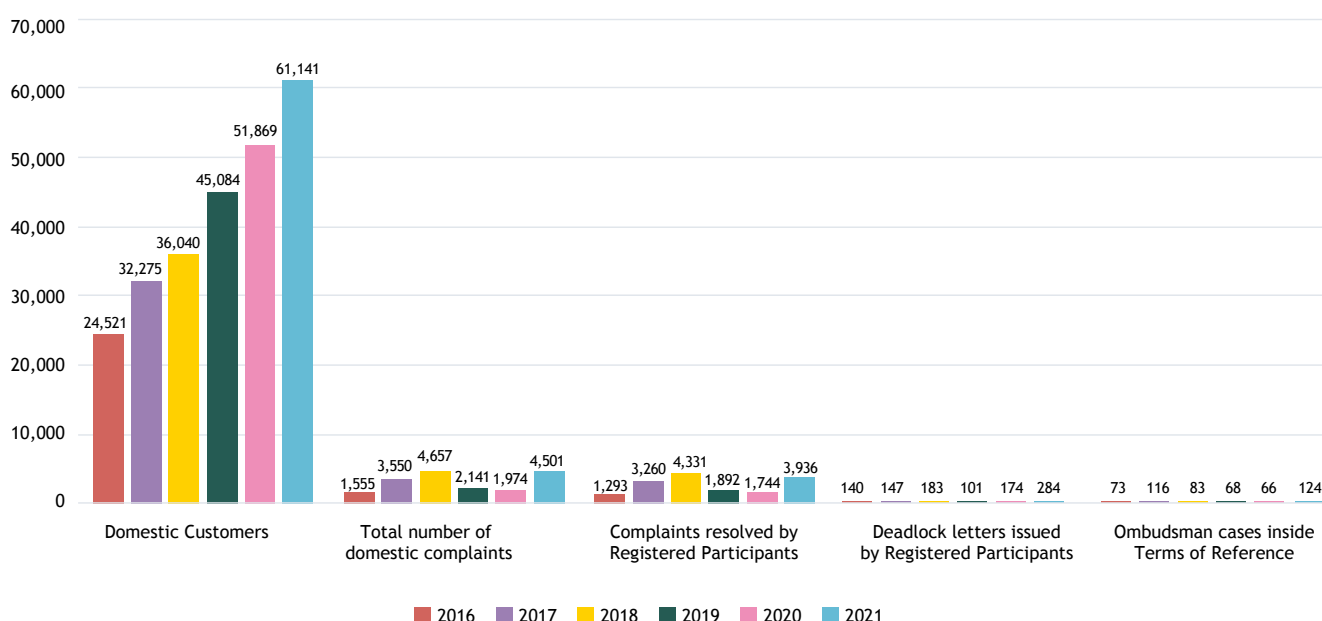


Figure 18 Complaints comparison over time



## 5. Complaints referred to the Energy Ombudsman

**Customers living on heat networks that are registered with Heat Trust are able to access the independent dispute resolution service provided by the Energy Ombudsman.**

## How the Ombudsman 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, operated by Ombudsman Services. Customers access this service for free; all charges are paid by the Registered Participant (the heat supplier). The Energy Ombudsman will look at complaints that are within the Ombudsman's Terms of Reference<sup>26</sup> and covered by Heat Trust's Scheme Rules. Therefore, it is unable to investigate commercial decisions e.g. price increases.

### Key terms:

## Terms of Reference (TOR)

ITOR

Inside Terms of Reference, a complaint that could be investigated by the Ombudsman

## OTOR

Outside Terms of Reference, not within the remit of the Ombudsman and cannot be investigated by the Ombudsman

