

	Questions	
Q No.	Fair pricing framework	LBC Response
1	Q1. Have we identified the right set of fair pricing consumer objective, principles and outcomes and are these properly defined? If you disagree with this proposal, please specify what changes you would like to see and provide a justification.	<p>We believe that these are the right set of objectives and have been defined.</p> <p>However, <u>paragraph 2.47 needs to be considered carefully</u> as currently commercial suppliers can back bill as far back they like, this would cause issues where heat networks cannot pass those charges, or indeed credits, onto customers. Heat Network suppliers buy the gas and electric commercially in general.</p>
2	Q2. Do you agree with our proposals to develop the fair pricing guidance in relation to the principles (please note that questions on cost allocation proposals, including guidance, are asked separately under Chapter 3: Cost allocation). In particular:	Yes we agree to the high level design mentioned to accommodate the flexibility within the pricing structures for Heat Networks
2a	a) have we identified the right areas to be covered by the guidance implementing the fair pricing principles (see paragraph 2.53 for a summary of the areas we are proposing to develop in guidance under each principle)? If you disagree with this proposal or think other areas should also be included, please specify what changes you would like to see and provide a justification.	Agree
2b	b) Do you agree with the specific proposals to develop each of these areas in guidance? If you disagree, please specify what changes you would like to see and provide a justification.	Pricing framework - agree in principal
3	Q3. Do you agree with the proposed 'fairness test'? In particular:	Agree
3a	a) Do you agree with the high-level features of the fairness test (principle based, reasonableness, case-by-case basis, and objectivity)?	Agree
3b	b) Do you agree with our proposals to implement the fairness test discussed in Appendix 1: Fairness test?	Agree
4	Q4. Does the revised authorisation condition, 'fair pricing', reflect the policy intent	Agree
5	Q5. In relation to market segmentation (please note that we are asking in relation to the considerations discussed in paragraphs 2.58-2.61, segmentation considerations in relation to price benchmarking are considered under Chapter 4: Price comparison and benchmarking methods):	
5a	a) Have we identified the right characteristics for market segmentation, and are these correctly defined?	<p>We agree with the characteristics identified,</p> <p>however the data protection regulatory burdens need to be proportionate: - so you would need different approaches, for example for metered/ non-metered networks</p>

5b	b) Do you agree with the segmentation approach discussed for each of these characteristics?	<p>Yes in general.</p> <p>With regards to 'Housing Tenure' you will need an understanding of how individual not-for-profit organisations charge for heat, and whether the heat charges are truly bundled i.e. in with rent and cannot be identified separately or just invoiced with rent but defined separately.</p> <p>Consider that Networks which are replaced post-regulations, they may not be able to provide data collection processes as per the regulations due to listed building status etc.</p>
	Data requirements	
6	Q6. Of the information listed in Table 3 below, what do heat networks already regularly collect and can be easily reported?	<p>The metered heat charges are provided annually as per the Heat Meter and Billing Regulations 2014. But the unit rate and standing charge that the LA pays will not match what then we charge to residents, and providing what the LA are charged could raise many questions and queries from Residents. So we would generally not recommend providing this.</p> <p>However, if we are asked how we have calculated the unit rate and standing charge, which are calculated site specific, we can provide this.</p> <p>Would this need to be provided on a site-by-site basis?</p> <p>For non-metered, it needs to be considered that the unit rate and standing charge that the LA receives monthly is for separate gas and electric, not Heat. Heat is often provided by a combination of both gas and electric.</p>
7	Q7. Of the information listed in Table 3 below, which items would be more challenging for heat networks to report?	<p>The information is available. However, the frequency would have to be annually for all informaion provided. We are unable to provide this information quarterly as calculations are provided annually, anything more would put a significant strain on Heat Networks in time and resources.</p>
8	Q8. Of the cost drivers listed in Table 7 (in Appendix 3), which items would be more challenging for heat networks to report?	<p>Most of this information is held, but it is not collected centrally. Network lengths and zoning locations would pose the most challenge for the LA to provide information on.</p> <p>For zoning in particular, the tools do not currently exist to enable us to provide this. The Zone co-Ordinator needs to provide the tools to enable Heat Networks to be able to provide this.</p>
9	Q9. Should certain types of heat networks have more limited data reporting requirements? If so, which heat networks should these reduced requirements apply to, and what data should they be exempt from reporting?	<p>Providing this data for comparison purposes could cause issues with not-for-profit organisations compared to profit organisations heat networks, for example with network type, infrastructure and costs in the unit rate standing charge</p>
Q No. Cost Allocation		LBC Response
10	Q10. Do you agree with our proposed prescriptive rule that GSOP payments, compensations, fines, penalties and other redress provided to consumers should not be passed through to customers?	<p>We agree in principle - but the compensation levels set for not-for-profit organisations needs to be considered, as this cost will come out of funds which could instead have been used for upgrading, repairing and maintaining the heating infrastructure.</p> <p>The LA will need to change our current process so that any heat compensation payments for loss of service will now go through the Housing Revenue Account rather than the heating pool</p>

