



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

## **Citizens Advice response to the consultation on the Heat Networks Investment Project, capital funding for building heat networks**

As the statutory body with responsibilities to represent the interests of energy customers Citizens Advice<sup>1</sup> welcomes the opportunity to respond to Government's consultation on the Heat Networks Investment Project (HNIP).

### **Our principles**

Citizens Advice has a clear vision for energy services in the 21st century as we transition to a low carbon economy. We believe they should be '*affordable, accessible, safe and fair*'<sup>2</sup> regardless of which technology is employed to deliver those services.

We define these four principles as follows:

- Affordable - energy (including heat) is an essential service. Costs passed onto consumers by industry and government on bills should be minimised and customers given the ability to control their energy use.
- Accessible - customers need simplicity. Access to advice, supply, products and services needs to be hassle-free and quick.
- Safe - customers should not be mis-sold to, misled or face requests for unreasonable fees or demands. Regulations must be enforced, and when things go wrong there must be an easy way to get resolution and redress.
- Fair - energy services must meet the needs of all consumers including those who are vulnerable because of their particular circumstances such as income, health, heating system or housing. Calls for cost-reflectivity must be tempered by the need to ensure all consumers can meet their basic needs, now and in the future.

Using these four guiding principles that Citizens Advice has considered the proposals set out in the HNIP consultation framework and their impact on consumers.

---

<sup>1</sup> Last year Citizens Advice helped 2.7 million people face to face, by phone, email or web chat and we had 36 million visits to our website for advice. We provide free and independent support through 2,900 locations across England and Wales.

<sup>2</sup> Citizens Advice (2014) *Taking control: energy policy and the potential for energy consumers to take control of their bills*,  
[https://www.citizensadvice.org.uk/Global/Migrated\\_Documents/corporate/taking-control-energy-financial.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/taking-control-energy-financial.pdf)



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

## Introduction

Citizens Advice welcomes the overall intent of the Heat Networks Investment Project and in particular the aim to influence the types of networks built ensuring they meet the needs of local communities. Developing heat networks that can provide heat efficiently and help customers control their usage is vitally important to minimising costs passed on through bills. The emphasis on new innovative technologies that include clear benefits for consumers is also welcomed but it is important that these are accessible and user-friendly for all consumers so the benefits can be realised.

We are pleased to note the Government's view that the heat industry itself needs to do its part to drive down costs. This is an area we are particularly concerned about and are keen to see much more progress on before heat networks become mainstream. We agree that heat customers should suffer no detriment in comparison to the alternative and would urge both Government and Industry to develop robust methodology and monitoring systems to deliver this.

Heat networks are long-term commitments that have impacts beyond those developing and investing in them, and includes those consumers connected to them via long-term contracts. It is therefore critical that the needs of consumers are properly considered; now and in the future.

## Eligibility and building an evidence base

Citizens Advice welcomes the implementation of a pilot phase for the first round of funding followed by an independent evaluation of the project. We have no preference for the organisation types eligible for the pilot phase. However, it is worth noting that currently some Local Authorities have difficulty in joining Heat Trust due to their billing preferences (e.g. heat with rent). Citizens Advice supports the use of Heat Trust membership as a key criterion and we suggest that steps are taken to ensure Local Authorities can become members before the HNIP framework is finalised.

On the issue of independent evaluation we would like to note that Citizens Advice has experienced first hand through our consumer advice service that some heat networks are experiencing ongoing customer issues<sup>3</sup>. These issues mainly centre around billing,

---

<sup>3</sup> These have been documented in various reports including one by Which? [Turning up the heat](#) and *Citizens Advice have also seen an increase in the number of customer complaints about heat supply.*



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

customer service and the lack of redress in the heat sector. We are aware our customer contacts only represent a small portion of those who experience issues with their heat supply. This project has the potential to gather further data on the consumer experience to help inform the development of heat networks and the policy framework that supports them. Analysis of the pilot phase and future phases should be published in a timely manner and be publically available to facilitate learning across the sector for new and existing networks not in receipt of funding from the HNIP. This will also help maximise the value for money of the HNIP.

We support the proposed assessments of applications to ensure the technical and commercial future-proofing of projects but would suggest that these should also take into account the potential impact of social changes and the changes in circumstances of consumers. Projects should be able to demonstrate that they will be able to operate effectively in spite of potential changes and minimise any cost-impacts to consumers.

### **Funding and value for money**

It is important that any funding scheme provides good value for money for taxpayers, however, it is equally important that it delivers good value for money for customers connected to the schemes of successful applicants.

Citizens Advice appreciates that investors in networks will expect a certain rate of return, however, it is vitally important that this does not result in excessive costs being applied to heat customer bills. These customers will not be in a position to switch supplier and with long-term contracts being the norm in this sector, could find themselves locked into a scheme for over 25 years.