**Contact (or PITOR)**

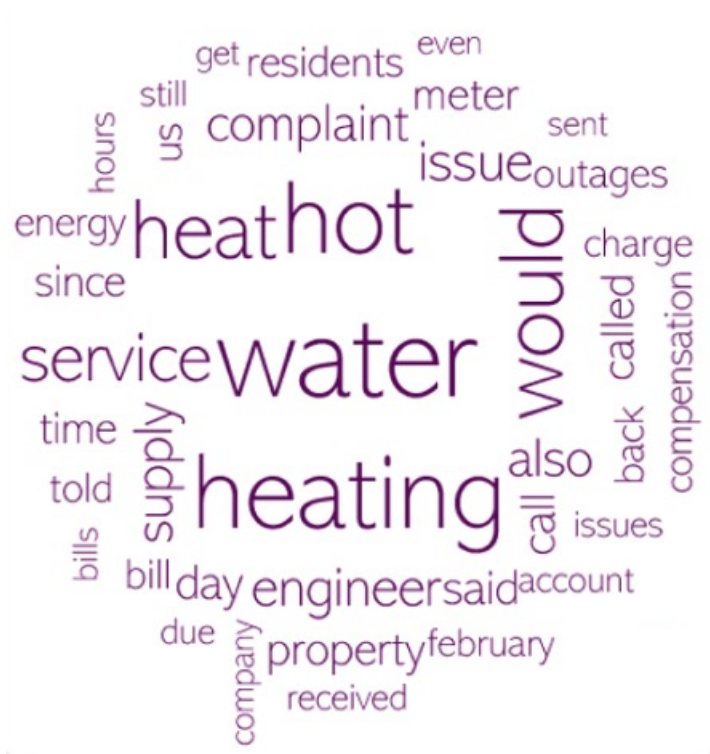
The customer has created a case, but does not yet meet all conditions e.g. within 8 weeks or has not provided enough information to determine if it's within TOR.

## Resolution types

There are three possible types of resolution for a complaint that is accepted by the Energy Ombudsman:

## FCR

**Facilitated Complaint Resolution - The Registered Participant makes an early proposal to the customer and the customer accepts the proposed resolution. This is a non-binding decision because the Ombudsman has no involvement in the complaint itself and the agreement is between the Registered Participant and the customer.**



Word cloud of most common words used by Heat Trust customers with the Energy Ombudsman in 2021



## Decided

Ombudsman Services investigates evidence on both sides and reaches a decision on the case. In this status there are three subcategories:

- Decided: **Accepted** - where both the customer and Registered Participant have accepted the decision, and the decision is binding on the Registered Participant.
- Decided: **Declined** - where the customer has declined the decision and it therefore becomes non-binding.
- Decided: **no response** - where there has been no response to the decision by the customer, and the Ombudsman has therefore closed the case as non-binding.
- **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.
- **Not Upheld** means that the Ombudsman has ruled that the Registered Participant has not made a mistake and has not treated the customer unfairly.
- **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. This is usually associated with FCR.

## Appeal

The case is appealed by one or both parties and the Ombudsman issue an appealed decision. This will state if the decision has been upheld or changed with reasons.

## Outcomes

The outcome of a complaint to the Ombudsman can be upheld, maintained, not upheld 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.



## Summary of complaints sent to the Ombudsman

Between 1st January 2021 and 31st December 2021, 376 complaints were taken to the Ombudsman from customers on Heat Trust Registered Sites. Of those, 36% (136) were inside the Ombudsman Terms of Reference, 32% (123) were OTOR, 14% (54) were PITOR and 17% (66) were 'contact'. This is higher than the number of cases opened in 2020 (142), as can be seen in Figure 19, with a higher proportion of both PITOR and contact cases.

One hundred and twenty-four ITOR complaints were accepted in 2021 and were all from residential customers (bar one from a micro-business customer). Those not accepted are awaiting information from the customer.

As can be seen from Figure 20, the majority of complaints going to the Ombudsman in 2021 were related to billing and loss of supply/technical issues. This is the first time customer service complaints have been broken down into Loss of supply/technical issues and Customer service, and matches the most common causes of complaint being received directly by Registered Participants.

Of those complaints related to billing which were completed in 2021, the secondary level of category can be seen in Figure 21. Disputed responsibility for bill or part of the bill was the most common billing related complaint, closely followed by disputed account balance and disputed 'other' charges, which were the most common in 2020.

Five per cent of billing complaints were settled in 2021 and therefore did not get assigned a level 2 category, displayed in Figure 21, as a full investigation did not take place.