11	Q11. Do you agree with the draft best practice guidance provided? Is there anything that should be added? Should any of the best practice guidance be strengthened to prescriptive rules?	Yes
12	Q12. Do you think that the best practice approach to cost allocation should differ for different types of heat networks, or different types of suppliers? If so, for which types and how?	It could be considered that penalty costs could differ for profit making organisations vs not-for-profit
13	Q13. Does the authorisation condition, 'cost allocation', reflect the policy intent?	Yes
14	Q14. What other feedback do you have on the proposed approach to cost allocation?	Cost allocation monitoring should be annually, unless heat networks raise statements or bills more frequently.
Q No. Price comparison and benchmarking methods		LBC Response
15	Q15. Do you agree with our proposed approach for defining heat network prices in a comparable way? Are there any other ways to define price that we should consider?	No - we do not agree with comparing only to gas boilers or heat pumps. It is not comparable for many heat networks as a lot of the historic heat networks are CHP which are supplied by gas and electric and therefore the unit rates will generally be higher in both cases.
16	Q16. Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?	No - we do not agree for the reason given above
17	Q17. Do you agree with the proposed method for calculating a heat pump benchmark, including the key input parameters outlined? Are there any additional factors that should be considered to ensure a robust heat pump benchmark?	No - we do not agree, as this benchmark could only be used for fairly new heat networks that have good infrastructure
18	Q18. Do you agree with the proposed approach to comparator benchmarking, and our list of potential cost drivers set out below and in Appendix 3: Cost driver? Are there any relevant cost drivers that we haven't considered?	Yes in principal
19	Q19. What is your view on the ease with which data could be reported on the four 'High Importance' cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?	<p>The technology and fuel type are recorded.</p> <p>However, the fuel input price for each site is in the form of gas/ electric, not heat. This information comes from the supplier, although we may not want to report this as it is not the charge that goes to residents, so it may just add confusion rather than helping the resident. The cost and supplier standing charge are combined for metered sites to get the unit rate.</p> <p>Network pipe length – this is known as it is used to calculate gas pipe maintenance, that said it would take some time and resource to gather all this information centrally for every network</p> <p>Annual network demand – we only hold this information for gas</p>

20	Q20. What is your view on the ease with which data could be reported on the remaining 'Medium Importance' cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?	<p>Network generation and age – we hold this information</p> <p>Type of network, utility supplied, metered and non-metered– we can gather this information easily</p> <p>Operating temperature - this would be challenging to provide annually as we do not constantly monitor the operating temperature of each network, however most of the networks are running at a temperature of between 65-75 c.</p> <p>It would be more appropriate to supply the number of properties supplied, rather than number of customers, as this is not accurate due to residents changing, births/ deaths etc.</p> <p>Operator/ supplier/ both and geographical location– we can gather this information easily</p> <p>We pass on all costs that we can</p>
21	Q21. What is your view on our proposal to publish a high-level methodology for each benchmark (once data is collected and methods have been tested), to provide an accessible overview of the approach?	We agree with this, as long as there are sufficient benchmarks to match the existing heating system types
22	Q22. Do you have any other feedback on the proposed approach to price comparison and benchmarking?	<p>It is really important that the starting point for benchmarking takes into account the existing heating networks that most LAs have. Including consideration of the existing housing types, their age, condition, listed building status etc.</p> <p>We do not agree with comparing only to gas boilers or heat pumps. It is not comparable for many heat networks as a lot of the historic heat networks are CHP which are supplied by gas and electric and therefore the unit rates will generally be higher in both cases.</p>
Q No. Profitability analysis		LBC Response
23	Q23. Do you agree with the proposal for ongoing monitoring of profitability through data collection on EBIT margins for all heat networks?	N/A - please can you confirm that this will not be required for cost recovery organisations/ not-for-profit.
24	Q24. How challenging would it be for heat network operators and suppliers to provide the data outlined for calculating EBIT margins? What barriers, if any, might affect the accuracy and completeness of the data?	N/A - as above, but please be aware that some data may be commercially sensitive and cannot be shared
25	Q25. As data collection improves, do you agree that more in-depth profitability assessments, for example using Return on Capital Employed (ROCE), should be conducted for networks identified as outliers through benchmarking?	N/A - as above
26	Q26. Do you have any other feedback on the proposed approach to profitability assessment	N/A - as above For-Profit and Not-for-Profit organisations should be split.
Q No. Central price transparency		LBC Response

27	Q27. What are your views on the three options? Please comment on each option in terms of the price information to be centrally published, how the price information is presented and what prices are compared to.	<p>(1) Grouped comparison by size, age or technology - we agree with this like-for-like option</p> <p>(2) High level market averages - similar to the Heat Trust approach, this may be less meaningful for consumers – and we would object to this approach</p> <p>(3) Performance of an individual heat network compared to a benchmark - this is likely to be most meaningful to consumers as long as benchmarking is accurate and widely collected</p>
28	Q28. Do you think the options have the right balance between providing a good level of transparency, burden on consumers to interpret the information, risks of misinterpretation by consumers, disclosure of commercially sensitive information, and risk of price convergence?	Yes on the whole
29	Q29. Do you support focusing on one option or a combination of options in paragraph 6.69?	A combination of options sounds more meaningful
30	Q30. Do you support the phasing in of the options described in paragraph 6.70?	<p>Yes phasing in of options seems sensible as it will take time to collate benchmarking data, for example.</p> <p>But realistically it will need at least two years, but three would be better, for the benchmarking data to be useful/ useable</p>
31	Q31. Do you support the adoption of different options for different heat network groups described in paragraph 6.71?	This makes sense, but the combination of options and details of the data requirements and transparency options, would be needed, to comment further.
32	Q32. Do you agree that central price transparency measures are unlikely to put additional administrative burden on heat networks in addition to data reporting for benchmarking? Do you have concerns on the administrative burden from any options?	We agree it should not add an additional administrative burden, but inevitably providing the data required for over 200 heat networks will result in significant additional resource, time and cost.
33	Q33. Do you think it is appropriate to link central price transparency with benchmarking?	As in the combination option? We think this could be more meaningful for consumers