As mentioned earlier Citizens Advice receives calls from consumers concerned with the cost of their heat and the lack of control they are able to assert over their heat costs via better energy management. We have seen an increase in the number of these complaints over the last 12 to 18 months, many concerned with newer networks. Citizens Advice is concerned that heat networks are currently being deployed which lock customers into higher than average heating costs for 25 years or more.

While we support the proposal to fund the deployment of new or refurbished heat networks it must be ensured that successful applicants deliver the highest standards



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

of efficiency and provide robust financial data to prevent customers paying too much for

their heat and hot water. These networks must also be able to demonstrate the clear consumer benefits in terms of their user controls.

In principle we are also not opposed to the HNIP capital funding being used to support the expansion of heat networks and the refurbishment of existing networks. However, applicants again should be able to demonstrate the benefit to consumers (current and future) of expansion and quantify those costs that will be recouped via heat bills to ensure they are minimised and able to compare favourably with more conventional forms of heating.

### **Criteria**

In considering the criteria outlined in the consultation that applies clearly to consumers Citizens Advice considers the following to be the minimum threshold criteria that applicants should be able to demonstrate to obtain funding:

- Networks will operate with no consumer detriment to the counterfactual - this is with regards to both heat price issues and wider customer services; and
- Networks are technically and commercially future-proofed to ensure they can operate effectively and efficiently in a potentially changing market minimising disruption and additional costs to consumers.

Our focus on these two aspects should not be taken as evidence of the unimportance of the other criteria.

### **Customer protection**

It is well-known that the heat market is an unregulated one and limited consumer protections apply outside of the voluntary consumer protection scheme, Heat Trust<sup>4</sup>. While Citizens Advice has welcomed the launch of the Heat Trust scheme it is acknowledged that it does have limitations.

---

<sup>4</sup> [www.heattrust.org](https://www.heattrust.org)



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

The voluntary nature of the scheme combined with a lack of incentive for heat suppliers to join greatly reduces the reach of the scheme. In addition, the way in which the scheme is designed means that some suppliers are unable to join even if they wanted to

do so. For example the scheme is currently unable to support those networks delivering heat with rent billing systems.

The lack of competition and long-term contracts for heat makes the issue of limited consumer protection all the more critical. In the long-term Citizens Advice believes a robust consumer protection framework for heat is needed. This should apply to all suppliers regardless of ownership and scheme design, and Government should be working towards the delivery of such a framework.

In the short to medium term there should be a push to require all heat networks to deliver minimum standards of service, ensure reasonable billing and provide a clear and easy access to advice and redress through an appropriate mechanism. For the purposes of the HNIP we support the proposal that all successful applicants should have to sign up to the Heat Trust consumer protection scheme and the CIBSE code of practice as a condition of receiving any funding through the HNIP.

In addition, we note in the Government's consultation the aim of the HNIP to '*bring about an increased and sustained build rate for heat networks and influence the types of heat network built, and help stimulate a self-sustaining heat networks market*'. Citizens Advice is concerned that this aim is built upon the assumption that heat networks deliver low-carbon and low-cost heat when the evidence-base to support this assumption is lacking. We are concerned that increasing the build rate without fully understanding the consumer experience will lock more customers into higher energy bills for a considerable time (25 years and above). This is extremely concerning as the nature of heat networks with a billing structure designed to recoup capital costs means that many customers are able to exert only minimal control over their heat bills.

Citizens Advice also notes reference to the Government's heat networks demonstration competition<sup>5</sup> that ran until March of this year. The aim of that competition was to test new products and services to deliver better performance. We

---

<sup>5</sup> <https://www.gov.uk/government/news/heat-network-innovation-competition>



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

are concerned that the results and analysis of this competition with its potential insight into impact on consumers is at the time of writing unpublished. While new systems that allow customers to better manage their energy use are welcomed it is critical that we understand which systems are accessible for all consumers ensuring that they are able to get the best use of them and realise the benefits.

### **Measures of success**

In response to question 27 regarding components of sustainable heat networks we would note that the cost component should include the impact on customer heat bills using real data and in comparison to the counterfactual. An additional component would be the reliability and efficiency of networks, this is critical if they are to compete with other low-carbon heat solutions.

Question 30 asks if the supply chain is ready for the accelerated deployment of heat networks. Citizens Advice believes that in relation to the customer service provision and adequate consumer protections it is not.

### **Conclusion**

While we continue to have concerns about heat networks and consumer detriment Citizens Advice welcomes the HNIP funding with the aim of supporting the deployment of better designed and efficiently operated heat networks that work for consumers. However, it is vitally important that this project carefully manages and closely monitors the deployment of these HNIP funded networks to ensure no consumer detriment is experienced (compared to the alternative) and that detailed evidence is gathered to inform future heat network deployment.