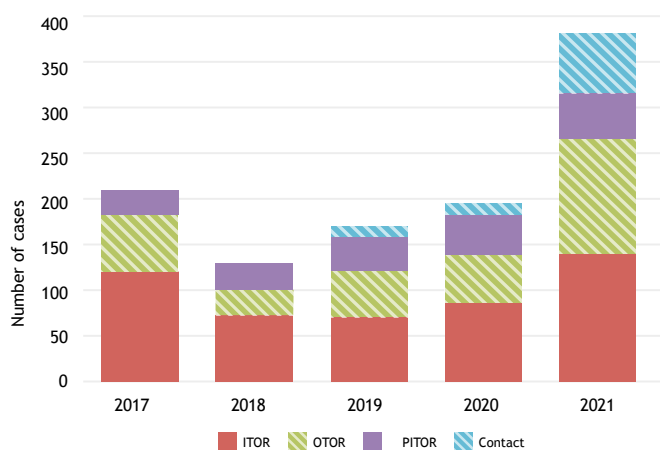


Figure 19 Numbers of opened cases over the last five years, by TOR type

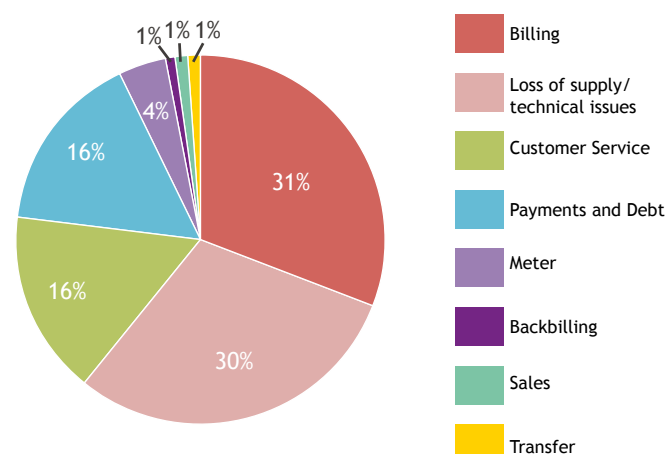


Figure 20 Breakdown of ITOR complaints in 2021 by type

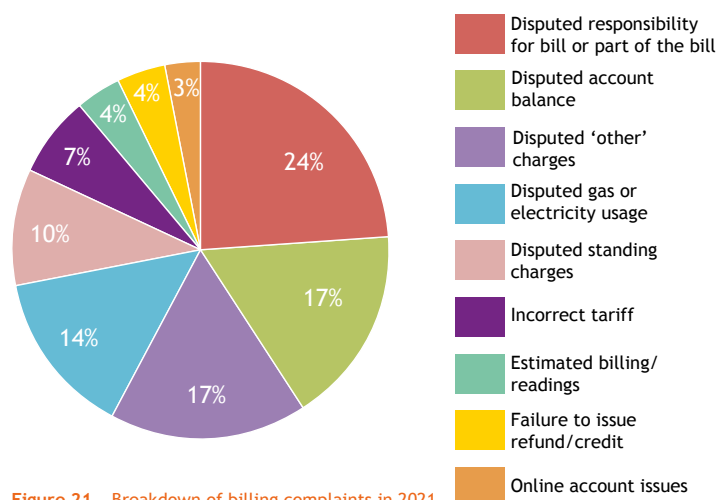


Figure 21 Breakdown of billing complaints in 2021

## Outcome

Of all the completed cases in 2021, 73% were upheld, where the Ombudsman agrees with the customer that the Registered Participant should have done more to rectify the issue. This is an increase from last year (49%), and higher than the average of the previous three years which was 60% upheld.

A smaller proportion of complaints were settled in 2021 (6%) than last year (33%), where the Registered Participant made an early offer to the customer which was accepted without going to a full Ombudsman Services investigation. This may imply customers are holding out for better outcomes from a full investigation, or suppliers are making less appealing early offers.

The Ombudsman is working on passing insights from upheld complaints back to Registered Participants on what they could have done differently to prevent the complaint being taken to the Ombudsman. For example this year most upheld complaints were related to quality of customer service or Guaranteed Service Payments for interruptions, as some companies rigidly follow the minimum standards set in the Rules rather than looking at individual circumstances and showing empathy to the customer (e.g. failure to give a proper apology.)

Of all those cases which were completed in 2021, nearly 2/3rds were decided, see Figure 23, and there was an increase in proportion of appeals to 29% this year (from 16% in 2020).

Appeal decided applied to maintained, not upheld and upheld complaints, although most applied to upheld, indicating it was probably Registered Participants that appealed the decision.

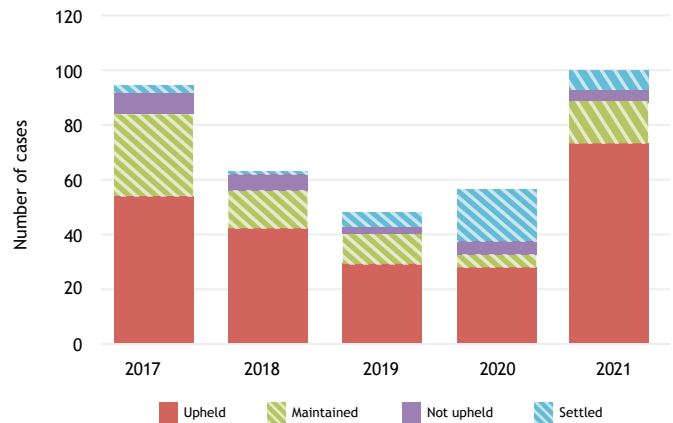


Figure 22 Outcome of ITOR completed complaints over the last five years

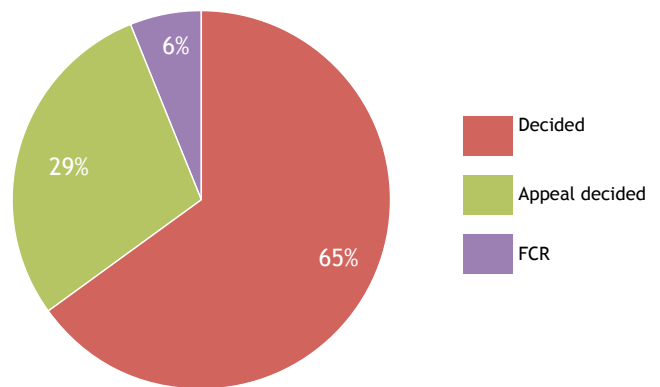


Figure 23 Decision method for complaints in 2021

Of all completed cases in 2021 74% were binding, where the Ombudsman has made a ruling that the customer accepted, and 26% were non-binding. This is a large change from 2020, but more similar to 2019 figures and those of previous years, indicating the lower proportion of binding outcomes in 2020 was related to the COVID-19 pandemic and an anomaly.

## Referrals

The most common way for a customer to find out about the Energy Ombudsman and take a complaint to them in 2021 was via their heat supplier, see Figure 24. This, and the second most common route being an internet search are unchanged from last year.

## Remedy Payments

In 2021 a total of £8,874 was paid to customers as a result of an Ombudsman decision, which is almost triple the previous year. However the average remedy payment was £110, which is very similar to 2020's figure of £118; this implies there were a few higher paying remedy payments but the majority weren't dissimilar to the previous year.

Both the highest number of cases and the highest remedy payment amounts in 2021 were related to 'customer service' and 'payments and debt' complaints, see Figure 25. Although, as previously noted, the majority of the customer service complaints were actually related to technical issues.

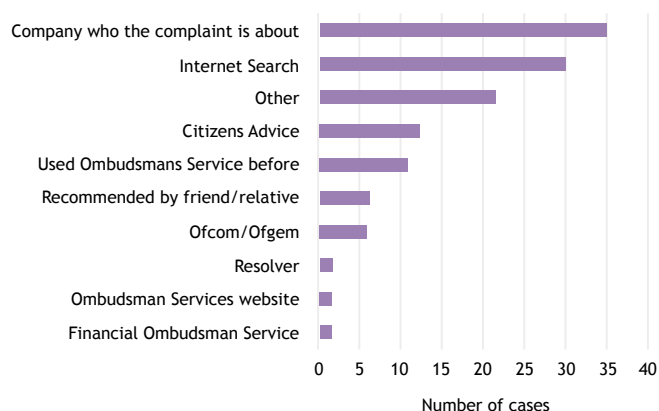


Figure 24 Sources of referrals to Ombudsman Services for all cases opened in 2021

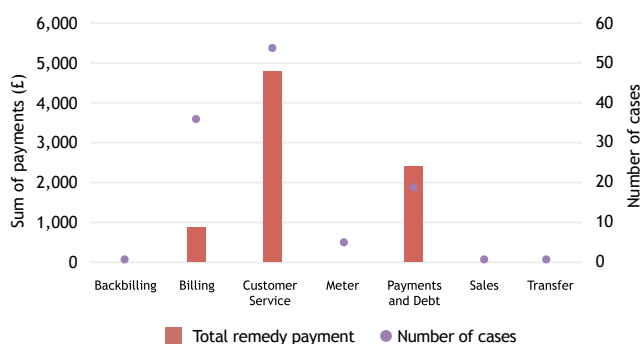


Figure 25 Payment amounts in 2021 per category of complaint, compared to number of cases

Photo credit: Anchor



# 6 • Energy Ombudsman case studies

## Case Study One

**Complaint Type 1: Payments Complaint**

**Complaint Type 2: Guaranteed standard of service payment not provided**

### Customer Complaint Summary

The consumer had experienced a number of interruptions to their heat supply. Each time they raised this with their Registered Participant. On all three occasions, the supply was restored. The consumer complained that the Registered Participant had not offered any goodwill or compensation for the loss of service. The Registered Participant informed the consumer that the interruptions did not meet the criteria to warrant a guaranteed standard payment, so it was not required to make one.

### Registered Participant's Response

The Registered Participant stated that while the service had experienced some interruptions, it had fixed the issue before the guaranteed standard payment would be applicable. It stated that it had informed the consumer of this and explained why it was not required to make a payment. The Registered Participant said that as it had acted in line with the Scheme Rules, then the consumer was not entitled to any form of compensation.

### Ombudsman Services Investigation

Ombudsman Services found that the consumer, within a 12 month period, had experienced three separate interruptions to their service. On each occasion, the consumer correctly notified the Registered Participant. And on each occasion the Registered Participant had taken steps to correct the issue.

When comparing the interruptions against the Scheme Rules for guaranteed service payments, Ombudsman Services did agree

with the Registered Participant that the standard payments didn't technically apply. This was because none of the individual interruptions lasted for 24 hours or more and there were not four or more interruptions within a 12 month period that lasted for 12 hours or more.

Ombudsman Services considered the duration of the interruptions and found that each one lasted more than 20 hours. Therefore, Ombudsman Services concluded that to experience three interruptions lasting this long would cause a level of impact to the consumer and while the guaranteed service payments might not have been triggered, this should not have prevented the Registered Participant from considering this.

Ombudsman Services decided that the Registered Participant should send a letter of apology, for failing to acknowledge the impact the consumer experienced and to make a goodwill payment of £60. While Ombudsman Services accepted that technically a guaranteed service payment did not apply, due to the fact that this was borderline in both duration and frequency, the impact of this, while also taking into account there were young children in the property, was great enough to warrant action.

### Ombudsman Services Remedy Decision

- Provide a credit of £60 in recognition of the impact that the multiple interruptions has had; and
- Provide an apology in writing for failing to recognise the impact this situation has had

### Outcome: Upheld



## Case Study Two

### Complaint Type 1: Billing Complaint

### Complaint Type 2: Disputed responsibility for bill or part of the bill

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#### Customer Complaint Summary

The consumer had two main issues. Firstly there was a delay in the account being set up, which the consumer claimed delayed the payment being made. They also said that part of this issue included incorrect information regarding not paying the electricity provider, which resulted in a balance with them also. The second issue related to a damaged heat interface unit (HIU).

The consumer said that the Registered Participant informed him only to pay them for both heat and electricity, but this turned out to be incorrect advice. The consumer was unhappy with this and the time that it had taken to have the account set up. Once billed, the consumer disputed the charges, claiming that an engineer had informed him that the damaged HIU would have resulted in constant usage, meaning that the consumer was being charged and unable to prevent this.

The consumer wanted the Registered Participant to compensate him for the delays and incorrect information, as well as reducing the balance to reflect the overcharging.

#### Registered Participant's Response

The Registered Participant stated that it accepted that there had been a delay in setting up the account, but was unable to give a clear reason as to the cause for this. It said that it had already apologised for this and offered a £30 goodwill credit, which the consumer had refused. The Registered Participant said that it had no record of it incorrectly informing the consumer not to pay the electricity supplier. The Registered Participant said that it had been considering the usage, which was consistent and didn't show any issues of increased usage.

#### Ombudsman Services Investigation

Ombudsman Services' review found that the Registered Participant did cause a delay in the account being set up, but agreed that it should maintain its offer of an apology and a £30 credit in recognition of this. The delay meant that the account was not set up for a few weeks, but did not have a significant impact to the consumer.

Ombudsman Services said that it was unlikely that the Registered Participant would have informed the consumer to not make payment to the registered electricity supplier. As there wasn't any evidence to support this incorrect advice being given, Ombudsman Services needed to make a decision on this matter, based on the likelihood of the event occurring. Ombudsman Services was unable to require any action from the Registered Participant on this aspect as it couldn't confirm any shortfall.

In relation to the suggestion of incorrect charges, Ombudsman Services found that an engineer did attend the property but did not carry out any work, as the interface unit was in working order. The engineer noted that it did appear that some internal work had recently been completed. It was not entirely clear from the consumer about what work had occurred, but they had confirmed that from this point they were satisfied that the service was working. Comparing the usage before and after this point, Ombudsman Services found that the usage was consistent and didn't indicate any fault to the service prior to the engineer visits. On this basis, Ombudsman Services concluded that the service was not and had not experienced a fault.

Ombudsman Services required the Registered Participant to maintain its offer of an apology along with a £30 goodwill credit for the delay in setting up the account.

#### Ombudsman Services Remedy Decision

- Provide a goodwill credit of £30 and send a letter of apology for the delay in setting up the account

**Outcome: Maintained**

# 7. Conclusion

**To conclude, Heat Trust had a busy year in 2021 which has seen it continue to champion its primary objective of customer protection.**

Heat Trust has undertaken an unprecedented number of site audits in late 2020 / early 2021 and has worked with Registered Participants to address issues of non-compliance and improve customer outcomes. We are now taking compliance activity on to a much more proactive footing and have launched our first compliance project aimed at ensuring that all Registered Participants have adequate processes in place to support customers that might be struggling to pay their bill. Heat Trust has published a report<sup>27</sup> that sets out the aggregated results and identifies good practice for the benefit of Registered Participants and the wider industry.

Heat Trust has been working hard to make sure the issue of heat network price rises remains in the public eye through media interviews and press releases. We have also had frequent meetings with BEIS, senior ministers and Ofgem to help develop potential mechanisms that could ease the burden on heat network customers and the industry.

More broadly 2021 has seen Heat Trust work increasingly closely with Ofgem and BEIS to assist in crafting a regulatory framework that offers heat customers equivalent protections

to those enjoyed by gas and electricity customers while remaining workable and realistic for the industry. Heat Trust has welcomed the messaging from BEIS that encourages heat networks throughout the industry to register with Heat Trust to prepare for formal regulation by Ofgem in the next few years. Indeed, BEIS has now made Heat Trust registration a pre-requisite to the successful application for funding from several Government schemes.

Heat Trust continues to seek to ensure that customers are receiving the standards set out by scrutinising the data provided by its existing Registered Participants and inferring performance and conducting audits.

The benefits of registration with Heat Trust to both consumers and Registered Participants are multifaceted, so if you are the operator of a heat network and you would like to find out more about registration, then please get in touch for an introductory conversation ([info@heattrust.org](mailto:info@heattrust.org)).

27 [http://www.heattrust.org/images/docs/Supporting\\_Customers\\_in\\_Financial\\_difficulty.pdf](http://www.heattrust.org/images/docs/Supporting_Customers_in_Financial_difficulty.pdf)







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